

Financial Summary: The Joy

Financial KPI's:

P&L Simulation	1st year	2nd year	3rd year
Revenue	€ 8,388,613	€ 404,856,876	€ 1,378,021,878
Expenses	€ 15,868,053	€ 303,808,605	€ 836,566,547
EBITDA	€ (7,479,440)	€ 101,048,272	€ 541,455,330
Operating margin	-89%	25%	39%

Financial KPI's		
NPV	€ 447,420,499	3 years after launch
Customer Acquisition Cost	€ 13	Average during 1 st year
Customer Lifetime Value	€ 1,343	
Discounted Payback period	19	Month
Break-even	17	Month
Operating margin	35%	Average during first 3 years

City statistics:

City	Launch period(salons)	Launch period (on-demand)	Break-even	Discounted payback period	NPV after 5 years from launch	Operating Margin after 5 years
Berlin*	4	9	16	27	€ 19,846,616	28%
Hamburg	6	9	9	13	€ 19,344,701	39%
Vienna	7	9	8	12	€ 19,874,786	42%
Duesseldorf-Neuss	8	9	7	10	€ 19,733,973	40%
Cologne-Bonn	8	9	7	10	€ 19,527,126	40%
Zurich	8	9	7	11	€ 12,429,304	48%
Los Angeles	8	9	5	8	€146,865,172	51%
Essen-Dortmund	9	9	6	8	€ 34,474,575	43%
Amsterdam	9	9	8	11	€ 16,979,608	41%
Munich	10	9	6	10	€ 18,947,954	41%
Paris	10	10	7	10	€ 78,330,073	43%
Brussels	10	10	6	9	€ 15,454,328	39%
New York	10	10	3	4	€198,065,846	52%
London	11	11	7	10	€104,332,079	51%
Frankfurt	12	12	8	11	€ 13,546,861	39%
Seoul-Incheon	12	12	4	6	€208,816,960	52%

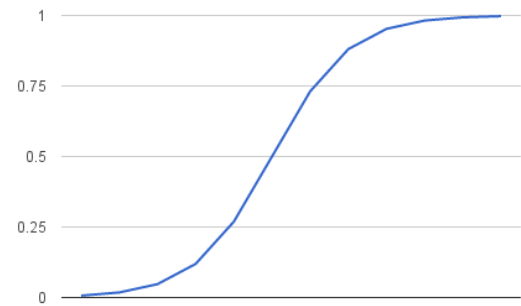
Miami	12	12	5	7	€ 50,054,705	50%
Greater Tokyo area	13	13	8	10	€285,641,443	52%
Chicago	13	13	4	6	€ 71,732,865	51%
Hanover	14	14	8	13	€ 4,619,818	30%
Nuremberg	14	14	8	14	€ 4,288,084	29%
Stuttgart	14	14	7	11	€ 8,904,102	36%
Geneva	14	14	9	18	€ 2,149,187	27%
Rotterdam-Hague	14	14	6	10	€ 11,972,841	41%
Boston	14	14	4	6	€ 54,032,393	51%
Marseille	15	15	8	12	€ 7,388,306	35%
Birmingham	15	15	7	11	€ 10,465,610	37%
Stockholm	15	15	8	12	€ 9,618,683	38%
Dallas	15	15	5	7	€ 46,260,992	50%
Mannheim	16	16	8	13	€ 4,094,337	29%
Lyon	16	16	7	10	€ 7,929,389	35%
Antwerpen	16	16	8	14	€ 3,010,867	26%
Manchester	16	16	6	9	€ 11,375,644	38%
Leeds-Bradford	16	16	7	10	€ 7,897,516	35%
Copenhagen	16	16	6	10	€ 9,695,727	39%
San Francisco	16	16	4	6	€ 43,458,437	50%
Lille	17	17	8	13	€ 3,031,364	26%
Glasgow	17	17	8	13	€ 3,806,988	29%
Oslo	17	17	7	12	€ 4,980,380	33%
Leipzig	18	18	9	15	€ 2,950,607	26%
Madrid	18	18	15	19	€ 29,444,597	41%
Helsinki	18	18	8	12	€ 5,726,661	35%
Busan	18	18	6	8	€ 19,985,595	48%
Houston	18	18	5	7	€ 37,551,813	50%
Philadelphia	18	18	5	7	€ 33,083,213	50%
Nice-Monaco	19	19	8	14	€ 2,403,084	24%
Barcelona	19	19	5	7	€ 22,362,084	42%
Lisbon	19	19	6	9	€ 9,940,420	37%
Dublin	19	19	8	14	€ 2,959,348	26%
Atlanta	19	19	4	6	€ 29,798,699	49%
Milan	20	20	5	8	€ 15,580,948	40%
Washington D.C.	20	20	5	6	€ 27,321,219	49%
Dubai	21	21	20	26	€ 12,039,297	41%
Seattle	21	21	6	8	€ 17,982,334	47%
Rome	22	22	6	9	€ 13,357,256	39%

Doha	22	22	7	11	€ 4,696,831	36%
Phoenix	22	22	4	7	€ 20,188,174	48%
Turin	23	23	7	11	€ 4,331,648	31%
Abu Dhabi	23	23	5	8	€ 12,370,649	45%
San Diego	23	23	5	8	€ 13,847,802	46%
Riyadh	24	24	5	7	€ 27,663,752	50%
Osaka	24	24	5	6	€ 77,216,131	52%
Singapore	25	25	22	26	€ 21,542,579	46%
Jeddah	26	26	5	7	€ 14,118,596	47%
Nagoya	26	26	4	5	€ 35,023,789	51%
Taipei	29	29	4	6	€ 27,192,570	50%
Hong Kong	29	29	26	30	€ 21,483,697	47%
Kuala Lumpur	30	30	5	7	€ 22,891,009	50%
Macau	31	31	7	13	€ 1,050,429	24%
Sydney	32	32	29	33	€ 10,716,217	44%
Melbourne	34	34	4	7	€ 8,803,818	45%
Auckland	35	35	8	12	€ 1,676,753	27%
Perth	36	36	8	11	€ 2,476,967	33%

**As Berlin is a head office of The Joy, all the development and other general costs that cant be allocated to concrete city were allocated to Berlin.*

Revenue breakdown

Revenue assumption is based on the userbase growth assumption that was used for financial modelling of The Joy first years. As a foundation of that assumption a logistic function was used (see picture on the right) that is characterized by rapid relative growth right after entering new city, average growth in the second year and minimum relative growth from the third year on.



Picture 1: Logistic function

Commission fees

For the modelling reasons an average price per order for each city was taken and used as a basis for revenue projections. Commission fee for booking appointments in salons is 10% from the order value. Commission fee for booking appointments in salons is 19%.

Offline targeted advertising and promotional campaigns (in Joycoins*)

Revenue from offline targeted advertising and promotional campaigns was assumed to be 15% from on-demand revenue as there is a direct connection between quantity of on-demand bookings and interest of companies to market themselves on uniforms and vehicles of practitioners.

Online advertising (in Joycoins*)

Online advertising was calculated by simulating approximate follower quantity and using average promotional post prices for corresponding quantities. It was assumed that every month 3 posts on Instagram, Facebook and 3 videos on Youtube will be sold.

Sponsorship module (in Joycoins*)

Each partner company pays monthly fixed price of 3 Euro per practitioner and 10 Euros per salon that have signed the sponsorship agreement through The Joy. It was assumed that 20% of all salons and practitioners will have at least one sponsorship agreement from The Joy partner companies.

Big Data (in Joycoins*)

Revenue from Big Data selling was calculated on the basis of 2 subscription plans: “Country” and “Region”, with monthly costs 2000 Euro and 5000 Euro correspondingly. Country subscription

plan provides access to data and reports from particular countries and Region – for particular range of countries in particular Region.

Questionnaire distribution (in Joycoins*)

The revenue from surveys was calculated in the following way: we assume that one questionnaire consists of 10 questions. The average revenue per questionnaire is 5 Eur. The revenue is distributed in the following way - 85% respondent, 15% The Joy. Initially. We assume that 5% of The Joy's customers participate in questionnaires. This number increases at an average rate of 3% per month for each city and reaches the maximum of 20% of The Joy's clients participating in questionnaires.

**marked services will be sold for Joycoins and therefore the corresponding revenues will contribute to the Bonus Payment Fund of The Joy.*

Expenses breakdown

Office expenses

In beauty and wellness business you have to be as close to the customer as possible in order to understand his needs and be able to help him as soon as possible. This is why it is planned to have an office in almost every big city from The Joy expansion plan. There will be two major types of offices: regional offices and city offices. Each region of operations (it can contain 1+ countries) has at least one regional office where marketing, sales, administrative personnel is located. As each in every region of the world the approach to marketing and sales is different, the marketing strategy has to be adjusted depending on that and there have to be local personnel that will be able to implement it on-site.

Each major city of operations will have a city office, which will be smaller than the regional one. There will be only recruiters for practitioners and salons, account managers and city manager.

The idea of those offices is to be close the potential providers, which can be pretty conservative and, according to the researches conducted, usually need a personal contact in order to buy something and need someone to show and explain them how does the platform work. Other benefit of those offices is that they can participate in different local events and exhibitions autonomously from regional offices and customize their approach in dependence to the peculiarities of the city.

Each office has following breakdown of costs in our calculations:

- Rent (depends on price per sq. meter and size of the office, includes utilities)
- Security Deposit (usually 3 times monthly rent)
- Office renovation (depends on the city and size of the office)
- Office equipment (general equipment needed for the normal functioning of the office)
- Office equipment per employee (laptops, devices and software needed for concrete jobs)
- Furniture (tables, desks, chairs etc.)
- Cleaning
- Additional expenses (drinks, sanitary goods, stationery, phone&internet etc.)

Payroll

These expenses can be divided in three groups: developers, marketing & sales staff and administrative personnel.

Right now and first 6 month after the launch of the platform The Joy will work with Fresh Design studio to finish and polish the product. After that period of time The Joy will set up a new office in Eastern Europe, which will continue developing the product. Eastern Europe is a region where quality-price ratio of software developers is the best, that's why The Joy is going to stick to that region in this regard and spare costs a lot.

The Joy plans to have a separate marketing department in each region of operations in order to adjust the marketing strategy depending on the region we are in as The Joy is not just software, but a brand people are going to rely on in questions of beauty, body care and wellness. In addition, salon and practitioner recruiters as mentioned before will be present in each major city we will be operating in.

Administrative personnel include top-managers, city and region managers, support team, quality improvement personnel, business administration and human resources.

Cost of sales

Apart of developers in order to develop and maintain the platform we need a payment processor vendor as we are not allowed to process payments ourselves without a corresponding license. After 12 months it is planned to get the license and manage own payment processing system.

Apart of that The Joy will pay to the vendors that provide The Joy with SMS-services, navigation, parking analysis, email-marketing, software licenses and servers.

Marketing expenses

In addition to marketing department salaries, The Joy plans spending on the following:

- Advertising on social networks Instagram and Facebook (In the financial model test budgets were indicated according to consultations with digital marketing companies, and also on the basis of the assumption that with each new city the average budget for advertising per city in a given country decreases due to network effects).

- Advertising on Google (In the financial model test budgets were indicated according to consultations with digital marketing companies, and also on the basis of the assumption that with each new city the average budget for advertising per city in a given country decreases due to network effects).
- Advertising with opinion leaders (The most effective type of advertising in the beauty and wellness industry. Budgets are calculated based on communication with world market leaders in opinion leader marketing)
- Advertising in professional media (Product placement in professional offline and online magazines aimed at hairdressers, massage therapists, nail specialists, physiotherapists, cosmetologists and others)
- Photo and video content creation (The content will be used for advertising banners, posts on social networks, Youtube, publications in magazines, etc.)
- PR and copywriting (These activities will be outsourced initially).
- Outdoor advertising (at the locations of The Joy offices)
- Business cards, notebooks, gift cards, corporate clothing, etc.

Bonuses and raffles

The big part of The Joy's marketing are bonuses and raffles. The Joy is going to pay them out mostly in Joycoins from Bonus Payment Fund with exceptions to salon and practitioner bonuses, which will get their bonuses in local currency.

Bonus payment fund refill

Initially bonuses in Joycoins will not be direct expenses as The Joy is going to pay them from the Bonus Payment Fund in the very beginning (Initially it contains of 20% of all the Joycoins emitted). Although after 1-2 years The Joy will have to start to constantly replenish it. This issue is also included in our financial calculations.

In-depth financial overview is possible in Financial Model built in Microsoft Excel that can be received after email inquiry to info@thejoy.io.