

# Behind the Big Investment into Florian Hagenbuch's Latin American Startup

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The Wharton Global Youth Program celebrated the close of another great [Wharton Global High School Investment Competition](#) with our [2021 Global Finale](#) on May 7. We were dazzled yet again by the diverse and creative investment strategies developed by student teams in the past several months.

Despite hundreds of unique approaches and portfolio frameworks, one common thread was woven through every team experience: [Florian Hagenbuch](#).

As this year's competition client for whom teams were building their unique investment strategies, Hagenbuch, a 2010 graduate of the Wharton School, has become nothing short of a celebrity to thousands of high school students around the world. When competition trading kicked off in October 2020, teams researched all aspects of their potential client to ensure they were building an investment strategy that aligned well with Hagenbuch's goals and objectives.

Fundamental to Hagenbuch's profile? His business Loft Holdings, a Brazilian startup that is reinventing the process of buying and selling real estate in Latin America by using technology and data to simplify the process. The company, which operates in the property technology or PropTech (think FinTech) sector, has been called a one-stop-shop for Brazilians to help them manage the home buying and selling process.

Many Wharton Global investment competitors were following the news in March, when Loft hit the headlines for raising \$425 million at a valuation of \$2.2 billion in an investment round known as a Series D. This was a big round of investment for a young company only founded in 2017 — and one of the largest funding rounds ever raised by a Brazilian startup. A big deal in more ways than one.

“Loft today has about 800 employees and will hire another 500 by the end of this year.” — Florian Hagenbuch, Co-founder

We asked Hagenbuch (who made a live virtual appearance on May 7 to talk to the top 10 teams competing in the Global Finale) to help us understand the significance of this Series D Round in the context of his industry and his company's growth prospects.

**Wharton Global Youth:** What is a Series D Round?

**Florian Hagenbuch:** It is our fourth investment round in which several market agents have decided to inject capital into Loft in exchange for a share of the company.

**Wharton Global Youth:** Give us a snapshot of the months leading up to a Series D Round. What does a startup like Loft do to prepare?

**Hagenbuch:** The most important thing is to prepare information that can demonstrate to potential investors that Loft's product, and the Brazilian market, offer very attractive earning opportunities at this moment. The Brazilian macroeconomic context favors the acquisition of apartments by the population, with the financial capacity to migrate from rent to operation. Bank interest rates are at the lowest level in history in the country. In addition, the pandemic — and the boom of the working-from-home model — generated strong demand for home appreciation. And it made many

families want to move, moving to larger or smaller apartments, to the countryside, to the city. In this favorable scenario, Loft is in a unique position. We are a pioneer at iBuyer in Brazil, and we started our marketplace operation at the beginning of the pandemic. [iBuyers are companies that use online technology to estimate a home's value and make an offer to the owner in one to two days. If the offer is accepted and the sales transaction closes, the iBuyer assumes the burden of owning, marketing, and reselling the home.] We have two strong differences for the customer: a fully digital journey, and pricing based on information from our marketplace and also on the history of real transactions. While in the rest of the market there is only pricing based on ad prices. The speech for investors was based on these points, which were essential to building the path to our Series D.

**Wharton Global Youth:** How is the \$2.2 billion valuation determined and what does it signify? Loft's strength and growth prospects in the market?

**Hagenbuch:** In fact, in April we had an extension of the Series D, which we call the Series D2. We raised an additional \$125 million. With it, our updated valuation is \$2.9 billion. This figure is capable of showing the company's potential. [This valuation] is the largest among the property techs in the world, except companies from the U.S. and China. And it is one of the top 10 across the globe. There is a lot of room for growth in Brazil, Latin America, and many other emerging and global real estate markets through the digitization of transactions.

Extensions are common processes. Large investors feel more comfortable participating in the round after evaluating the entry of other major players. We understand that this is proof that the value of our shares still has room for appreciation.

**Wharton Global Youth:** How many companies are part of these recent rounds of investing?

**Hagenbuch:** The round was led by D1 Capital with additional participation from new investors Advent, Altimeter, CPPIB, DST, GIC, Silver Lake, Soros, Tarsadia, Tiger Global, and others. Existing investors including Andreessen Horowitz, Caffeinated, Fifth Wall, Monashees, QED, and Vulcan also participated in the round.

**Wharton Global Youth:** What will Loft do with the money it has raised?

**Hagenbuch:** We will invest Series D resources in more technology to further facilitate the consumer's journey, reduce the time of sale for those who want to sell, and increase the portfolio and density of good apartments for those who want to buy. Loft today has about 800 employees and will hire another 500 by the end of this year, with 100 of these new vacancies being technology.

**Wharton Global Youth:** Brazil has been struggling economically, especially through the effects of COVID-19, so how has Loft continued to grow?

**Hagenbuch:** Due to the favorable macroeconomic context and the setting up of powerful teams that have already proven themselves in previous experiences in recent years.

**Wharton Global Youth:** What is your perspective on the company's growth prospects following this successful round?

**Hagenbuch:** We have a great job from here to apply the resources raised with the Series D in the best way: our focus is on improving the user experience, increasing the density of apartments by the neighborhood where we operate, and on a gradual territorial expansion. We believe in a long path of growth, which can count on new rounds of investment, private and, why not, also public.

**Wharton Global Youth:** What else would you like us to know about this important deal in the history of your company?

**Hagenbuch:** I recommend everyone should be aware of the opportunities that inhabit the pains and problems that our personal experiences offer us. We decided to enter the real estate market in Brazil from a personal trigger. I bought an apartment in São Paulo after going through the broken journey of the Brazilian real estate market. There was little transparency regarding basic data, such as the value of the apartments and even their size. I found out, after buying it, that my apartment is 15 square meters less than what was described in the deed. This made me start to study this niche. I found out more people had this pain and this lack of transparency. Then Loft was born.