



CORPORATE UPDATE - MARCH 2021

- Equifund sat down with the **Founders of Guac** to get an update on the company's progress and what 2021 has in store.

Watch a recording of the call here: <https://equifund.com/offering-update-guac/>

FOUNDERS BIO:



Scott Armstrong
President + Founder

Scott is a business executive with over 30 years experience building and scaling companies. He's been a key part of several successful exits, including founding and selling the Axis Eye Institute, and serving as Business Manager for WaveTec, which was sold to a Novartis for \$350 million.



Ryan Armstrong
Vice President + Co-Founder

Ryan is a business executive and entrepreneur with 10 years in consulting, specializing in sales & marketing with a focus on social media & growth marketing.

THE INTERVIEW:

EQUIFUND: WHAT IS THE GUAC "ORIGIN STORY?"



RYAN: I think like most founder stories, this company came out of me trying to solve my own problem. I graduated college in 2011, but there wasn't anything that really helped me save money.

There are other tools out there that are geared towards long term savings, which are great tools. But younger generations have different income profiles than older generations.

I mean, I guess you can call me a millennial because I want instant gratification... but instead of trying to force myself to delay gratification for “retirement,” I wanted something that would make saving more fun so I’d be more likely to build that habit.

So, I decided to build a product that gamified the savings process.



SCOTT: I have a long history of being an entrepreneur; over 30 years experience building & scaling companies in the finance, device and health service sectors, with two exits.

In 2007, I owned five lasik centers, which I sold. Then, I was involved with WaveTec Vision, which sold to a division of Novartis Pharmaceuticals in 2014.

So, when Ryan – my son – told me he wanted to build this app, I was excited to have the opportunity to build this company with him. But, it wasn’t like an instant overnight success or anything. We probably worked on the app for around five years before we got any real traction.

In late August of 2019, we got the first version of the app live. Then, in April 2020, we completely overhauled the app.

We bootstrapped the entire company from day one up until we decided to do our first raise.

EQUIFUND: WHY DID YOU DECIDE TO USE CROWDFUNDING INSTEAD OF GOING THE VC ROUTE?



SCOTT: I’ll be honest, I had a hard time wrapping my head around crowdfunding. I’m used to traditional fundraising. You go find broker dealers, you present to them, they present to their clients.

But thankfully, he took the time to help me understand the process. Now that we’re on the other side of this round, I think it’s the way people should raise money going forward, no question.



RYAN: We also wanted to create this company for the people. The idea of building a community of customers and shareholders at the same time made a lot of sense to me. Crowdfunding gives us the chance to build our company in a way traditional VC doesn’t.

EQUIFUND: WHAT HAS BEEN MOST SURPRISING TO YOU ABOUT RAISING CAPITAL FROM THE CROWD?



SCOTT: In the “normal” world of raising money, you give the investors some updates and they are not all that involved. But with crowdfunding, we have a whole different type of investor. When investors are users and evangelists, it’s a game changer. And I think our rapid growth is a testament to how powerful crowdfunding can be.

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RYAN: It allows us to be 100% customer focused in our business when all of our investors are customers. Everyday, I’m communicating with our users and investors. Our new roll-out comes straight from these efforts.

EQUIFUND: WHAT PROGRESS HAS BEEN MADE SINCE THE LAST ROUND OF FUNDING?



SCOTT: We raised a little bit over \$1 million in about 90 days of starting the campaign in September of 2020. So far, we’ve deployed about 35% of the capital we’ve raised, and we’ve hit several milestones.

- **Industry Leading “Customer Acquisition Cost”** – When we first launched, our CAC was extremely low for the FinTech environment. We started at ~\$14, it’s now ~\$20. Industry average is 2-3x what we are spending.
- **Tripled our user base** – We went from roughly 15,000 users (Sept 2020) to ~45,000 (March 24th, 2020)
- **300% increase in total user savings** – When we started, we were at ~\$600k saved. Now we are at \$2.5 million saved.



RYAN: This raise was all about proving product market fit, and figuring out our monetization model. Based on the user growth – and amount of money our users have saved – I’d say we’ve definitely proven we have a unique value proposition that is delivering.

But the most exciting part of the past six months? The amount of affiliate relationships we’ve established with major, name brand retailers.

The value proposition is really simple. The strategy is simple. We have a user base of people who have already saved money with our app. We aren't just sending clicks, we are sending customers.



SCOTT: The marketplace has been live for ~45 days. With zero marketing, our native users who are on the app have already generated \$50,000 in transaction volume.

What's great about this model is we split the affiliate commissions we earn with the user – this means they get a discount on the products and services they buy, and Guac generates revenue... all while keeping the product free of charge.

Oh, and bonus for the users, we don't have to sell individual user data to advertisers either. So, it's really a win-win for everyone in our ecosystem.

- **Guac Marketplace Is Live!** – We've put \$0 marketing dollars into this, and already have ~\$50,000 in transaction volume. Marketplace is now on the home screen of the app, and users are already shopping natively in the app.
- **Added 70 New Marketplace Partnerships** (This is how we generate revenue) Here's a short list of brands you likely know:

<p>Activewear, Apparel & Equipment</p> <p>Wilson Backcountry Billabong RVCA Fanatics GoPro Sector9 Skateboarding Co. Champs Yoga Outlets Automotive Carvana</p> <p>Electronics and Technology</p> <p>Hewlett Packard Bulbhead</p> <p>Events & Entertainment</p> <p>Sur la Table</p>	<p>Priority Pass HBOMax (Coming Soon) Gametime (Coming Soon)</p> <p>Fashion</p> <p>Dior Superdry Bonobos 7 for all Mankind John Varvatos Allsaints Ador G-star Raw</p> <p>Footwear</p> <p>Jimmy Choo Cole Haan Allen Edmonds Puma Eastboy</p>	<p>Health, Wealth & Benefits</p> <p>Sephora Ulta Beauty Hiehls Aveda Ladder</p> <p>Indoor/Outdoor Furniture & Goods</p> <p>Ace Hardware Plants.com Lumens Newair</p> <p>Jewelry, Sunglasses & Accessories</p> <p>Oakley Nixon Sunglass Hut Jewlrey.com Spy Optic Victorinox</p>	<p>Luxury Department Stores</p> <p>Bloomingdales Nordstrom Rack Banana Republic Saks Off Fifth Jos A Banks (Coming Soon)</p> <p>Travel & Entertainment</p> <p>Agoda Alaska IHG Marriott Bonvoy Southwest Samsonite</p>
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We've also recently been voted as the top personal finance app by Daily Finance, which is a publication in Southern California. And of course, that always feels great to get.

- **Voted Top Personal Finance App** by Daily Finance (SoCal FinTech).



RYAN: But the biggest win for us? We've landed some major partnerships with companies like Google, DoorDash, and Juno Financial.

- Hand selected by **Google** to join their Google App Campaign Team – a 6 month program where they help you plug into their advertising channels. This is not a program you can apply for. Google literally called us and said they wanted to partner with us.
- **DoorDash** – DoorDash wants to help all of it's drivers become more financially well off. We're currently in the process of getting our app distributed to all of their driver network. Even cooler? They will pay up to \$200 per Guac user who winds up driving for DoorDash.

This officially launches our new feature called "Side Hustles" which is another way we're bringing income generating opportunities to the Guac platform.

- **Juno Financial** – Founded by 3 Harvard MBAs, Juno financial is the biggest student loan refinancing and student debt company in the US. They generated \$40m in revenue last year, and we just signed a 50/50 revenue share agreement for any of our users that refinance or purchases any financial product (like a loan) Juno offers.



SCOTT: And to top everything off, we're about to launch the feature everyone has been waiting for... credit card integration!

- **First advanced saving tool designed for credit card users** – The incumbent FinTech products are designed for debit card users, not credit card users.

PROBLEM: High earning people don't use debit cards. They use credit cards.

SOLUTION: Guac users can now use our "save while you spend" technology while using their credit cards and debit cards. The % savings is still drawn from whatever funding source the user selects. Now, we can track spending across any credit or debit card our users prefer to use.

RESULTS: People who've invested in guac don't use it because they don't use a debit card. Now they all want to use it.

BONUS: Now we can generate affiliate fees by introducing our customers to appropriate credit card offers and banking relationships.



RYAN: We couldn't have gotten here this fast without our amazing user based. Thanks to their feedback we were able to quickly iterate, overcome some of the challenges our users were having, and rapidly improve our product.



SCOTT: With software, when you do releases there will be bugs. But our dev team has been doing a fantastic job... from rebuilding the entire app a year ago to the fast-reaction speed of our latest build.



RYAN: There were two main challenges our users were facing. A lot of those conversations were "I don't know where my money is."

We developed a tool called the "Statement" to help our users understand where their money is at all times (and how the banking delays work).

Another problem was overdrafts. That's why we added a feature that will not transfer any savings to the Guac account unless the user has at least \$70.



SCOTT: Oh, and before we forget... we're working with an IP lawyer right now to obtain patent protection for our advanced savings tool. We're doing everything we can to make sure we protect our company from competition and extend our lead as far as possible.

EQUIFUND: HOW DO YOU THINK ABOUT YOUR VALUATION?



SCOTT: In the FinTech space, the "Back of the napkin" value is \$300 per connected account.

- 15,000 users @ \$300 = \$4.5 million
- 50,000 users @ \$300 = \$15 million



RYAN: Everything we do to generate revenue is value-based to our users. And the secret to growing our valuation is by growing our user base and consistently delivering on our brand promise: helping people develop financial habits that help them reach their goals.

EQUIFUND: WHAT IS YOUR TIMELINE FOR AN EXIT?



SCOTT: By the end of 2022, we believe we'll be on the radar of financial institutions, be it online banks or legacy brick and mortar banks.

However, if you look at what we're offering, we could be a great acquisition for non-financial companies as well.

If we hit 500,000 users by 2022... at \$300 per user, that is a \$150 m valuation.

EQUIFUND: HOW CAN WE HELP GUAC GROW AND REACH THE EXIT FASTER?



RYAN: Help us get more users! Guac has just launched a new referral program for all Guac customers. Every referral you make, the referral gets \$5 and the referee gets \$5.

EQUIFUND: WHAT SHOULD WE LOOK FOR OVER THE NEXT SIX MONTHS OF GROWTH?



SCOTT: There are a few key performance indicators we are looking to drive over the next six months.

- **User Growth:**

 - Current Reality* - ~50,000 users

 - 6 Month Goal* - 100,000+ users

- **Marketplace Transaction Growth:**

 - Current Reality* - ~\$50,000 YTD

 - 6 Month Goal* - ~\$250,000 YTD

- **User Savings Rate:**

 - Current Realty* - \$2.5m Lifetime Savings

 - 6 Month Goal* - \$5 m Lifetime Savings



RYAN: But we're also going to be moving full steam ahead on several of the platform updates as well.

- **The release of our credit card integration / advanced savings tool**
 We are in the final testing stages of our credit card integration. We should have this live sometime in mid April, 2021
- **Full launch of Guac Marketplace**
 As of now, we haven't marketed the marketplace feature in Guac. Now that we're up and running, we're going to start promoting our marketplace as part of our advertising.
- **Launching Direct Deposit feature**
 We've had several requests for direct deposit functionality, so we'll be building that out as well.
- **Launching the Guac community**
 Publishing value add content to help our users reach their financial goals. Building social aspect of the app to increase engagement (DAU/MAU).
- **Partnership with DoorDash ("Side Hustles")**
 People are always looking for ways to earn extra income. We're excited to partner with DoorDash and launch our "Side Hustles" feature.
- **Partnership with Juno Financial**
 Student loan debt is a huge problem for more than just millennials. If we can help our users save money on that monthly expense, that's a huge win for everyone.

Q & A SECTION

HOW DOES THE SPEND WHILE YOU SAVE FUNCTION WORK?

ANSWER: When you spend from your debit, credit, or ACH... that is where the transaction starts.

Based on what you specify in Guac, you will save a percentage of spend. Once that happens, it takes 3 days for that money to hit the Guac fund.

Here's a really basic flow chart...

1. Guac User Spends \$...
2. % of spend is transferred from Bank Account to Guac Account (these are all FDIC insured accounts for our users)...
3. When user spends “Guac Cash” in the marketplace, they get additional cash back on purchases...
4. Cashback is deposited into Guac Account...
5. User can withdraw from Guac Account (or spend more in the marketplace).

WHO IS THE CHARTER BANK?

ANSWER: We are partnered with the National Bank of Kansas City (NKBC). The account is created “FBO” – which is short for “For the benefit of” – our users; so you don’t need to make it on your own. All deposits are FDIC insured up to \$250,000.

DO I EARN INTEREST ON DEPOSITS?

ANSWER: We (Guac) earn interest on all customer deposits. This revenue stream helps keep Guac free for our users.

IS THE RECURRING SAVING GOAL FROM EACH USER TRACKED AND MEASURED?

ANSWER: We are currently building out the analytics dashboard to get better visibility into the savings per user per month.

DO YOU SELL USER DATA?

ANSWER: We do not sell individual user data. Any data is anonymized and aggregated.

DOES IT STILL COST THE USER TO TRANSFER THEIR MONEY TO THE GOAL?

ANSWER: There is no fee to transfer money in either direction.

HOW DOES GUAC WORK WITH CREDIT CARD CASH BACK?

ANSWER: Here’s an example – I use his Chase Sapphire card as normal. All we do is hook

that up to Guac, and the app will save whatever percent based on user specifications.

DOES IT WORK WITH ALL BANKS?

ANSWER: We are beta testing things right now. We use Plaid for our integration, so any bank that doesn't allow Plaid – like PNC – won't currently work. Capital One should be live by 5/1/21.

DOES IT WORK WITH ALL CREDIT CARDS?

ANSWER: We currently support Visa and MasterCard. We're still working on American Express and Discover.

IS THE CREDIT CARD FEATURE AVAILABLE NOW?

ANSWER: We are still in the final testing phase. The credit card feature should go live mid-April.

WHAT ABOUT "SAVE WHILE YOU SPEND" CRYPTO EDITION?

ANSWER: It's on our mind, but we're still trying to figure out exactly how to do this properly.

WHAT HAPPENS IF WE WIND UP GETTING "FEDCOIN" OR DIGITAL DOLLARS IN THE FUTURE?

ANSWER: Our banking partners are on the cutting edge of all this stuff right now. If we look at how things are going, we are positioned quite well.

The clearing and settlements problem is an industry wide issue. We're all working on solving the problem together.

CAN WE SAVE IN FOREIGN CURRENCIES?

ANSWER: Right now, Guac is only available for US financial institutions and USD. But we speak weekly to people in Canada, Europe, and Mexico.

One day we'll get international markets up, but this isn't the right priority for us right now.

IS AUTO-INVESTING ON THE PRODUCT ROADMAP?

ANSWER: We are talking to a few different players about this. But this isn't in our short term roadmap right now.

WHAT ABOUT PARTNERING WITH EMPLOYERS?

ANSWER: That is already in the pipeline. DoorDash is already considering offering this to all their drivers. We're also talking to a T-Mobile franchise owner, who is considering offering Guac to their employees (he doesn't offer a 401k).

HAVE YOU CONSIDERED PARTNERING WITH NATIONAL REAL ESTATE COMPANIES?

ANSWER: We haven't, but that's a great idea we'll need to explore.

HOW ABOUT PARTNERING WITH PAYROLL PROCESSORS LIKE ADP?

ANSWER: We've had users ask us for direct deposit ability for their paycheck. It's in the development cycle and is one of our Q2 Milestones.

HOW ARE YOU BUILDING BRAND EQUITY?

ANSWER: Our CMO is a successful clothing entrepreneur, we have great gear that we continue to promote. We are planning on doing events as well, COVID restrictions permitted. We also have pending relationships with orgs like NBA and NASCAR.

ARE YOU USING SOCIAL MEDIA INFLUENCERS?

ANSWER: We have a collective audience of 200m with our influencer network. This includes the NFL players we have as investors.

HOW DOES GUAC BUILD AND MAINTAIN ITS MOAT?

ANSWER: We are currently working with an IP attorney to file for patent protection on our process. However, with enough money, someone could copy our business model and try to chase us.

If you look at the FinTech market, there's plenty of room for multiple players. But the biggest

way we're going to protect our moat is to focus on growing our community and delivering on our brand promise.

WHAT IS YOUR CHURN RATE?

ANSWER: It's still too early to tell at this point. We need more time to determine proper churn metrics. However, all indications point to us having a very "sticky" app. Less than 2,000 people have uninstalled the app.

ARE AFFILIATE OFFERS INFLATED IN PRICE?

ANSWER: No, affiliate offers are not inflated to account for the affiliate commission. It's part of their normal business model to offer affiliate fees. All we're doing is linking you to the partners websites. You are shopping directly with the affiliate partner.

We want our users to have the exact same shopping experience as if they walked into the store themselves. The only difference here is when you click through from our marketplace, the API tracks your purchase and that is how you get your cash back.

DO YOU HAVE PLANS FOR A REG-A?

ANSWER: Yes! We are thinking about this, but we are flush with cash right now. With the Reg-CF limit increased to \$5m, we might do another round in CF for the additional \$4m.

WHAT CAN WE DO TO HELP YOU, ASIDE FROM INVESTMENT \$?

ANSWER: Use the product and share it with your friends.

HOW DO WE REFER PEOPLE?

ANSWER: There is a "more" button in the app. This is your unique code that you send to other people. If you have any questions, reach out to support@guacapp.com and we'll get you set up.

For more information on how to invest in Guac, please visit: <https://www.equifund.com/guac>

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