FJ LABS

MARKETPLACES: THE PARTY IS NOT OVER

JUNE 2019

PRIOR INVESTMENTS

CODEFIGHTS	recargapay	Zesty	shippo	embark	Alibaba Group	FARFETCH	sprig	Méliuz	GREEN CHEF
OLX	caroobi	CarPrice	chrono24	ticketbis	BOXED	Betterment	Button	InstaCarro	shiftgig
eaze	enjoei	FANDUEL	eve	LendingClub	Rappi	Reverb	headout	BlaBlaCar	stripe
UBER	AutoFi	ShipBob	envoy	Checkr	airbnb	wish	aircall	jyve	earnest
happn	Porch	FLEXPORT	docplanner.com	FUNDBOX	Delivery Hero	morty	AppNexus		instacart
GrubMarket	ReplyYes	AptDeco	SeatGeek	GAIA	BOOK A TIGER.	Q	letgo	granify	ELOQUII
Palantir	HAVENLY	earnest	Dropbox	Pillow	HOMER	ADORE ME	lesara	Zeek	wallapop

Fabrice Grinda

- Forbes #1 Ranked Angel Investor

FOUNDER

OLX Zingy Aucland

LANGUAGES

BACKGROUND

Princeton University McKinsey&Company

Jose Marin

FOUNDER

DeRemate.com IG Expansion

LANGUAGES

BACKGROUND

Stanford Business School BCG The Boston Consulting Group

VENTURE CAPITAL

- Pre-seed / Seed / Series A focus
- Average investment size $400K
- Global strategy: Active in U.S., Europe, LatAm, India
- 80+ investments per year
- 65% new investments + 35% follow-ons
- Do not lead rounds or join boards
- Co-invest with larger funds we know and trust

COMPANY BUILDING

- Build 1-2 businesses from scratch per year
- Invest $2.5M to $5M per company
- Executive chairman role
- Hands-on role in product, marketing, hiring, strategy & fundraising
- Expertise in scaling using TV advertising (FJ has bought over $1B of TV ads)
- US focus but have built companies in Europe + Brazil

Is the **team** compelling?

- Storytelling skills
- Grit and tenacity
- Demonstrated passion
- Metrics driven and analytical

Is the **business** attractive?

- Attractive unit economics (actual or theoretical)
- $1b+ potential enterprise value
- Low disintermediation risk
- Market leader potential
- Scalable and capital efficient
- Growing market

Are the **deal terms** reasonable?

- Attractive price relative to team, traction, and market opportunity

Does it meet **our thesis**?

- Verticalization of horizontals
- Transition to supply pick marketplace
- B2B marketplaces

REALIZED RETURNS

# OF INVESTMENTS	AVG. INVESTMENT
158	$234K
AVG. HOLDING PERIOD	**IRR**
3.1 Y	68.2%

INVESTED	MOIC	CARRYING VALUE
$37.9M	5.1X	$193.2M

UNREALIZED RETURNS

# OF INVESTMENTS	AVG. INVESTMENT
376	$456K
AVG. HOLDING PERIOD	**IRR**
2.6 Y	25.5%

INVESTED	MOIC	CARRYING VALUE
$173.0M	1.8X	$309.2M

As of December 31, 2018. Includes FJ Labs LLC investments. MOIC is based on last round valuations.

We follow and invest in the evolution of marketplace models

VERTICALIZATION OF THE HORIZONTALS CONTINUES

ebay → Reverb

YouTube → twitch

Thumbtack → BLOCK

Rev → robin

UBER EATS → slice

upwork → comet.

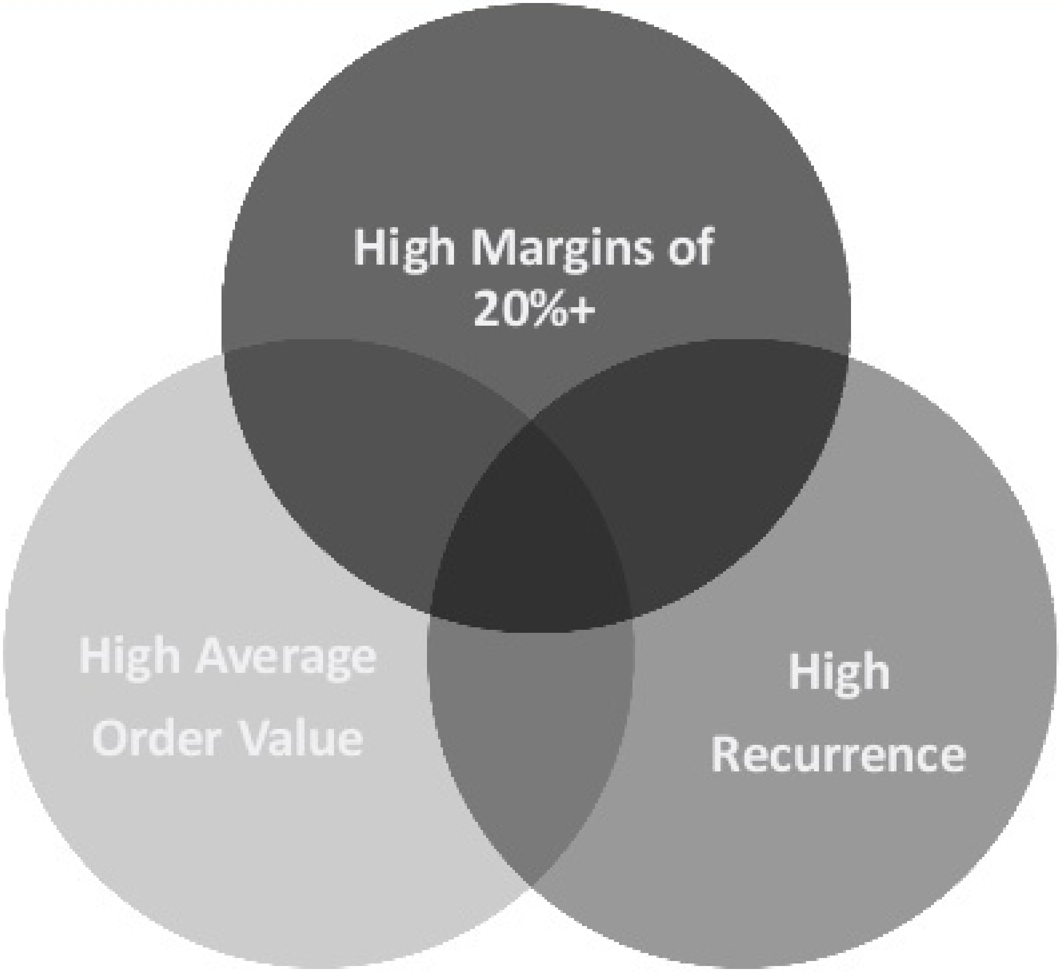
airbnb → LUXURY RETREATS

FUNDBOX → PRODUCEPAY

EVOLVING FROM DOUBLE COMMIT TO MARKETPLACE PICK

Double commit	Demand	⟷ *Buyer and seller interact to agree to T&Cs*	Supply	upwork, craigslist, Thumbtack
Demand pick	Demand	→ *Buyer originates transaction*	Supply	ebay, Etsy, Reverb
Marketplace pick	Demand	*Marketplace* — *Marketplace picks the supplier*	Supply	comet, UBER, meero, Rev

B2B Marketplaces have attractive characteristics that makes them more resilient



Examples

FLEXPORT

procsea
ONLINE FISH MARKET

RIGUP

knowde

Medinas

Ag

Food Models

On Premise Revenues
(grocery shopping & dine-in)

Off Premise Revenues
(pick-up & delivery)

amazon
Hello FRESH
WHOLE FOODS
SHIPT
instacart

UBER EATS
POSTMATES
DOORDASH
GRUBHUB
deliveroo
SWIGGY

Horizontals benefit from the growing demand

POSTMATES

UBER EATS

DOORDASH

GRUBHUB

zomato

Rappi

SWIGGY

deliveroo

Verticalization happens around discovery, trust, convenience and price

SERVED BY STADIUM

Managed delivery for business lunch

SLiCE

Discovery platform for local pizzerias

chowbus

Managed delivery for authentic food

R

Discovery platform for pick-up

MEALPAL

Discovery platform for discounted pick-up

On-premise experience first
- physical storefront -

- ✗ High upfront costs
- ✗ Not flexible to changes: one kitchen, one brand, one menu
- ✗ In-house customer comes first

This Model works as long as food is still hyper-local and physical space is needed

Off-premise experience first
- digital storefront -

- ✓ Low upfront costs
- ✓ Flexible to changes: multiple brands from single kitchen
- ✓ Out-of-house customer comes first

This Model works when cultural habit shifts to mobile-first world (like China)
Digital presence is needed

Dark Kitchens

- Smart industrial kitchens rented out to restaurants
- High-flexibility and easy expansion for current brands
- Merit based: Low-cost barrier to entry for new brands
- Players provide shared space, infrastructure, and SaaS

Virtual Restaurants

- Brands renting dark kitchens or using existing underutilized restaurant space
- Players in the space usually take charge in providing the brand, raw-materials, customer acquisition, and delivery support

Autonomous Restaurants Fleet

- Cooking-on-the-go renovated and sold with healthy margins
- Players in the space provide well-equipped vehicle with a cooking space, and often an app

Real Estate Models

MULTIPLE SUCCESSFUL MODELS EMERGING IN THE REAL ESTATE SPACE

Opendoor

LendingHome

COMPASS

roofstock

SONDER

ziroom 自如

The iBuyer model requires getting involved in every step of the transaction

Seller

- Requests an offer by submitting home info online
- Accepts offer
- Chooses closing date, receives cash less fee

Buyer

- Views and tours homes using app
- Makes an offer
- Close on new home

Opendoor

- Provides a market offer using pricing algorithms
- Performs inspection and charges repairs to owne
- Close in a matter of days
- Performs repairs and minor renovations
- Lists home on Opendoor site and MLS

(typical hold period is 90 days)

- Accepts offer
- Upsell products such as mortgage and title

Every market

- Mortgage market for buyers
- Debt capital market to fund homes up to ideally 90%+
- Culture of home ownership

Efficient markets

- High broker fees
- High % of transactions going through brokers
- High complexity transaction
- Long time to close transaction (90+ days)

PROPERLY

Opendoor

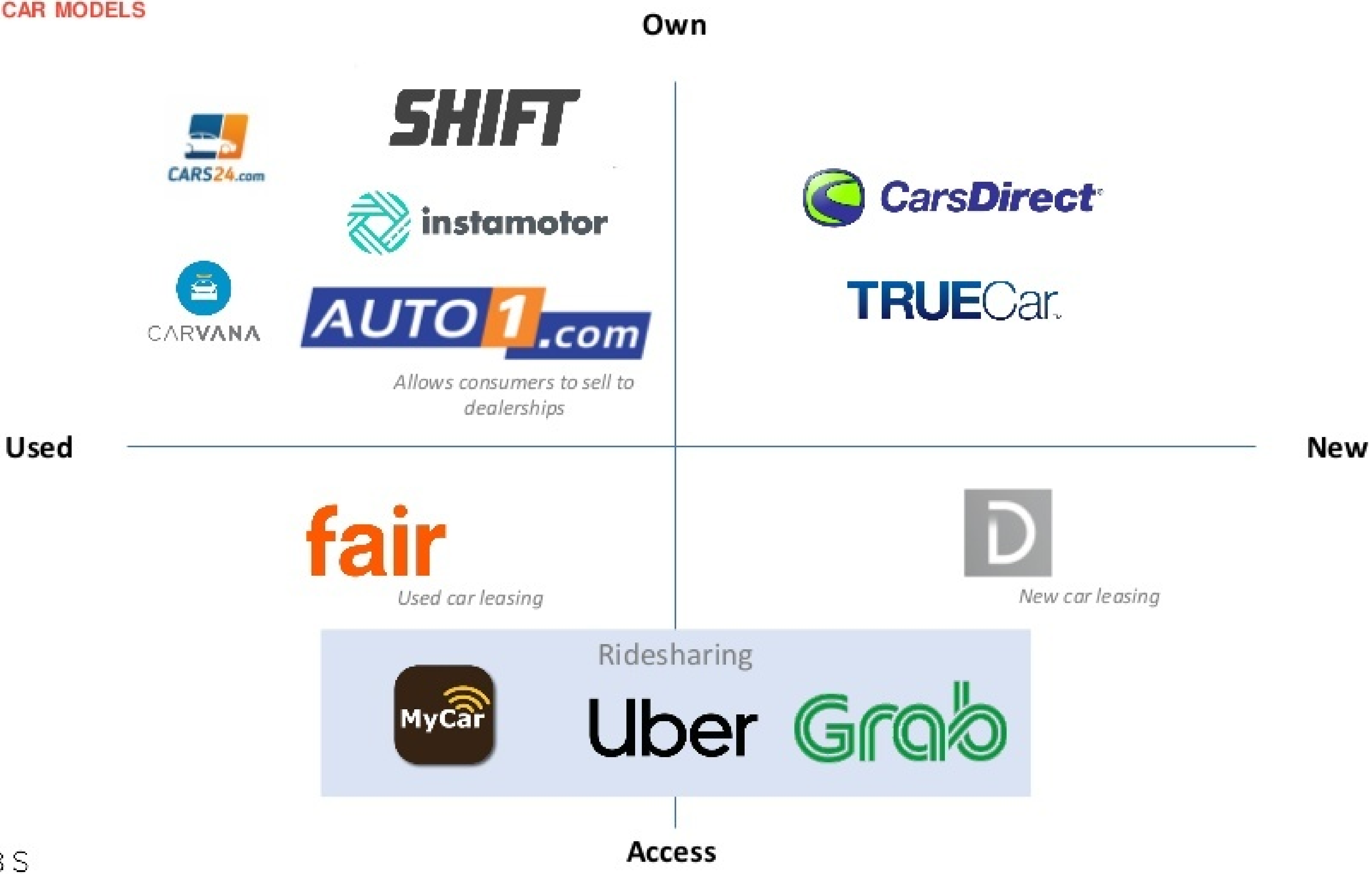
Inefficient markets

- Availability of low priced assets that can be renovated and sold with healthy margin

kodit.io

loft

Car Models

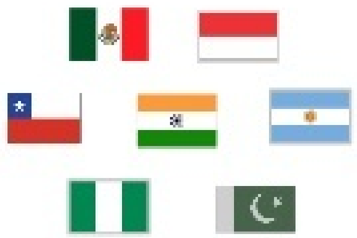

Own
SHIFT
CARS24.com
instamotor
CARVANA
AUTO1.com
Allows consumers to sell to dealerships
CarsDirect
TRUECar
Used
New
fair
Used car leasing
New car leasing
Ridesharing
MyCar
Uber
Grab
Access

Auto1 model has proven successful in Europe

AUTO1.com

Frontier Car Group is bringing the Auto1 model to emerging markets

FCG FRONTIER CAR GROUP



Initial target markets

Not clear which markets are fully operational

Information sources and use

- Price differential across regions
- Potential for pricing models built on proprietary data set

Financing

- Social acceptance of credit
- Credit scoring system
- Access to credit

Incumbents

- Absence of wholesale marketplaces
- Low penetration of largest incumbents

Macro factors

- Market size
- High and/or increasing car ownership

Job Marketplace Models

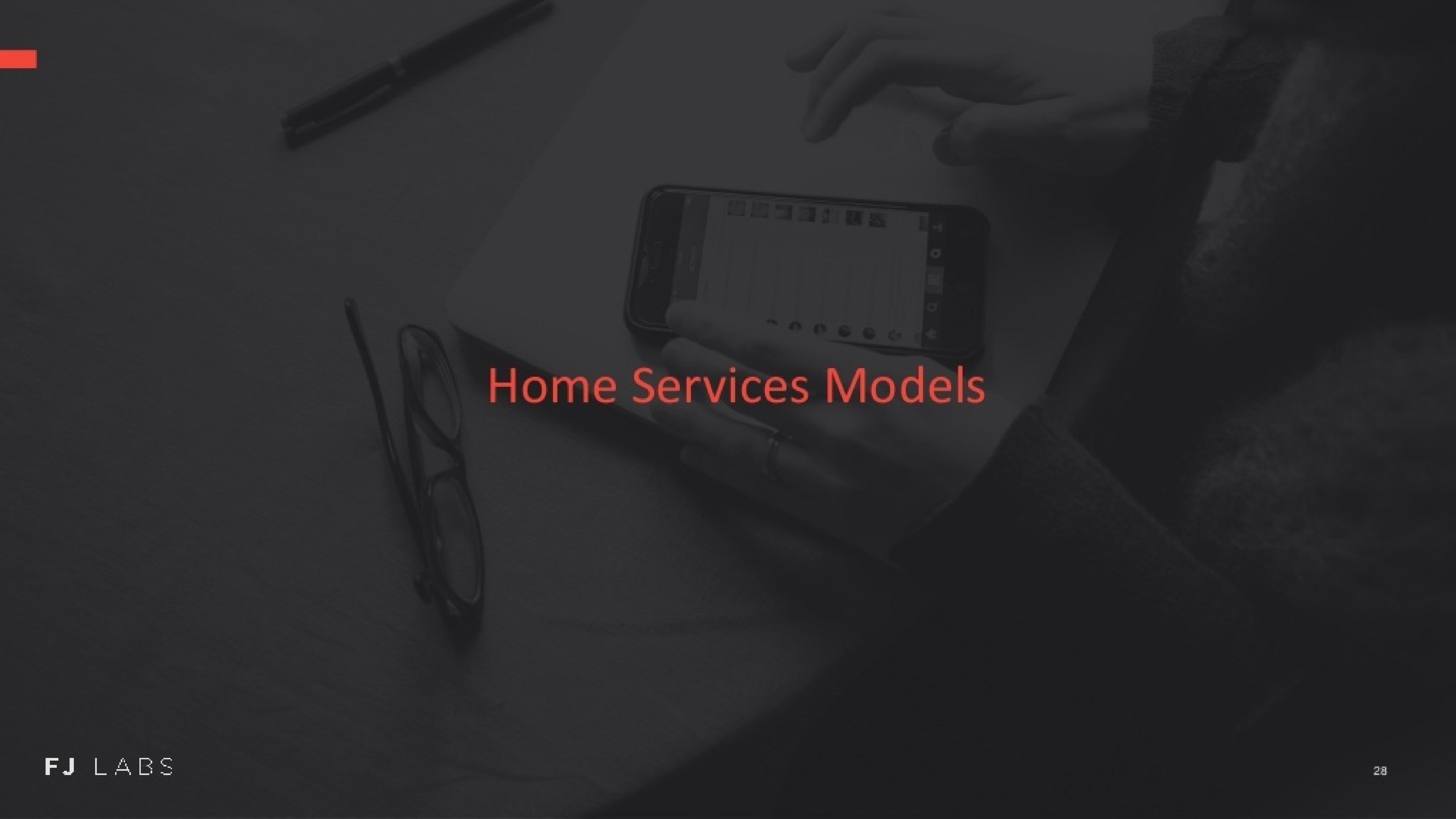
Full Time Jobs	Staffing / Gigs	Vertical Marketplace Pick
me. craigslist — *Blue collar*	jobandtalent	comet.
ZipRecruiter, HIRED, indeed — *White collar*	upwork™	RIGUP
	CATALANT	MEDWING

Regulatory

- Employer responsibility for insurance/pension/sick leave/…
- Ease of hiring/firing employees

Macro factors

- Industries which require rapid hiring/firing of large amounts of people (e.g. ride sharing or oil & gas for staffing)
- Job churn in the market
- Unemployment rates



Home Services Models

Horizontals still dominate the bulk of home services models

Thumbtack

Horizontal services marketplace

HomeAdvisor

New verticalized and transactional competitors

Setter

Managed marketplace for home maintenance and repairs

RENOVISO

Managed marketplace for home renovations

TOOLBX

B2B marketplace for construction materials

RESQ

Managed marketplace for restaurant renovations

Lending Models

The first wave of fintech challengers brought significant disruption to the market …

CareCredit™

synchrony

LendingClub

FUNDBOX

Funding Circle

… followed by a second wave of startups that address specific client needs

Returnly

Better returns for online shopping

PAYJOY

Pay-as-you-go smart-phone purchasing

PRODUCEPAY

Lending for produce farmers

Scratchpay

POS financing for veterinary clinics

CLEARBANC

Banking for self-employed freelancers

Customer Needs	Vertical Fintech Edge	Outcome
Better understanding of customer needs	• Faster decision making • Targeted UI/UX • Higher approval rates /lower cost	Better customer experience

More business + more data

ProducePay for farmers

ScratchPay for vets

ClearBanc for freelancers

Thank you!

Thank you.

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