

Meet the Founder: Selina IPO

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**Stephen, Analyst - Finimize:** Hello, everyone. Hello, Finimizers. I'll just leave you a few seconds to join this session. Welcome to another Finimize Live event. My name is Stephen. I'm your Finimize analyst and host of today's Meet the Founder Event.

So first let me just start with some housekeeping. Feel free to introduce yourself in the chat. Tell us where you're tuning in from. Selina is such a global brand that I hope we'll see people from all over the world. Today I'm actually tuning in from Malaga in the south of Spain. So hopefully there will be some other Spanish tuning in today. Remember to switch to all attendees so that everyone can see your messages. And in terms of format it's going to be a 15 minute discussion with the founder, Rafael and then we'll switch to 15 minutes Q&A where you can ask all of your questions.

Make sure that you ask your questions in the Q&A box. Make sure when you see a question you like you vote it so that we answer the most voted questions first. And that's about it. So I think we can kick this off.

So our event partner for today is Selina. You can find the ticker on the NASDAQ: \$SLNA. It's one of the largest hospitality brands built to address the needs of millennial and Gen Z travelers, blending beautifully designed accommodation with co-working, recreation, wellness and local experiences. Selina was founded in 2014 and custom built for today's nomadic traveler. Selina provides guests with a global infrastructure to seamlessly travel and work abroad. Each Selina property is designed in partnership with local artists, creators and taste makers breathing new life into existing buildings in interesting locations in 24 countries on six continents, from urban cities to remote beaches and jungle. So today I'm super, super excited to have Rafael Museri, the CEO and co-founder of Selina, with us. So first thanks first, Rafa, or Rafi. Sorry. Should I say? How are you doing today?

**Rafael Museri, Co-Founder and CEO - Selina:** I'm great. I'm great. Thank you very much. Thanks for hosting us.

**Stephen:** Awesome. So I have to tell you... I have to admit I'm super excited about today's event because I've traveled a lot to South America. I've lived there as well and I can honestly say that I've seen firsthand how Selina is really something else, let's put it that way, when you compare to to kind of other other options and I'm not saying this because I hope you'll give me a discount next time I'm traveling, but really because honestly this is really the full experience combining the co-working, co-living. And I'm sure we're gonna cover all that in the next 15 minutes. But maybe look, let's start by how did you build this amazing brand, I guess? Can tell us the Selina story in in sort of two minutes?

**Rafael Museri:** All right. I'll try to be quick. So again we lived in many, many countries around the world. Daniel, my partner and co-founder, surfed all around the world. I cycled across about 14

## Meet the Founder: Selina IPO

countries. So we know travel. We stayed in hostels, we stayed in boutique hotel, we stayed in hotels. I think it was quite clear for both of us around 2013 that there was a big need.

The need came from like we've seen the hostels which are 18 years old and lacking amenities and stuff. 18 years old average age. And then we've seen the big brands hotel that bring in kind of the 50 years old average age. You realize that there is something missing in the middle which is, call it the 30, the 35 years where the energy is. When you walk into coffee shops, cinema, bar, any place and the average age is 30 to 35, for me, this is the right energy.

And this is the right energy for the lifestyle component of things, right? So that was clear to me that there is a need for a brand that will democratize the accommodation, will add few other products. It's a co-worker, it's a wellness, it's a food and beverage and will create a full ecosystem. Because I realized that there is a real need for an ecosystem.

The second thing that we realized is that the number one need is to make friends. To connect. Loneliness is the highest rate. Just yesterday the US government declared loneliness is as dangerous as 15 cigarettes a day. And it means that loneliness it's a real issue. And we decide to build a brand where you can work, play and stay. You're gonna make a friend and we're gonna democratize the price for you from dorms all the way to a very high-end suite.

We opened the the first one on a surf beach in the middle of the Pacific side, Central America. It become, after month, the trendiest hotel in the whole region without even us understanding what booking.com is and how we gonna create value. We just got packed because of the experience. But then we start learning about the data of experience and you realize that 78% of millennials and Gen Z which is 2.4 billion people appreciate experience over materialism. And then I say, "Okay. I can build a brand around experience." Which can be cheaper because the materialism things are not as important as it used to be for other generations. Anyway then we met Mario of 14 years of experience. He looked at the numbers and he said, "Guy, if you can put it all around the world and you can create this stickiness between the people as I'm experiencing in your first Selina, that will become the hottest thing." And here we're today I think, in six continents and very, very, very excited. Here we are.

**Stephen:** Okay. That's awesome. So can you maybe talk through your story from really startup to IPO? When did you decide to go public? How did you make it happen? Why did you want to go public, etcetera?

**Rafael Museri:** Yeah. So again market we switched 2014, 2015. We opened in the end of 2014 we opened the first one, close to the end of 2015 we decide to open the second one to check if it's not a coincidence. And then 2016 another four or five locations moved to a different country.

We realized that experience is consistent and excitement is consistent. That was the point, probably end of 2016, where we say let's do round A, more substantial round in range of \$15 million-\$20 million and really get scale starting. From this moment, it just grew. And then moved to round B, then moved to round C. 2018,'19 was the moment that we moved from Latin America to Europe to US and then we moved to Asia and Middle East. So that's kind of from the growth perspective.

From public market I think for Selina, it was obvious all the time. It was different attempts for different hospitality global brands to connect to Selina either through an M&A acquisition. But it

## Meet the Founder: Selina IPO

was never our intention because we think that the culture of Selina cannot be led by one of the global brands. Would be quite complicated because culture is everything, DNA is everything. When we talk about experience and lifestyle, it's key.

So always in our head it was clear that our way to capitalize on what we're doing will be to be a public company. So it was always there. And then I think it was a moment that SPAC was the most trendy product out there, right? And it was many, many companies looking for target companies like us and saying, "Hey, would you wanna be public?" And at one point we said, "Okay." We and our board say, "It's fine. Let's try to go this direction because anyway, it was the plan."

And then, yeah. I think that we went public. Definitely the market did a lot of changes since then. SPACs became a little bit less attracting money. We come from very, very cheap to very expensive. And that changed the focus obviously from gross mode to a 100% profitability. And today I think 3,000 people will tell you that all we are thinking about is how to reduce the laundry costs from 1% to 0.7% of revenue.

But that's the focus of everybody thinking about it. I'm very excited about it because I think this new discipline from our board governance and the market pushing you to be profitable as soon as possible, it makes something very positive in the company. I feel the energy and I feel the excitement of the people about it. So this is where we are. This is kind of the journey.

**Stephen:** And it is a journey. I mean, like the IPO was obviously a huge milestone, but it's not the end in and of itself. So actually what really excites, you know, like when looking at the future, of course you've mentioned some of the sort of macro headwinds in the short and medium term, but what really excites you? Looking forward, what are you trying to achieve? What do you hope to achieve? Talk us a little bit through that.

**Rafael Museri:** So first of all, I think that in this new era, I think we finished like 20 years we're the first choice. So every investor, or every [company] was less disrupt. Let's try new things. Money, cost, very, very little. We're more flexible, right? And we move to an era, which I think gonna take a long time where things change, like the culture of the investors change, right? So first of all, I think, for me, for us, the most important next step, definitely public company is not the goal. The goal is to continue to grow the brand, all around the world. It is to drive, as soon as we can free cash flow and to shorten the path to profitability. This is the focus, right? And I think that as I said before, the entire organization is aligned here. and I feel very good about the progress the company is doing.

We take an uncool product, converting four to five miles to cool product. How many non cool hotels around the world? Thousands and thousands. Selina gets dozens of calls a week from landlords that say, "Hey, I have this beautiful mountain beach." And they're approaching Selina because we're kind of the trendiest brand for them to jump, lease, convert, and operate. So the future, yeah. Probably every place that experience can be delivered we will be very happy to put in our flexible box, but we definitely will focus on profitability first.

**Stephen:** Sounds good. Now can you walk us in a little bit more detail through your sort of business model, how it is today, how does it work? You've released the latest results recently. Can you just walk us briefly through sort of the results and what's going on right now?

**Rafael Museri:** So again, very, very high level that the company succeeded to almost double its size in 2022 versus 2021. And this is one indication. Second, which is more important for me, when you wanna be profitable, it's very important that the growth will not happen just due of new location. You want to be sure that you're growing in what we call in the same-store of growth. And over 50% of our growth happened in the same-store. We keep experiencing same-store growth. So for me, we have two streams. When you grow in the same box, it makes your path to profitability much, much, much faster. So that's with a big focus and a big success in 2022 versus 2021.

It's very clear in the report, but at the same time, from additional boxes and also a very important discipline that our new incredible, independent board put in place is to ensure that Selina will never grow into new countries or countries that are not yet profitable while there are countries that the brand is very strong and every box that you add, it just turn profitability very quick.

So due to those results and the focus of community, basically, today the company also changed a little bit of gross kind of plans. And this is one. Another important thing to say is like if you look at the corporate overhead, what basically kills companies financially or the corporate overhead, the global team, as a percentage of revenue. The global team as a percentage of revenue, it's over 30%, 40%, 50%, and the margins of your stabilized location are 15% or 20% or 25%, depends. It make it very difficult. You can't really become profitable, right? And the company already gave guidance that our corporate overhead team, our global teams around the world will represent below 15% of revenue. And that's a shift in one year. It means that all the revenue growing, the absolute number of overhead as well as the percentage of revenue is going down. And this is an important. It's a very important component, if not the most important component in your path to profitability. And this is another very important focus.

**Stephen:** Thanks a lot, Rafi. So I think now, let's move to the Q&A. So everyone just make sure you ask your questions in the Q&A box. Make sure to vote your favorite questions. Let me start with a very interesting question. Is Selina's growth no greater than or equal to what it was pre-pandemic? How has the pandemic impacted growth?

**Rafael Museri:** So look, when you have a financial crisis, it creates two things, right? On the other side, companies need to preserve cash, so you're slowing growth. On the other side, you have more opportunity. And one of the most important components in a business like ours is to succeed to close cheap leases. If instead of paying \$1,000 per key per month lease, you're succeeding to get into distress mode \$400, then you're almost you're securing in a difficult time, good deal for the next 20 years. So definitely, Selina didn't want to close our eyes to any growth opportunities because it's increased our profitability going forward, but we didn't agree to spend out of our balance sheet. So the Selina business model, basically, we have local partners and landlords around the world that funding this conversion.

We succeed to jump on attractive deals, which we're gonna enjoy for the next 20 years and using third party capital in order to convert them into Selina. That was one side of the growth. Today, in the post-pandemic world, which two things changed, the pandemic happened and capital became much more expensive. Selina is moving this year to 30%, 40% growth year over year versus the previous year, which was close to 100%. So definitely the company will grow less and will focus on profitability and free cash flow more than anything else.

**Stephen:** Thanks for that answer. The next question, what's the business plan over the next five

years from a marketing point of view? Personally, I feel the company is yet to be known by a large portion of travelers and people. What is the factor to get people on board? The IT factor.

**Rafael Museri:** We believe at Selina that obviously the strongest and the most sustainable way to grow the brand is organically. I never consume a cool coffee shop in a small corner in Portugal or a nice bar in Melbourne cause I saw a billboard or a marketing campaign. I'm asking a local friend where to go and he told me where to go. Word of mouth, is always gonna be the strongest. There's over 3 million people walking to Selina this year, over 50% are direct booking and over 30% are return customers and the average age of our hotels between three to four years. Very young brand with very big impact. That's due to over 5,000 events a month that's happening for music, to talks, to different stuff, to wellness.

**Rafael Museri:** Selina will keep driving events, will keep driving retreats. We're gonna keep driving music events. We're gonna keep doing every possible effort and experience will speak by itself. It doesn't mean that when you want to grow occupancy or when you want to grow your brand even faster, you need to also do some commercial activities until the moment you become a destination. Once you become a destination and you open the door and you're packed, you don't need to do any kind of advertisement or any brand activation. But if you open a new location in a relatively young country, you need to buy the first customers, what's called CAC, into your spaces. And then the word of mouth starts kicking in. So Selina built 11 commercial hubs around the world and hired one of the top commercial, chief commercial officers in the industry, which is driving today many commercial and brand initiatives, helping locations that are not yet destinations. This is kind of the long term plan.

**Stephen:** Very true. Out of your pillars of stay, eat, work and experience, where do you see the biggest opportunity for growth right now?

**Rafael Museri:** F&B. F&B is one of the most difficult ones to execute. In rooms, you can get very high margins from 35% to 60%. Food and beverage, you're getting margin between 5% to 25%. Selina took a very important decision - we're not copy paste ourselves, right? In food and beverage, the best way to keep high level of efficiency is to make a copy-paste product. You do a Starbucks or McDonald's, or the same product, the value of the playlist or the value of the GM in the restaurant or the design, look, I feel it's less important. You're buying into the brand, not into the people. In a lifestyle brand, you want authentic experiences to the local community. You can't copy paste. It makes the F&B one of the most attractive things in this brand because that's what creates uniqueness. Because many events, that's where people make a friend. 63% of our guests make a friend in Selina. That's huge.

**Rafael Museri:** So F&B will always be a very important component. And this year, Selina will put a lot, a lot of focus in the improvements in the efficiency. We learned a lot in the last seven years, a lot of lessons learned. We hired very strong teams around the world driving this show. And we changed the strategy, moving our food and beverage teams from traditional kind of payroll employees into a real partner that gets piece of the business. And everything changed. It's created compatibility, it creates sense of ownership. We started implementing it in close to 25%, 30% of the spaces and you see the cultural change. And in F&B, without sense of ownership, if it's not copy-paste, it's very difficult to win. This is the most important lesson learned and that's going to be the focus going forward.

**Stephen:** Which continent or locations have seen the most growth lately?

**Rafael Museri:** The most mature is Latin America, the less mature it's Asia. Asia started very strong. And we were surprised because we were never even close to Asia. We opened in the last year over five locations. And it started very, very, very strong. The majority of the customers heard or visit or found the brand before. That for me was one of the most important moments because when you build a brand there's this moment that you feel that the network effect is stronger than new ones. It's like it's getting there and then you open a new location, new country, in Thailand or in Australia for the first time and the place is packed. You open the door and it's full. And this is I think what we start experiencing right now. And once the brand becomes stronger is the moment that you can reduce your CAC, which is your customer acquisition cost, right? This is where the numbers are looking better. This is where the margins are getting higher. So Asia will be a future big, big, big opportunity for Selina. We started very good in Asia. Latin America is the most mature. It's working great. So we're gonna keep growing in successful countries as I said as part of a renew discipline. That's kind of where we are. And obviously Europe and the US it's keep growing and keep stabilizing, which also we're really exciting about.

**Stephen:** What do you think is the biggest challenge for Selina over the next two to three years?

**Rafael Museri:** In the public market they expect to see a high level of profitability from day one and they do not give a lot of credit for strong lifestyle brands, it's something that creates a little bit pressure on what kind of first initiatives you go. So Selina definitely needs to always think about the right balance between the two. I think that another important challenge for me is when you want to grow occupancy, when you want to grow the amount of traffic in a non-organic way, which means you're doing promotions, which is very important in order for us to become more comfortable as soon as we can. Like I said it's our focus. Sometimes it can create a little bit off brand crowds or stuff.

**Rafael Museri:** So until now we are very, very picky and ensuring that we're maintaining our focus on our target audience. So again this is another thing that I wake up in the morning and I'm always thinking about how, what is the right commercial plan in order to ensure that we are growing but at the same time with the perfect route. Maybe the third thing is we're focusing a lot on the expansion. I don't think Selina in the past did great job in being an excellent operator. I think that Selina about a year ago realized that the complete experience is not just the holistic content and programming. The complete experience, which is very obvious to the big brand, is also to be excellent operator in the details. A big focus of the company is from one to ten if I'm nine in experience and I was in the past with a four or five in operation excellence, I need to push this four or five to seven, eight. And then I think the combination of the two would be incredible. It's very difficult for an excellent operator to build this experience. I think it's easier if you have the experience to do the more obvious operating thing but that's gonna be a challenge and a big focus as well.

**Stephen:** Where do you want Selina to be in 10 years?

**0:24:18.0 Rafael Museri:** Every corner of this globe that the experience that we deliver, we want to have a box and this box needs to deliver a unique, local experience which is relevant for the same village. And Every person in the world that feel any sort of loneliness or the pressure will know. Go by yourself, put your mochila, go travel. After the first Selina or the second Selina, you're gonna make a bunch of friends and you keep traveling within the world. I want it to be the best platform

for them to socialize. It is the best things to do. And so, yeah. It's a great mission. Our team is connected to it. We're connected to it. It's just built from this essence and it's all we care about.

**Stephen:** Great. Next question from from Marco. So Rafi, do you guys have any shareholders advantage and perks linked to actually staying and using Selina? I would be more interested in that than dividends, personally, at my level. I thought actually perks of investing in the stock and instead of dividends you get some... Sorry. Answer the question.

**Rafael Museri:** All right. Sorry. Look, I think there is many plans in place. We're thinking very creatively about new things. We do have a big advantage that many of our new shareholders are actually our customers. At the same time our thousands of employee around the world on the weekends and on their vacation they're customers. So Selina, I think that this beautiful picture with your employees, your shareholders are the same age, traveling the world, enjoying the product and basically by being partners at the company, but at the same time keep traveling and keep bringing energy, keep bringing the friends, they're basically investing into their own assets and I love it. We've seen it and we start experiencing it and it's feel great. I think Selina is not just the retail brand. It's a retail brand that keeps a real impact on people, right? If you keep a real impact and I think that you're combining the financial great reason to be part and the emotional attachment to it. I think that I'm investing into a product that I'm not just believe that is not just a great ROI. I Also feel good about the product, about the DNA of the the company, about the culture, about the ESG strategies. At Selina it's all about that.

**Stephen:** Thank you so much. So we have time just for a very quick last question which I think is a perfect way of terminating this interview. What is the most underrated Selina location to visit? Just one.

**Rafael Museri:** The best one?

**Stephen:** The most underrated one or the best one. I guess that's two then.

**Rafael Museri:** Wow. Well, I really love them all. I think that it gives so much energy to each of them, but difficult to think about one. Always maybe the best one is the first one. So there is something about this surf beach where it's all started in Playa Venao in Panama. We were the first tourist to come to this area and today it's just booming. This place it was packed from the moment we opened until now, profitable from day one until now. So, yeah. Playa Venao, Panama, near a fishing village called Pedasi, that's spot which everybody need to go to.

**Rafael Museri:** And if you look at the underrated I think overall I can't say a specific location, just believe that people are not yet enough discovered the experience in UK, and in some places in Europe, and we are putting a lot of energy into it. So I think that I recommend people to start experiencing the Europe vibe. It's different. It's very local, it's very European, but I love it. So it's definitely a place that we should seek improvements going forward.

**Stephen:** Awesome. Well, someone commented this question is like asking parents which one of their children they love the most. So it was indeed a very difficult question. I'm afraid that's all the time we have for today. But thank you so much for joining us. It was super insightful, very inspiring. Thank you, everyone, for watching this. And hopefully see you at the next one. Thanks again, Rafi, and all the best for the future, 'cause Selina, that's pretty awesome.



**0:29:32.8 Rafael Museri:** Thank you very much.