



OTSY | Diligence Memo

Diligence Team Lead: Devon Riche, John Toretta, Beau Bush, Shayan Hosseini

Date: December 31, 2024

THIS DEAL SUMMARY IS NOT AN INVESTMENT RECOMMENDATION. IT IS ONLY A SUMMARY OF A LIMITED REVIEW PERFORMED BY OUR MEMBERS. YOU MUST MAKE YOUR OWN THOROUGH REVIEW OF ALL INFORMATION INCLUDING THE OPPORTUNITY TO SPEAK WITH REPRESENTATIVES OF THE COMPANY. IT IS YOUR RESPONSIBILITY TO MAKE YOUR OWN INVESTMENT DETERMINATION BASED ON YOUR OWN INDEPENDENT EVALUATION OF THE COMPANY AND ITS PROSPECTS. ALL ANGEL INVESTMENTS ARE HIGHLY SPECULATIVE.

EXECUTIVE SUMMARY	2
INVESTMENT ASSESSMENT	2
Investment Strengths	2
Investment Risks	2
Valuation	2
Valuation Discussion	3
TEAM ASSESSMENT	3
Management Discussion	3
MARKET ASSESSMENT	3
Description of Market and Targeted Segments	3
Market Discussion	4
PRODUCT / BUSINESS MODEL ASSESSMENT	4
Problem	4
Solution	4
Target Customer Profile	4
Business Model	4
Sales Process/Go-to-Market	4
Product/Solution Discussion	4
COMPETITION	5
Competitor Analysis	5
Competitive Advantage	5
Competition Discussion	5
FINANCIALS	5
Forecast	5
P&L	5
Major Expenses and Drivers	5
Future Financing	5
Financial Discussion	5



EXECUTIVE SUMMARY

OTSY is a social travel marketplace designed to bridge the gap between travel inspiration and booking. Combining social media-inspired content with advanced booking technology, OTSY enables users to seamlessly plan, customize, and book travel experiences directly from trusted creators and influencers. With features like a patent-pending live pricing system and AI-driven personalization, OTSY simplifies the often complex process of travel planning while empowering creators to monetize their content. Targeting the highly engaged Millennial and Gen Z demographics, OTSY leverages the massive influence of social media on travel decisions, capturing a rapidly growing market. Backed by a proven leadership team, including the former VP of Kayak and a successful serial entrepreneur, OTSY presents a compelling investment opportunity with scalable growth potential and a differentiated offering in the travel tech space.

INVESTMENT ASSESSMENT

Investment Strengths

- **Innovative Market Offering:** OTSY bridges the gap between social media-driven travel inspiration and actionable bookings, addressing a significant unmet need in the \$21B travel tech market.
- **High-Impact Target Audience:** Captures Millennials and Gen Z consumers, 84% of whom base travel plans on social media posts, with over 760M+ Instagram travel posts and 223B+ TikTok travel views currently untapped.
- **Experienced Leadership Team:** Led by Michael DeLucca, a proven entrepreneur with \$100M+ in revenue and two successful exits, and Eric Zaner, former VP of Kayak with IPO experience and \$1.8B acquisition experience. Other members of the team bring the highest quality of industry experience and expertise - the team is one of the strongest parts of this opportunity.
- **Early Traction + Growth Capabilities:** 1,200+ creators onboarded with a combined reach of over 100M followers, driving platform adoption and growth in 170+ countries with 300,000+ bookable experiences. The app is built for growth capacity and can handle millions of users.
- **Differentiated Technology:** Patent-pending live pricing system and AI-driven personalization provide a unique competitive advantage, creating seamless and personalized user experiences.
- **Proven Monetization Path:** Revenue streams include creator commissions, user booking fees, and future expansion into local "Things-to-Do" markets, ensuring diverse and scalable income sources.

- **Significant Market Opportunity:** Positioned at the intersection of social media influence and experiential travel, two high-growth sectors projected to expand exponentially in the coming years.

Investment Risks

- **High Competition:** OTSY faces competition from well-established players like Viator and GetYourGuide, as well as early-stage platforms like Atmosfy and TrovaTrip, which recently secured significant funding.
- **Market Adoption Risk:** Converting social media views into actionable bookings and achieving mass creator adoption are critical for success but remain unproven at scale.
- **Execution-Dependent Growth:** The investment's success hinges on the team's ability to deliver on ambitious growth projections and execute the go-to-market strategy effectively.
- **Operational Scaling Challenges:** Rapid onboarding of creators and integration of over 300,000 bookable experiences across 170 countries may pose logistical and operational challenges.
- **Regulatory and Legal Risks:** Operating in the travel industry across multiple jurisdictions introduces potential risks related to compliance, data privacy, and consumer protection laws.
- **Cash Burn and Funding Dependency:** With a post-money valuation of \$35M and a \$5M seed round, OTSY must manage its cash burn carefully while demonstrating progress to secure future funding rounds at valuations that allow us to reach a 50x return over time.

Valuation

- **Raise**
 - \$5M
- **Terms**
 - \$35M Post Money SAFE
- **Amount committed for the round**
 - \$3M+ already committed
- **Use of funds**
 - Staff + Operations- 40%
 - Influencer Marketing- 20%
 - Digital Marketing- 18.5%
 - Travel- 10%

- Servers- 9%
- Legal- 2.5%
- **Exit/ Likely Buyers**
 - OTSY's exit strategy is well-positioned within the highly consolidated travel market. While the company aims for an IPO, similar to the trajectory of Airbnb, a strategic acquisition by a major industry player is a strong possibility. The travel sector's leading companies, such as Expedia Hospitality Group, Booking.com, and Airbnb, have demonstrated a consistent appetite for acquisitions, collectively spending over \$15 billion on more than 38 companies to enhance their offerings and market share. OTSY's innovative platform, which seamlessly integrates social media-driven travel inspiration with booking capabilities, aligns closely with the strategic interests of these acquirers. By providing a unique blend of AI-driven personalization and creator monetization, OTSY offers substantial value to companies looking to expand their reach, differentiate their platforms, and capture the growing Millennial and Gen Z markets. This combination of scalability and market differentiation makes OTSY a prime target for a multi-billion-dollar acquisition or a successful IPO.

TEAM ASSESSMENT

- **Michael DeLuca, CEO & Founder:** A seasoned entrepreneur with \$100M+ in revenue generated and two successful exits. Recognized as a leader in tech innovation and experiential travel, he combines strategic insight with a passion for community-building, positioning OTSY for scalable success.
- **Eric Zaner, COO:** Former VP at Kayak, where he scaled ad revenue from \$30M to \$100M and played a key role in its IPO and \$1.8B acquisition. Brings extensive expertise in operational scaling and strategic innovation.
- **Matthew Goble, Head of Growth:** Ex-Tesla Energy Regional Sales Director with a track record in building high-performing sales teams and securing over \$1M in investment capital for OTSY. Focuses on strategic partnerships and customer acquisition.
- **Mariah Revis, VP of Finance:** MBA with over a decade of experience managing financial strategy for Fortune 500 companies. Specializes in budgeting, forecasting, and operational efficiency to ensure sustainable growth.
- **Jessica Tran, Technical Engineer Manager:** Leads OTSY's technical development, including its enterprise-level MVP and Salesforce integration. Combines technical expertise with strategic vision to build scalable infrastructure.
- **Veronica Rivera, Social Media Manager:** Expert in fostering collaboration and organizational effectiveness. Enhances OTSY's social media presence through a focus on inclusive team-building and community engagement.

- **Cory Woods, Creative Director:** Experienced graphic and UX/UI designer with 10+ years of expertise. Delivers innovative designs that improve user experiences while maintaining aesthetic appeal.
- **Dr. Sanjeev Kumar, Senior Data Scientist:** Ph.D. in Machine Learning with expertise in deploying advanced AI models. Brings research-backed innovation to OTSY's platform, enhancing predictive capabilities and automation.

Advisors

- **Russ Sach:** Founding executive team member at Expedia, responsible for scaling operations from \$100M to \$3B. His expertise in strategic partnerships and corporate development drives growth and shareholder value.
- **Ikram Mansori:** Tech startup leader and professor specializing in marketplaces. Leverages experience in AI/ML technologies to provide due diligence insights and assess innovation and risk.
- **Evanthia Aldrich:** VP of Field Marketing at Marriott, with a history of enhancing brand engagement through strategic initiatives at both Marriott and Hilton. Strengthens OTSY's market positioning with creative marketing strategies.
- **Eszylfie Taylor:** Financial expert and founder of Taylor Insurance and Financial Services. Known for his capital-raising skills and extensive network, he offers strategic support for scaling operations and building influential connections.

Management Discussion

OTSY's management team and advisors bring a diverse and robust blend of expertise that strongly positions the company for success. The leadership team is a significant asset, with Michael DeLucca's entrepreneurial track record of \$100M+ in revenue and two successful exits providing visionary guidance. Similarly, Eric Zaner's operational excellence, honed at Kayak, underscores OTSY's ability to scale effectively. The team's functional depth, including finance, growth strategy, and technical development, is evident with experienced professionals like Mariah Revis driving financial strategy and Jessica Tran spearheading technical innovation. However, the team's reliance on rapid adoption by creators and users poses a challenge, requiring precise execution of their go-to-market strategy. The advisors further bolster the company with their proven expertise in travel, technology, and marketing, particularly Russ Sach's history of scaling Expedia and Evanthia Aldrich's marketing acumen. While the team has clear strengths in leadership and innovation, potential gaps in managing rapid scaling and navigating regulatory complexities in global markets could benefit from additional operational and legal expertise. Overall, the team's strengths and support from advisors create a strong foundation for OTSY's ambitious growth plans.

MARKET ASSESSMENT

Description of Market and Targeted Segments

- TAM - \$125B (7% CAGR)
 - According to Michael, average yearly travel spend is \$3500. Otsy takes a 20% commission, along with a \$5 booking fee - this comes out to \$705/booker/year. Otsy also makes \$8 in ad revenue per user, regardless of if they ever book. The global online travel market is about \$600B in 2024 (\$550B - \$650B depending on the source). If Otsy expects to make 20% commission as their primary revenue source, we're looking at \$120B global market size they can capture. As for the booking fee and ad revenue, it's reasonable to add another \$5B to the total addressable market.
- SAM - \$12.5B (7% CAGR)
 - There are different ways we can look at this: either by the number of projected users x revenue per user or by overall market penetration. Given that user projections are difficult to accurately predict, it seems reasonable to use 10% of the global market, given the amount of competition in the space. 10% of \$125B is \$12.5B. Working backwards, to penetrate 10% of the global online travel market and generate \$12.5B in revenue, Otsy would have to have about 17M people book on their site each year. The table below shows other major travel sites and the amount of revenue and volume they do. If the average length of stay for a trip is 4 nights, For example, Expedia had 246M room nights booked in 2022. If the average is 4 nights, this is about 61M bookings. So Otsy would have to reach about a quarter of the size of expedia in order to capture their serviceable market of \$12.5B.

Platform	Market Valuation	Annual Revenue	Annual Bookings
Booking Holdings	\$112.8 billion (Sep 2023)	\$17.1 billion (2022)	981 million room nights (2022)
Airbnb	\$91.1 billion (Sep 2023)	\$8.4 billion (2022)	393 million nights and experiences (2022)
Expedia Group	\$13.7 billion (2022)	\$11.7 billion (2022)	246 million room nights (2022)
Trip.com Group	\$23.2 billion (Sep 2023)	\$3.0 billion (2022)	200 million room nights (2022)
eDreams ODIGEO	\$514 million (2022)	\$508 million (2017)	11.7 million purchases (2017)

Valuation Cap / Sanity Check:

STARTUP NV
Reset
🌙

<input type="radio"/> Invest Amount Requested \$	5,000,000	<input type="radio"/> Industry EBITA Multiple ×	<input type="radio"/> Percent of ownership %
<input type="radio"/> Required Return Multiple ×	50x	20	14%
<input type="radio"/> Industry Sales Multiple %	4		
<input type="radio"/> Valuation (or Cap) \$	35,000,000	<input type="radio"/> Expected Dilution %	<input type="radio"/> Required Exit \$
		44%	\$3.1B
<input type="radio"/> Option Pool %	12.5		
<input type="radio"/> A Round Pool %	20		
<input type="radio"/> B Round Pool %	20		
<input type="radio"/> C Round Pool %	0	<input type="radio"/> Required Return \$	<input type="radio"/> Required Annual Sales \$
<input type="radio"/> Other Rounds %	0	\$446M	\$781M
<input type="radio"/> Total Addressable Market \$	125		
<input type="radio"/> Serviceable Addressable Market \$	12.5	<input type="radio"/> Percent of TAM %	<input type="radio"/> Percent of SAM %
		0.63%	6.25%
<input type="radio"/> Serviceable Obtainable Market \$			

PRODUCT / BUSINESS MODEL ASSESSMENT

Problem

- Otsy addresses the challenge of connecting travelers with authentic local experiences and services, which are often overlooked in traditional travel planning. Travelers struggle to find unique, community-driven offerings, leading to generic and uninspired trips. Additionally, the vacation booking process is often cumbersome and disconnected from the platforms where travelers seek inspiration, such as social media.

Solution

- Otsy provides a seamless platform that curates and connects travelers with authentic, community-driven experiences. By enabling direct bookings through social media, Otsy simplifies the process and bridges the gap between travel inspiration and action. This innovative approach enhances trip personalization, supports local providers, and creates a more streamlined and engaging booking experience.

Target Customer Profile

OTSY targets two primary customer segments: socially inspired travelers and content creators. The traveler segment comprises Millennials and Gen Z consumers, who represent the most engaged demographics on social media and exhibit a strong preference for personalized and spontaneous travel experiences. These users are influenced heavily by social media content, with 84% indicating they plan vacations based on posts they see online. OTSY's seamless integration of social media-inspired travel content with live pricing and booking capabilities directly addresses this audience's needs, offering convenience and personalization. The second segment includes travel content creators, such as influencers and local experts, who seek monetization opportunities for their content. OTSY's platform enables these creators to earn commissions from bookings generated through their posts, providing a powerful incentive to drive engagement and growth. By focusing on these two interconnected customer groups, OTSY leverages the power of the creator economy and social media trends, positioning itself as a key player in the evolving travel marketplace.

Business Model

OTSY Has three streams of revenue:

1. \$4.99 booking fees per transaction
2. 20% Commissions
3. Average \$7.92 advertising revenue per user



Sales Process/Go-to-Market

- Creator Economy-Driven Growth: 1000+ creators with a combined reach of 100M+ followers, led by Gina Nacnac (ex-MagicLinks and Adobe).
- Unique Positioning: 84% of Millennials and Gen Z are influenced by social media into actionable bookings.
- Pipeline: Over 300,000 bookable experiences spanning 170+ countries integrated on-platform with real-time pricing and availability.
- Hypergrowth Potential: Monetizes 760M+ Instagram travel posts and 223B+ TikTok travel views, currently unbookable on other platforms.

Product/Solution Discussion

OTSY's platform addresses a significant gap in the travel market by combining social media-inspired travel content with seamless booking capabilities. With approximately 15,000 users gained in the past four months, the product demonstrates early traction and market demand. The sleek, user-friendly interface makes the booking process intuitive and efficient, reducing friction for users while integrating advanced features like live pricing and AI-driven personalization. This two-in-one solution streamlines the user journey from inspiration to booking, offering both convenience and functionality. Furthermore, the platform's ability to monetize creator-driven content positions it to attract significant advertising interest from brands and travel providers looking to engage with highly targeted audiences. OTSY's innovative approach not only solves common pain points in travel planning but also creates a scalable ecosystem for users, creators, and advertisers, making it a compelling and differentiated solution in the market.

COMPETITION

Competitor Analysis

Instagram (Owned and run by Meta)-

\$282 Billion dollar market cap

2.11 Billion Monthly users

Analysis: Instagram is a social media platform primarily focused on photo and video sharing, enabling users to connect, engage, and share content with their followers. It offers features like Stories, direct messaging, and shopping, which allow businesses and influencers to promote products and services.

Instagram is a competitor to Otsy because both platforms incorporate social networking elements. While Instagram excels in connecting users through content sharing, Otsy combines this with the ability to easily book travel, offering a unique two-in-one solution. Instagram's

influence and massive user base could attract advertisers looking to reach travelers, posing a competitive challenge to Otsy's travel-focused offerings.

TripAdvisor-

\$2.10 Billion Market Cap

Over 400 million users each month

TripAdvisor is a popular travel and review platform that allows users to research, plan, and book trips. It offers extensive reviews and recommendations for hotels, restaurants, attractions, and activities, along with the ability to make bookings directly through the site or app. Users can also share their travel experiences through reviews and photos.

TripAdvisor is a competitor to Otsy because it focuses heavily on travel booking and user-generated content, making it a go-to resource for travelers. While Otsy also provides a platform for travel booking, it differentiates itself by integrating social media features, allowing users to share their travel experiences in a more interactive and engaging way. TripAdvisor's strength lies in its vast database of reviews and travel information, whereas Otsy offers a more streamlined and social-centric approach to travel planning and booking.

TikTok-

\$300-400 Billion dollar market cap

Over 1 billion monthly users

TikTok is a short-form video platform that allows users to create, share, and discover entertaining content. It has become a powerful tool for influencers, businesses, and travelers to showcase experiences, products, and destinations through engaging videos. TikTok's algorithm personalized content to users based on their interests, making it highly effective for viral marketing.

TikTok is a competitor to Otsy because both platforms leverage social media to attract and engage users. While TikTok is not focused on travel booking, it has a massive reach and plays a significant role in influencing travel trends through viral content. Influencers and brands use TikTok to promote destinations and experiences, which could drive users to platforms like Otsy for actual booking. Otsy differentiates itself by offering a seamless travel booking service combined with social features, while TikTok excels in content discovery and user engagement.

More specialized competition -

- GetYourGuide & Viator: Focus on travel experiences but lack Otsy's social-media-first and creator-driven approach.
- Atmosfy & TrovaTrip: Early-stage platforms targeting similar markets but with narrower offerings.

Competitive Advantage

Otsy's primary competitive advantage lies in its seamless integration of travel booking and social media features, all within an easy-to-navigate app. Unlike competitors, who either focus solely on booking travel or lack a social media component, Otsy offers a comprehensive, user-friendly solution that combines both functionalities.

Competition Discussion

Otsy faces strong competition from established platforms with large user bases and diverse functionalities. Instagram, with over 2.11 billion monthly users, excels in user engagement and content sharing but lacks integrated travel booking features, which Otsy offers as a unique advantage. TripAdvisor, with 400 million monthly users, provides robust travel information and booking services but focuses primarily on reviews rather than social features, which sets Otsy apart by combining social media with travel planning. Meanwhile, TikTok, with over 1 billion monthly users, influences travel trends through viral content but does not provide booking services, giving Otsy a good opportunity to attract users looking for a more seamless and social travel experience.

FINANCIALS

Forecast

Click here for full OTSY Financials:

<https://docs.google.com/spreadsheets/d/1aL6jC0DuxvSNKVBQsA84w6qBDw7H9Fwm/edit?usp=sharing&oid=114844241065851668618&rtpof=true&sd=true>

OTSY's financial forecast highlights substantial growth potential driven by increasing user acquisition and diversified revenue streams. In Year 1, the company projects 300,000 users and gross revenue of \$892,185, supported by a 3.5% conversion rate and \$735,000 in commission revenue. Over the following years, rapid user growth and scaling are anticipated, with gross revenue increasing to \$1.45 billion by Year 6, reflecting strong adoption and monetization strategies. Gross revenue percentage steadily grows from 19.5% in Year 1 to 60.8% by Year 6, indicating improved operational efficiency and profitability. Expenses, including significant investments in marketing, staff, and infrastructure, align with the scaling efforts, culminating in



positive EBITDA of \$906.7 million in Year 5 and \$1.85 billion in Year 6. This forecast underscores OTSY's ability to capture market share and achieve sustainable growth through a well-planned scaling strategy.

Major Expenses and Drivers

OTSY's financial projections highlight several key expense categories driving its operational and growth strategies. The largest expense driver is the development team and staff, with costs scaling from \$1.5 million in Year 1 to \$60 million in Year 4, reflecting the significant hiring needed to support rapid growth and product development. Marketing and sponsorship expenses also constitute a substantial portion of the budget, starting at \$1 million in Year 1 and growing to over \$51 million by Year 4, emphasizing OTSY's commitment to user acquisition and brand building. Commissions to influencers grow alongside platform adoption, increasing from \$367,500 in Year 1 to over \$18.7 million in Year 4, showcasing the importance of creator partnerships to the company's sales process.

Other expenses, such as software platforms, server bills, and legal fees, scale modestly but remain critical to operational stability. For example, rent and office supplies grow to \$4.56 million in Year 4, indicating infrastructure investments to support a rapidly expanding team. These major expenses are key drivers of OTSY's ability to scale its operations, acquire users, and maintain its competitive edge in the travel tech market.

Future Financing

Investors should anticipate that OTSY will require additional funding rounds to sustain its ambitious growth trajectory and market penetration efforts. With expenses scaling significantly, particularly in team expansion and marketing, future financing will likely focus on supporting user acquisition, platform enhancements, and global expansion. OTSY's rapid revenue growth, from \$892,185 in Year 1 to \$1.45 billion in Year 6, demonstrates the platform's potential to attract significant investor interest. However, given the upfront investments needed to maintain competitive momentum and drive user adoption, investors should expect a follow-on funding round within the next 12-24 months. These additional rounds will also provide opportunities for strategic partnerships, further solidifying OTSY's position in the travel tech market and creating value for early investors through potential valuation increases.

Financial Discussion

OTSY's financial projections showcase an ambitious yet promising growth trajectory, with gross revenue scaling from \$892,185 in Year 1 to \$1.45 billion by Year 6, supported by a rising user base, increased conversion rates, and a diversified revenue model. The company projects a significant improvement in gross margins, with gross revenue as a percentage of sales growing from 19.53% in Year 1 to 60.83% by Year 6. Key revenue drivers include booking fees, commission-based revenue, and advertising, with ad revenue per user expected to rise from \$0



in Year 1 to \$15 in Year 6. Despite initial losses, OTSY anticipates reaching positive EBITDA by Year 3, growing to \$955.8 million by Year 6, reflecting scalability and profitability potential.

Achieving these figures will be challenging, as it requires rapid adoption, high user retention, and the successful execution of aggressive marketing strategies. The ability to onboard creators and convert users at projected rates will be critical to meeting these goals. Additionally, managing expenses such as team expansion, marketing costs, and commissions will require careful oversight to avoid excessive cash burn.

Overall, OTSY's financial outlook is optimistic, backed by clear revenue streams, a scalable business model, and early traction. While the projections are aggressive, they align with the company's innovative approach and market positioning, making OTSY a compelling but execution-dependent investment opportunity. Investors should closely monitor milestones and operational efficiency to assess the company's ability to deliver on its financial promises.