



**Evolve**  
Capital Partners

## Redfin Corporation

July 2017

### Summary of Initial Public Offering

# REDFIN

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**SPECIALIZED INVESTMENT BANKERS AT  
THE INTERSECTION OF FINANCE & TECHNOLOGY**

# Redfin IPO – Executive Summary

## Initial Public Offering Overview

**REDFIN**

**NASDAQ: RDFN**

### Description

Redfin Corporation is an online real estate company that operates a real estate marketplace and provides real estate services, such as assisting buyers and sellers of residential properties. The company also originates mortgages and provides title and settlement services.

### Use of Proceeds

Redfin intends to use the net proceeds for working capital and other general corporate purposes, which it currently expects to include continued investment in developing technology to support growth, increased investment in sales team and marketing activities, capital expenditures, as well as investment or acquisitions of third-party businesses.

Source(s): Company website, Capital IQ, S-1/A filings

	<b>Headquarters</b>	Seattle, Washington, USA
	<b>Founded</b>	2002
	<b>Employees</b>	2,179
	<b>Listing Date</b>	07/27/2017
	<b>Lead Underwriters</b>	      
	<b>Offer Price</b>	\$15.00
	<b>Shares Offered*</b>	9.2 million
	<b>Gross Proceeds</b>	\$138 million

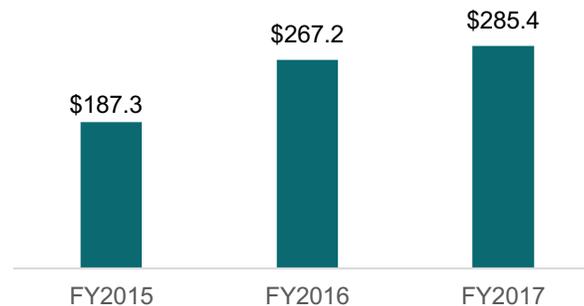
\*Underwriters have the option to purchase up to an additional 1,384,650 shares from the company if they sell more than the offered shares.

# Redfin IPO – Executive Summary

## Key Metrics – IPO

Shares offered for the IPO	9.2 million
Offer Price	\$15.00
Expected Total Shares Outstanding after IPO*	81 million
Market Value at Issue Price**	\$1.2 billion
Enterprise Value at Issue Price#	\$1.8 billion
EV / 2017 Revenue	6.3x

### Total Revenue (\$mm)



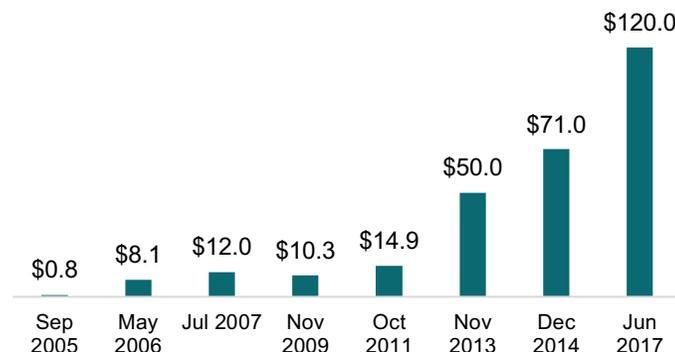
### EBITDA (\$mm)



### Total Assets (\$mm)



### Financing History (\$mm)



### Valuation History (\$mm)



Source(s): Capital IQ, Pitchbook, Media Reports

\* Underwriters have the option to purchase up to an additional 1,384,650 shares from the company if they sell more than the offered shares. If this option is used in full, the total outstanding shares could go up to 82.4 million; \*\* Market Value based on a offer price of \$15.0; # Enterprise Value is based on the calculated Market Value and Net Debt for FY 2017 from Redfin's SEC filings.

# Redfin IPO – Executive Summary

## Company Overview

*Redfin provides real estate brokerage services in 84 markets across the US in 38 states. It has partnerships with over 3,100 real estate agents.*

- Redfin is among the leading real estate brokers in the US. The company provides its services through a website and mobile app. It has built an extensive network of licensed real estate agents by contracting independent associate agents across the country. These agents organize customer tours, open houses, and inspections on behalf of Redfin.
- As add-ons to its brokerage services, the company also provides title and settlement services, and offers mortgage origination services.
- The company only charges a listing commission of 1.5% from its customers, which is substantially lower than 2.5% to 3% that traditional brokerages typically charge.
- Redfin helped customers buy or sell more than 75,000 homes worth over \$40 billion in 2016. Customers saved approximately \$3,500 on average per transaction, in 2016, compared to what they would have spent through a traditional real estate agent.
- On average, over 20 million people visited the company's website or used its mobile app each month in Q1 2017. The website's visitor traffic increased 44% in Q1 2017 compared to Q1 2016, making it the fastest growing major real estate website.

## Key Statistics

 <b>Net Promoter Score</b>	Redfin's Net Promoter Score, a measure of customer satisfaction, is 32% higher than competing brokerages.
 <b>Customers</b>	More than 10,000 customers buy or sell a home with Redfin each year.
 <b>Commission</b>	Customers can get local knowledge and accurate pricing data for a 1.5% listing commission fee.
 <b>Customer Savings</b>	Customers can save \$4,005 when they buy with Redfin and save \$7,500 when they sell with Redfin.
 <b>Customer Repeat Rate</b>	Redfin's customer repeat rate is 37% higher than competing brokerages'.

Source(s): Company Website, Redfin's S-1/A filings

# Redfin IPO – Executive Summary

## Company Overview

### Key Offerings

<b>Mortgage Loans</b>	Redfin Mortgage provides loans with both fixed and adjustable interest rates available. These loans are provided to customers who are ready to make down payments of approximately 20% of the purchase price, for which mortgage insurance would be required. Redfin Mortgage accepts applications from customers in Texas.
<b>Redfin Agent Tools</b>	The tool automatically captures information on millions of customer interactions every year, and provides templates for lead agents to recommend listings, follow-up on tours, prepare comparative market analyses, and write offers.
<b>Redfin Estimate</b>	Redfin Estimate is used as a automated home-valuation tool.
<b>Redfin Hot Homes</b>	This is a platform that lets the customer identify the homes that the company believes are most likely to sell quickly.
<b>Redfin Matchmaker</b>	The platform provides the clients with individual activity on the website, as well as data from millions of Redfin users to present alternative properties to the Redfin agent for review.
<b>Redfin Now</b>	Through this service, the company buys homes directly from home sellers and resells them to homebuyers.
<b>Title and Settlement Services</b>	Through this service, the company acts as an escrow agent, where they receive money form customers to hold until certain conditions are satisfied

Source(s): Company Website, Redfin's S-1/A filings

# Redfin IPO – Executive Summary

## Market Opportunity



### The modern real estate market is characterized by the following:

<p><b>A Changing Consumer</b></p>	<p>Residential real estate consumers increasingly want fast service and low fees. Since 2011, the percentage of Redfin home-tour requests received with less than 24 hours' notice increased from 39% to 51%. According to a study commissioned, 56% of people who successfully sold a home in 2016 asked their agent for a lower commission.</p>
<p><b>More Online Searching and Purchasing</b></p>	<p>Homebuyers increasingly go online to find homes for sale. According to a 2016 study by NAR, more than half of homebuyers found their home online and 86% identified websites as the most useful information source. According to a 2017 study, one in three homebuyers made an offer on a home they had not seen in person. Consumers also choose their agent online. While 33% of homebuyers find an agent through referrals, nearly that many, 26%, are finding an agent online.</p>
<p><b>Shift to Mobile</b></p>	<p>Mobile devices are increasingly popular in the homebuying process. According to a 2016 NAR survey, 72% of homebuyers in 2015 used a mobile device to find their home, up from 61% in 2014 and 45% in 2013. The same study found that 58% of homebuyers found the home they purchased from browsing on a mobile app.</p>
<p><b>New Technologies</b></p>	<p>In a 2016 NAR survey, 48% of respondents from various residential brokerages indicated that "keeping up with technology" would be their biggest challenge over the next two years. 46% saw competition from online firms increasing, and 43% expected competition from non-traditional firms to increase in the next year.</p>

### Redfin is well-positioned to grow strongly in the market:

<p><b>Comprehensive Listings Data</b></p>	<p>As a brokerage, Redfin has complete access to all the homes listed for sale in the local multiple listing services (MLS) in the markets it serves. Redfin's agents visit more than 10,000 listings a week, enhancing its site with in-person insights.</p>
<p><b>On-Demand Service</b></p>	<p>Redfin delivers high-speed on demand service through seamless integration between its technology and service. With a few taps on a mobile phone, a Redfin homebuyer can schedule home tours quickly. Redfin first shows the buyer a wide range of homes for sale online.</p> <p>Once the buyer chooses the homes they want to see, Redfin reviews lead agent availability, location, areas of expertise, and past interactions with that buyer. It then confirms that each home is available to show at the requested time, communicating with the listing agent programmatically or through a phone call. Finally, it determines the optimal order in which to visit each home and arranges the visit.</p>
<p><b>Next-Generation Technologies</b></p>	<p>Redfin uses a wide range of next-generation technologies. It invented map-based real estate search and uses machine learning and artificial intelligence to answer customers' most important questions. It draws on cloud computing to perform computationally intensive comparisons of homes at a scale that would otherwise be cost prohibitive. It also use streaming technologies to quickly notify customers about a listing. The company has deployed new-generation hardware, such as three-dimensional scanning cameras that let potential homebuyers walk through the property online.</p>

Source(s): Company Website, Redfin's S-1/A filings

# Redfin IPO – Executive Summary

## Financing History

Date	Series/Type	Amount (\$mm)	Lead Investor	Transaction Notes
12/18/2014	Series G	\$71	<b>Annox Capital</b> Amit Mital	Redfin raised the funds for its ongoing development of new technology that makes every step of the home buying and selling process better for its customers, support market expansion, technology development, and to accelerate national expansion
11/13/2013	Series F	\$50	CRUNCH FUND  and others	Redfin used the funds to hire employees, invest in new technology, improve negotiation and escrow process, and to spend on customer awareness
10/27/2011	Series E	\$15	CRUNCH FUND  and others	-
11/12/2009	Series D	\$10	 	Redfin raised the funds to scale its infrastructure for delivering extreme levels of customer service, to expand into new markets and to invest in research and development
07/17/2007	Series C	\$12	 	-
05/31/2006	Series B	\$8	  	-
09/01/2005	Series A	\$1		-

Source(s): CapitalQ, Pitchbook

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