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Y TURISMO



Escuela de  
organización  
industrial

**BID**

*Your  
Rent*



*Want it? Take it*

*[www.bidyourrent.com](http://www.bidyourrent.com)*



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## BIDYOURRENT

### Why BidYourRent?

The renting market in Madrid is dramatically increasing its value achieving astronomic demand figures and ensuring an apartment in the wished conditions has become the most necessary vitamin. The real state agencies are left behind, since the new customer purchases through the Internet and is used to acquire the product wanted and do not accept less.

### What are we?

BidYourRent is an online platform in which tenants bid for a desired place, enabling an auto-regulated market and attending to other critical issues such as: the quickness and reliability of the process.

### Who are we?

BidYourRent is a young team committed to provide a solution of renting an apartment in Madrid that concern our contemporaries. With different backgrounds and profiles (engineering and MBA) as well as expertise, we are enforced to improve the market we are going to be working in and we are excited to develop our entrepreneur mindset.

### Who do we target?

BidYourRent will work with tenants and landlords in the city of Madrid. Since the initial investment is limited, the business will put their resources in create a wide net of landlords whereas BYR looks for acquire students as tenants.

### What do we offer?

BidYourRent offers a product that enhanced the process of renting an apartment and gives a solution to: the difficulties tenants find to acquire the wished place, through a quick and reliable renting process and maximize the profit the apartments can make in the renting market.

## THE TEAM

BidYourRent was born in November 2017 in Madrid by a group of students from the EOI who are committed to ameliorate to make our contemporaries' lives in Madrid easier. It is no secret that in this city housing, especially renting, is a resounding concern. This multidisciplinary team of six qualified members, with different profiles (technology, engineering and business administrations) and backgrounds and who had to see themselves putting up with this problem, put in common their viewpoints in order to find the solution.



**Álvaro Manso Polo**  
(MERME)

**Chief Executive Officer**



**Belén de Lorenzo Pérez**  
(MBA)

**Chief Finance Officer – Co-Chief  
Marketing Officer**



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Serrano (MBA)**

**Chief Strategy Officer – Co-Chief  
Marketing Officer**



**Servando Tirado Tijero**  
(MERME)

**Chief Sales Officer**

## ENVIRONMENT & MARKET ANALYSIS

The context in which BidYourRent will play is summarized through a PEST analysis and a Porters' Five Forces analysis.

### PEST Analysis

#### POLITICAL FACTORS

Important political decisions are being studied in order to control the price of the available-to-rent housing in Madrid:

- Maximum Renting Price proposal in the Congress fixing the maximum price based on the features of the apartment.
- The initiative of set the minimum life of the renting contract in 5 years.
- Banks and investment funds obligated to cease their properties for temporary renting (10 years).

#### ECONOMICAL FACTORS

- The online renting market in Madrid has increased by a 5,7% in 2017 and has achieved a figure of 195.507 properties available for renting.
- TIR of the renting sector in Madrid: 5,8%
- Clear scarce offer for the registered demand figures. This provokes a high dynamism of the apartments (last available a very short period) and lack of negotiation of the conditions.
- In Spain, the renting expenses represent over the 40% of the domestic economies.

#### SOCIAL FACTORS

Due to the trend of temporary contracts and the geographical mobility opportunities of the jobs, the renting has become the preferred housing alternative (especially in young profiles). In fact, in cities with notable housing prices, this is the only feasible housing option for a high percentage of the population (two out of three people).

#### TECHNOLOGICAL FACTORS

BidYourRent is able to provide the quality of its service helped by the development of the complex software and the interface of the website and application. The competitive advantage relies on the recent progress in the field of Big Data. In addition, the incorporation of technologies such as the 3D Camera and e-contracts.

## PORTER'S FIVE FORCES

### COMPETITIVE RIVALRY

At the moment, there is no service with the same characteristics as BidYourRent but there are another important companies or services that compete in our market. These services have acquired a relevant importance in Madrid since they make use of a good technology system or renting management. Besides, they have become top of mind for interested people so the efforts to gain our share of the market have to be aggressive, so customers understand our value proposition. Among the competence, we find:

1. Real State Agencies
2. Renting platforms online like Idealista, Spotahome
3. Particulars – worth of mouth

### SUPPLIER POWER

The suppliers of Bid your rent are an IT Company that provides us with the software and design of the platform and application, and a legal service.

These demanded services are not very specialized in the market, and the range of suppliers we can find is big. The only factor that could determine we choose one or the other may be the price. All of the above said we could conclude the supplier power is small for Bid your rent since suppliers can be substituted easily.

### BUYER POWER

Buyer power is going to tell us how important the negotiation role of our customers in acquiring the service is. Both our customers, tenants and landlords, are essential in the performance of our business, and they will influence it, by setting lower or higher minimum bids, or by offering more or less services and quality.

All of this is going to make our market either very competitive or not competitive at all and will determine how much the landlord will make.

In the case of Bid your rent, buyer power is very high since there are many other existing options like Idealista, so we have to adapt the business to actually match our aimed tenants with appropriate apartments.

### THREAT OF SUBSTITUTION

For Bid your rent, the threat of substitution can be high, if potential customers see little difference between the service we provide, and the service other platform and real state agencies give.

In order to reduce the threat of new customers we created ways to increase loyalty from our customers, to retain them and get them benefits, like positioning in our webpage.

The biggest threat of Bid Your Rent is that new platforms show up offering a different service than us but very accepted between our potential customers.

#### THREAT OF NEW ENTRY

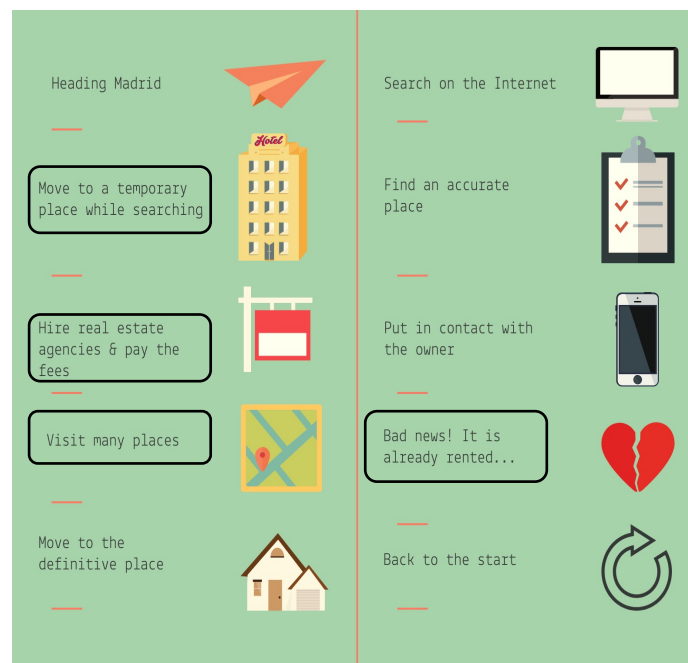
According to Porter, the easier the entry to a market is, the bigger the threat is and the lower the market profitability. This market is a feasible one and entry barriers are not very high, so the threat of new entry is very high. Besides, the huge demand of Madrid and the lack of beds makes it more attractive for entrepreneurs to try to create new competitive solutions.



## BUSINESS MODEL

BidYourRent is a bidding platform where tenants acquire the apartment by setting the highest bid and landlords easily advertise and make the most of their properties in the market.

Having defined the business model, the document proceeds with a deep insight of the problems of the that BYR could solve. As the reader already acknowledges, renting is a very demanded alternative specially in younger profiles since they cannot afford the acquisition of a property or since in their life stage professional this is a more accurate housing alternative (mobility opportunities in their professional career or still studying). Nevertheless, in cities as Madrid, where the demand is extremely high, the process of finding a place to rent could turn into a nightmare. In the image below, two different customer journeys of this mentioned process are described: the column of the right represents the process of seeking for an apartment in Madrid in situ, whereas the one of the left represents the process of seeking for an apartment in Madrid online.



The problems detected in the customer journey (highlighted in the image above with black squares) are explained under these lines:

1. Assume the costs of a temporary place such as Airbnbs, hotels, hostels, etc. while seeking for an apartment in Madrid. Usually, this stay lasts from fifteen days to a month and these housing alternatives present high prices.
2. Face high real state agencies' fees, that are likely equal to a monthly payment.
3. Move around Madrid visiting numerous places accompanied with the real estate agent. This introduces an extra effort that the new customer, who is very used to make their purchases on the Internet, tries to avoid. Therefore, this customer

journey just defined is more common when the customer realizes that the process of the right column is not bringing the expected outcomes and feels desperate.

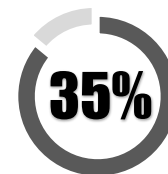
4. **The high demand extremely complicates the acquirement of an apartment only lasting available for a very short period of time.** This is the most outstanding problem and the core of the customer complains of the process. When the customer finds an apartment in which is interested and contacts the landlord, the answer usually is a negative since it is already rented or, even worse, there is no response.

For a better understanding of the size and the importance of this last problem, some data from the targeted market is compiled:



**Are willing to pay over the price** of the apartment in order to achieve the one they want. This means that in every negative response of the landlord because the apartment is rented, the tenant customer is willing to raise the price in order to acquire it.

**Have registered** into the website having known about BidYourRent.



The techniques of validation of the previous statements included: interviews and surveys to tenants and Landlords and the launch of the website (MVP). Regarding the former, the results were based on the answers of the surveyed public, whereas the validation of the latter is through the number of registrations.

Moreover, there is an online renting market and in which the recent increase of number of operators is outstanding, this means, landlords are more than willing to post their properties in these platforms. In fact, there is the successful case of **Rentberry** a business similar to BYR that operates in the US market. This company started its activity in early 2016 and nowadays works in 40 cities and only in nine cities the company manages over 14.000 apartments, which represents an increase of 7.000 apartments per year. Later in this document, this online rental marketplace will be deeply studied.

## MISSION, VISION & GOALS

Mission	Vision	Goals
<p>Improve the quality of life in Madrid</p>	<p>Bring to the world a disruptive renting concept</p> <p>Nurture a winning network of tenants and landlords to whom we create enduring value</p>	<p>Be top of mind in the target</p> <p>Provide tenants with the wished apartment</p> <p>Provide landlords with the maximum benefit the market is willing to pay</p> <p>Penetrate a 0,5% of the market</p>

## STRATEGY OF THE BUSINESS

The strategy BYR applies in order to provide tenants with the wished apartment and landlords with the maximum profit is based on a **bidding system** where the market fixes the highest price of the properties. Landlords set the starting price and tenants the final price (highest bid).

Moreover, the system matches tenants and landlords and shows only those options carefully selected for tenants based on their requirement as well as their profile (landlords' requirements). This facilitates the purchase decision of the customer who manages a lower number of more accurate options. For the same reason, the team of BYR, ensuring a minimum standard of quality and good conditions as well, will filter the apartments.

Apart from the system, other prior initiatives of the business look for **acquiring a wide portfolio of landlords** through very attractive promotions to a limited number, moreover, the launching of a marketing campaign would target tenants, once landlords rely on the service of BidYourRent to post their properties.

BidYourRent offers an immediate renting process (which, again, accelerates the purchase) enabled by the e-contracts the system designs based on the requirements of each specific transaction.

In overall, BidYourRent develops a value chain in which the core competences of the business lie in the bidding system and the data (software and big data) and marketing.

## VALUE PROPOSITION

The value proposals of BidYourRent for tenants and landlords define the core of the business and justify the success of the business model.

### FOR TENANTS

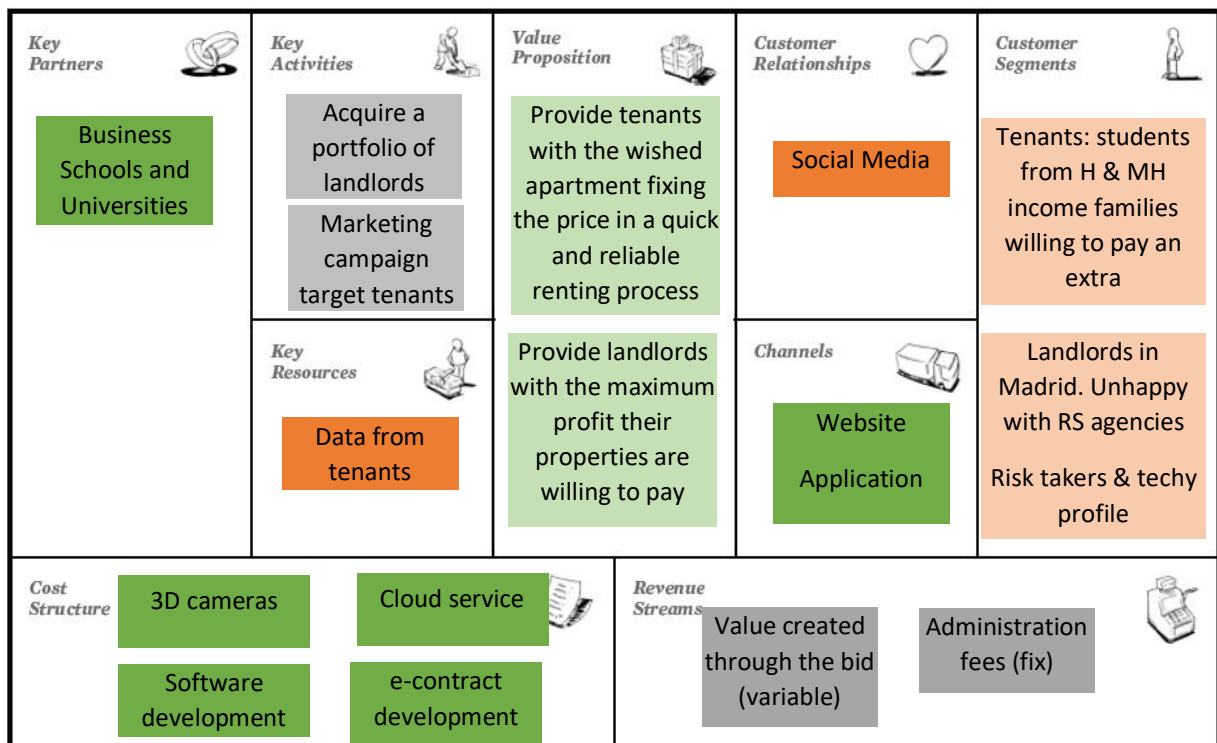
- Effective** Ensure the wished place
- Quick** Quick response and quick renting process
- Reliable** Reliable view of the apartment  
Non-speculating bid

### FOR LANDLORDS

- Maximize profit** Ensure the maximum the market is willing to pay
- Quick** Quick renting process
- Reliable** Verified profiles  
Non-speculating bid

## BUSINESS MODEL CANVAS

The Business Model Canvas compiles the main ideas of the business. Some of the points were already explained to the reader, whereas others will be treated later on this document.



## SWOT

SWOT Analysis will be useful for understanding what our Strengths and Weaknesses are (Internal origin), and for identifying both the Opportunities open to us and the Threats we face (External origin).

### S

#### STRENGTHS - INTERNAL

- Knowledge in the aimed sector
- Disruptive new concept by bidding
- Fast processes (1 week) and ensure– Value proposition
- Marketing campaigns and used of 3D technology
- Strategies and tactics extremely focus in our target (business schools)
- Attractive product portfolio

### W

#### WEAKNESSES - INTERNAL

- Lack of experience since we are a start-up
- High unitary costs
- Difficulty in strategy to attract landlords and tenants
- Low profitability, specially during first years
- Difficult to get finance from investor
- Lack of skills and key activities

### O

#### OPPORTUNITIES - EXTERNAL

- High demand of apartments for students
- Landlords and tenants tired of RS Agencies and fees
- Lack of beds in Madrid
- Many students (Spanish and foreigners) in Madrid
- Regulation in Madrid in September this year (less holiday apartments, more apartments for students)

### T

#### THREATS - EXTERNAL

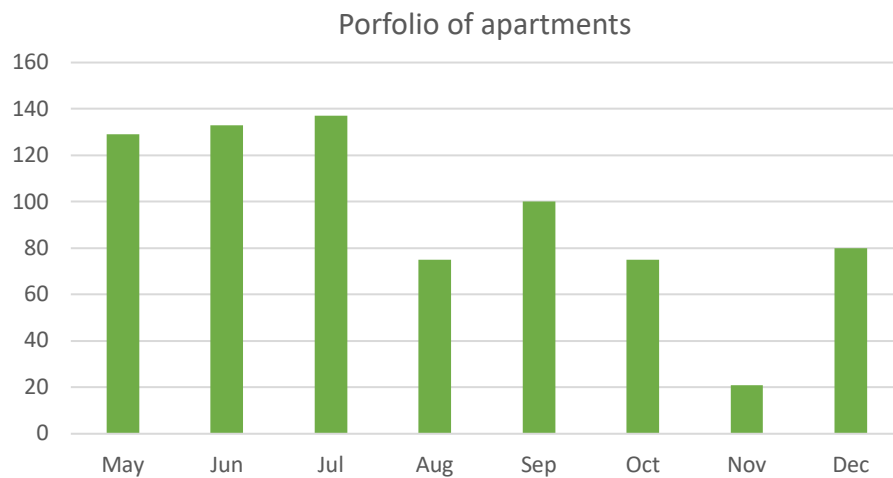
- Competence like Idealista that is top of mind
- Entry of new competitors in the market
- Slow market penetration
- Distrust of customers towards us – scarce of risky customers
- Customer may not understand our value proposition
- Madrid RS Bubble
- New regulation in Madrid

STRATEGIC OBJECTIVES

Having analyzed the environment, the market and the strengths and opportunities of the company, but specially the competitors market share, BidYourRent looks for penetrating a **0,5% of the online renting market**, which, in figures, represents over 750 apartments in the city of Madrid. This set a maximum capacity of tenants of more than 1.500, which represents the minimum of tenants to acquire, otherwise useless capability would appear and the bid would not count with enough participants, damaging the outcomes. In overall, the number of apartments (landlords) and students that the business aims to acquire are set.

Since the driver of the business is the number of apartments, it is convenient to forecast the evolution of this asset. It is expected the chart reaches peaks when the apartments get available (May, June, July and September) and tenants start the process of finding a new place. Therefore, this evolution has relation with the end and start dates of the scholar year and could be similar to the following table.

Portfolio of apartments	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	129	133	137	75	100	75	21	80



An optimistic scenario considers BYR able to penetrate near the 1% of the market, which represents a portfolio of near 1.500 apartments.


Portfolio of apartments	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	258	266	274	150	200	150	42	160

A pessimistic scenario considers BYR able to penetrate only the 0,25% of the market, which represents a portfolio of near 375 apartments.

Portfolio of apartments	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	100	61	63	33	45	33	6	35

The **second exercise** consists on a year of growth when the sales figures are expected to increase proportional to a wider portfolio of apartments and the brand recognition and reliability among reputed academic institutions and students. BYR expects to control the **1%** of the market. Besides, some of the tenants of the previous year start their professional career in this exercise and, therefore, BYR is entering into the workers sector and the brand might ring a bell in companies.

The **third exercise**. Supported with the progressive opening to companies previously mentioned, the business will be expanded to a new market: **displaced workers**. Attending to the little anticipation displaced workers know they will be destined to a new city and it is the company the one in charge of facing the housing expenses (lower sensitivity to the price), BYR is an accurate alternative for this market. Therefore, the market of Madrid presents higher revenues objectives: **2%**.

<b>JUAN RUIZ</b>		<b>AGE</b> 32	<b>FRUSTRATIONS</b>
<i><u>Manager at consultancy firm</u></i>	<b>NATIONALITY</b> Spanish (from León)	Overwork	<input type="text"/>
	<b>JOB</b> Manager	Lack of free time	<input type="text"/>
	<b>LOCATION</b> León	Renting apartments requires time	<input type="text"/>
	<b>MOTIVATIONS</b>	<b>GOALS</b>	● To become the director of the big company
	Job <input type="text"/>	● Make money	● To have a family in the future
	New life in Madrid <input type="text"/>		
	Family <input type="text"/>		
<p>Juan has just been promoted and has to move from León to Madrid. <i>However he has no time to visit madrid to find apartments and do all the paperwork.</i> He needs it ASAP and has some requisites of area and design for his high-level new life</p>			

In addition, this period will be dedicated to the preparation for the expansion to the city of Barcelona. Currently, it is hard to predict the future evolution of Catalonian conflict, therefore, a market analysis will be carried out during this year. The criteria for the geographical expansion is the following:

- Cities with renting as a trend of housing alternatives
- Cities where the real estate market undergoes a bubble
- Cities with reputed academic institutions (ESADE in Barcelona, London Business School in London, etc.)
- Cities with a high industrial activity and employee turnover

The **fourth exercise** is the one of the starting of geographical expansion heading the **city of Barcelona**. The strategy to apply will be similar to the strategy applied in the city of Madrid and improved with the learned lessons.

The online renting market of the city of Barcelona increased by 35% in 2017 which in apartments means 98.000 apartments. A penetration of 0,5% is expected. Assuming the

same dispersion of apartments of the different capacities as in Madrid, the variable revenues foreseen are 107.565€ and the business will perceive 14.700€ from fix revenues. In overall, the former year in Cataluña leaves for BYR 122.265€.

The market of Madrid enjoys the consolidation of the 2% of the market share.

**The fifth exercise** is the consolidation of the Catalanian division, the objective is to reach a **2%**.

Therefore, in the next five years the number of apartments are foreseen to evolve with the following trend:

	2019	2020	2021	2022	2023
Nº of apartments in Madrid	750	1.500	3.000	3.000	3.000
Nº of apartments Barcelona	0	0	0	490	980
Nº of apartments	750	1.500	3.000	3.490	3.980
Growth (%)	-	100%	100%	16%	14%

After these five years, the business will pursue new segments such as banks who are owners of numerous properties and the law will oblige them to put them available for renting. The business will continue internationally expanding to other European cities like London.

A new source of income will appear in the future: **advertising** in the website and application, once the website receives a enough volume of visits to be attractive.

## MARKETING PLAN

### MARKET

The customers of BidYourRent are differentiated by the need: Tenants look for an apartment and Landlords who pursue to have their apartments rented.

**Tenants:** students who move to Madrid or who already study in the city willing to pay an extra over the price in order to get the one they want, consequently, they are not sensitive to the price (from high-medium-income and high-income families). Therefore, probably they will enroll in a Business School or they live in student housing.

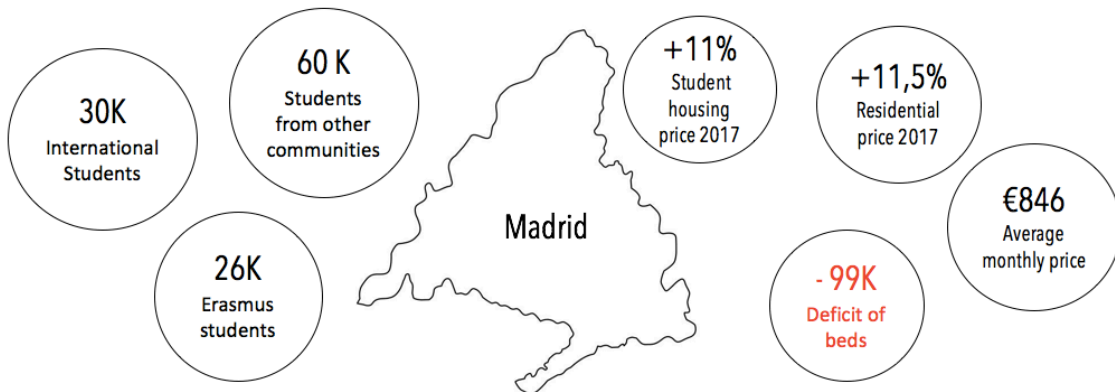


<b>CARMEN LÓPEZ</b>		<b>AGE</b> 23	<b>FRUSTRATIONS</b>
<b>MBA Student</b>	<b>NATIONALITY</b> Spanish (from Bilbao)	<b>JOB</b> Student at IE	Madrid prices
	<b>LOCATION</b> Madrid		Neighborhood
	<b>MOTIVATIONS</b>		Huge RS demand
	Masters		
	New life in Madrid		
	Friends		
	Carmen is a hard-working student at IE in Madrid. She'll start working next year and will move to a new apartment because she is not happy with her current neighborhood. However, the huge demand makes it very difficult to find her wished one. <u>Everytime she finds one, she finds out it's already taken.</u>		<b>GOALS</b>
			<ul style="list-style-type: none"> <li>To be successful in her future job</li> <li>Become the best in her Master's Degree</li> <li>Save money</li> </ul>

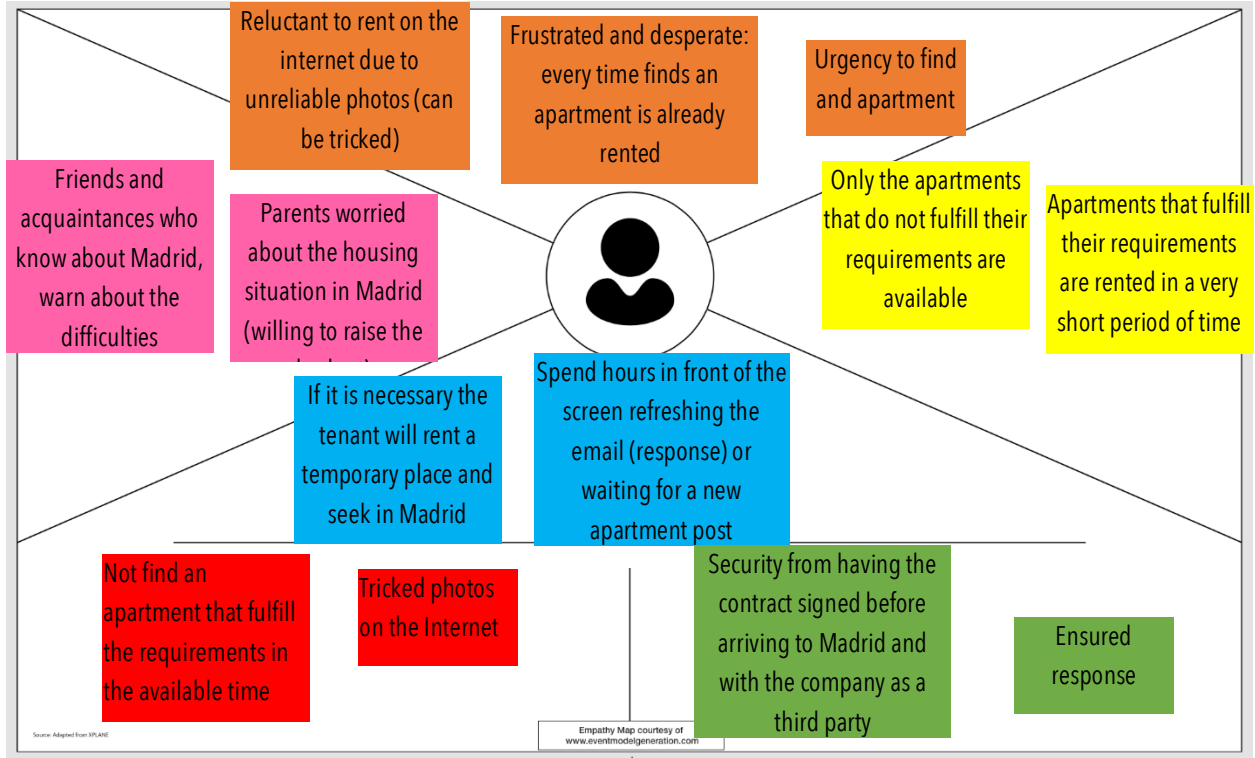
**Landlords:** anyone who has an available apartment in Madrid that fits with the expected tenants' requirements. They likely have a techy and risk taker profile.

<b>CRISTINA DIAZ</b>		<b>AGE</b> 45	<b>FRUSTRATIONS</b>
<b>Lawyer</b>	<b>NATIONALITY</b> Spanish (from Madrid)	<b>JOB</b> Lawyer	Overwork
	<b>LOCATION</b> Madrid		No free time
	<b>MOTIVATIONS</b>		RS agencies
	Work		
	Family		
	Investments		
	Cristina is a hard-working lawyer that owns an apartment. She wants to make money enough to buy more apartments. <u>However she is not happy with RS agencies since they are not very efficient. Their fees are very high and she lost control of her own apartment</u>		<b>GOALS</b>
			<ul style="list-style-type: none"> <li>To start up her new law firm</li> <li>Make more investments in apartments and rent them out</li> <li>Make money</li> </ul>

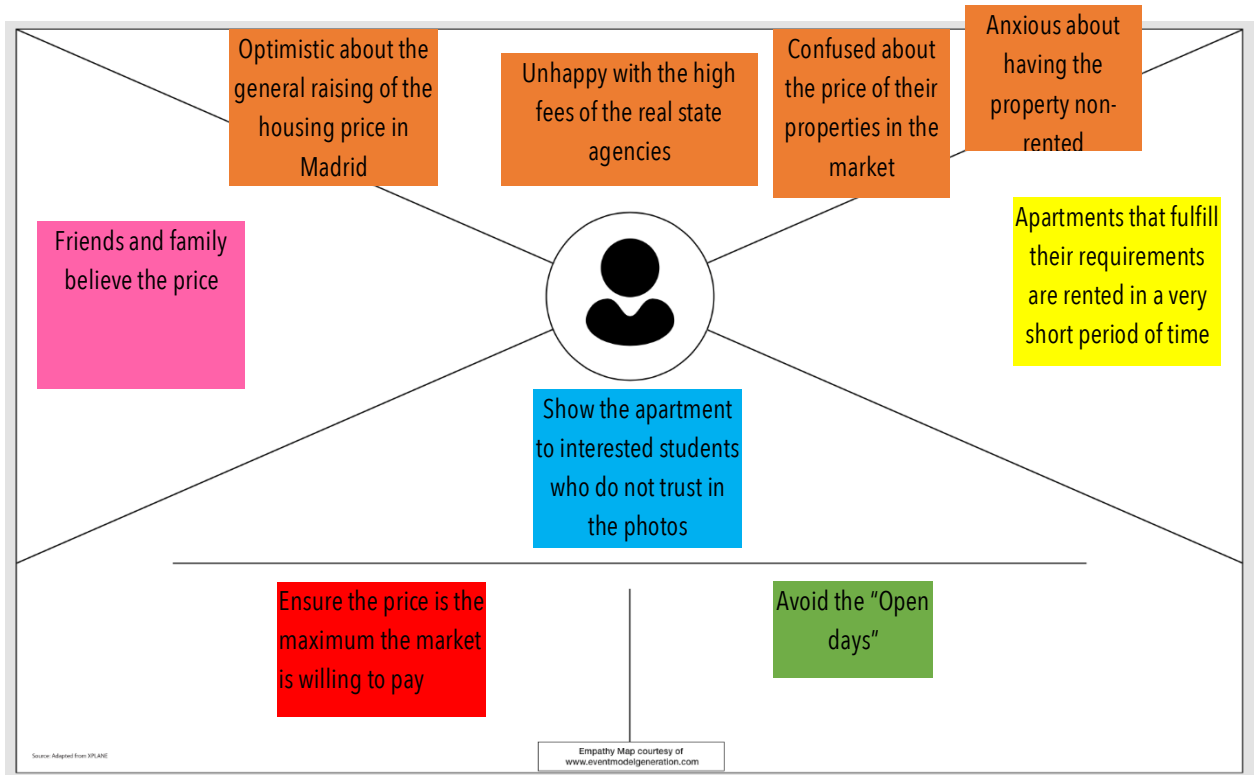
In the city of Madrid, there is almost a 100k deficit of student housing beds: 30k students with international mobility, 26k Erasmus students and 60k Spanish students chose Madrid as destination in 2017. The student housing has increased its price by 11% in 2017 and the residential housing achieved a raise of 11,5% in its price.



This context is perceived by the targeted segments how the following Empathy Maps represent:



Tenants' empathy map



Landlords' empathy map

## COMPETITORS

Online rental marketplaces such as Idealista, Fotocasa, Uniplaces or Spotahome are widely known and they are leaders of the market. Nevertheless, this section will be focused on direct competitors less known but whose business model is similar to the business model of BYR or they target the same market: students and young workers, these are **Rentberry and Beroomers**, respectively.

Rentberry was funded in San Francisco in 2015 and started its activity in early 2016. As it was mentioned before nowadays has an offer of more than 14.000 apartments in nine cities of U.S.

Beroomers was funded in 2013 and by 2016 the company offered more than 45.000 housing options in 16 countries, more than 70 different cities and its system counted with more than 11.000 registrations.

## MARKETING MIX

### PRODUCT

Currently, BidYourRent is the only renting platform with a bidding system, although there are many renting platforms like Idealista, Spotahome or Fotocasa that are very popular in Madrid. Once we defined our value proposition, the product is carefully thought for the customer (tenants and landlords) expecting our customer regards and understands it as something innovative and necessary, and we may one day become the first option when it comes to rent a home.

It is offered a very interactive and visual platform in which easiness is one of the main characteristics (facilitated the bidding) as well as reliability through 3D technology.

Our product portfolio are apartments initially carefully filtered so they would fit with the expected requirements of our tenants (medium-high quality standards). Besides, we could divide the service we provide in 3 necessary parts:

**Selection.** Tenants and landlords can sign up and create their profiles and post their homes to be rented out. Once the profile is created, both profiles and apartments can be validated. Through a matching algorithm, tenants are guaranteed to only see a list of those apartments selected specifically in real time which tries to avoid their saturation. Some lucky landlords will be able to make use of the service of prioritize their advertisements, so they appear among the first ones on the webpage.

The bidding system will be visible by landlords and Bid your rent may set a maximum in case of renting prices speculation.

**Contract.** Once there is a winning bid accepted, landlord and tenant will sign a standard contract already prepared by BidYourRent, which will give tenants and landlords the legal security they need.

**Renting management.** From the moment a customer chooses BidYourRent as the renting platform option, tenant and landlord will count on several guarantees:

- Advice, processing and formalization of the contract.
- Initial inventory of the content and details of the home.
- Contract follow up
- Payment check up
- Information and advice to landlord/tenant about rights and duties

We can also provide with information of how to find housemates in the case of students that want to share an apartment.

## PLACEMENT

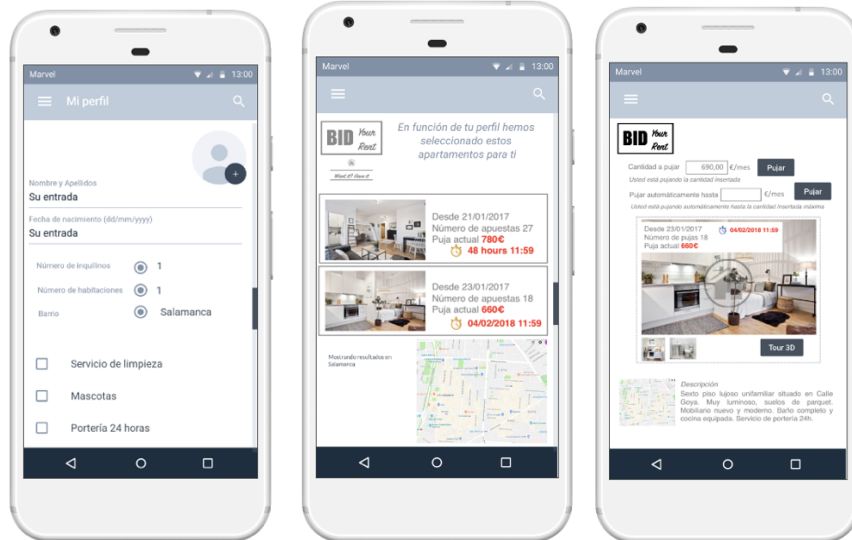
The channel used will be 100% online, through APPs and website.

- The platform of Bid your rent will work in phones that use IOS and Android.
- It will also work in Windows and MAC systems, through the search bar of the device.

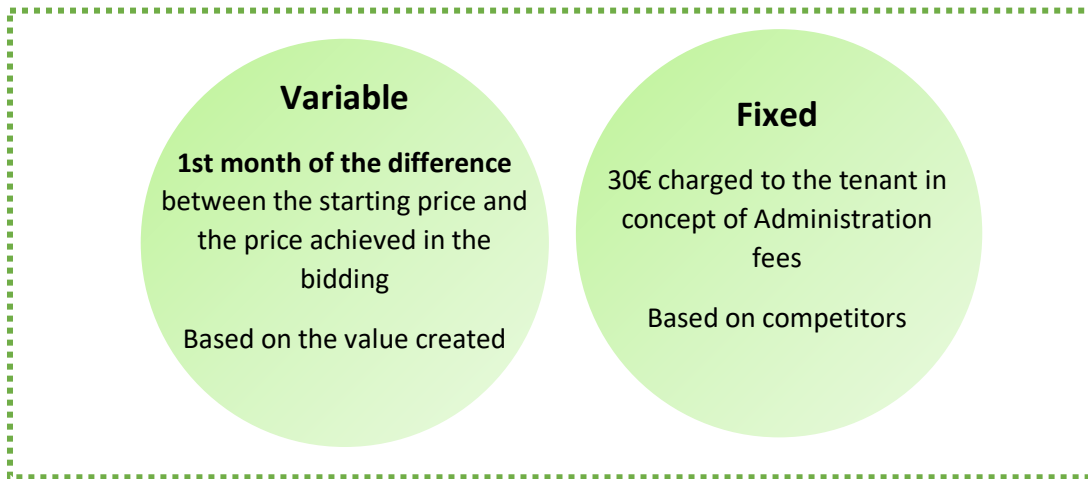
The reason of this is because these channels are the most commonly used nowadays, specially by our target, that is young people.

Since we want to give an appearance of easiness, disruptive new concept and comfortable, we know we have to develop an attractive platform, that is very visual, simple, fast and modern. This way we will be appealing for our customers that will find very convenient to work with us and help us improve based on their necessities.

We aim to be among the first options positioned when it comes to look for an app in app store/play store or we the customer type on their laptop: renting platform.



**PRICING**



**COMMUNICATION PLAN FOR TENANTS: 1.500 TENANTS**

**Partnerships: with the post-graduate and business schools and universities**



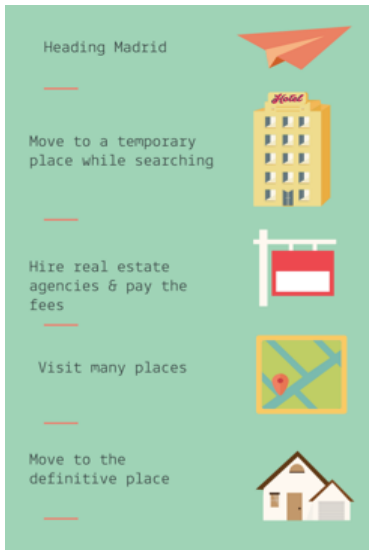
Institutions	BidYourRent
<p><b>Promote</b> BidYourRent as a trustworthy accommodation option.</p> <p><b>Advertise</b> BidYourRent in their facilities specially during the Open Days (screens, pamphlets, etc.)</p>	<p>Provides a “<b>luxurious educational experience</b>” rather than just a postgrad program or bachelor.</p> <p>Promotional code: Tenants save administration fees (30€).</p>

Why? Same target.

Timing: Whole year.

Budget: Free. No Admon. Expenses -

**Outdoor advertising: Jets nearby the previous institutions**



Why?

When the target moves to a temporary place in Madrid, they will seek for a place **near to the institution** in which they will study and they might go to the open day.

Timing: Jun – Nov.

Budget: €/month

**Outdoor advertising: 4x3 in Metro Ciudad Universitaria**

Why? Residence halls, campus of Politécnica University and Complutense University are located in CIU.

Timing: 3 months. May (before exams and leave Madrid) – July (Leave Madrid)

Budget: Gold station: 797€/month

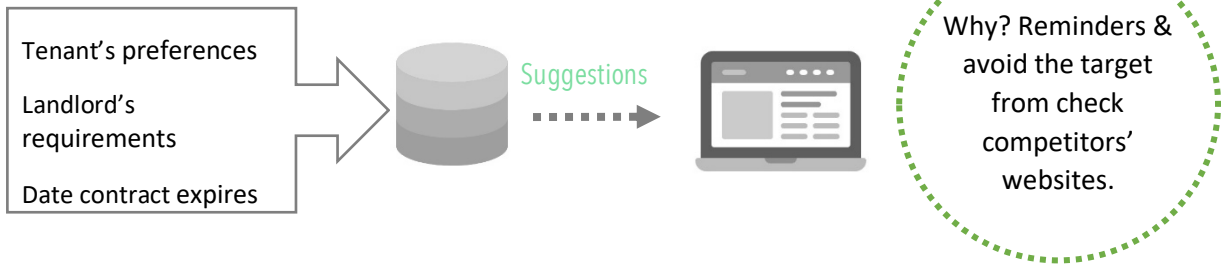


**Social Media: Facebook & Instagram advertising**

Why? Lead the target to the website / app where the product could be purchase and facilitate it.

Budget: 600€/month

**Personalized suggestions**



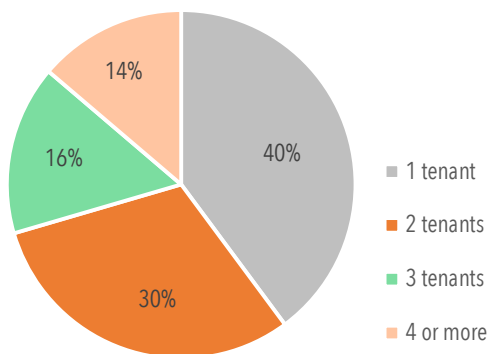
**COMMUNICATION PLAN FOR LANDLORDS: 750 LANDLORDS**

**Get in contact with landlords who have posted their properties in the website**

**Piso en Rejas, Madrid**  
**1.000 €/mes**  
2 hab. 85 m<sup>2</sup> 3ª planta exterior con ascensor  
Piso totalmente amueblado. NO PEDIMOS CONTRATO. NO PEDIMOS NÓMINAS. Solo pasaporte o DNI. Se encuentra ubicada en una zona tranquila y segura.  
912 173 875

Why? Penetration strategy: increase our client portfolio.  
When? 3 months before the project launch  
Budget: Free

The portfolio of apartments of BidYourRent will have its origine in: the non-real-state apartments filtered with the requirements of the target (places with a minimum quality standard for medium-high income students) from this real state portal. The mentioned list of apartments (scope) classified by the number of tenants per apartment is compiled in the following Table.



Capacity of apartment (in nº of tenants)	Average nº of apartments month (scope)
1	2.354
2	1.809
3	931
4	813
<b>TOTAL</b>	<b>5.907</b>

(\*) Number of non-real state apartments estimated by subtracting the 24% of the total

From May to December the total scope is 47.256 apartments from which BYR aims to turn 978 into clients (2%).

**Promotions for acquiring the first landlords**

The first #100 landlords will save the business fees equals to the difference between the minimum set price and the winning bid. In addition, these lucky landlords will enjoy the opportunity of positioning 5 posts in BidYourRent website for free in the next year.

**Outdoor advertising: Circuit in Metro Madrid (10 Jets in different Metro stations)**

Why? High number of impacts without discrimination of the target in Madrid.

**Retain landlords through free positioning**

The attractive promotions for landlords include free positioning of the next 5 publications in the website. Therefore, highly likely these landlords will continue trusting in BYR service the upcoming year.

Budget: Free

COMMUNICATION CALENDAR

The renting market for students presents seasonality since the beginning of the academic courses is usually scheduled in September-October and the end in May-June. Besides, some academic institutions offer a second intake around February. The communication calendar and the resources invested in each month is result of forecasting when the number of available apartments present higher figures and when the students behaves actively seeking for an apartment.

		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Tenants</b>	Outdoor CIU	797 €	797€	797€					
		1,8M							
	Outdoor Business School	3.773€	3.773€	3.773€	3.773€	3.773€	3.773€		
		53K							
	SM	600€	600€	600€	600€	600€			600€
		150K							
<b>Landlords</b>	Publicity: contact	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
		5.907	5.907	5.907	5.907	5.907	5.907	5.907	5.907
	Incentive	18.120€							
		100							
	Outdoor	7.970€	7.970€	7.970€		5.860€			5.860€
		M	M	M		M			M
	SM	600€	600€	600€		600€		600€	
		7,6M	7,6M	7,6M		7,6M		7,6M	

(\*)Cost of opportunity



### COST OF ACQUISITION OF CLIENTS (CAC)

The marketing expense for targeting tenants sums 22.728€. Since the objective of the campaign is to capture 1.996 tenants, the cost of acquisition of a tenant is **11,39€**. Regarding landlords, the marketing plan of 56.750€ expects a portfolio of 978 landlords, therefore, the cost of landlord is **58,03€**.

The retention of both customers has no explicit cost. As a startup, the efforts are focused on capturing clients, nevertheless, the retention will incur in no cost.

Having analyzed the behavior of the market, it was detected that the owners of properties usually post these in several online rental marketplaces. So, there is a promiscuity in this sector that, joined to a very attractive value proposition that no other operator provides, leads BYR to expect a very high retention of their customers, near a 60%. This group of loyal customers understand that the renting market in the city of Madrid is dramatically growing at the pace of the demand and the prices, therefore, they will pursue a better deal.

The other 40% are expected to end their relationship with BidYourRent since they are satisfied with the tenant and the price achieved and they do not present the ambition to improve their profit.

Since the quality of the product offered very accurate for the needs of the market, a without any specific cost.

## OPERATIONS PLAN

### SEARCHING HOUSES

The two participants in BYR are Tenants and Landlords. Both following differentiated patterns and characteristics. However, BYR will enable to complete all rental tasks in one place. These tasks include:

- Searching for properties
- Making offers / bids via auctioning platform
- Selecting the best/ most suitable candidates
- Negotiating the terms
- Provide with standard contracts
- Paying rent
- Submitting maintenance requests
- Enabling landlords to stay connected with tenants

This will be achieved through a transparent renting process in which Profiles of the users and Scoring method are used. When making a search and setting several preferences to select houses or tenants, BYR will filter and display those houses that suits you.

### Profiles

BYR will ensure the renting process, and therefore will require a set of information to users to sign a contract with us. This information will avoid any possible neglections and provide interesting data when deciding. As landlords and tenants participate together in the platform, we have distinguished two different profiles for the two different types of users.

#### **Landlord profile**

Landlord profile will be useful in terms of potential tenants' preferences and recognizing the good quality, red tape and conditions of the house they want to rent.

Therefore, to sign up as a landlord in BYR this information will be essential:

- Document accrediting ownership of the house
- Property registration in cadaster
- Energetic certificate in force
- ID copy
- Pictures of all rooms in the house
- Information of the house: number of bathrooms, m<sup>2</sup> of the house, etc.

Additionally, once the essential house data is filled, landlords will set the tenants preferences in terms of:

- Age range
- Civil state
- Maximum nº of tenants
- Other preferences: non-smoking, pets, etc.

Collecting these data enables BYR to ensure the quality of the house and match the suitable potential tenants for the landlord.

### **Tenants profile**

Tenants profile will be useful in terms of guaranteeing rental payments as well as setting their houses preferences.

Therefore, to sign up as a tenant this information will be essential:

- ID copy
- Previous payment performance
- History of evictions
- Bankruptcy records
- Past due accounts
- Publicly available information (credit records, checks, etc.)

Additionally, once the essential house data is filled, landlords will set the house preferences in terms of:

- Area (zone)
- Nº rooms
- Nº bathrooms
- Price range
- Other preferences: garage, pets, smoking, etc.

This information will provide the tenant a list of properties which satisfies his preferences and give different options among to choose.

### **Scoring methodology**

The platform allows tenants and landlords to rate each other by submitting reviews and will also allow both parties to asses other by reference to those reviews. This information and publicly available data will be analysed and process by BYR scoring methodology. Rating from 1-5 stars. Potential risks will be reflected in these scores. The higher the score of a tenant, the lower the risk for a landlord to experience damage of the property and vice versa.

## THE HOUSE

### Characteristics

Houses are rented in its entirety. Landlords rent their properties to one profile (one person). However, in the case of tenants, they can cluster together with other known profiles and apply to the property as a group. In this way, they can split the rental payment among them and do it in our platform. On the other hand, landlord receives one total payment.

### Requirements

All properties signed up in BYR are guaranteed to have a minimum requirement. Whether house documents are filled in landlord's profile, an engagement of the actual conditions and current state of the house must be done.

Landlords comprise to ensure the following specifications of the house:

- Optimal conditions for habitability
- Furniture must be in good condition (if not, notice)
- Household appliances must work properly
- Minimum cleaning
- Having at least two complete sets of keys

### Ongoing research

At the moment, our team is working on designing a 3D Tours and standard contracts. We firmly believe that these technologies will find great use in the rental industry and they can make it much easier for landlords to hold open houses and for tenants to access their rentals after their move-in dates.

#### **3D Tours**

With 3D tours, tenants will not need to be present to see the property. Besides it gives a better idea of how the house really is. Tenants will be able to walk the house and see all its corners.

It is quite an advantage given that a lot of potential tenants want to rent houses when are away (in another city). With 3D Tours now, they will have the chance to experience and feel better the house with no need to be present.

## THE WEB

The web page is the main BYR platform. From there, all users will be able to proceed with the rental process, from signing the contract to the rental payment. It will also be available for smart phones to make the whole process more accessible and quicker.

## Sections

The different web page sections are based on the profiles of the user profiles: tenants and landlords.

### For tenants

If you are a tenant and want to sign up in BYR, you will need to fill all information specified in 2.1.1.

Once the essential information for BYR teamwork is completed, you can see 5 tabs:

- **Profile:** It is where you fill your data regarding houses preferences, personal information for potential landlords, and minimum requirements if so any.
- **My House:** here the user will manage every detail of the current place. He will have the possibility to request maintenance services or solve any issue directly with his landlord thanks to internal communication and manage the rental payment.
- **Search House:** a section to look for a house applying the filters the user wants to and where to receive recommendations about the pricing. The tenant will be able to access to a bid and carry out the whole renting process digitally thanks to E-signing technology optimizing the process.
- **Messages:** in case they want to get in contact with any other user to ask for advice or opinion.
- **Pay Rent:** a section fully dedicated to the management of their rent contract, where to gather all the information and documentation about it. Here the tenant will find all the possibilities he has regarding the payment, such as the option with BYR or splitting it with roommates.

### For Landlords

Again, their menu will show five tabs:

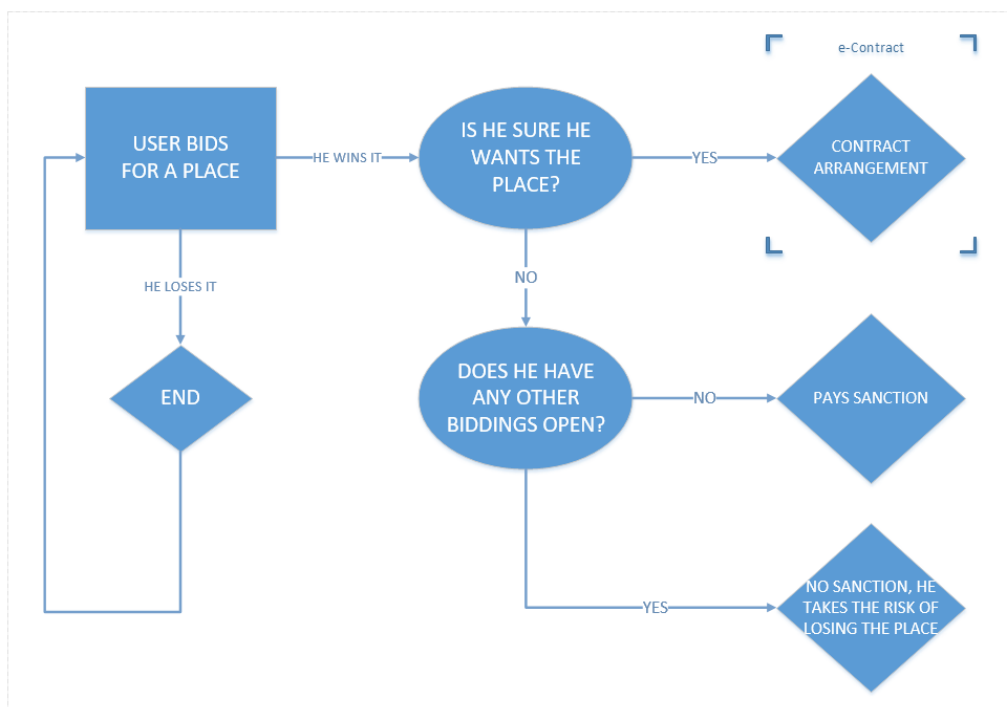
- **Profile:** where the user can edit their personal information such as contact data and some personal bio.
- **My Properties:** in this section the landlord will be able to manage all the houses he has posted on BYR, checking their current status and keeping a track on who applies to them. Also, he will have the possibility to schedule Open Days to meet tenants in case they are interested.
- **Messages:** in case they want to get in contact with any other user to ask for advice or opinion.
- **Contracts:** a place where they can manage all the rent contracts together by having a secure storage place for them.

- **Collect Rent:** the same way the tenant has a window to operate with his rent payment, the landlord has a window to manage his rent collection, being able to gather information and being offered the possibility of accepting BYR payment.

## THE AUCTION. Pricing system

### How does it work?

One of the company's most vital aspects to define is the auction system. We must ensure the perfect functioning of this system in order to transmit transparency and trustworthiness to our users. As in any other auction process, the winner of the bid will be the user that offers the highest quantity, but BYR must analyse other scenarios such as user drawbacks. The bidding process is would work as follows:



### Auction winner: rights and obligations

Once the auction is closed and the winner is defined, he/she automatically acquires a series of rights and obligations described in the following section. The auction winner has the right to:

- Decide whether he or she wants to finally sign the rent contract or not.
- In case the owner shall decide to sell the property, the current tenant has a right of priority in case he is interested.

- To ask the property owner for any fixing of the house needed in order to preserve the place's habitability, with no additional charges in the monthly rent.
- If the tenant wishes, the owner has the obligation of providing him with the receipts of any previous rent payments he has received.
- To report to the authorities in case the owner comes into the house without his permission.
- To receive his deposit back when the contract expires if the house is kept in good conditions as stipulated in the contract.

On the other hand, the auction winner has the obligation to:

- Pay the amount equivalent to a month's rent at the beginning of the agreement in concept of deposit.
- Pay the rent monthly within the first seven days of the month.
- Respect the contracts by not renting any spaces of the house to a third party without notifying the owner.
- Leave the house as it was (or as the contract says so) when the contract expires.
- Assume the charge of any fixing occasioned by the use of the place, and required to maintain the house's habitability.
- Give notice in advance to the owner in case any fixing is going to be carried out.
- Accept any modifications the owner wants to take place (always being held in a reasonable amount of time that never shall exceed the contract duration)
- The tenant shall never carry out any modification without noticing the owner.
- The tenant cannot carry out any activity that may result disturbing to the owner and/or the neighbours.

### Tenants priority

In case the tenant is actively participating in more than one bid, there exists the possibility of winning more than one house. In order to avoid this, the user must indicate a priority ranking to all those bids in which he is involved, so that in case this happens, the system can automatically cancel all bids but the one referred to as highest priority. When this occurs, those bids cancelled will automatically be given to the second highest bidder.

### Rejections

The user has the right to reject the bid in case he/she wishes to even though having already won it, but its consequences vary according to his/her situation. If the bid is finally rejected but the user is still participating in other auctions, he/she will not be economically sanctioned due to his participation in other processes, which may be of

higher priority to him but have not yet concluded. In case the bid is rejected and the user is not participating in any other bid, then BYR will sanction him economically for system misuse, and the auction will automatically be given to the second highest bidder.

## PENALTIES

There exist a series of situations where BYR reserves the right to penalize the user, whether it is economically or with sanctions within the system.

SITUATION	AMOUNT	TIMING
Bid rejected by tenant and not participating in any other auctions.	20€	As soon as the rejection is confirmed.
Bid rejected by landlord with no valid reason.	20€	As soon as the rejection is confirmed.
Fraud bidding to alter the price of a house.	20€	As soon as detected.
False house description	Account deleted	As soon as detected.
False profile data.	Account deleted	As soon as detected.

## PRICING

### Pricing System

The pricing system will be the auction system. That is to say, an organized sale based on direct and public competition, in which the buyer (bidder) who pays the highest amount of money in exchange for the property will be awarded it. The minimum bid starts in 5€.

It is therefore a pure market, in which a balance between supply and demand will be established. It is a "pay what you are willing to pay".

The owner of the property will be responsible for setting the starting price. The final price will be the highest auction price. The time set for the auctions will be one week.

will become the winner of the auction, following the same procedure explained above.

### Elements included in the price

Once the rent has been paid, Bid Your Rent offers a Standard Contract. Until now, contracts have been verbal or expensive written documents, subject to territorial laws and jurisdictions, and sometimes requiring notaries, i.e., more costs and time. This is not accessible to everyone, especially to people who have to move around the city. With Bid



Your Rent, customers are able to sign the contract from home without any need for a notary.

Apart from this new idea, Bid Your Rent will also offer a continuous mediation between the owner and the tenant, both of whom will be obliged to comply with certain minimum requirements. For this reason, both will be monitored on a monthly basis through online surveys.

### Collection system

Bid Your Rent will get money in two ways. The first way is the one explained above in relation to sanctions. The sanction can be a great asset to the company for two reasons. The first, as a constant source of income. The second, as a method to increase the security of bid compliance.

Second way of income is already explained in Pricing (Marketing Mix) through a variable and fix price.

The process of payment is explained next:

- Bid Your Rent will be the **intermediary** for both the deposit and the monthly payments. That is, the tenant will pay Bid Your Rent, and Bid Your Rent will pay the landlord.
- The tenant will pay the full amount of the winning amount in the auction. In addition, the first month, you may have to pay a deposit for the apartment, depending on the building.
- The owner will receive monthly the price of the winning bid, but on the first payment BYR will receive the difference between the final price and initial price, as value created and management costs, which is our variable income.

### LEGAL DISCLAIMER

#### BYR rights and obligations

- Bid Your Rent must provide a professional service.
- Bid your Rent will notify the owner of all the bids that your property may generate.
- Bid Your Rent will know the legal situation of the house.
- Bid Your Rent will know the municipal regulations and will be updated of possible changes.
- Bid Your Rent will receive the agreed fees when the rental occurs.
- In the event that the owner or the tenant decides not to rent the winner of the auction, Bid Your Rent can claim compensation for damages.

### Landlords rights

- **Keep the house in conditions of habitability.** This is the main obligation of every landlord of housing and supposes the need to make all the necessary repairs in the house so that it is habitable, without the right to raise the rent. That is, if the heating is broken, for example, unless it is a bad manipulation of the tenant, the arrangement is at the owner's expense.
- **Respect the agreed duration.** The landlord cannot terminate the contract at any time unless there is a breach by the tenant or one of the cases provided by law (use of the home for himself or his family, for example). The lease will have to reach a minimum duration of 3 years.
- **The client must provide all the information** that has to do with the property in question. From all certificates to writing.
- **The client will authorize** the publication of publicity actions about the property (photos, videos)
- **The client has to commit to closing the rent with the winner of the auction and not with another.** And also, during the term required with Bid Your Rent.

### Tenants' rights and obligations

- **Keep the house cleaned when contract expires**
- **Respect the agreed duration:** If not, they need to notice with at least 1 month prior.
- **Tenants need to complete all essential data from their profile**
- **If the tenant does not comply with any of the requirements of Bid Your Rent,** he or she must pay the required amount as a penalty.

## HUMAN RESOURCES PLAN

The human capital of BYR is configured by six professional shareholders responsible of Strategy, Marketing, Finance, Operations, Technology and Sales.

Despite the position occupied, since BYR is a startup, among their obligations there is to record the 360 tours. These shareholders will perceive a net salary of 600€, which constitutes a yearly cost of 47.304€.

A legal expert (more than 3 years of experience) will be responsible of the legal establishment of the business and the redaction of the model of contract the system will reproduce based on the different characteristics of the transaction.

An administrative will be in charge of the accounting and give support to the other departments. This position will perceive a monthly salary of 1.000€ and represents a yearly cost of 16.920€.

In the following years, BYR will hire two employees through a part-time contract and the responsibility of the 360 tours will be delegated. In the third year, these part-time jobs turn into full-time jobs.

In the opening to the market of Barcelona, the company will present a centralized structure, therefore the Catalanian division will be managed from the head office in Madrid. One new employee dedicated to record the apartments of Barcelona will join the team of BYR.

This evolution is summarized in the table:

Euro (€)	2019	2020	2021	2022	2023	Total
Professional internal investors	(47.304)	(201.600)	(302.400)	(504.000)	(504.000)	(1.559.304)
Administrative	(11.280)	(16.920)	(16.920)	(16.920)	(16.920)	(78.960)
Employees		(14.000)	(22.400)	(29.400)	(33.600)	(99.400)
Legal expert	(2.727)					(2.727)
<b>Total</b>	(61.311)	(114.920)	(123.320)	(130.320)	(134.520)	(1.740.391)

## FINANCIAL PLAN

BidYourRent foresees to start the business in the beginning of 2019 and, by May 2019, BYR expects the former sales. A period of 30-32 weeks is expected to be needed for the preparation of the business (look for quality software suppliers, development and launch of the platform, website and application; look for marketing agencies and preparation of the marketing campaign, etc.).

### ASSETS & LIABILITIES: INVESTMENT PLAN

The cost of establishment of BYR, which has legal form of a limited society, is **3.000€**.

The initial investment in which the business will incur, mainly consists in the software development and the acquisition of two 360 cameras that allow the 360-tour of the apartments. The initial investment increases up to: 89.080€.

	CAPEX	2019	Lifetime
<b>Intangible assets</b>	Software	84.480€	6 years
<b>Tangible assets</b>	Equipment		
	Computer equipment (5 units)	3.000€	10 years
	360 Cameras (2 units)	1.600€	10 years

In the next 5 years, the investment in CAPEX will be limited to the acquisition of other two 360 cameras that will operate in the city of Barcelona.

Moreover, a cash injection will be necessary since the first positive cash flow happens in the second month and BidYourRent will face expenses that will require liquidity available: 23.590€.

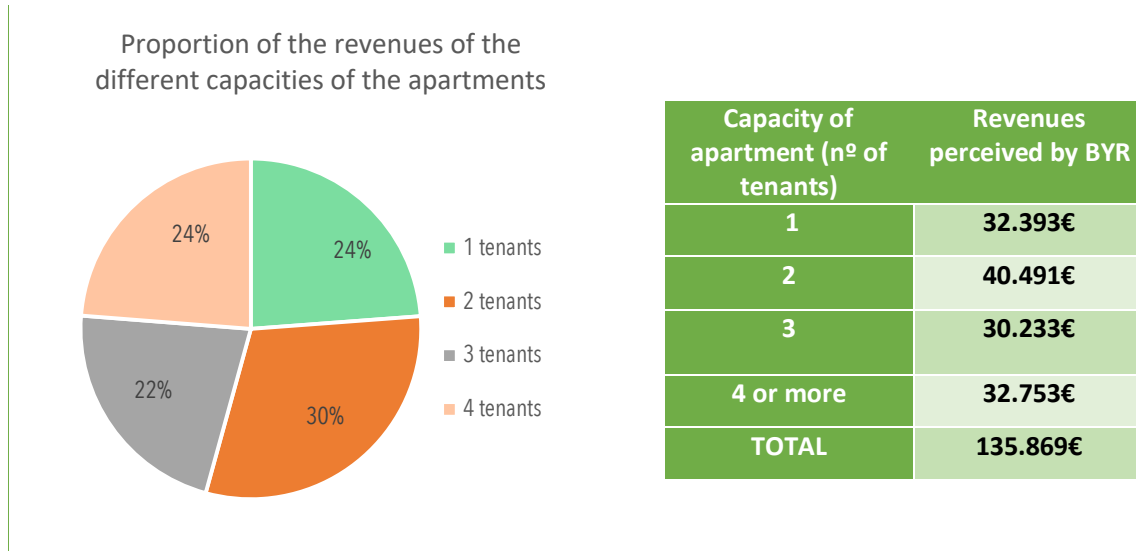
### FINANCIAL PLAN

The total amount to raise from external or internal investors is: **112.670€**. The financial structure will be configured by a 51% from internal investors and 49% from external investors. The internal equity has its origin in 6 professional shareholders in equal quantities, therefore, these equity partners will provide BYR with 57.630€, 9.605€ each.

### REVENUES

Sales are defined based on the pricing statements: BidYourRent perceives revenues from a variable and a fix source, as it was in-detail explained in the section of Pricing of the Marketing Plan.

Regarding the variable source, the expected revenues per apartment from the value created through the bid or, in other words, the difference between the estimated winning bid and the minimum set by the landlord (starting price) is **12%**. According to this, the total variable revenues BYR perceives are proportional to the volume of apartments the business expects to manage in the platform during the year: **135.869€**. The Table under these lines compiles the revenues of the different capacities.



Capacity of apartment (in nº of tenants)	Estimated starting price	Margin perceived by BYR
1	900	108€
2	1.500	180€
3	2.100	252€
4 or more	2.600	312€

(\*) Estimated starting price from Idealista

(\*\*) Winning price of the bid estimated based on the Tenant's Validation stage.

On the other hand, the fix revenues are the result of the Administration fees charged to tenants whenever a renting transaction is registered at a price of **30€**. The total fix revenues achieve **22.495€**. Since this charge is associated to the apartment, the amount tenants assume decreases with higher capacities of the apartments, and the average price faced by a tenant is 15,625€.

In order to define the revenues of the next five years, BYR foresees the following portfolio of apartments based on the market share objectives of the business:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Madrid</b>	750	1.500	3.000	3.000	3.000
<b>Barcelona</b>	0	0	0	490	980
<b>TOTAL</b>	750	1.500	3.000	3.490	3.980

According to the market share objectives for the next years of BYR, the evolution of the revenues is the compiled in the following table:

	Year 1	Year 2	2021	2022	2023
<b>Madrid</b>					
<b>Var. revenues</b>	135.870 €	271.740 €	543.600 €	543.600 €	543.600 €
<b>Fix revenues</b>	22.495 €	44.990 €	90.000 €	90.000 €	90.000 €
<b>Total</b>	158.365 €	316.730 €	633.600 €	633.600 €	633.600 €
<b>Barcelona</b>					
<b>Var. revenues</b>	0 €	0 €	0 €	107.565 €	215.130 €
<b>Fix revenues</b>	0 €	0 €	0 €	14.700 €	29.400 €
<b>Total</b>	0 €	0 €	0 €	122.265 €	244.530 €
<b>TOTAL</b>	<b>158.365 €</b>	<b>316.730 €</b>	<b>633.600 €</b>	<b>755.865 €</b>	<b>878.130 €</b>

## EXPENSES

The expenses, as it was mentioned, are configured by marketing expenses and salaries.

The marketing budget, previously defined, sums: 79.478€

		Marketing expenses
<b>Tenants</b>	Outdoor advertising	19.728€
	SM	3.000€
	Incentive	18.120€
<b>Landlords</b>	Outdoor advertising	35.630€
	SM	3.000€
	<b>TOTAL</b>	<b>79.478€</b>

The **personnel expenses** correspond to the salary of a legal expert outsourced, which introduces a cost of 2.727€ (the net salary is 1.867€). In addition, the salary of six professional shareholders that sums 47.304€ (net salary of 600€).

**Other expenses** that include the website maintenance presents a monthly cost of 3,14€, which sums a yearly cost of 37,68€. For the application, the business assumes the fees of App Store and Play Store: 99 USD and 25 USD respectively. In addition, Amazon Web Service has a yearly cost of 1.000€. Moreover, BYR will assume the cost of the insurance for startups until the third exercise and, from that moment, this will turn into a PYME insurance.

### INCOME STATEMENT

The Income Statement of BYR is showed in the table below. It is important to point out that the first two years, as it is the beginning of the activity of the business, the results are low, whereas in the following years, these numbers increase since BYR will achieve greater number of users and market penetration and geographical expansion, already explained.

Euro (€)	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	158.365	316.730	633.600	755.865	878.130
Marketing expenses	(79.478)	(89.413)	(198.695)	(101.600)	(160.016)
Personnel costs	(61.311)	(226.88)	(336.080)	(544.680)	(548.880)
Rent expenses	-	(12.000)	(12.000)	(12.000)	(12.000)
Other expenses	(1.132)	(1.132)	(1.132)	(6.132)	(6.132)
<b>EBITDA</b>	16.185	(12.954)	85.434	91.454	151.102
Amortizations	(8.448)	(8.448)	(8.448)	(8.448)	(8.448)
Depreciations	(433)	(433)	(433)	(567)	(567)
<b>EBIT</b>	7.304	(21.835)	76.553	82.439	142.088
Financial income	-	-	-	-	-
Financial expenses	-	-	-	-	-
<b>EBT</b>	<b>7.304</b>	<b>(21.835)</b>	<b>76.553</b>	<b>284.039</b>	<b>343.688</b>
Taxes	(1.891)		(15.505)	(20.610)	(35.522)
<b>Net income</b>	<b>5.413</b>	<b>(21.835)</b>	<b>61.047</b>	<b>61.829</b>	<b>106.566</b>

## BALANCE SHEET

Regarding the Balance Sheet, the table below shows the evolution of the balance of BYR from the beginning of the activity to the end of the fifth year. We can observe a strength in Cash and banks in the last year as well as retained earnings that will be used to keep investing in the business, in achieving new markets and geographical expansion, instead of giving dividends.

Euro (€)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and Banks	20.590	34.884	21.931	91.860	161.104	276.684
<b>Current assets</b>	<b>20.590</b>	<b>34.884</b>	<b>21.931</b>	<b>91.860</b>	<b>161.104</b>	<b>276.684</b>
360 cameras	1.600	1.600	1.600	1.600	3.200	3.200
Computer equipment	3.000	3.000	3.000	3.000	3.000	3.000
Accumulated depreciation		(433)	(867)	(1.300)	(1.867)	(2.434)
Tangible assets	4.600	4.167	3.734	3.301	2.734	2.167
Constitution expenses	3.000	3.000	3.000	3.000	3.000	3.000
Software	84.480	84.480	84.480	84.480	84.480	84.480
Accumulated amortization		(8.448)	(16.896)	(25.344)	(33.792)	(42.240)
Intangible assets	84.480	76.032	67.584	59.136	50.688	42.240
<b>Non-current assets</b>	<b>92.080</b>	<b>80.199</b>	<b>71.318</b>	<b>62.437</b>	<b>55.021</b>	<b>46.007</b>
<b>Total assets</b>	<b>112.670</b>	<b>115.083</b>	<b>93.248</b>	<b>154.296</b>	<b>216.125</b>	<b>322.691</b>
Capital	112.670	112.670	112.670	112.670	112.670	112.670
Retained earnings			2.413	(19.422)	41.626	103.455
Net income		2.413	(21.835)	61.047	61.829	106.566
<b>Equity</b>	<b>112.670</b>	<b>115.083</b>	<b>93.248</b>	<b>154.296</b>	<b>216.125</b>	<b>322.691</b>

## CASH FLOW STATEMENT

Cash-flow Statement is calculated from the Income Statement, by adding the amortization and depreciation and subtracting the investments and change variation in



Working Capital. We can observe a negative Cash-flow on the year of the investment that leaves a negative accumulated cash flow until the third exercise. The increase in cash flow in the former years is consequence of the increase of the market share in the city of Madrid, whereas the sharp growth of the cash flow in year four is due to the geographical expansion to the city of Barcelona.

See the table below:

Euro (€)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
EBIT		7.303,77	(21.834)	76.553	82.439	142.088
Amortization and depreciation		8.881	8.881	8.881	9.015	9.015
CAPEX	(112.67)				(1.600)	
Change in Working capital		-	-	-	-	-
<b>Cash flow Before Taxes</b>		16.185	(12.954)	85.434	89.854	151.102
Taxes on EBIT		(1.891)		(15.505)	(20.610)	(35.522)
<b>Free Cash flow</b>	<b>(112.670)</b>	<b>14.293</b>	<b>(12.954)</b>	<b>69.929</b>	<b>69.244</b>	<b>115.581</b>
<b>Accumulated Free Cash flow</b>	<b>(112.670)</b>	<b>(98.377)</b>	<b>(111.330)</b>	<b>(25.896)</b>	<b>27.843</b>	<b>143.423</b>

## INVERSION ANALYSIS

The following information are a few indicators very relevant for the business of BidyourRent. Among them we have the Weighted Average Cost of Capital (WACC), which is the same as  $k_e$ (cost of equity) since BYR has a financial structure based exclusively on equity, without financial debt.

Risk free (10-year bond)	1,30%
Beta ( $\beta$ )	1
Equity Risk Premium	7,27%
<b>Cost of equity (<math>K_e</math>)</b>	<b>8,40%</b>
<b>WACC</b>	<b>8,40%</b>

As the reader can see,  $\beta$  was taken as 1, whereas according to Damodaran it should be  $\beta=0,41$  for the sector Real State (Operations&Services), nevertheless since BYR is a startup, investors will perceive more risk and will ask for a high return.

From the Cash-flow statement, we can calculate the Net Present Value, that indicates that it is a good investment, and the Internal Rate of Return, that tells us what is the

percentage that investors are going to receive. Besides, the pay-back time of the investment is of 2 years and 5 months.

Free Cash flow	(112.670)	14.293	(12.954)	69.929	69.244	115.581
Accumulated Free Cash flow	(112.670)	(98.377)	(111.330)	(25.896)	27.843	143.423

Net Present Value (NPV)	71.762€
Internal Rate of Return	23%
<b>Payback</b>	<b>3 years and 6 months</b>

These figures are approximated since they are based on estimations after a long process of market research, the results obtained might not be exact and, therefore, an error margin of a 20% is accepted.

## CONCLUSION

After a deep research of the market and the environment, BYR was able to find the solution of the housing in the city of Madrid. The Team BidYourRent considers this a good opportunity to develop this project since the current situation and the future perspectives of the market are highly favorable and this is clearly supported by the investment analysis previously detailed. In addition, this business model presents ideal features for its growth through market penetration and geographical expansion.

## ANEXO I: Background Information

### WHAT PROBLEM DID WE IDENTIFY?

According to our age and responsibilities, different problems approach our minds. If we speak with a recently 18 year-old student, he will probably be worried about what to study and where to do so. Therefore, this is what we did with those of our age. We carried out a brainstorming, gathering every difficulty we have had these recent years and why did this difficulty appear.

It turns out that 80% of the students in EOI already lived out of their parents' homes, may it be because of coming to Madrid to study from another city or simply because of other personal issues. We found that all of them had one thing in common regarding this issue, and that is **the difficulty of finding a place in Madrid**. Not only is it difficult to find a place, but also to be sure that you will get the place. In addition to this, there were many people unhappy with the place they lived in, but they had no other possibility as they were running out of time and they needed somewhere to live in ASAP. We had found a problem.

### WHAT SOLUTION DID WE THINK OF?

So, still pending a tough hypothesis validation process, we had a possible market niche where to help people with an ameliorated service and get some benefit from it. Now the big question was how to do it. We needed a product or service that enhanced the process of getting a place to live, trying to satisfy certain particular aspects:

- Difficulty to find an actual place
- The time that it takes to find it
- The cost of finding such place (both economical and physical)
- Being happy and comfy in the place found (if so)

It is certainly a big challenge to solve all these issues at once, but it was worth giving it a try. Next step was to think a way of doing it where we would stand in line with the actual tendencies of young people. This was pretty clear from the beginning, as we ourselves live it in our skins: digitalization. We students use our laptops and smartphones for absolutely everything, so there was the answer to our question on how to get close to our target market in an easy and direct way.

Even though there already exist a considerable number of platforms where to rent and buy places, we considered it is the best way to reach our clients and develop our initial idea. This is why we decided to create a platform in which people could seek for their wished place, but we had to find something to differentiate ourselves. For this purpose,

we analyzed the market's tendencies, and we saw that the renting price has been increasing over the last few years, making it an important aspect to take care of by the government. Our idea to solve this is to create an auto-regulated system where people would pay just as much as they were willing to if they wanted a certain place. This way, if the price of a rent is too high, nobody will agree to it, but if the place is highly demanded, it must be worth it.

Overall, following our desire to create a market purely regulated by offer and demand, we designed a renting system by bidding, where the owner of a house can fix an initial price for his monthly rent, and interested tenants can bid what they think the place is worth. If the starting price is too high according to the people's opinion, the property owner will have no other option but to lower it if he wants to meet an agreement. Additionally, we eliminated the scenario where people lost a certain place due to a last-minute offer of which they had no news at all, leaving them shocked and homeless. And the result of this is Bid your rent.

## ANEXO II: Hypothesis Validation

### VENTURE LAUNCHPAD

In order to make all this possible, throughout the whole year we have been developing our idea from the ground. We have carried out a process in which we have had to validate if our idea fits a necessity (aspirin) or if it improves another concept (vitamin), and has a market, conducting several experiments to confirm these hypotheses.

### CANVAS

The first thing we did when we had our idea was to make it clear. It is not just a matter of having the idea, but also having clear how we want to execute it. We had to decide basic aspects such as who were we targeting, who could be our key allies, and which would be our fundamental resources. The result came out as shown in BUSINESS MODEL CANVAS part.

### HYPOTHESIS VALIDATION

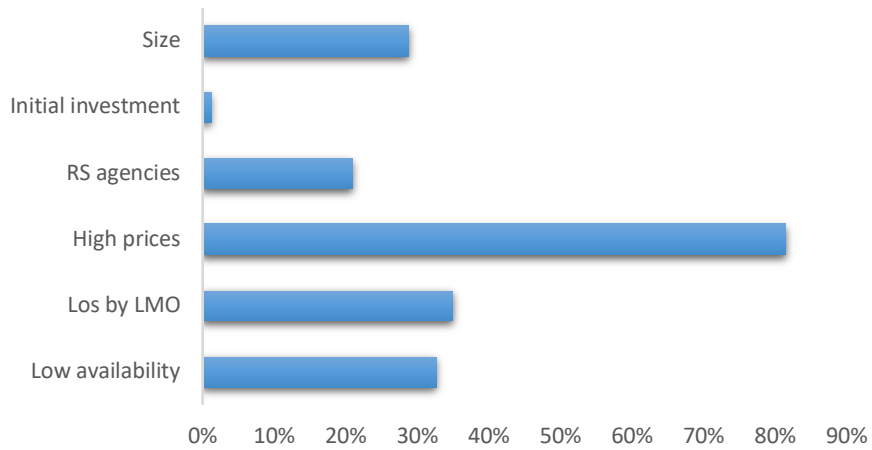
Once we had decided how to focus our product, we had to make sure that we had a market niche to attend, and that our solution would satisfy the needs of a certain target segment. Firstly, we began conducting personal interviews with both landlords and tenants, trying to focus on their main concerns when it comes to house renting.

Secondly, we complemented these interviews with surveys, in order to widen our range of information, and to obtain statistical results to confirm those gathered in the interviews. Amongst these hypotheses to be validated, the most significant ones were the following:

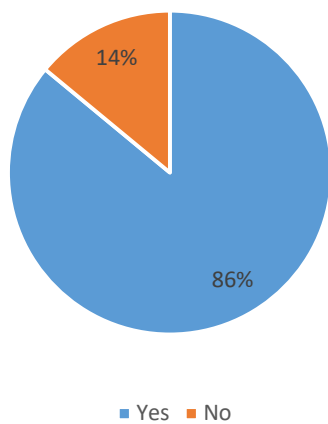
- We believe we are offering a way of getting the house you really want.
- We believe people are willing to pay a bit more in order to get a place they really like.
- We believe that our web would help householders to get a fair price for their place.

The results obtained are as follows for Tenants:

- Which have been your main problems when house searching?



- Are you willing to pay an extra for getting a place you really like?



## MINIMUM VALUE PROPOSITION

While we carried on with the hypothesis validation, which is an ongoing process, we designed a minimum value proposition. That is, a prototype of our product using the minimum possible budget, in order to show a sample to our possible clients and analyze their response. Given the nature of our product, the most obvious and reliable thing to do was to actually create our webpage. In spite of not being functional, we structured it to offer any kind of useful information to the user, allowing them to register their email in case they were interested in receiving further news about the projects' state. The link of this prototype is:

[www.bidyorrent.com](http://www.bidyorrent.com)

SOMOS UN NUEVO CONCEPTO DE ALQUILER EN EL QUE TÚ DECIDES CUANTO PAGAS

# ¿ALGUIEN DA MÁS?... ¡ALQUILADO!

BidYourRent es un servicio de alquiler de viviendas transparente y una plataforma de negociación de precios que une a inquilinos y propietarios.

**SE EL PRIMERO EN ENTERARTE DE NUESTRAS NOVEDADES**

REGÍSTRATE AQUÍ

Nombre

Email

- ✓ We established a goal of 30 registered users in order to validate our MVP and consider the experiment satisfactory. During the first month, over 55 users left their email showing interest in our product and its development, so it turned out to be a positive result.

Also, during this experiment, while looking for our own website to check if it worked properly, we found what at first looked like bad news, but later turned out to be one of the greatest news so far. We found that in the USA there already exists a platform operating this way. This meant for us a huge advance with the hypothesis validation process, as they were already operative and had a considerable client portfolio. We tried

heavily to get in contact with them to learn about their business model and their income strategy, but it appeared to be rather more complicated than it seemed at first.

### PRODUCT POSITIONING MESSAGE

As a final step before getting to strategy, marketing and financial planning, we had to create a message to attract clients' attention. For this purpose, we had to think to whom we were orienting it and what we wanted to emphasize. Following this line of thought, we developed the following:

*For young people in need of renting a place in Madrid, or those who wish to move to a better place, BidYourRent is a digital service, easily accessible anywhere you are with your smartphone, which provides the opportunity to seek for a cozy and long-lasting place to stay, unlike other competitors who fix the price, by paying just as much as you are willing to, not one more cent.*

And we came up with a product positioning message:

WANT IT? TAKE IT

