



VR Café

Business Plan

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Table of Contents

I.	Executive Summary.....	3
II.	Value Proposition	4
	The Problem.....	4
	Business and Service Offering	4
	Mission Statement.....	4
III.	Business Model (Operations and Roadmap)	5
	Strategy Evaluation	5
	Operations Roadmap	6
IV.	Market Analysis	7
	Market Segmentation.....	7
	Bottom Up	7
	Top-Down	7
	Sizing our customer segment	8
V.	Industry and Competition	9
	Overview	9
	Direct Competitors	9
	Long-term competitive edge	10
	Porter's 5 Forces Analysis	10
VI.	Marketing Strategy	12
	Value Chain.....	12
	Goals	12
VII.	Financials.....	13
	Revenue and Pricing Strategy.....	13
	Key Assumptions.....	14
	3 Year Projections.....	14
	Customer conversion	14
	Year One (Y1) Expense.....	14
	Year Two (Y2) Expense	15
	Year Three (Y3) Expense	16
	3 Years Profit & Loss Projections.....	16
	3 Year Cash Flows Projections	16
	Company Valuation	17
	Funding.....	17

	Key Use of Proceeds (%).....	18
	Exit Strategy.....	18
	Risks and Mitigation.....	18
VIII.	Team	20
IX.	References.....	22

Executive Summary

Who hasn't heard of Virtual Reality? What used to be a mere fantasy has now transformed into one of the biggest technological innovations. Virtual Reality (VR) is a booming market, with renowned companies such as Facebook, HTC and Intel among the biggest investors¹. The VR market is forecasted to double every year in the next 3-year period².

Wearing a VR Headset can teleport you to a completely new world or give you an experience you can only dream of undergoing in real life. While sets of equipment are already commercially available for the early adopters of the technology, it has been seeing some resistance to wider adoption mainly because of two reasons: lack of accessibility and an expensive price.

This is where VRCAFÉ's services lie. Our aim is to make bring VR closer to the general public, by making it more accessible, both physically and financially. VRCAFÉ proposes to provide this through a social space where people can experience VR together.

Value Proposition

The Problem

As of January 2018, there are 171 million active VR users worldwide³. While it is true that the VR market shows huge potential, it remains far from mass adoption. There are two major reasons behind this. Firstly, the technology is still young, so it is not yet as widely accessible as it will be in the long-term future. Secondly, since the market has not yet matured, prices of products are high, product cycles are short, and the shadow of obsolescence can sometimes be felt around the corner. 71% of the UK population admits being concerned with the cost of buying VR equipment⁴.

VR sets are not very portable pieces of technology. Moreover, it is highly unlikely that two friends can own a set each. This makes socializing in-person while using VR very difficult, and making new friends (in-person) while playing is a nearly impossible task. Since the majority VR users are gamers or entertainment seekers, socialization is, interestingly, a highly sought-after aspect of the experience⁵.

Business and Service Offering

The offering of this service is that of providing a social environment and high-end equipment to customers for a limited amount of time. VR is a mystifying and magical technology to most, and it is easy to understand why. It could be defined as the most immersive piece of technology to have ever been created. Consequently, there exists a high wider public demand for trying it out. VR is also a diverse field, with different companies pursuing diverse approaches. VR Café's aim is to provide a social experience in a welcoming and enjoyable Café.

The founders of the company live in Central London, which is the center of the UK, a modern country with a high demand for cutting edge technology. They come from Imperial College London, the UK's most international university, full of gamers, young adults and technology fanatics. They are in the perfect position to launch VR Café and reach its target audience. The business is expected to be highly profitable, as it is demonstrated later in this document.

Mission Statement

“The provision of an economic and technologically advanced platform for enthusiasts to socialize and collectively enjoy their unbounded passion for Virtual Reality – the fascinating, emerging technology.”

Business Model (Operations and Roadmap)

Strategy Evaluation

Making use of the well-known Teece Framework⁶, the VR Café business model can be said to have low appropriability and available complementary assets, since the idea is difficult to protect and the equipment can be acquired from different suppliers. Therefore, it can be placed in the upper-left quadrant. This implies that revenue can be hard to earn. However, as the financial statements included later in this document show, in this case, even with a very conservative approach, breakeven is easily achieved in Q2 of Year 2.

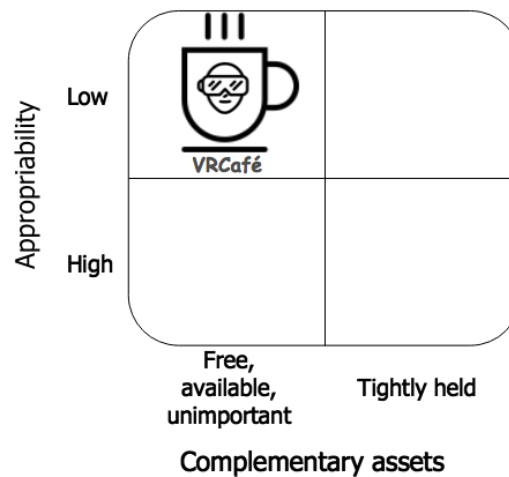


Figure 1 Teece Framework - VR Café lies in the top left corner

To run the business, we are searching for an initial investment of £500k from a business angel. Some initial interesting points of contact are The Venture Reality Fund⁷ and the FiBAN⁸, networks which link experienced investors to start-ups especially related to AR & VR sectors.

Operations Roadmap

Find below the VR Café Operations Roadmap summarised in a poster, which also includes relevant key details about the business plan.

Projected product launch

10/2018

Need 500k investment from business angel*

Company's estimated value on

10/2021

£9 million

YEAR 1

- | | |
|--|--|
| Find a location | Search for business angels |
| Design the venue | Construction of venue |
| Buy VR equipment | |
| Contact game developers | Hire 2 student staff and 1 skilled VR specialist |
| Find a craft beer provider | |
| Contact Imperial College Union to provide food | Email media influencers to promote |

Contact Influential Youtubers



Contact Instagram influencers



Contact University societies



VR Café Operations Roadmap



The VR Café provides two services:

- Café with a varied selection of drinks and craft beer and hamburgers to keep the customers satisfied while waiting or in between VR games.
- VR games that range from escape room style, cooperative mode, individual mode and simulator room.

Target market: 18 - 24 years old.



Prime location

Find a suitable venue to the segmented market. Ideally, a two floors locale in Shoreditch with strong transport links.

Largest selection of VR equipment

50 units of VR headsets plus CPUs and GPUs and 4 units of 4D VR simulators. All components provided from the best rated and most reliable suppliers



Low prices

The VR Café strongest entry point will be providing the lowest price among competitors set at £15/hr for VR, £40/hr for a group of 4 and £50/hr for 4D VR simulator.

Long hours of operation

VR Café will be opened 10am to 10pm. The lower floor will be dedicated to the reception and Café whereas the upper floor will be structured in co-op, individual and simulator VR rooms.

Menu

with prices

UPPER FLOOR

VR CAFÉ

LOWER FLOOR



Thirsty for fun?
Hungry for excitement?

All you ever wanted finally gathered in a single place: we offer the latest games with the best quality VR equipment, craft beer, hamburgers and socialising!

VR HTC VIVE

1 hour = £15

Group of 4 people = £40

4D VR SIMULATOR

£50

TRY TO BEAT OUR PRICES

HAMBURGERS

Beef = £9

Chicken = £9

Vegetarian = £9

All hamburgers include a side to choose from curly fries, french fries or salad

CRAFT BEER

Pint = £4.5

Half pint = £3.5

DRINKS

Soft drinks = £3

Milkshake = £5

To choose from strawberry, chocolate, vanilla and Oreo

VR CAFÉ
30 Shoreditch High Street, London E1 6JJ
0171 234 6789
www.vrcafe.com

Projected earnings year 2

£150k

Projected earnings year 3

£600k

Number of VR headsets

50 units

Number of 4D VR simulators

5 units

YEAR 2

YEAR 3

Consolidate in the segmented market

Renew and expand the current VR games catalogue
Provide one-off events and VR competitions

Increase staff handout from 4 to 8 workers (students and skilled workers)

Breakeven is achieved

VR Café consolidates in the gaming market

Rapidly spread by word-of-mouth and reviews among students societies

Hire more staff, review the menu

Profit is heavily increased

VR headsets

HTC Vive

hTC

quietly brilliant

Contact

Game developers



Craft beer

and hamburger provider



Market Analysis

Market Segmentation

Bottom Up

The use of a preferred witness was crucial in our approach. After meeting up with regular VR gamers from the Imperial College Gaming Society, we gained the following insights:

- Customers can be divided into three groups:
 - *Enthusiasts*: these people have an active interest in VR gaming. They play VR games regularly.
 - *Passives*: they don't have a special interest in VR but they have played videogames in the past and would not mind trying out VR if the opportunity arises.
 - *Indifferent*: these people don't like gaming in general, and would not be interested in our product.
- Most VR places are targeted towards people aged 20-35 and with a good salary, since sessions are expensive. There is a big market gap in those individuals which lack the economic resources to enjoy VR gaming.
- Customers desire more opportunities for group VR gaming. Most current ones are individual.

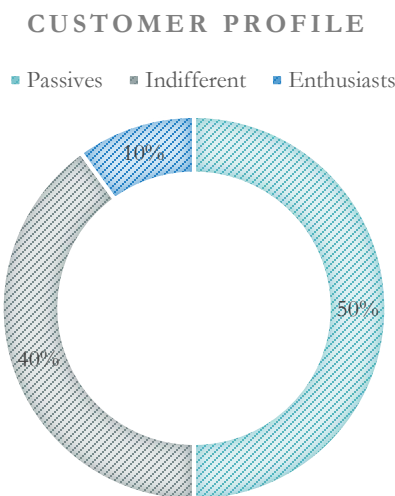


Figure 2 Customer profile according to preferred witness

Top-Down

People aged 18-24 show the highest interest in virtual reality video games, according to a UK-nationwide survey. The 25-34 and 35-44 age groups also show a significant interest:



Figure 3 People aged 18-24 show the most interest in VR gaming⁹

Combining these insights with our preferred witness findings, the conclusion was drawn that our focus should be on those “passives” aged 18-24. Therefore, our main customer segment is Londoners aged 18-24 who have some interest in gaming. A correlation can be drawn between interest in gaming with owning or having owned a video gaming console in the past. In the UK, this is estimated to be around 60% in our target age group¹⁰, which shows a great similarity with the customer profile described by our preferred witness.

Sizing our customer segment

We can size this customer segment in the following way:

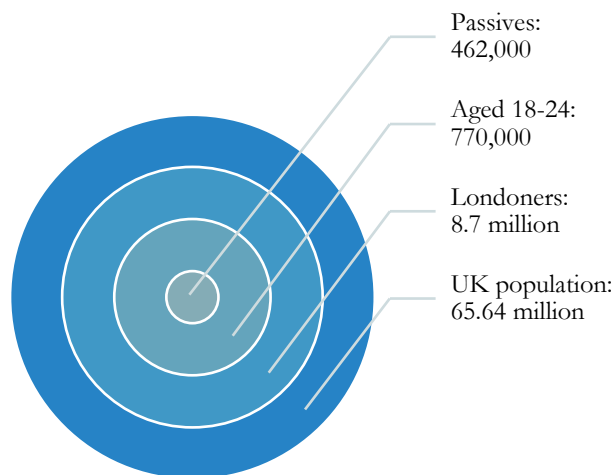


Figure 4 Market sizing of customers with a passive profile

Industry and Competition

Overview

Worldwide, the Virtual Reality market size is expected to double every year in the next 3-year period.

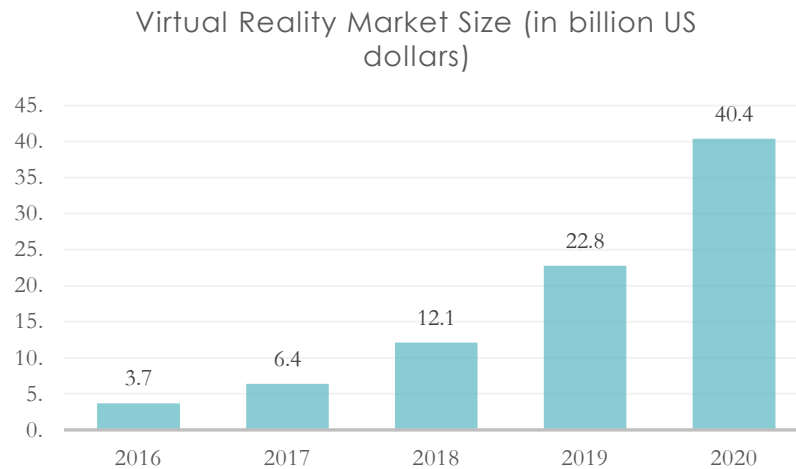


Figure 5 Virtual Reality Market Size (in billion US dollars)

In the UK, in particular, in 2016, the VR market was £46.4 million. By 2020, it is predicted to grow by 390%, to £354.3 million¹¹. This shows that the industry is booming.

Direct Competitors

Currently, there are three VR Arcades in London. The first and biggest competitor is DNA VR. They offer a wide range of experiences; single and multiplayer VR games, VR entertainment for corporate events and birthday parties; and VR escape rooms¹². Their drawback is their approach of mass marketing and high prices which are unaffordable for students and youngsters. DNA VR only takes food pre-orders for group bookings and their food cuisine is restricted to Italian pizzas and pastas as they are solely affiliated with Franco Manca (an Italian restaurant). VR Café aims to provide all experiences DNA VR is currently providing, and more, for a reduced price. In addition, VR Café aims to provide customers with a relaxed, social atmosphere where they can choose from a variety of food and drinks.

The second competitor is VR Champions¹³. Offering both single and multiplayer VR games, their main drawbacks are two: price, and inflexible, limited operating timings. Like DNA VR, they perform mass marketing; aiming to attract everyone, including families. Moreover, their location is not central in London and would only attract people within the vicinity of Harrow.

An idea similar to ours has been adapted by the third and final competitor, VR Concept¹⁴. Instead of a Virtual Reality Café, they operate as an in-pub VR Arcade and are located in three pubs around London. Unlike VR Café, they do not run the pubs, and are only in charge of the VR entertainment, making their entire setting a collaboration. Their main drawbacks are limited number of booths in each pub (e.g. only 4 booths in the Brighton venue) and charging customers on a very high price. As the VR entertainment happens in pubs, their

main market segment comprises of alcohol consumers. However, the concept of drunk people playing VR games significantly increases the risk of injuries or broken equipment, which is very expensive to fix or replace.

	Days & Hours of operation	Target Market	Price (per person per hour)	Incentives	Location (within London)
DNA VR	Everyday: 11am-8:20pm	Everyone	£19-30 (Off-peak) £21-35 (Peak)	Pre-order 24 hours in advance	York Way
VR Champions	Weekdays: Phone bookings only Saturday-Sunday: Noon-11pm	Everyone	£48	None	Harrow
VR Concept	Mon-Thurs: 7pm-11pm Fri: 6pm-2am Sat: 1pm-2am Sun: 1pm-9pm	18+ years age group (alcohol consumers)	£45	Social Bar	Battersea, Acton, Victoria Park
VRCafé	Everyday: 10am-10pm	18 - 24 years age group	£15 £50 for Simulator	Social Café Appeal to young customers	Shoreditch

Table 1 Direct Competitors

Long-term competitive edge

VRCafé will be the only arcade to have a VR simulator in London. This not only increases profits but also gives VRCafé a technology-based competitive edge over its competitors. Price competition is of high priority in the VR industry. VRCafé long-term competitive edge is that it offers the cheapest price for VR entertainment in London, and in the UK as well. Unlike our competitors, we have segmented our market and decided to focus on attracting those from the 18-24 age group who show a *passive* behaviour. The location of VRCafé, Shoreditch, is a prime location for the youth. VRCafé will also provide in-house food and drinks, unlike VR Concept which aims to avoid profit distribution amongst various partners.

The concept of combining VR entertainment and a Café is novel not only in London, but in the UK as well. We aim to provide a platform for all VR lovers to socialize and collaboratively enjoy the new emerging technologies related to Virtual Reality.

It is worth noting that our irruption in the London market will most likely trigger a lowering-price reaction in our competitors. Until now, our competitors have been charging unreasonably high prices, probably due to the lack of competition. This is something that will change sooner or later, as VR becomes more accessible to the wider public.

Porter's 5 Forces Analysis

The Porter's 5 forces were used to analyse the competition of the business. After evaluation of VRCafé's business strategy, competitors and the VR industry, we make the following observations:

- Customer power is limited as customers are bound to be attracted to the business offering them the best technology and the lowest prices.
- Supplier power is low as the number of suppliers is much higher than the number of VR Arcades operating in London.
- Threat of substitution is low as Virtual Reality is one of a kind; a new technology with no competition.
- Threat of new entrants is high as the appropriability is low and time and cost of entry is low.
- Industrial rivalry is moderate looking at the number of competitors and the technology differences.

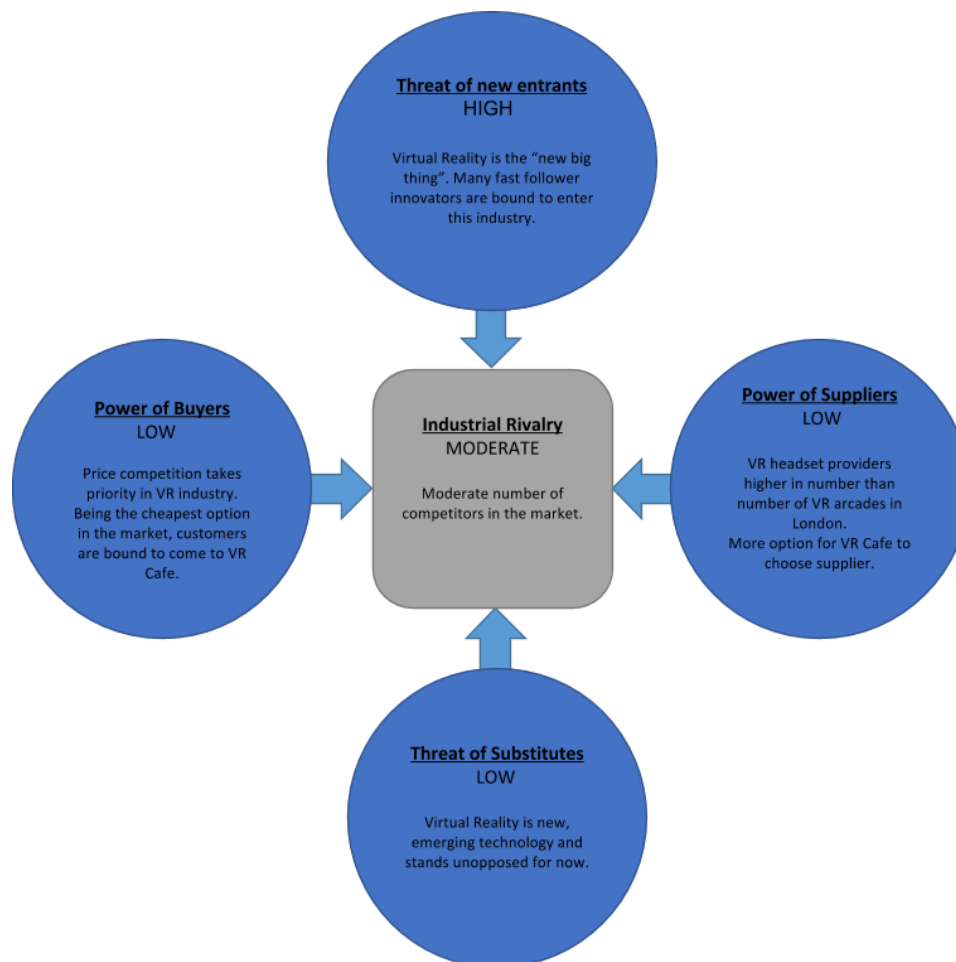
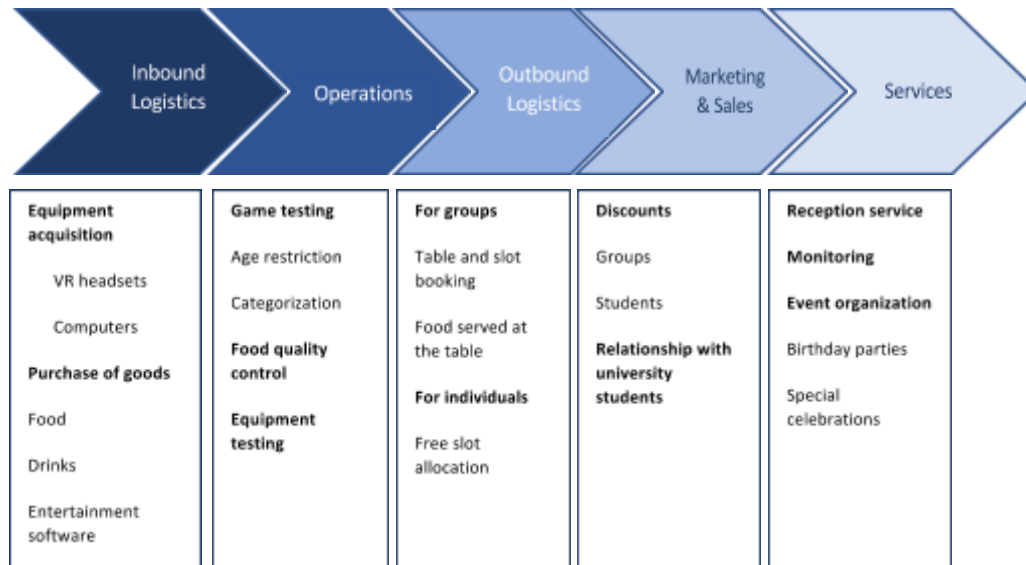


Figure 6: Porter's 5 Forces

Marketing Strategy

Value Chain



25

Figure 7: Value chain

Goals

Since the target market are students, VR Café aims to develop a close relationship with them and spread the quality of service by power of mouth. In order to do so, different approaches will be taken:

- Popular Facebook pages such as Unilad, Time Out London or Student Problems will be contacted.
 - They have a large audience among Facebook users which mostly comprises young people.
 - These sites are specialized in this sort of advertising and offer the content as entertainment.
- Advertisements through YouTube vloggers.
 - Their job will be to record their most enjoyable experiences and share them on YouTube.
 - Their audience comprises young people.
- Advertisements through Instagram and Facebook influencers
 - Influencers are the celebrities on social media
 - They have the power to convince their fans through posts
 - Their job will be to share on social media their positive experiences and opinions on VR Café.

Financials

Revenue and Pricing Strategy

The process of searching for suitable pricing was based on incumbent pricing and our market research conducted on potential customer segments, i.e. students from high schools, universities and young adults. We attempt to offer the service at **half the entry price of competitors**¹⁵ and offer 50 sets of the latest equipment with new Bring Your Own Game service and 5 units of 4D VR simulator. We also spoke to students from Imperial College Gaming Society to achieve a greater confidence in our pricing model as **preferred witnesses** to our customer segment.

1. Solo VR Players: £15 per person per hour
2. Group VR Players: £40 per group (up to 4) per hour
3. 4D VR Simulator: £50 per person per hour for 10% of projected customers
4. Food: £10 for 10% of projected customers

Based on our market research from respectable hardware review websites¹⁶ such as Logical Increments¹⁷ and other preferred witnesses¹⁸, we found the Extreme VR Build for the optimal VR experience. Each set of the best gaming equipment for VR costs an estimated £3000 with another £600 for the VR headset. We will also require gaming licenses from Steam / Valve for commercial VR gaming¹⁹.

Component	Model	Price / £ *
VR Headset	HTC Vive	599
CPU	Intel Core i7-7820X	494
GPU	GTX 1080 Ti	900
Motherboard	MSI X299 SLI Plus	220
Storage 1	500GB Samsung 960 EVO PCIe M.2 SSD	210
Storage 2	4TB HGST HDD	112
Power Supply	EVGA 1000 P2	220
RAM	32GB DDR4-3000	377
Case	Enthoo Luxe Tempered Glass	165
CPU Cooler	Corsair Hydro H115i	129
Operating System	Windows 10	100
Total		3526

Table 2 Preferred components and estimated pricing competitors

The hardware models chosen are well-renowned in the gaming community and provide sufficient headroom for expansion and scalability. For VR Café, this is more important than getting the best budget equipment because this is more scalable and **ensures competitiveness in the 3-year horizon**.

We operate on the basis that the state-of-the-art equipment at the beginning of the start-up would future-proof our assets against depreciation and being unable to support newer game releases, hence the £3600 price tag. We see a possible need to upgrade the VR headset once every three years if needed, but at the moment, we operate on the assumption that VR equipment is a sunk fixed cost. This is supported by evidence that currently, the turnaround time for VR headsets exceeds three years. It is also important to note that not all 50 sets of equipment are used immediately, but used to scale with time.

* All prices quoted refer to those currently available in UK retailers at the time of writing.

Key Assumptions

These are the assumptions taken by VR Café directors.

1. Directors receive compensation in the form of equity.
2. We operate with business hours daily, 10am to 10pm.
3. We operate on a commercial property loan basis in London Zone 1 prime real estate (Shoreditch). It is further assumed that overhead costs such as Internet and electricity are sufficiently covered in rent²⁰.
4. Revenue comes from 5 sets of 4D VR equipment, with 50 full sets of VR with gaming hardware and food sold in the VR Café.
5. For simplicity in financial projections, we ignore secondary effects such as inflation and depreciation.

3 Year Projections

Customer conversion

	Year 1				Year 2				Year 3			
Quarter	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
Month	1 - 3	4 - 6	7 - 9	10 - 12	13 - 15	16 - 18	19 - 21	22 - 24	25 - 27	28 - 30	31 - 33	34 - 36
Market Pen / %	0.5	0.6	0.7	0.9	1.0	1.2	1.5	1.8	2.1	2.6	3.1	3.7
VR CHPM	1000.0	1200.0	1440.0	1728.0	2073.6	2488.3	2986.0	3583.2	4299.8	5159.8	6191.7	7430.1
VR Revenue / £000	45.0	54.0	64.8	77.8	93.3	112.0	134.4	161.2	193.5	232.2	278.6	334.4
4D VR CHPM	100.0	120.0	144.0	172.8	207.4	248.8	298.6	358.3	430.0	516.0	619.2	743.0
4D VR Revenue / £000	15.0	18.0	21.6	25.9	31.1	37.3	44.8	53.7	64.5	77.4	92.9	111.5
Food Revenue / £000	3.0	3.6	4.3	5.2	6.2	7.5	9.0	10.7	12.9	15.5	18.6	22.3
Total Revenue / £000	60.0	72.0	86.4	103.7	124.4	149.3	179.2	215.0	258.0	309.6	371.5	445.8
Cumulative VR Revenue / £000	45.0	99.0	163.8	241.6	334.9	446.8	581.2	742.5	936.0	1168.1	1446.8	1781.1
Cumulative 4D VR Revenue / £000	15.0	33.0	54.6	80.5	111.6	148.9	193.7	247.5	312.0	389.4	482.3	593.7
Cumulative Food Revenue / £000	3.0	6.6	10.9	16.1	22.3	29.8	38.7	49.5	62.4	77.9	96.5	118.7
Total Cumulative Revenue / £000	63.0	138.6	229.3	338.2	468.8	625.6	813.7	1039.4	1310.3	1635.4	2025.5	2493.6

Table 3 Customer conversion over a 3-year horizon

Table 3 shows the estimated number of customers' hours per month (CHPM) over the 3-Year horizon with the assumptions of 0.5% initial market share coming from a potential 200,000 customer market share, and assume a fixed 1.2X multiplier. We plan to achieve this initial customer base via direct invitations to friends, family and students within Imperial and London universities. CHPM is calculated per month, revenue is calculated per quarter, i.e. 3 months.

Consider that the theoretical maximum capacity for 50 VR headsets is 50 customers per hour, thus 18000 CHPM. Similarly, for the 4D VR simulator, since there are 5 units, the maximum CHPM is 1800 hours. These theoretical limits are not reached in 3 years, thus ensuring scalability at least until the 3rd year of operations.

Year One (Y1) Expense

In Y1 we can expect higher costs due to non-recurring expenses require to set up the business which account for 57% of the Y1 expenditure of approximately £443,000. Recurring expenses are broken down into price per month (PPM) and aggregated prices are shown for each expense. Since for the first year VR Café is expected to operate at a loss, tax on profit is not considered.

Non-Recurring Costs	Price / £	Quantity	Aggregate Price / £
Equipment			
VR Gaming Equipment	3600	50	180000
4D VR Simulator	50000	5	250000
Food			
Coffee Machine	1000	1	1000
Fridge	1000	1	1000
Cutlery	1000	1	1000
Furniture	10000	1	10000
Total			443000

Recurring Costs	PPM / £	Price / £	Quantity	Aggregate Price / £
Rent @ 2000sqft for £48/sqft p.a.	8000	96000	1	96000
Gaming License @ £150 for 20 games	150	1800	20	36000
Labor				
Student Admin @ £8/hr for full-time	2880	34560	2	69120
Skilled Worker (IT/Engineer) @ £12/hr for 12hrs, once a week	4320	51840	2	103680
Advertising	1000	12000	1	12000
Insurance	1000	12000	1	12000
Legal Fees	1000	12000	1	12000
Total				340800

Grand Total	783800
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Table 4 Expected expenses for Y1

Year Two (Y2) Expense

In Y2, due to the higher number of customers, we can increase the number of games from 20 to 30 and number of student admins to 5 and 3 skilled workers to cater to increase customer traffic. Other costs are assumed to be the same.

	PPM / £	Price / £	Quantity	Aggregate Price / £
Rent @ 2000sqft for £48/sqft p.a.	8000	96000	1	96000
Gaming License @ £150 for 30 games	150	1800	30	54000
Student Admin @ £8/hr, full-time	2880	34560	5	172800
Skilled Worker (IT/Engineer) @ £12/hr full-time	4320	51840	3	155520
Advertising	1000	12000	1	12000
Insurance	1000	12000	1	12000
Legal Fees	1000	12000	1	12000
Total				514320

Table 5 Expected expenses (Recurring Costs) for Y1

Year Three (Y3) Expense

In a similar approach to Y3, we further increase the number of games to 50, while increasing the number of workers to 8 and skilled workers to 4 while other costs are kept the same.

	PPM / £	Price / £	Quantity	Aggregate Price / £
Rent @ 2000sqft for £48/sqft p.a.	8000	96000	1	96000
Gaming License @ £150 for 50 games	150	1800	50	90000
Student Admin @ £8/hr for full-time	2880	34560	8	276480
Skilled Worker (IT/Engineer) @ £12/hr for full-time	4320	51840	4	207360
Advertising	1000	12000	1	12000
Insurance	1000	12000	1	12000
Legal Fees	1000	12000	1	12000
Total				705840

Table 6 Expected expenses (Recurring Costs) for Y2

3 Years Profit & Loss Projections

From the table above and including a £500,000 capital, we can say that the end of Y3, there is a total of £802,570 in cash and deposits. These projections assume a 20% corporate tax on profit. All calculations are based on projections in previous tables.

	Amount / £'000					
	Y1		Y2		Y3	
	Debit	Credit	Debit	Credit	Debit	Credit
Income						
VR Gaming	241.56		500.90		1038.66	
4D VR Gaming	80.52		166.97		346.22	
Food	16.10		33.39		69.24	
Expense						
Non-Recurring Expenses		-443.00		0		0
Recurring Expenses		-257.86		-514.32		-705.84
P/L excl. Capital		-362.67		186.94		748.29
P/L with 20% Corporate Tax		-362.67		149.55		598.63

Table 7 3-year profit & loss projection expenses

3 Year Cash Flows Projections

The 3-year cash flow projections show the projected net cash balance and net cash flows (NCF) for VR Café. Optimistic model uses a 125% revenue while conservative uses 75% revenue while keeping expense constant. We expect constant positive NCF in all scenarios, Q6 for the optimistic scenario and Q7 for the conservative scenario.

	Y1				Y2				Y3			
Amount / £'000	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
Revenue	60.00	72.00	86.40	103.68	124.42	149.30	179.16	214.99	257.99	309.59	371.50	445.81
Expense	-85.2	-85.2	-85.2	-85.2	-128.58	-128.58	-128.58	-128.58	-176.46	-176.46	-176.46	-176.46
Optimistic NCF	-10.20	4.80	22.80	44.40	26.94	58.04	95.37	140.16	146.03	210.52	287.92	380.80
Realistic NCF	-25.20	-13.20	1.20	18.48	-4.16	20.72	50.58	86.41	81.53	133.13	195.04	269.35
Conservative NCF	-40.20	-31.20	-20.40	-7.44	-35.27	-16.61	5.79	32.66	17.03	55.73	102.17	157.89
Net Cash Balance	474.80	461.60	462.80	481.28	477.12	497.84	548.41	634.83	716.35	849.48	1044.53	1313.87

Table 8: 3-Year Cash Flow Projections

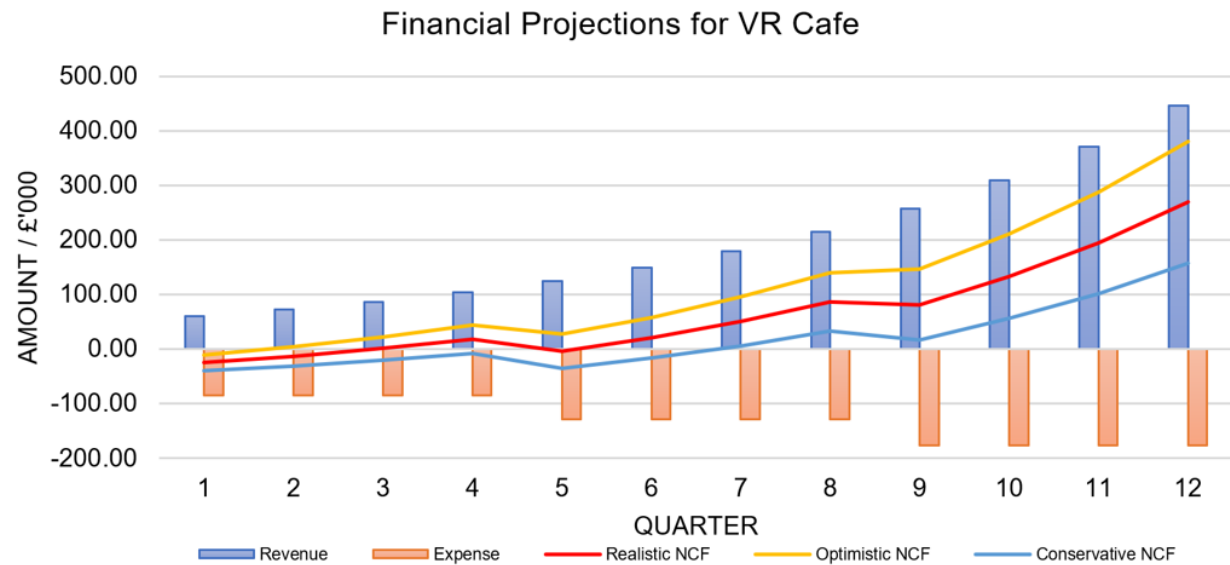


Table 9: 3 Years Cash Flow Projections

Company Valuation

From the data above and a £500,000 capital raised, after three years, we estimate the net cash holdings (excluding other assets such as gaming hardware and furniture which are subject to depreciation) to be around £800,000. Furthermore, evaluating VR Café in Year 3 with about £600,000 in earnings, using the gaming industry's average Price-to-Earnings Ratio of 15, VR Café's fair value is an estimated £9,000,000.

Funding

For a £500,000 loan at 45% annual growth, we expect to the value of the capital investment at £1,520,000. As shown above, VR Café can be valued at the end of Year 3 at £9,000,000, and we can offer an equity of 17%. In good faith, we seek to offer the investor 20% equity of VR Café. The remaining equity is split equally among the 6 directors of VR Café.

As shown in the financial projections, in Year 2, VR Café should have sufficient cash flow to continue operations without requiring additional funding. Currently, we have raised £50,000 from bootstrapping and

fundraising from personal funds, families and friends. We look to secure funding to achieve the remaining funds required to start VR Café. We only expect one round of funding up to Year 3 as after that, assuming the business model works, positive cash flows can support the VR Café operations.

Key Use of Proceeds (%)

The proceeds of £500,000 will be used as shown in the projections for Year One. Remaining additional £67,000 of capital is requested to paid for the first few months of recurring expense such as rent and labour, with a remaining free capital of £28,600. It also acts as a buffer for unaccounted expenses and unseen roadblocks. The proceeds will be used as shown below.

Expenses	Amount / £000	Portion / %
<u>Recurring</u>		
VR Equipment	180	36
4D VR Equipment	250	50
Food and Equipment	13	2.6
<u>Non-Recurring, First-Month</u>		
Rent	8	1.6
Gaming License	3	0.6
Student Admins	5.8	1.15
Skilled Workers	8.6	1.73
Advertising	1	0.2
Insurance	1	0.2
Legal Fees	1	0.2
Free Capital	28.6	5.72
Total	500.0	100

Table 10 Key Use of Proceeds

Exit Strategy

Once VR Café operates successfully with the backing of a £500,000 investment, we will consider the exit strategies through a private trade sale or an acquisition by larger corporations and investors. Currently, we consider acquisitions by gaming corporations such as GAME UK, SONY or NVIDIA. These companies currently hold large market share in the gaming market without a strong hold of the VR market which is not yet strongly defined. By this acquisition, they will gain a key asset in the VR customer segment.

Risks and Mitigation

i. Financial

There is a risk for devaluation of VR and gaming hardware because of the release of newer hardware almost once every year in the CPU, GPU and VR equipment. Furthermore, it is expected that VR

technology will be produced cheaper as the technology hits mass production to mainstream, thus driving the price of equipment lower, making it critical for the business to make revenue as quickly as possible to mitigate this risk.

ii. Market

Our pricing strategy is based on market research and have used estimates from similar enterprises, thus reducing market risk. We are able to make an offering at a lower cost by decreasing expense and offering a home-like and relaxing experience through the latest technology and VR games.

iii. Tech

High-level of technology is required to implement a seamless VR gaming with high frames per second and resolution. It will require skilled labour to operate and maintain the equipment in the long run.

iv. Legal

Food safety: This should not be an issue as food is sub-contracted to certified vendors.

Gaming license: We will have to purchase commercial licenses from Valve or Steam to enable multiple machines to play games.

Team

VRCAFÉ management board consists of 6 directors. They come from a diverse background specializing in different fields of expertise and have experience in the management of their respective areas. They value integrity, honesty and humility as our core values as this creates the best trust between us and our customers. VRCAFÉ believes that with our founding members' diverse skill sets, we can synergize and cooperate to provide the best VR experience for the customers.



Alejandro Gilson

CEO: Chief Executive Officer

Alejandro Gilson is an experienced startup founder. He has been to date involved in the creation of three ventures, all of them successful. He is an enthusiastic entrepreneur with an open mind who is always looking for new opportunities.



Mariam Sarfraz

CMO: Chief Marketing Officer

Mariam has five years of experience in the digital marketing industry. She has lead the strategic sales and marketing team for two successful start-ups. With her key abilities and rich experience, she will prove to be an asset to VRCAFÉ.



CFO: Chief Finance Officer

Shu has many years of experience in trading equities and stocks for NASDAQ and NYSE public companies. Shu believes VRCAFÉ captures a new market segment which is still in its infancy and will benefit strongly from the big tech players such as NVIDIA, Sony and Samsung in the VR space.



Wendy Lu Chen

COO: Chief Operating Officer and Human Resource Director

Wendy is currently working as the operations advisor for the biggest Sino-European incubator. Added to this, Wendy is experienced in dealing with people and human resources related, handling 400 students across Imperial halls of residence.



Alvaro Robledo Vega

CIO: Chief Information Officer

Alvaro comes from a Machine Learning research environment at Imperial College. His areas of expertise include assisting start-ups improving their revenue streams, as well as identifying and reducing their main cost drivers with the help of Big Data and analytics.



Koral Hassan

CTO: Chief Technology Officer

Koral is always in-the-know of the latest technology and spent his free-time constructing PC builds in his garage. He has the years of experience and know-how on operating the VR equipment for VRCAFÉ.

In addition to the 6 board directors, a VR expert will be hired to run the VR equipment properly as well as training courses for the 6 directors will be appointed to be able to manipulate VR equipment safely at all time. To prepare the cooked food from the menu for the café, one chef (two in the weekends) will be employed. The rest of the tasks such as reception, waiter, bar attendant, etc. will be carried out by the board directors themselves throughout the first year to know first-hand how the business is running. In the later years, once the breaking even point is met and revenue starts growing, more student staff will be hired to cover the board directors' roles so that these can concentrate in generating new business strategies to consolidate in the market.

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