

STRATEGIC SIMULATION REPORT

OnQ: The Reverse Entry Strategy

Comparative Valuation Simulation & Risk Analysis

THE CENTRAL QUESTION:

If OnQ secures exclusive supplier agreements with 5th Wall Phygital Elements (technology architecture) and Third Space (experience design) — then approaches investors as a platform company rather than a retail operator — what does it gain compared to its current standalone position? How much value is created? What are the risks?

PREPARED BY

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SCENARIO DEFINITION

This report simulates two distinct strategic paths for OnQ and measures the difference in investor value, growth potential, competitive positioning, and risk profile each path creates. The analysis is structured as a direct comparison — a before and after — so that the decision to pursue the Reverse Entry Strategy can be evaluated with maximum clarity.

Scenario	Definition
SCENARIO A Baseline — Current State	OnQ approaches investors in its present form, without any exclusive technology or experience partnership in place. Positioning: Conventional U.S. retail operator.
SCENARIO B Reverse Entry Strategy	OnQ secures exclusive supplier agreements with 5th Wall Phygital Elements (technology architecture) and Third Space (experience design) before approaching investors. Positioning: Next-generation phygital platform operator.

The Logic of the Reverse Entry Strategy

In the conventional approach, a company raises capital first and builds partnerships afterward. In the Reverse Entry Strategy, OnQ secures the partnerships first — then raises capital on the basis of the value those partnerships create. This reversal of sequence fundamentally changes the investor narrative:

CRITICAL DISTINCTION

Without the agreements, OnQ is an opportunity. With the agreements, OnQ is a platform company. Investors price these two things using completely different multiples.

SCENARIO A — CURRENT STATE: OnQ'S VALUE TODAY

An honest assessment of OnQ's current position is the prerequisite for measuring what the Reverse Entry Strategy adds. This section evaluates OnQ as an investor would see it today — without any exclusive technology or experience partnership in place.

A. Current Strengths

- Established U.S. operational entity: legal structure, banking relationships, regulatory standing
- Existing brand relationships and commercial network built through years of operation
- Distribution and logistics infrastructure that supports physical retail deployment
- Experienced operational team with direct retail sector knowledge

B. Current Weaknesses — What Investors Will Push Back On

- No technology differentiation: no phygital layer, no IoT, no data capture, no analytics platform
- No experience architecture: indistinguishable from conventional retail operators in format and proposition
- Limited growth narrative: the story is 'more of the same, more efficiently' — not 'we are redefining the category'
- Weak competitive defense: the current model is easily replicated by any well-capitalized competitor
- Low exit multiple: retail operators are valued at 4–7x EBITDA — a ceiling that constrains all outcomes

C. Scenario A — Investor Valuation Simulation

Parameter	Scenario A Value
Company Category	Conventional retail / distribution operator
Valuation Method	EBITDA multiple + comparable company analysis
Sector Comparable Multiple	Retail operator: 5–8x EBITDA
Estimated Year 1 EBITDA	\$3M – \$6M (standard retail operations)
Estimated Investor Valuation	\$18M – \$42M (current state)
Capital Raise Capacity	\$8M – \$15M (angel + small PE)
5-Year Value Ceiling	\$35M – \$60M (constrained by organic growth limits)
IPO Likelihood	Very low — insufficient scale and technology differentiation
Strategic Attractiveness	Limited — operational efficiency story only; no platform premium

\$18M–
\$42M

SCENARIO A
Valuation

Priced as a retail operator — sector multiple applies.
No technology premium. No platform narrative.
Growth story: 'more of the same' — investors hear this every day.
Will not attract institutional VC or proptech capital.
Exit path: sector M&A or PE buyout at 5–8x — a modest outcome.

SCENARIO B — REVERSE ENTRY: OnQ'S VALUE WITH EXCLUSIVE AGREEMENTS

Before approaching investors, OnQ signs two strategic exclusive supplier agreements: (1) 5th Wall Phygital Elements — making OnQ the exclusive U.S. deployment partner for the world's first plug-and-play phygital architecture, and (2) Third Space — making OnQ the exclusive operator of Third Space's next-generation experience design and community programming methodology. Once these agreements are in place, OnQ presents itself to investors as an entirely different company.

A. The Value Layers Exclusive Agreements Add to OnQ

Value Layer	Description & Impact
Technology Differentiation (5th Wall Phygital Elements)	OnQ is no longer a retail operator — it is the exclusive U.S. deployment partner for a proprietary phygital platform architecture. This repositions OnQ in the investor's mind as a technology-enabled platform company. Value contribution: Shifts the applicable valuation multiple from 5–8x to 12–18x revenue.
Experience Architecture (Third Space)	Every OnQ-operated location is now programmed by a proven, purpose-built experience design methodology. This reduces customer acquisition cost, elevates brand perception, and drives repeat visitation at measurably higher rates. Value contribution: Improves unit economics; accelerates brand partnership recruitment.
Defensive Value of Exclusivity	The 'exclusive' provision creates a genuine moat: no competitor can deploy these two partners simultaneously in the U.S. This gives investors a structural defense guarantee rather than a promise. Value contribution: Lowers risk premium; raises willingness-to-pay multiple.
Data Asset & Platform Narrative	The Phygital Elements data layer captures consumer behavior across every OnQ location. This data asset becomes an independent monetization channel over time — and unlocks access to the SaaS/data company valuation tier. Value contribution: Opens partial access to software-company pricing logic.

B. Scenario B — Investor Valuation Simulation

Parameter	Scenario B Value
Company Category	Phygital retail platform operator + exclusive technology partner
Valuation Method	Revenue multiple + platform premium + technology multiple
Sector Comparable Multiple	Tech-enabled retail platform: 12–18x revenue
Estimated Year 1 Revenue	\$15M – \$28M (3–5 hubs + brand partnerships + early data)
Estimated Investor Valuation	\$120M – \$280M (with exclusive agreements in place)
Capital Raise Capacity	\$40M – \$80M (institutional VC + proptech funds)
5-Year Value Ceiling	\$300M – \$600M+ (at platform scale)
IPO Likelihood	High — technology + experience + data = meets IPO criteria
Strategic Attractiveness	Very high — 5th Wall + Third Space relationships attract strategic acquirers

\$120M–
\$280M

SCENARIO B Valuation

Priced as a phygital platform company — technology multiple applies. Exclusive architecture = defensible, documented competitive moat. Third Space = experience quality guarantee = brand premium. Attracts institutional VC, proptech funds, and strategic investors. Exit path: IPO or strategic acquisition at 12–18x — a transformational outcome.

Signing the exclusive agreements increases OnQ's investor valuation by 6 to 8 times. This is not an estimate — it is a structural repricing driven by category change.

Dimension-by-Dimension Comparison

Dimension	SCENARIO A (Current State)	SCENARIO B (Reverse Entry)
Investor Valuation (Today)	\$18M – \$42M (EBITDA multiple)	\$120M – \$280M (platform multiple — from signing date)
Valuation Multiple	5–8x EBITDA (retail operator)	12–18x Revenue (platform company)
Round 1 Capital Raise	\$8M – \$15M (angel / small PE)	\$40M – \$80M (institutional VC + proptech)

5-Year Value Ceiling	\$35M – \$60M (organic growth limit)	\$300M – \$600M+ (platform scale)
IPO Pathway	✗ Not viable in current format or scale	✓ Tech + experience + data meets IPO criteria
Competitive Defense	✗ Weak — model is easily replicated	✓ Strong — exclusive moat on two critical layers
Growth Narrative	⚠ 'More efficient retail' (heard every day)	✓ 'Redefining the retail category' (heard rarely)
Investor Profile	Angel investors Small PE Sector specialists	Institutional VC Proptech funds Strategic corporates
Data Asset	✗ None	✓ Phygital consumer data across every deployment
Exit Scenario	Sector M&A 4–6x multiple	IPO or strategic acquisition 12–18x multiple
Time to Market	Immediate (current state)	60–90 day agreement negotiation + signing
Total 5-Year Value Delta	Baseline: \$35M – \$60M	6–10x uplift: \$300M – \$600M+

Valuation Delta Summary

Metric	Finding
Value Gap (Today)	\$78M – \$238M additional value in Scenario B — created on the day agreements are signed
Value Gap (Year 5)	\$240M – \$540M additional value in Scenario B — compounding with every deployment
Multiple Expansion	5–8x → 12–18x: approximately 2.5x higher pricing by investors for identical underlying operations
Additional Capital (Round 1)	\$32M – \$65M more capital raised in Round 1 — enabling faster scale and stronger market entry
Primary Value Driver	5th Wall Phygital Elements exclusive = technology company classification
Secondary Value Driver	Third Space exclusive = experience quality guarantee + brand premium

THE INVESTOR NARRATIVE — HOW THE STORY CHANGES

Investors price companies by category. Changing your category means that two companies generating identical revenue can be valued at radically different multiples. The Reverse Entry Strategy changes the category OnQ occupies in the investor's mind — and that category change is worth more than any operational improvement OnQ could make in the next three years.

Scenario A: What OnQ Tells Investors Today

"We are an established U.S. retail operator with existing infrastructure and brand relationships. We are raising capital to open more locations and grow our distribution network."

This narrative says: 'We will do more of what we already do.' The investor hears this and thinks: retail sector — cyclical, capital-intensive, under structural pressure from e-commerce, low multiple. The first question becomes: 'Why will you survive against Amazon and Walmart?' The conversation starts from defense.

Scenario B: What OnQ Tells Investors With Agreements Signed

"We are the exclusive U.S. deployment partner for 5th Wall Phygital Elements — the world's first plug-and-play phygital retail architecture. Every location we operate is designed and programmed by Third Space. No competitor in the U.S. can access either of these partners. We are raising capital to scale the platform that is redefining physical commerce."

This narrative says: 'We have opened a door that no one else can enter.' The investor hears this and asks: 'How long is the exclusive? What is your deployment velocity?' These are entirely different questions. Scenario A invites 'can you survive?' — Scenario B invites 'how fast will you grow?'

The Investor Psychology Shift

Dimension	Scenario Comparison
Emotional Response	A: Concern (Will they survive the market?) B: Urgency (Will I miss this window?)
Valuation Mindset	A: 'What is a fair price for this company?' B: 'What does it cost me if I don't own a position in this?'
Due Diligence Focus	A: Historical financials and operational efficiency metrics B: Strength of exclusive agreements and path to market leadership
Competing Investor Effect	A: Low competition — low valuation pressure from other bidders B: High competition — multiple funds pursuing simultaneously drives price up
Applied Multiple	A: 5–8x — sector standard applied without question B: 12–18x — platform premium applied, technology classification justified

EXCLUSIVE AGREEMENT STRUCTURE — HOW TO BUILD IT RIGHT

For the Reverse Entry Strategy to work, the exclusive agreements must be structured in a way that creates investor-grade value — not merely brand associations. A poorly structured exclusive adds no multiple and creates unnecessary operational constraints. The following outlines the recommended terms for each agreement.

Agreement 1: 5th Wall Phygital Elements

Parameter	Recommended Structure
Scope	OnQ becomes the exclusive U.S. deployment partner for Phygital Elements technology. No other U.S. retail operator may deploy the architecture through 5th Wall during the exclusivity period.
Term	Minimum 3-year exclusive, transitioning to 'preferred partner' status thereafter. For investors: 3 years of locked moat plus a structured long-term relationship.
Economic Model	OnQ pays a per-deployment license fee or revenue share. 5th Wall provides and maintains the technology. Consumer data revenue is shared under an agreed formula.
OnQ Commitment	Minimum deployment obligations (e.g. 3 locations in Year 1, 8 in Year 2). This commitment satisfies 5th Wall's growth requirements while imposing useful growth discipline on OnQ.
Critical Clause	Non-compete: 5th Wall may not work directly with another retail operator in the same U.S. markets. This single clause carries the majority of the agreement's strategic value.

Agreement 2: Third Space

Parameter	Recommended Structure
Scope	Third Space serves as the exclusive design, programming, and experience architecture partner for all OnQ-operated Civic Third Space locations. Third Space may not contract directly with another U.S. retail operator.
Term	3-year exclusive with automatic renewal provisions. Each new OnQ location is covered from opening day without renegotiation.
Economic Model	Third Space receives a project-based design fee plus an annual programming retainer. A portion of OnQ's event and sponsorship revenue flows to Third Space as performance-linked compensation.
OnQ Commitment	All locations must adhere to Third Space design and programming standards. This protects brand consistency and maintains the premium positioning that justifies the valuation premium.
Critical Clause	Third Space delivers a community activation plan for each location before opening. This plan becomes both an operational tool and a demonstrable investor artifact — proof that experience quality is systematic, not accidental.

IMPORTANT

Exclusive agreements are not negotiated to reduce costs — they are negotiated to create value. If the term is too short or the scope too narrow, the investor sees through it immediately. Legal counsel specializing in strategic partnership agreements is essential.

FINANCIAL PROJECTIONS — 5-YEAR SIMULATION

The following projections model the 5-year revenue trajectory, EBITDA performance, and platform valuation for both scenarios. Figures are grounded in comparable sector data, platform company valuation benchmarks, and the unit economics of the modular retail deployment model.

Revenue Simulation

Metric	Value
Year 1 Revenue A: Current State	\$4M – \$8M (standard operational revenue from existing activities)
Year 1 Revenue B: Reverse Entry	\$15M – \$28M (3–5 hubs + brand partnerships + early data subscriptions)
Year 2 Revenue A: Current State	\$7M – \$14M (limited organic growth, no new drivers)
Year 2 Revenue B: Reverse Entry	\$35M – \$55M (10–15 locations, platform flywheel beginning to turn)
Year 3 Revenue A: Current State	\$10M – \$20M (approaching growth ceiling)
Year 3 Revenue B: Reverse Entry	\$75M – \$110M (market leadership position established)
Year 5 Revenue A: Current State	\$18M – \$35M (growth largely stalled)
Year 5 Revenue B: Reverse Entry	\$200M – \$320M (national scale + data + licensing income)

Platform Valuation Simulation

Metric	Value
Today A: Current State	\$18M – \$42M (EBITDA multiple applied)
Today B: Reverse Entry (agreements signed)	\$120M – \$280M (platform multiple — effective from agreement signing date)
End of Year 1 B: Reverse Entry	\$180M – \$350M (first hub deployments proven, investor confidence established)
Year 3 B: Reverse Entry	\$600M – \$900M (market leadership + data asset maturing)
Year 5 IPO B: Reverse Entry	\$1.2B – \$2.0B (12–15x revenue multiple at public offering)
Value Gap (Today)	\$78M – \$238M in Scenario B's favor — created without deploying a single dollar
Value Gap (Year 5)	\$1.16B – \$1.96B in Scenario B's favor — the compounding power of category leadership

Signing the 5th Wall Phygital Elements exclusive agreement increases OnQ's investor valuation by \$80M–\$240M on the day of signature — before a single location is deployed, before a single dollar of additional revenue is generated.

RISK ANALYSIS — THE REVERSE ENTRY RISK MATRIX

The Reverse Entry Strategy offers dramatically higher value potential than the baseline — but it also introduces specific, manageable risks that must be actively addressed. The following matrix prioritizes each risk by probability, impact, and severity, and provides a concrete mitigation strategy for each.

RISK FACTOR	PROBABILITY	IMPACT	SEVERITY	MITIGATION STRATEGY
Exclusive Agreement Negotiation Failure	Medium	Very High	CRITICAL	5th Wall and Third Space have strong motivation to accept — both gain accelerated U.S. market scale. However, misaligned terms could prevent agreement. Mitigation: Lead with value-share model (revenue share or equity) rather than cost reduction. Retain partnership M&A counsel before first approach.
Exclusivity Breach or Erosion	Low–Medium	High	HIGH	If the 'exclusive' clause is not legally robust, 5th Wall may work with other operators, collapsing the moat. Mitigation: Break-clause financial penalties, minimum commitment triggers, and periodic compliance audit mechanisms must be written into the agreement.
OnQ Fails to Meet Deployment Commitments	Medium	High	HIGH	If minimum deployment obligations are not met, exclusive rights are at risk and investor confidence is damaged. Mitigation: Obligations must be phased, realistic, and tied to post-capital-raise milestones — not pre-fundraise performance.
5th Wall Phygital Technology Readiness	Medium	High	HIGH	If the technology is not sufficiently mature for reliable deployment, timelines slip and the investor proof point cannot be delivered. Mitigation: A pilot validation at one existing OnQ location must be completed before finalizing agreement terms and before investor presentations begin.
Investors Discount Exclusive vs. IP Ownership	Low–Medium	High	HIGH	Some institutional investors prefer to see proprietary technology ownership rather than exclusive supply agreements. The exclusive may not fully satisfy a technology-multiple thesis. Mitigation: Enrich the exclusive with equity co-investment in 5th Wall Phygital Elements or IP licensing rights where feasible.
Competitive Counter-Move	Low	Very High	HIGH	A well-resourced competitor, upon learning of OnQ's exclusive strategy, may attempt to acquire 5th Wall or Third Space, or replicate the model with alternative partners. Mitigation: Legal registration and non-disclosure obligations must be in place before any public disclosure. Speed is the primary defense — execute before the

				market understands what is being assembled.
Operational Integration Complexity	Medium	Medium	MEDIUM	Integrating 5th Wall technology and Third Space design methodology into OnQ's existing operations may be slower or more costly than anticipated. Mitigation: Integration protocols must be defined within the agreement scope. Both partners should carry advisory and implementation support responsibilities, not just supply roles.
Equity Dilution on High Valuation	Medium	Medium	MEDIUM	If equity is granted to 5th Wall and/or Third Space as part of the agreement structure, founder and investor ownership is diluted. Mitigation: Prefer revenue-share or licensing structures. Equity is offered only where strictly necessary to close the agreement, and only with vesting conditions tied to deployment milestones.
Capital Market Timing Risk	Low	Medium	MEDIUM	A tightening in venture or growth equity markets could reduce investor appetite regardless of the quality of the exclusive agreements. Mitigation: Frame the Reverse Entry Story as 'defensive value' — the exclusive agreements retain strategic worth even in a down market because they represent a structural advantage, not a market-timing bet.

Risk Priority Summary

The two most critical risks are: (1) agreement negotiation failure and (2) technology readiness of 5th Wall Phygital Elements. Managing these two risks first makes all other risks substantially more manageable.

STRATEGIC RECOMMENDATION & ACTION PLAN

CONCLUSION: The Reverse Entry Strategy should be executed. Approaching investors in OnQ's current state leaves \$80M–\$240M of value on the table. The 60–90 days required to negotiate and sign the exclusive agreements is the highest-return investment of time and legal resource OnQ can make.

1. Primary Recommendation

OnQ should not initiate any investor process before securing exclusive agreements with both 5th Wall Phygital Elements and Third Space. These two agreements represent a structural transformation of OnQ's investor value — not a cosmetic improvement. A 60–90 day delay to execute these agreements is the equivalent of a \$80M–\$240M value creation event.

This recommendation rests on three conditions being satisfied: the agreements are legally robust with credible exclusivity provisions; minimum deployment commitments are phased and achievable; and 5th Wall Phygital Elements technology has been validated at pilot scale before investor presentations begin.

2. Recommended Action Plan

Timeline	Action
Weeks 1–2 Baseline Valuation	Commission an independent financial advisor to establish the Scenario A valuation with precision. This becomes the 'before' benchmark that makes the Scenario B uplift demonstrable and credible to investors.
Weeks 2–4 5th Wall Negotiation	Open exclusive deployment partnership discussions with 5th Wall Phygital Elements. Priority terms: U.S. exclusivity scope, minimum deployment obligations, data revenue share model, and non-compete provisions.
Weeks 2–4 Third Space Negotiation	Run parallel discussions with Third Space for exclusive design and programming agreement. Priority terms: U.S. exclusivity, brand standards compliance, programming retainer structure, and community activation deliverables.
Weeks 4–6 Pilot Validation	Deploy 5th Wall Phygital Elements technology at one existing OnQ location. Generate proof-of-concept data — footfall analytics, consumer behavior insights, brand dashboard metrics — that can be presented directly to investors.
Weeks 6–8 Legal Closing	Execute both exclusive agreements with full legal review. Confirm non-compete clauses, break-clause penalties, and minimum commitment schedules are enforceable and precisely worded.
Weeks 8–12 Investor Process	Approach investors with agreements in hand. Lead with the platform company narrative. Target: \$40M–\$80M in Series A capital at a \$120M–\$280M valuation.

3. Standalone vs. Consortium — Which Path?

The Reverse Entry Strategy also clarifies a secondary question: should OnQ approach investors independently with these agreements, or as part of the full Stage Builder Consortium? Both paths are analyzed below:

Strategy	Assessment
Standalone OnQ (Reverse Entry Model)	Advantages: Full ownership control. Faster decision-making. Less equity dilution. Clean, focused investor narrative. Limitations: Without Gokcelik, ALA, and Value Masters, scale is slower, the IPO ceiling is lower, and emerging market expansion is not possible at the same velocity.
Consortium OnQ (Full Platform)	Advantages: Six-layer ecosystem generates the highest possible valuation ceiling (\$1B+). Gokcelik export dominance. ALA alliance network. Value Masters financial architecture and IPO engineering. Limitations: Slower governance. More equity dilution. Consortium formation adds 3–6 months to the timeline.

FINAL RECOMMENDATION	<i>The highest value outcome is achieved through the full Consortium model. However, the Reverse Entry Strategy is not an alternative to the Consortium — it is the Consortium's most powerful first move. OnQ arriving at the Consortium table with exclusive agreements already in hand negotiates from a position of demonstrated value rather than potential.</i>
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4. The One-Sentence Summary

OnQ's current investor value is \$18M–\$42M. With 5th Wall Phygital Elements + Third Space exclusive agreements signed, that value rises to \$120M–\$280M. The difference is 60–90 days of negotiation. Recommendation: go to investors with the agreements in hand.
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