

Noriugreit is an UBERisation of beauty, wellness, and spa industries in Lithuania, Poland, Latvia, and Belarus.

Professionals ("masters") come to consumers' homes. We provide convenience, quality, escrow, safety, stability.

We set prices. We collect valuable data. We develop personal relations with the most productive professionals.

We have two levels of quality and prices. The slots in the premium segment are limited and serve as an incentive for masters.

We monetise the system without pressure on consumers.

The effort is extremely timely for the four target countries. Right now, we can solve the classical problem of a two-sided market comparatively easy, by giving relief to professionals currently strained by recently launched salon booking aggregators such as Treatwell.com.



We offer equity, up to 75%, for €1M. The 3 years NPV at 10% WACC is estimated at €20M. The breakeven point is expected in 18 months.

Within the same deal, we offer 50% of the available "stake crypto-token" supply. The token model is developed. Effectively, we take the €20 million project and cut €2 million from it (10%) to make that small part immediately liquid so that €2M can quickly become €10-20M.

The web-app is already running. By now, we have a sufficient number of masters in one city – Vilnius, the capital of Lithuania.

INVESTMENT OFFER

Middle Term Plan

Besides selling beauty services, we will sell beauty products (like shampoos). We will also expand to adjacent sectors such as fitness and spiritualistic.

Long Term Plan

After the network gains some weight, we will introduce the Euro-pegged cryptocurrency so our platform will serve any two individuals to exchange any service for value in-person, in a tax-efficient way. By holding Euro-nominated reserves, we will enter the crypto investment and hedging sector. At some point, our regional expansion will be based on the decentralised core engines of the app. We will also join integrated supply chains on distributed substrates and optimised the corporate structure through establishing Malta-based human-less programmable legal entities.

Darius Ilgevičius
Noriugreit founder



The beauty industry of Eastern Europe is changing under the pressure of the booking aggregators. Their role has proven to be ambiguous. They are pointless where deep discounting is not a part of the business culture. They are outright harmful where return clientele plays a fundamental role. But they don't care and they are coming...

So we decided to fight fire with fire! Our booking system is arriving very timely to help personal service masters to overcome the coming trouble and become independent professionals.

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ESSENCE OF BUSINESS

Noriugreit is an online platform to order beauty, wellness, and spa services to home, office or hotel.

We solve the classical problem of the two-sided market [1], monetising the system without pressure on the consumer.

To consumers, we bring increased convenience, high quality of services, adequate and stable prices.

To masters, we bring professional independence and higher earnings with flexible working hours.

The main challenges are

- (1) to reach the critical mass of users on both sides;
- (2) to develop techniques to neutralise potential discomfort associated with the fact that masters need to enter the personal space of consumers;
- (3) to keep masters satisfied so they do not circumvent the system after obtaining clients.

[1] – [4] See bibliography on page 22

RELATED OPPORTUNITIES

SELLING RELATED PRODUCTS

The beauty services market is approximately equal in size to the market of beauty products. However, the latter is dominated by oligopoly – a significant share belongs to only a few large brands. Access to the network of practicing professionals will allow us to achieve a significant sales volume of less prominent brands that would be difficult to sell otherwise.

SPIRITUALISTIC SERVICES

Surprisingly, not only this market is quite large, it is still growing [2], Progress being a small obstacle or even the part of the reason. However, this business has not yet been brought online in a modern format. Haircuts, makeups, manicure, pedicure, styling, personal fitness, yoga, massage, chiropractic, acupuncture, stone therapy – all these services feel as “deeply personal”. When we show some success in these areas, we could apply the so-called enveloping and expand from body wellness into the sphere of “mind wellness”. The method is well studied [3], its essence is a friendly absorption of one target audience at the expense of another, using a significant degree of their overlap.

ENTERING PAYMENTS MARKET USING THE EURO-SURROGATE (STABLE CRYPTOCURRENCY)

The payments market is undergoing an essential revolution, the “friction” in payments has become exorbitant. The aggregate commissions of various networks such as VISA, PayPal, ApplePay, etc., as well as their intermediaries (banks), make up about 3% of GDP in the US and many other countries (more than police and firefighters!). We plan to introduce our own, almost free-to-use digital surrogate of the Euro, based on the Stellar network [4]. This will create added value through savings on payments and investing of temporarily unclaimed funds in risk-free money market tools.

WHY HERE, WHY NOW?

Most people still make appointments at beauty salons over the phone. The potential for an online business is hard to overestimate. But there's much more to it.

Noriugreit begins UBER-isation of the market segment in Lithuania, Poland, Latvia, Belarus, and Ukraine at a unique moment in the history of the industry. These bordering countries are united not only by similar cultural traditions but, most importantly, by the fact that the markets there are undergoing the "BOOKING-isation" process right now, under the pressure of such providers as treatwell.com, booksy.com and others.



From the consumer's point of view, BOOKING-isation develops the habit of online booking but does not compete with us directly, since the main factors of Noriugreit's attractiveness lie elsewhere (coping with a consumer's lack of time and supporting her attachments to certain masters).

On the other hand, because of BOOKING-isation, the masters are soon to be actively looking for a way to increase their income. BOOKING-isation is a phenomenon known for its extreme aggressiveness [5]. As soon as a search&book system penetrates the market to a certain depth, no beauty salon can longer refuse to join the system. Of course, consumers get additional convenience, but there is no reason for them to bring any additional money to the market, so the old piece of cake is divided in a new way. The booking system takes a significant share of the profits,¹ reducing profits of all the other participants, including each master.

Noteworthy, the pressure on salons is exacerbated by processes in the real estate market: AMAZON-isation displaces shopping malls from the market² and raises rental prices in downtown areas, as online stores keep opening new exhibition points there.

^{1,2} See notes to the chapter on page 11

HOW TO ATTRACT CONSUMERS?

It is not easy to maintain such a great level of quality that strangers do not irritate each other on a non-neutral territory. But we do not invent anything radically new, we rely on proven market practices that worked well in other countries.³

Here are the three **key value propositions** for consumers:

For busy people: quickly but without fuss (same-day), done in a modern way (online, on-demand).

For the pretentious: not cheap but custom-made (and no flip-flopping to the car after a pedicure).

For “lazy”: just as in the salon — high quality delivered by vetted professionals.

Our principal position is that we make money only on the masters. **Consumers will never feel any “monetisation burden”**. This is reflected not only in the pricing policy but in all other aspects. For example, the website and applications will never host advertisements; consumers will never receive “master of the month” spam; gift cards will not contain hidden payments.

We do not engage in dumping. Among our marketing keywords, there will be no references to potentially low prices, although this may ultimately be an important factor for the consumer.

We avoid any hints of haste and fuss, although the service is directly related to saving time. We will not deny customers the opportunity to do everything quickly, like our URL claims,⁴ but it will never entail any connivance to the level of quality.

CORE OF BUSINESS: ORDERING PROCEDURE

The ordering procedure is the face of the service, it is the result of important architectural decisions about the structure of the product. The elements of this procedure define the relationship between the platform and the masters.

When building the business logic, we took into account the results of our proprietary market research, the survey⁵ (several dozen stylists and hairdressers) and deep interviews, as well as the study of approaches of similar service platforms abroad (see the list on the right).

Each step in the procedure is a solid brick in the castle of the long-term quality: masters may wish a lot of things, but in the end, they are the means, not the purpose, with no one being irreplaceable among them.

THE CHOICE OF SERVICE IS PRIMARY

The breadth of the range of services, their availability anywhere in the city are parts of our credo. The first step of the user is the choice of one or more services. Services are arranged in optimal sets so that each master is capable to perform the typical scope of work.⁶

NO SORTING BY PRICE

We do not allow masters to set their prices so consumers can't sort and filter offers based on the cost of the services. This is us who set prices for each service in each city. As masters also have families and need time to rest and relax together with them, prices on weekends and evenings are higher.

SEARCH AND SELECTION OF A PARTICULAR MASTER IS LIMITED

Consumers cannot select a master by name if she or he has not already served that person before. We are not a search engine or a bulletin board, we are a reliable service provider. However, people tend to create bookmarks and memorise the life experience they like, so we leave the option "repeat the same order". It is clear that there is no reliable way to avoid excluding us from the "supply chain": the master and her regular customers, at some point in time, can switch to payments outside the system, for example, in cash. It is hardly possible to come up with something that has not yet been invented, so, in this regard, we use well-known tricks (see the "Quality Assurance" section).

beautylynk.com

beglammed.com

belbella.com

bgxme.com

blowltd.com

blowoutandgo.ae

blowoutgoout.com

bonnti.com

freestylecuts.com

getbeautified.com

glampop.nl

glamsquad.com

gopriv.com

luxit.com.au

missbeez.com

prettly.com

prettybirdapp.com

ruby.com

soothe.com

stylebee.com

styleseat.com

theglamapp.com

thereddoor.com

treatwell.com

uberbeauty.co

ubercuts.ca

urbanbeautynetwork.com

uspaah.com

vensette.com

vivablowout.com

workadu.com

zeel.com

CORE OF BUSINESS: FILTERING MASTERS

While the order procedure is the face of the service, presenting the list of available masters at the request of the consumer is the first handshake. Let's consider how the response is formed in our system.

The most important factors (filters) are, of course, time and place. However, the first proposed master may not be the nearest one.

We position ourselves as a "calm", well-planned system. We are not a rescue for those who are always late. We do not allow our quality to suffer by densely filling masters' schedules with inconvenient last-minute orders from remote suburbs. Therefore, in a fairly large area (several adjacent city districts), all the masters are considered as effectively equidistant, and priorities are given based on other parameters. We do not show a map in the consumer interface,⁷ although our software, of course, uses the knowledge of the geo-position of both users and masters.

THE FACTORS OF TIME AND DISTANCE

Masters can fill time slots within the "borders of the day", that is, outside a relatively dangerous time. Depending on the characteristics of a particular city and time zones, the forbidden period can vary. Next, masters can choose the mode of transport (by car, public transportation, on foot, or by bike) which determines the accessibility zone. The minimum time interval from the current moment will depend on the degree of filling the system with masters and will gradually decrease, with its own pace in each city. Also, as the system develops, the penalty for cancellation will be reducing. With a certain density of masters and the presence of high demand from consumers, a monetary penalty for cancellation can be waived, limiting only to a decrease in the rating of the consumer (read more on that below, in the "Quality Assurance" section). The maximum duration of each procedure is strictly regulated, and the overdue completion signal is considered as a "red flag" in the security system.⁸

PERCEIVED QUALITY: THE MAIN PRIORITISATION FACTOR

Thus, the positions of masters in the list offered to the consumer are determined only by personal ratings in the system. Those who are physically too far away are simply excluded. The personal rating is what keeps the master in the system. The rating is what ultimately motivates masters financially.

CULTURAL PREFERENCES & NO-ALLERGY POLICY

We do not believe that following the tolerance and diversity narratives contributes to the improvement of life comfort. For many people, modern Europe is replete with direct challenges to domestic cultural settings. In our system, the masters (in their public questionnaires) will indicate both gender self-identification and religious/ideological preferences. Of course, there will be an answer "do not specify", which, for many consumers, will also serve as a sort of an indicator. We understand that this position can cause questionable media coverage but, at this stage of development, we consider any PR as a very valuable thing.

We will also protect system users who have allergies by indicating potential sources such as pets.

CORE OF BUSINESS: QUALITY ASSURANCE

To ensure a proper level of quality and a decent presentation of the brand, each master must be personally "morally involved" and perform functions of the administrator. Our solution on how to create such motivation is to offer masters a clear scenario of a rapid income tripling.

Every master can get into a strictly limited "elite circle" which includes only 10% of all the masters. At the same time, we charge inactive accounts a monthly "dormant fee" to clear the system from those uninterested.

WHAT MAKES THREEFOLD ELITE EARNINGS POSSIBLE?

From the consumers' perspective, our service has a simple two-level structure: normal and premium. Without unneeded complications, this allows us to create a two-dimensional space for marketing maneuvers. Premium services are significantly more expensive, and they are provided by the "elite". Besides, for premium masters, the commissions of the system are reduced. They also have a chance for bigger tips, including those paid in cryptocurrency. The system does not charge a commission on the amount of the tip,⁹ so the distribution of payment between the principal and the tip is a very important issue and we consider it separately (see the "Tokenization" section below). The most important advantage is that the demand for the elite should be generally higher (schedules are better filled).

Personal scoring is the key concept for all similar systems. However, unlike most others, we deploy an Airbnb-style mutual (two-sided) rating. It is arranged in such a way that both the master and the client are given 1 day or so to assess each other. This way, masters are protected from indiscriminate downgrading, while greedy consumers [who haven't paid the decent professional a well-deserved tip] would be "morally grounded." The possible effects of mutual rating inflation are leveled with relative deviation from the system's average. Only a part of the total score is created by direct user inputs; the rest is done by statistics (comparative number of orders taken, time-worked during the week, long-term experience, etc.). Also, the rating is influenced by the results of regular qualification tests and inspection of the quality of tools and equipment. A rating below the specific threshold has to be driven up with paid qualification tests. Depending on the current conditions in a particular city and country, masters may also be required to undergo a police check at their own expense.¹⁰

"RESIDENTS" AND "GUESTS"

Masters are the main asset of the system, so building relationships with them plays a key role in business. We will do this face-to-face, by allocating a budget for the relevant department within the company. The task of this department's staff is to maintain personal, live contact with all the "residents" of the system, that is, with those masters whose personal income (according to our assessment), depends mainly on us. "Guest performers" and beginners (going through the trial period) will not be supervised individually. "Residents" will be offered additional benefits such as free training, uniform, high discounts on cosmetic products and consumables.

CONFLICT RESOLUTION

Of course, corporate budget planning implies a set of measures to resolve conflicts.

GO-TO-MARKET PLAN

To solve the so-called chicken-and-egg paradox [8], we started with the master's registration. The reason is simple: we want to free consumers from inconvenience and frustration. The fact a client saw our advertising must mean there's plenty of masters already.

Besides, starting with masters is procedurally easier. After subscribing, we simply ask them to wait. Masters are ready to accept the fact that we need time, that we have to check everyone. In general, a masters' motivation to stay active in the system is much stronger than that of consumers. Since their number is many times less than consumers, we, after pre-subscription and some delay, will be able to reach out to most of the masters again, simply by e-mail.

In each new city, we will start by attracting masters. The tempo of the subscription can be different. There is no serious reason to overpay to maximize it. On the contrary, our marketing campaigns should start slowly and gradually increase the density of messages, repeatedly redistributing the budget to the most successful channels.

In terms of geolocation, we need to act as precisely as possible. A small town like Vilnius can be covered by a one-wave effort but, in a city like Warsaw, we should target people living in distant areas separately.

Upon reaching a "critical density" of masters in the area, we assess the degree of dissipation (that is, a partial loss of interest of subscribers during the campaign) and compensate for these losses. Only then we turn the campaign towards consumers.

AS WE REACH CRITICAL DENSITY IN A PARTICULAR AREA...

From this point on, we can start earning money. Our profit should be somewhat proportional to the sum of the two components, one is linear to the number of new users and the other is its natural logarithm. The latter is caused by the inversely proportional (to the number of users) summand in the cost function (that we need to integrate to move from small increments to real numbers).¹¹

This means that the stage of attracting consumers (after reaching a critical mass of masters in the area) should start as intensively as possible. The maximum effect can be reached during the early stage. Thus, the entire process of entering the market can be divided into 4 conventional parts: (1) the slow entry to the masters' campaign; (2) the intensification of the campaign and the achievement of a critical mass in the area; (3) the launch of a powerful campaign to consumers, (4) the transition to a more calm and long-term consumers' campaign.

PHASE ONE

10% of the total budget. In addition to the usual set of online promotion tools that have accurate geo-targeting, we will use an affiliate program.¹²

SECOND STAGE

20% of the total budget. First employees of the department of relations with masters start working.

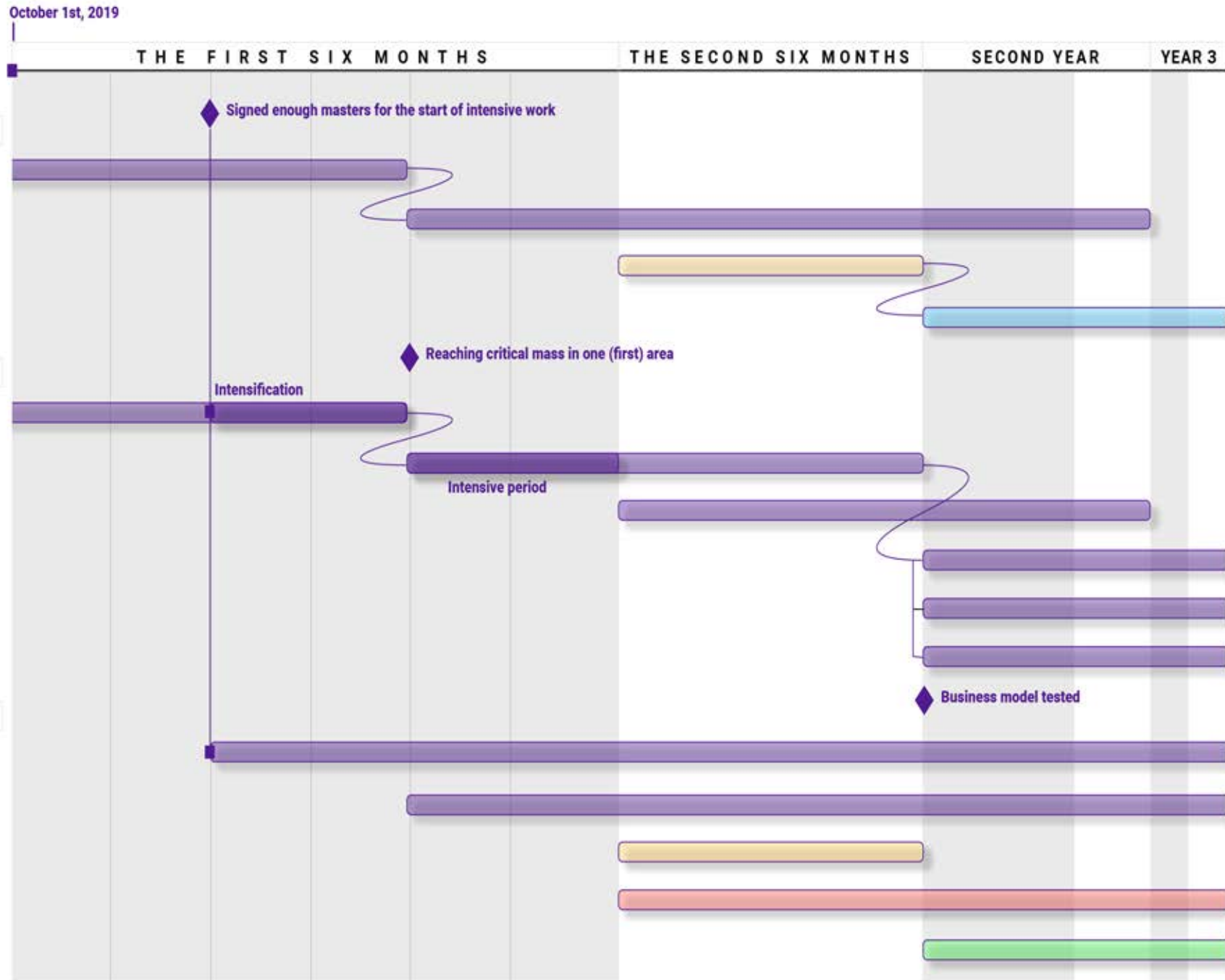
THIRD STAGE

50% of the total budget.

FOURTH STAGE

20% of the total budget.

GO-TO-MARKET PLAN: FIRST THREE YEARS



NOTES

[1] In fact, there are many mechanisms. Read, for example, this interview with Conor Cappel, the Director of a well-known company that supplies software for beauty salons. He does have some ways of gathering meaningful statistics. <https://nothingventured.rocks/rethinking-marketplaces-and-why-the-uber-of-in-hair-and-beauty-is-a-fallacy-de6e672a53c1>

[2] So far, the problem has manifested itself only in some places, but the trend is adamant. Believe it or not, in 2018 in the US, one quarter (!) of shopping centres closed. There's a lot to read on this topic. Here is one article, for example <https://www.forbes.com/sites/pamdanziger/2018/10/14/the-fall-of-the-mall-and-three-ways-to-make-them-rise-again/#4f2971742a26>

[3] For example, see this article: "The beauty industry gets the Uber treatment", Financial Times, Kathleen Baird-Murray FEBRUARY 9, 2017.

[4] "Noriu greit" means "want it quickly."

[5] We used several questionnaires that are based on thirty questions about the basic aspects of the possible service policy. <https://docs.google.com/spreadsheets/d/1fZA8E1WiloZqUyZJZNtc6WwFwm-5XDXI9z7e9ej2XK0/edit#gid=1633757383>

[6] When you come to a salon, one person makes your hair and the other does your nails. And not always you combine these services in one visit. Same with Noriugreit. The difference is that there are probably 10 masters in the salon, while we have a thousand, and all of them should be able to do what a single price list offers. Of course, this will lead to some simplifications.

[7] The map will eventually become part of the interface, but it will be stylised, simplified and animated. We have some ideas on how to build a side-business on top of it. As we already mentioned we will not deploy direct advertisement but the map can become the basis for some fruitful cooperation with other online platforms.

[8] One of the functions of the Masters Relation Dept. is to monitor their safety. Of course, at first it will be limited to simple checks by phone and semi-manual work, but in the future, with the accumulation of knowledge about typical and atypical patterns, this activity is going to be almost fully automated.

[9] In different countries, the status of tip money may or may not provide certain tax benefits. We do not charge a fee on the amount of tips not only because we want to be fair and generous, but also because of the reluctance to get involved in tax ambiguities. Please see the section on tokenization; tips can be paid in cryptocurrency which opens a lot of unusual opportunities.

[10] In different countries, police checks can mean different things. In general, we stick to a relatively low level of control attempts: the situation with security in our target countries is noticeably better than, for example, in the US or even in England.

[11] $dP = \text{const1} * dN/N + \text{const2} * N$, where N is the number of clients and dP is a small increment of net income.

[12] The program will be technically integrated with the crypto module.

[13] A built-in wallet by a well-known third-party vendor and the access to a decentralized exchange.

[14] We will accumulate commercially valuable user data by processing behavior patterns and then approach prominent DMPs.

FINANCIAL PLAN

NPV ~ €20M (3 years, WACC~10%)

MIN. INVESTMENTS NEEDED: € 700 000

BREAKEVEN: IN 18 MONTHS

7 MAIN ASSUMPTIONS

Fixed costs are the product of the unit wage and the size of the population served by the system. Fixed costs do not depend on the amount and price of services provided to consumers, they depend on what territory we serve.

Variable costs are based on the number of orders. The more orders are made in the system, the higher is the use of IT personnel (questions, complaints), probability of conflicts, and other phenomena that may cause expenses.

Typically, there are 3,000 masters per million of the population.¹

We deploy just 10-20% of those masters. The acquisition cost is low (€10) because we only assume to attract the top of the iceberg. We rely on those extra-active types who will come "by themselves", as the Pareto principle suggests.²

We start with a very low fee of 2%. We manage to keep it growing, 20% each quarter, and, by the end of the considered period, still keep at a comparatively modest level, below 15%. Importantly, this margin includes product sales activities.³

We start to spend profits on further development as soon as we can. Thus, we only need a strong initial "kick". Of course, we need more money to keep it safe, so we propose the way for additional funding WITHOUT further equity dilution. See tokenisation pages below.

We assume conflicts to appear only every thirties time (29 or so orders go smoothly and only 1 goes wrong). Part of it is target geography – comparatively calm and safe Eastern European countries.

1-3 See notes to the chapter on page 20

CASH FLOW

Three years time horizon

	GROWTH RATES	Assumptions	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4
Territory, millions of people			0,5	0,5	1	2	3	4	5	6	7	8	9	10
Masters total, number of people		3000	1500	1500	3000	6000	9000	12000	15000	18000	21000	24000	27000	30000
Our share	5%		10%	10,50%	11,03%	11,58%	12,16%	12,76%	13,40%	14,07%	14,77%	15,51%	16,29%	17,10%
Our masters, number of people			150	158	331	695	1094	1532	2010	2533	3103	3723	4398	5131
Quarterly turnover, no. of facts of services ⁴	5%		270	284	298	313	328	345	362	380	399	419	440	462
Price per service	5%		€20,00	€21,00	€22,05	€23,15	€24,31	€25,53	€26,80	€28,14	€29,55	€31,03	€32,58	€34,21
Turnover, €			€810 000	€937 676	€2 170 965	€5 026 303	€8 727 862	€13 471 455	€19 493 616	€27 079 556	€36 572 633	€48 385 504	€63 013 820	€81 051 654
Fee (depends on efforts of the product trade team & the masters relation team)	20%		2,00%	2,40%	2,88%	3,46%	4,15%	4,98%	5,97%	7,17%	8,60%	10,32%	12,38%	14,86%
REVENUE			€16 200	€22 504	€62 524	€173 709	€361 962	€670 426	€1 164 152	€1 940 619	€3 145 113	€4 993 181	€7 803 312	€12 044 412
Core developers, no. of people			0	1	2	2	3	3	3	3	1	1	0	0
Core dev.'s quarterly salary		€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000
Initial administration efforts		€5 000	€5 000	€5 000	€5 000									
Marketing		€100 000	€100 000											
TOTAL ONE-TIME COSTS			€115 000	€15 000	€15 000	€15 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000	€10 000
Maintenance&localization efforts		€500,00	€250	€250	€500	€1 000	€1 500	€2 000	€2 500	€3 000	€3 500	€4 000	€4 500	€5 000
Adm team		€1 000,00	€500	€500	€1 000	€2 000	€3 000	€4 000	€5 000	€6 000	€7 000	€8 000	€9 000	€10 000
Product trade team		€2 000,00	€1 000	€1 000	€2 000	€4 000	€6 000	€8 000	€10 000	€12 000	€14 000	€16 000	€18 000	€20 000
Masters relations team		€2 000,00	€1 000	€1 000	€2 000	€4 000	€6 000	€8 000	€10 000	€12 000	€14 000	€16 000	€18 000	€20 000
TOTAL FIXED COSTS			€2 750	€2 750	€5 500	€11 000	€16 500	€22 000	€27 500	€33 000	€38 500	€44 000	€49 500	€55 000
Number of facts of services			40500	44651	98456	217095	359022	527762	727322	962247	1237890	1559489	1934254	2369461
Number of different people served			13500	14884	32819	72365	119674	175921	242441	320749	412563	519830	644751	789820
Number of new people ⁵			13500	1384	17935	39546	47309	56247	66520	78308	91814	107266	124922	145069
Acquisition cost		€10,00	€135 000	€13 838	€179 349	€395 465	€473 087	€562 467	€665 200	€783 083	€918 144	€1 072 665	€1 249 216	€1 450 691
Acquisition cost, per fact of service			€3,33	€0,31	€1,82	€1,82	€1,32	€1,07	€0,91	€0,81	€0,74	€0,69	€0,85	€0,61
Consumer support costs		€0,01	€405,00	€446,51	€984,56	€2 170,95	€3 590,22	€5 277,62	€7 273,22	€9 622,47	€12 376,90	€15 594,89	€19 342,54	€23 694,61
Conflict resolution costs		€0,03	€1 215,00	€1 339,54	€2 953,66	€6 512,86	€10 770,65	€15 832,86	€21 819,65	€28 867,40	€37 130,70	€46 784,68	€58 027,62	€71 083,84
TOTAL VARIABLE COSTS			€36 620	€15 624	€183 287	€404 149	€487 448	€583 578	€694 293	€821 573	€967 651	€1 135 044	€1 326 586	€1 545 469
TOTAL COSTS			€154 370	€33 374	€203 787	€430 149	€513 948	€615 578	€731 793	€864 573	€1 016 151	€1 189 044	€1 386 086	€1 610 469
CASH FLOW			-€138 170	-€10 869	-€141 264	-€256 440	-€151 986	€54 848	€432 360	€1 076 046	€2 128 961	€3 804 137	€6 417 226	€10 433 943
Accumulated cash flow			-€138 170	-€149 039	-€290 303	-€546 743	-€698 729	-€643 881	-€211 521	€864 525	€2 993 496	€6 797 622	€13 214 848	€23 648 790

The key parameter is how fast the fee can grow.

The maximum "drawdown" (the point of the lowest accumulated total of funds) occurs in the first quarter of the second year and reaches 700 thousand euros.

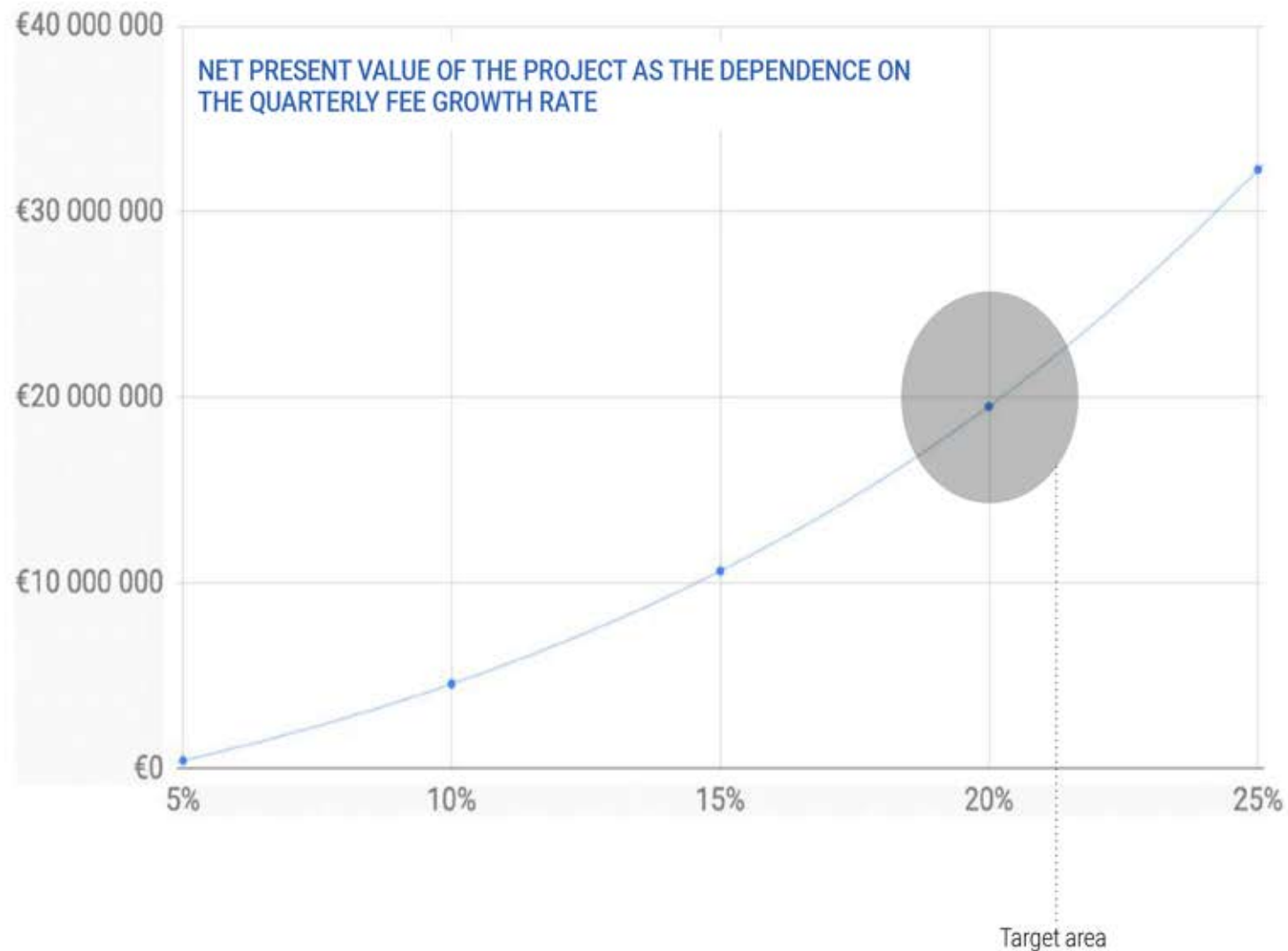
The break-even ⁶ point is in the last quarter of the second year.

NPV (SENSITIVITY ANALYSIS)

Net present value (NPV) at a rate (WACC) of 10%⁷ per annum is approximately 20 million euros.

The key factor of business is the effective total fee (as a percent of revenue). The main forecast parameter is the growth of this effective fee. Naturally, the expected NPV strongly depends on this parameter. The graph on the right shows that the minimum acceptable growth rate is about 6 percent per quarter.

In the presented model, the growth is based on the sequence of successes: each quarter depends on the previous quarter. If we allow at least one failure, the model breaks. To significantly increase the probability of success, we propose to secure some more money by using the modern method of funding, the so-called tokenisation.⁸



LEVERAGE OF TOKENISATION

Issuing public security (equity, bonds, or revenue participation notes) is prohibitively expensive and hard. But we can sell a DISCOUNT on future fees. It's legal.⁹ Besides, this practice is well approved by the growing community of "crypto investors". Tokenisation is a mechanism to make investor relations more flexible than incumbent instruments would ever allow. In a way, we can go public from the very beginning, without having to register the sale of securities.

Here is the complete list of the use cases of our tokens (let's call them NRGs):

- (1) The user gets discounts on fees when paid with NRG;
- (2) The user gets discounts on fees and accompanying products when stakes (deposits) NRG into the system for at least one year;
- (3) NRG token holders can participate in the referral rewards program;
- (4) The user gets voting power in community discussions that affect managerial decisions, not in a legally bounding way, though.¹⁰

Discounts on fees for holders of NRG are as follows:

Year 1: 20% off

Year 2: 10% off

Year 3: 5% off

After year 3: no discount

The availability of an adequate plan and some investments in it would allow us to immediately "embody" the future fees flow, i.e. we can sell some of these fees in advance. "Token justification" efforts reduce the marketing costs of the token sale campaign.

STAGE 1. SALE OF EQUITY

- Get minimum needed capital
- Attract prominent businessmen to the Board
- Create credibility

STAGE 2. TOKEN SALE

- Justify token issuance
- Sell middle-term tokens, get significant capital
- Optimise value distribution (token cap vs. equity cap)



STAGE 3. FURTHER TOKEN-BASED EXPANSION AND OPTIMISATION

LEVERAGE OF TOKENISATION

Token holders get discounts on the system's fees in the volume determined by how many tokens they deposit into the special vault.

Importantly, after issuing tokens, we will keep buying them back quarterly, using 10% of all net profits, until we buy 50% of the total supply.¹¹

The original token emission will be distributed according to a mixed procedure: partly sold, partly given to staff, partly granted to those who invest in equity.¹²

	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4
REVENUE (NO TOKENS MODEL)	€16,200	€22,504	€62,524	€173,709	€361,962	€670,426	€1,164,152	€1,940,619	€3,145,113	€4,993,181	€7,803,312	€12,044,412
Fee discounts	€3,240	€4,501	€12,505	€34,742	€36,196	€67,043	€116,415	€194,062	€157,256	€249,659	€390,166	€602,221
CASH FLOW (NO TOKENS MODEL)	-€138,170	-€10,869	-€141,264	-€256,440	-€151,986	€54,848	€432,360	€1,076,046	€2,128,961	€3,804,137	€6,417,226	€10,433,943
Cash flow without fee discounts	-€141,410	-€15,370	-€153,769	-€291,182	-€188,182	-€12,195	€315,945	€881,984	€1,971,705	€3,554,478	€6,027,060	€9,831,722
CF without buybacks	-€127,269	-€13,833	-€138,392	-€262,064	-€169,364	-€10,975	€284,350	€793,786	€1,774,535	€3,199,030	€5,424,354	€8,848,550

One way to get the idea of the token value is to see the NPV of all discounts, ever to be offered. It is around €2 million (third line in the table above at WACC=10% pa).

Another way to estimate the value is to compare total project NPV with and without tokenisation. If implemented, tokens affect two things: first, they reduce the revenue because people will deploy discounts; second, token buybacks will increase expenses. If we assume that we will keep buying back during the entire three years period and will NOT reach the 50% emission limit, the NPV difference is also about €2 million.

So, effectively, we take the €20 million project and cut €2 million from it (10%) to make that small part immediately liquid.

The crypto universe is quickly developing. We are offering a top-quality token. We can expect some x10 growth within the next three years (i.e. YET ANOTHER €20M to the project value!).¹³

We can support the token price not only by market interventions but also by giving token holders more discounts. This always remains in our power. If the business grows as we expect, such moves may make a lot of sense.

Of course, giving out more discounts will decrease the share price (less official taxable revenue) but the sum of two capitalisations may become bigger. Tokenised part is greatly leveraged with its flexibility and broader acceptance among modern investors.

Later we may reduce the official market cap by another €10 million but get €100 million in token value, which is, by the way, much easier to turn into cash.

LEVERAGE OF TOKENISATION

Users will always try to carry out some of the payments outside the system. Of course, the fear of downgrading and other potential "punishments" will reduce the volume of the phenomenon, but it is impossible to eradicate it. What cannot be defeated must be led and directed.

Thus, we should set free some part of the turnover. Proactively. But what part? Tips (plus whatever that can be considered tips) is an easy and natural answer.¹⁴

Technically, our own Euro-surrogate based on the Stellar network is a reasonable starting point. We can keep people inside the system with the help of in-house currency, not the fear of exclusion.

TOTAL PERCEIVED VALUE OF PROJECT



Most of the project resources are evaluated traditionally, with some natural pessimist bias.

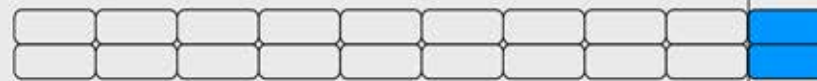
The smaller part is evaluated through tokens, with a strong optimist bias.



INCREASED PERCEIVED VALUE OF PROJECT

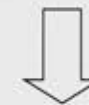
SAME LOGIC

TOTAL CASH FLOW WITHIN PROJECT



Regular fees and commissions in Euro: some payments will migrate to crypto but partial substitution is only one side of the medal.

"Tips" in cryptocurrencies, including Euro-surrogate: more freedom, less friction, more turnover.



INCREASED CASH FLOW

LONG-TERM PLAN

Y1

Fundraising

Sell tokens, get listed on crypto exchanges, monitor the value of a token free float.

Y2

Market making for tokens

Propose further integration into the crypto space and increase NRG token value.

Y3

Zero-friction payments

Introduce Stellar-based Euro surrogate, start accepting bitcoins.¹⁵

Y4

Cryptocurrency bank

Hold Euro-nominated reserves, enter the crypto investment space, hedge the exposure.¹⁶

Y5

Regional expansion

Decentralise core engines of the app, offer a free franchise, use tokens as the system tether.

Y6

Global trading

Join integrated supply chains on distributed substrates (like SweetBridge).

Y7

Optimised corporate structure

Establish Malta-based human-less programmable legal entities.

LONG-TERM PLAN

As overly ambitious as it may sound, we follow the path of many prominent visionaries and build the path to an in-house currency and supply chain financing. We have little of a lofty aspiration to empower consumers in the developing world, the familiar theme of “serving the next 2 billion” is applicable to us simply because here, in Lithuania, we’re probably the least-watched among those fairly protected, far from the US where Facebook’s Libra (very similar thing) is being bombarded by the Congress way before it is even in its early beta and far from the main avenues of EU bureaucracy’s interests. At the same time, the local government acts in favor of crypto projects.



The use of cryptocurrency for tips is a trick, a seed. Anything can be considered a “tip”. People have the right to exchange any services permitted by law. Many services require a personal meeting. Providing convenience and financial security of such interactions is our niche if we consider it as widely as possible. To stay focused on seizing this niche, we will try to utilize all network effects of the crypto space, we will try to charge fewer fees and rely more on the tokens value.

NOTES

[1] Figures are quite consistent from country to country. For example, here is the data for the US: https://www.bls.gov/oes/current/naics4_812100.htm

[2] The Pareto principle states that, for many events, roughly 80% of the effects come from 20% of the causes.

[3] To easier grasp the project's logic, we stick to one single parameter for the projected revenues. For example, if we have 50% of revenue coming from trading activities, the average margin will be included in the effecting fee with the 0.5 weight.

[4], [5] We start with 3 clients a day. 3 times 90 (days in one quarter) gives 270. In the line "Number of different people served", $13500 = 40500 / 3$ ("Number of facts of services" divided by the same factor of 3).

[6] This doesn't mean we suggest or expect investors to exit at this point.

[7] Normally, the alternative opportunity is considered somewhat higher, say 15 or even 20%, but since we only describe the 3 years, discounting effects are not very strong.

[8] The format of this document does not allow us to give a full description of the method. We invite readers to read the materials of our colleagues in their thematic magazine: <https://medium.com/token-suisse>.

[9] The position of Lithuanian financial operator changes over time but remains fairly loyal: <https://www.lb.lt/en/news/bank-of-lithuania-position-on-virtual-assets-and-initial-coin-offering-reflects-changing-market-realities>.

[10] One way to arrange the community is to use the Aragon framework: <https://aragon.org>.

[11] This may take a lot of time and it does not matter. The purpose of this parameter is to set the maximum expected level of influence.

[12] Once we agree on the equity sale terms with investors, we can proceed to form the ICO proposition. It is typical to distribute up to 20%

of emissions to early contributors.

[13] There's a lot of noise in ICO statistics but if one limits the data set to those projects are established enough to offer equity for sale as well, token value gains are great.

[14] We don't include it into formal bookkeeping. We abstract ourselves from both charging commissions on tips and reporting the revenue to the tax authorities.

[15] <https://www.stellar.org>

[16] We won't need a license for this. We will outsource the activity in the form of buying tokens that represent hedge funds units.

INVESTMENT OFFER

We offer equity for sale. We suggest using the Y-Combinator's "simple agreement for future equity" (<https://www.ycombinator.com/documents/>) that is successfully used since 2013. Both EU and US jurisdictions are ok with us. So far, we operate through a Lithuanian UAB type company. What do "token benefits" include is to decide later, together with whoever accepts this offer; 50% in the table below simple means half of what we distribute for free among founders and other contributors.

	OFFER 1	OFFER 2	OFFER 3
Investment	€1,000,000	€700,000	€100,000
Pre-money valuation	€1,333,333	€1,372,549	€2,000,000
Price per 1%	€13,333	€13,725	€20,000
Equity	75%	51%	5%
Share of token benefits	50%	25%	1%

CURRENT STATUS OF PROJECT

The web app is functioning.

The sufficient number of masters in Vilnius, Lithuania is registered.

Core team members have committed.

About us

We are the team of versatile professionals united by the coherent vision of the project.

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Artūras Driukas

Entrepreneur

Twenty-five years of various business experience in EU and beyond



Viktorija Ilgevičienė

Beauty master

Fifteen years of experience, top rating at Treatwell.com



Ilya Frolov

Software developer

Five years of engineering experience

Graduated from Klaipeda University



Vita Frolova

Digital marketing strategist, SEO professional

Ten years of professional experience in Poland, Lithuania, and Latvia

Graduated from Vilnius Gediminas Technical University



Greta Jonikienė

Experienced beauty and health content coordinator

Bachelor of Science, Biology



Giedrius Varnas

IT Manager

Almost twenty years experience across broader IT sector



Darius Ilgevičius (Founder)

Multimedia professional

Twenty years experience

Graduated from Vilnius Academy of Fine Arts

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