A Work Project, presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics

UNDERDOGS:

REMAINING THE URBAN ART GALLERY FOR TOMORROW'S COLLECTORS

TERESA CARQUEJA SALGADO PEREIRA SERRA

Remaining the Urban Art Gallery for Tomorrow's Collectors - How can Underdogs navigate and capitalize on shifts in the urban and contemporary art market?

Work project carried out under the supervision of:

José Miguel Pita

04/06/2025

Abstract

Underdogs Gallery has emerged as a major player in urban and contemporary art, combining creative innovation with social and commercial significance. In a context of increasing global competition and changing public behavior, this thesis explores how the gallery can strengthen its position through a strong strategy in the three main revenue streams of the company: Exhibitions, Editions and Projects. Based on internal analysis, interviews and market comparison, the work presents practical suggestions for enhancing economic stability, audience segmentation and digital interaction. Underdogs thus defines itself not only as a cultural institution, but also as a sustainable platform for artistic collaboration and long-term value creation.

Keywords

Art Gallery, Artists, Audience Engagement, Benchmark, Commissioned Projects, Competitive Strategy, Consumer Behavior, Contemporary Art, Digital Transformation, Exhibitions, Implementation, Industry Trends, Limited Editions, Marketing Strategy, Public Art, Revenue Streams, Segmentation, Strategic Positioning, Sustainable Growth, Urban Art

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Table of Contents

List of Abbreviations

AR: *Augmented Reality*

B2B: *Business-to-Business*

CAGR: *Compound Annual Growth Rate*

COAS: *Certificates of Authenticity*

DGArtes: *Direção-Geral das Artes*

ECB: *European Central Bank*

FSC: *Forest Stewardship Council*

GCC: *Gallery Climate Coalition*

GAU: *Gabinete de Arte Urbana*

HNWIs: *High Net Worth Individuals*

MAAT: *Museu de Arte, Arquitetura e Tecnologia*

NFTs: *Non-Fumgible Tokens*

ROI: *Return on Investment*

UK: *United Kingdom*

UP: *Unique Piece*

U.S.: *United States*

VR: *Virtual Reality*

0. Introduction

Underdogs is a Lisbon-based **urban and contemporary art gallery** founded with a mission to **democratize art** and to foster social connection through artistic experimentation. The gallery presents three primary revenue streams: **Exhibitions, Editions** and **commissioned Projects**. Its business is founded on values such as accessibility, inclusiveness and social relevance, connecting both **emerging** and **established artists** with the public and urban environment.

Despite its cultural significance and innovative approach, Underdogs faces **financial pressures** driven by the **ongoing evolution** in the art market, changes in **collector behavior** and **digital disruption**. In this challenging context, it is important for Underdogs to maintain its **core mission** and **identity**. This thesis explores the strategic challenges and opportunities facing Underdogs as it navigates the complexities of the art world, with a focus on **enhancing the performance** of its revenue streams through greater scalability and audience engagement.

The **research methodology** is built on a combination of primary and secondary sources. Desk research drawing from **authoritative market reports** such as the Art Basel & UBS Art Market Report, Deloitte Art & Finance Report and Hiscox Online Art Trade Report, offers key insights into market dynamics, collector habits and the digital transition. In addition, **internal data** provided by Underdogs supports revenue analysis across Editions, Exhibitions and Projects. **Qualitative insights** were also gathered through exploratory discussions with Underdogs' team members to deepen the understanding of the gallery's strategic priorities, values and current constraints. This mixed-methods approach enables a comprehensive view of the gallery's **business dynamics** and the formulation of **tailored** and **evidence-based recommendations**. Indeed, the objective of this work is to deliver a **set of strategic recommendations** tailored to each of Underdogs' main revenue streams, with the aim of **enhancing the gallery's long-term financial sustainability and resilience**.

1. Underdogs Business and Problem Introduction

What are the challenges Underdogs is facing in today's art market?

1.1. Introduction to Underdogs

Underdogs is a **Lisbon-based contemporary art gallery** focused on urban art, operating at the intersection of cultural expression and commercial sustainability. This cultural platform was founded in 2010 by the renowned contemporary artist **Alexandre Faro**, also known as **Vhils**, as an innovative idea to invite emerging artists with backgrounds in graffiti and urban art to participate in a group exhibition in a white cube gallery, which was unprecedented in Portugal at the time. The project resulted in two successful exhibitions: one in 2010 in Lisbon and the second one in 2011 in Porto. Both took place in third-party art galleries, as Underdogs did not yet have its own physical space at that time (Underdogs, n.d.).

In 2012, Alexandre Faro met curator **Pauline Foessel** and, together, they began developing the business idea for Underdogs as a permanent cultural platform in Lisbon. As a result, in 2013, the art gallery was launched in its current space in the Marvilla neighborhood of Lisbon, featuring **two exhibition areas**. The business established itself as **a multifaceted platform** with a **Public Art Program** and three revenue streams: **exhibitions, limited-edition works** and **commissioned projects** (Underdogs, n.d.).

The **Public Art Program** is a non-profit initiative that creates art interventions in public spaces through collaborations with local and international artists. **Exhibitions** are a key element of the company, presenting artworks from contemporary Portuguese and international artists at the art gallery. The limited-edition works, also called **Editions**, are artworks produced in multiple copies in collaboration with artists. The Editions include different formats, such as prints, photographs, books and 3D editions. Finally, the commissioned projects, also simply called **Projects**, refer to the revenue stream that serves B2B clients with different types of art interventions that include conceptualization, production, execution and documentation.

By combining these different business lines, Underdogs operates **beyond the traditional art gallery model**. The various facets of the company work together to disseminate the company's purpose of embracing the city as an extension of the exhibition space and extending the conversation between artists and the public.

With this foundation established, the following chapter explores the mission, identity and core values that drive Underdogs and shape its presence in the contemporary art market.

1.2. Mission, Identity and Values

From the outset, Underdogs has framed its mission around **accessibility, social engagement** and **artistic integrity**:

"Our mission is to create meaningful connections between artists, the public and the urban environment. We strive to foster artistic experimentation, encourage research and promote creativity that challenges boundaries. By supporting both emerging and established talent, we aim to make art accessible and relevant to as broad an audience as possible. We believe in engaging the public with art that reflects contemporary issues and transforms public spaces, helping to bridge local and global cultures in a way that resonates with the city and its people." (Underdogs, n.d.).

Promoting **meaningful connections** between artists, communities and the urban environment is their core objective. The platform seeks to encourage **experimentation** and supports both **established and emerging** artists in the urban and contemporary art sector, with the goal of reaching as many people as possible with art that is relevant and accessible. Furthermore, Underdogs wants to be the **connection of local and global cultures** in a way that appeals to the city and its people, so they engage audiences with art that reflects **contemporary issues** by transforming public spaces.

When it comes to their vision, Underdogs does not have a defined statement. However, regarding values, the gallery's identity is grounded in **five core values** that shape its operations.

Firstly, **experimentation** is embraced to the fullest, with the aim of exploring new frontiers in urban art through bold and unconventional approaches. Secondly, fostering **meaningful relationships** between stakeholders plays a central role, as the platform seeks to cultivate an inclusive community where artists, collectors and the public comes together. Thirdly, **inclusivity** is equally vital, as reflected in its commitment to amplify diverse voices and democratize access to art, regardless of the audience's social, economic or cultural background. Fourthly, the gallery embraces **innovation**, by continuously adopting and following new technologies and trends. Finally, Underdogs maintains its roots in urban culture while supporting artistic creations that represent unique and genuine stories for their artists, ensuring that **authenticity** remains as a distinguishing characteristic for them. (Underdogs, n.d.).

Following this overview of Underdogs' business model, mission, identity and core values, the next chapter will explore the broader context in which the company operates and the key challenges arising from shifts in their industry.

1.3. Contemporary Urban Art Market Context and Challenges

Underdogs operates within a contemporary art market undergoing **significant transformation**. Furthermore, rapid shifts in **collector behavior**, **digital innovation** and **cultural policies** are redefining how art is produced, experienced and valued. Understanding this broader context is, therefore, essential for evaluating **Underdogs' strategic position** in the market and looking for ways to enhance it.

Regarding collectors, both profile and behavior are evolving significantly. One of the most influential buyer segments consists of the **High-Net-Worth Individuals** (HNWIs), who historically represent **high-purchasing power collectors** across generational groups, including Generation Z, Millennials, Generation X, Baby Boomers and the Silent Generation (McAndrew, 2024). This segment typically views art as an asset with **long-term financial potential** and as a **relatively safe** asset class. However, over the past two years, the **portion of**

wealth invested in arts by HNWIs has declined, dropping 19% in 2023 and 15% in 2024, suggesting a focus shift toward other investment types, as well as a more selective and cautious approach to art acquisition (McAndrew, 2025).

On the other hand, the share of artworks sold to **new collectors**, that are individuals who recently purchased their first artwork, **increased by 38%** in 2023 (McAndrew, 2025). Thus, this group is generally characterized as **younger individuals** with **greater digital engagement** (McAndrew, 2025; Artsy, 2024).

This new generation of collectors values different priorities than traditional buyers. Firstly, **accessibility** is crucial for these types of customers, as reflected in their interest in **emerging artists**, which thereby adds relevance to a new type of artworks in the market. Additionally, their purchasing decisions are being influenced by **personal values**, such as social issues and environmental concerns, but also by **financial concerns.** Their preferences are being shaped by broader **global dynamics** such as **economic uncertainty** and growing **climate awareness**. Moreover, they prioritize **speed** and **flexibility**, as they are accustomed to discovering and interacting with art across different time zones, digital formats and platforms, due to the new technological advancements (Hiscox, 2023; Deloitte Art & Finance Report, 2023).

Therefore, this emphasis on digital engagement is part of a broader shift in how art is **consumed** and **experienced**. Consumers are increasingly interested in **online interactions** and **digital experiences** with art galleries and artists, facilitated by technologies such as **Augmented Reality** (AR) and **Virtual Reality** (VR). At the same time, **digital platforms** and **online art marketplaces** have become essential **discovery and sales channels**, especially for these first-time collectors, who view **online purchasing** as an **easy entry point** to start collecting art. Many of these new consumers feel more comfortable in the online environment, as **90%** do **not consider the art world welcoming**, **30%** find it **elitist** and **19%** describe it as **intimidating** (Avant Arte, 2024). As a result, these digital developments represent not only a **strategic**

growth area but also a **necessary tool** for reaching and retaining these emerging audiences, thereby calling into question the adequacy of **traditional gallery business models**.

Meanwhile, Portugal, where Underdogs is based, has seen a surge in cultural activity, with Lisbon emerging as a **hub for contemporary art**. Therefore, this growth has been driven by significant **demographic shifts**, increased tourism and significant public investment. Since 2016, the influx of expatriates had generated new demand for cultural offering, due to their different profile from the locals (Garcia, 2024). Additionally, in 2025, the Portuguese government increased the budget allocated for culture by €80 million compared to the previous year, allocating a total of €597.3 million (Gil, 2024), indicating better conditions and opportunities for art players in the country.

In light of these developments, as the city consolidates its role as a global contemporary art hub, new galleries, both local and international, may start entering the market and make their presence felt, since these players can target **the same audience segments** as Underdogs, including new collectors seeking affordable and socially relevant art. In this crowded field, **visibility**, **artist representation** and **collector loyalty** become harder to secure. Therefore, Underdogs must find new ways to differentiate itself not just through curation, but through its **overall value proposition** and **business structure**.

Given the contextual framework in which Underdogs operates and the significant transformations reshaping the contemporary art landscape, the following chapter will define the financial challenges Underdogs is currently facing internally. Furthermore, Chapter 2 presents an in-depth external analysis of the trends mentioned.

1.4. Current Financial Challenges and Baseline Scenario

In order to fully understand the challenges that Underdogs is facing, it is essential to examine the company's current financial performance. Thus, the financial statements from the period between 2022 and 2024 provided by the company were analyzed.

Underdogs' revenue, reported in the income statements (***Appendix 1)***, was **€2,541,992 in 2024**, representing a 36% decrease compared to 2023, after significant growth of 60% from 2022 to 2023, showing **significant volatility**. One of the key drivers for the significant growth in revenue in 2023 was the sale of a project sold for €900,000, substantially above the average price of projects, leading to an increase of 103% in projects revenue in 2023. Moreover, the **general gross margin**, including all revenue streams, **stood at 38% in 2024**, representing an improvement of 7.6 percentage points compared to 2022.

The operating expenses (OPEX) increased continuously over the years, rising by 10% in 2023 and 16% in 2024, reaching **€947,001**. The key driver for the growth in OPEX was the *External Supplies and Services* expenses, which increased by 57% from 2022 to 2024. ***Appendix 2*** presents the components of this category and indicates that the most representative is the *Group Professional Fees*, accounting for 69% of the category. It refers to expenses with the transversal corporate areas of the collective that Underdogs belong to (Cultural Affairs), as well as the salaries for the Underdogs CEO and for the founder of Underdogs. Meanwhile, expenses with the *Staff Costs* category within OPEX decreased by 8% from 2022 to 2024, standing at €305,292.

As a result of the oscillations presented, the **overall EBITDA**, including all revenue streams, presented extreme volatility, growing 2863% in 2023, reaching €357,202 and then dropping 95% in 2024, standing at **€17,518**. The EBITDA margin of 0.5% in 2022 points a year with virtually no operating profit. In 2023, the EBITDA margin reached 9%, reflecting an improvement in operational efficiency due to the significant growth in revenue, which was mainly driven by the project’s revenue stream. In parallel, costs increased proportionally less than revenue, allowing the gross margin to remain stable at around 30%. In 2024, the 36% decline in revenue, along with the 16% growth in OPEX, caused the **EBITDA margin to reduce to 0.7%**, returning to a level similar to 2022, with almost no operating profit.

Following this overview of Underdogs' financial performance, it is essential to examine the contribution of each revenue stream to the company's overall financial results. ***Appendix 3*** details the company's revenue historical evolution and breakdown per revenue stream.

Editions is the main revenue stream, accounting for €1,661,797 and representing 65% of Underdogs' total revenue in 2024. The same pattern has also been seen in previous years, with this revenue stream historically being the company's main source of income. Regarding costs, this business line recorded a significant improvement in 2024, with costs representing 56.6% of editions revenue, the lower level since 2022. Thus, the gross margin in 2024 was also the best in the whole series, standing at 43.5% in 2024. Moreover, Exhibitions was the revenue stream with the higher gross margin in 2024.

The **Exhibitions** revenue stream is historically the least representative segment for the company's total revenue, as illustrated in ***Appendix 3.*** In 2024, it generated €359,332 and corresponded to 14% of Underdogs total revenue. The costs of this segment increased significantly between 2022 and 2023, with their representativeness over the total Exhibitions revenue increasing from 61.7% to 95.2%. In 2024, it represented 72.6% of the segment's total revenue, showing an improvement compared to the previous year, but still at a higher level than in 2022. Moreover, the gross margin experienced a significant turnaround, rising from 4.8% in 2023 to 27.4% in 2024. However, it remains substantially below the 38.3% achieved in 2022.

The **Projects** segment presented the greatest volatility in revenue among the three business lines during the period analyzed. As previously mentioned, the key driver for oscillation was the sale of a project at a substantially higher price compared to the average in 2023, resulting in a 103% increase in revenue in this segment. This punctual growth led to a 56% retraction in revenue in 2024, recording a revenue of €520,863, similar to the €577,907 reported in 2022. Moreover, the Projects revenue stream represented 20% of the company's total revenue in 2024. Although total costs decreased by 45% from 2023 to 2024, their proportion relative to this segment's revenue increased from 58.6% to 72% over the same period. Furthermore, the highest gross margin was in 2023, at 41.4% and despite the decrease in revenue in 2024, the gross margin was higher than in 2022, being 28% and 19% respectively.

In conclusion, Underdogs' financial statements reveal a strong dependence on the Editions business line for generating revenue and financial consistency, while the Projects segment demonstrates volatility, with punctual peaks in revenue. This scenario underscores the need for sustainable growth strategies that provide greater predictability for the company. Therefore, this study aims to address this financial challenge by providing strategic recommendations that adapt Underdogs' revenue streams to new market dynamics while fostering sustainable growth. The following chapter will define the strategic problem that guides this research.

1.5. Defining the Strategic Problem

The aim of this project is to obtain an in-depth understanding of Underdogs' business and to devise strategies on how the company can achieve a stronger strategic position in the contemporary urban art market and ensure its long-term competitiveness and economic sustainability. The analysis focuses on addressing the central question: "**How can Underdogs reimagine and revitalize its business model and gallery experience to attract and retain tomorrow's art collectors while maintaining financial sustainability and cultural mission integrity?**".

Underdogs is currently facing **specific challenges** that this analysis aims to overcome through the implementation of strategic recommendations. Firstly, the company has observed a **decline in investment from collectors**, affecting both high-priced, one-of-a-kind artworks, more affordable print editions and commissioned projects. This has made it imperative for Underdogs to reconsider how it generates revenue from its core activities (exhibitions, editions and projects) in order to remain competitive in the market. Secondly, the gallery must navigate the **tensions between increasing their revenue while preserving their core values and mission**, particularly given its strong commitment to art democratization. Thirdly, Underdogs aims to identify and **engage with emerging audiences**, in response to recent market shifts and evolving collector profiles. Finally, these challenges underscore the broader need to **align financial sustainability with cultural and social impact**, balancing act that lies at the heart of the gallery’s long-term strategy.

Having established an understanding of Underdogs' business, mission, identity, values and current financial situation, alongside a preliminary overview of the contemporary urban art market and the strategic challenges this study aims to address, the next chapter will provide an in-depth analysis of the external environment in which Underdogs operates.

2. External Environment Analysis

How can Underdogs navigate and capitalize on the key shifts transforming the urban and contemporary art market?

To identify opportunities for improvement and expansion and prepare for threats that the market may present, it is essential to explore the **external environment** in which Underdogs operates. Thus, this chapter will examine broader forces, both macro and industry-specific, that shape **opportunities** and pose **risks for art galleries**, particularly those operating in niche segments like urban art.

2.1. PESTEL Analysis

Firstly, this analysis begins with the **PESTEL framework**, covering Political, Economic, Social, Technological, Environmental and Legal factors. Given the hybrid nature of Underdogs, rooted in Lisbon yet active in global markets through online sales and international partnerships, this analysis draws on **both Portuguese-specific developments**, such as cultural related policies, economic conditions and legal frameworks as well as **global art dynamics**, including digital transformation, shifting consumer values and sustainability trends. Together these dimensions provide a comprehensive overview of the broader environment in which Underdogs operates, helping to clarify external influences that may affect strategic decision-making.

2.1.1 Political Factors

Portugal's cultural budget for 2025 **increased by €80 million** over the previous year, reaching €597.3 million. Thus, part of this increase will be directed toward **artistic creation** and **training**, especially for youth and underprivileged communities (Gil, 2024). This investment strengthens the overall cultural sector, creating a **more dynamic environment** from which Underdogs can benefit indirectly.

In addition, initiatives like the **Portugal Contemporary Art Guide**, an app launched in 2023 by DGArtes and the Ministry of Culture, **enhance visibility** for galleries, in this case, by consolidating information on exhibitions, artists and events into one platform that can be accessed by the public (Gonçalves, 2023). By establishing a connection with this platform, Underdogs can **expand its reach** among both local and international audiences.

However, the **current political uncertainty,** brought on by early elections and potential shifts in leadership (Lusa, 2025), introduces risks to ongoing cultural programs. Changes in government priorities could lead to the **revision or discontinuation** of existing funding programs, affecting cultural investments. For Underdogs, which depends on both institutional recognition and public engagement, this volatility could jeopardize **long-term planning** for public art collaborations.

While this section focuses on the Portuguese context, given Underdogs' physical and operational base, it is important to note that international political events, such as trade relations, visa policies or EU-wide cultural initiatives, can also influence the mobility of its artists, ease of international collaborations and cross-border sales. However, these global dynamics currently exert a **more indirect** influence on the gallery's operations compared to domestic political factors.

2.1.2. Economic Factors

From an economic point-of-view, between late 2022 and early 2024, both Portugal and the Eurozone experienced **elevated inflation rates**, which often exceeded 5%, driven by energy costs, supply chain disruptions and post-pandemic demand. However, there has been a **drop** since the middle of 2024 as a result of the European Central Bank's (ECB) successful monetary tightening and the stabilization of energy prices (De Grauwe & Ji, 2025). Portugal's inflation rate was recorded at 1.9% in March 2025, the lowest since August 2024 (Aníbal, 2025), mirroring the Eurozone's inflation rate which also eased to 2.2% in March 2025, its lowest since the beginning of the year (Trading Economics, 2025). Encouraged by this improvement, the ECB has expressed optimism that the Eurozone's inflation could reach the 2% target sometime in 2025 (Aníbal, 2025). For Underdogs, this return to economic stability means **higher consumer confidence** and **spending on discretionary goods**, in this case, particularly among tourists and collectors. This improved climate supports sales of affordable limited editions and might boost attendance at gallery exhibitions and events, offering the gallery an opportunity to **re-engage its audience** and **regain momentum** following a challenging period.

Finally, this growing stability in inflation rates has fueled expectations of potential **cuts to key interest rates** in upcoming ECB meetings (Aníbal, 2025). Such cuts would reduce the borrowing costs and increase liquidity, benefiting both galleries and potential buyers. Underdogs could leverage this environment, where financial terms are more favorable, to **pursue strategic investments**, such as expanding its digital infrastructure or entering in higher-end art fairs.

2.1.3. Social Factors

Social dynamics in Portugal have evolved significantly in recent years. Firstly, since 2016, Lisbon's contemporary art scene has evolved from a primarily local market into one with **growing international visibility**. This change has been driven by a surge in tourism and, consequently, an **influx of private investment**, which transformed many formerly abandoned buildings into **upscale housing,** which were quickly purchased by a **growing number of expatriates**, such as digital nomads, tech professionals, wealthy retirees and foreign entrepreneurs. These new residents typically possess **higher disposable income** and a **stronger interest in the arts** compared to the local public, making them an important segment for galleries operating in the city (Garcia, 2024). For Underdogs, this evolving demographic presents a valuable opportunity to engage with a **broader and more globally minded collector base**, which is part of their goal. This reinforces the importance of **tailoring outreach**

strategies and **curatorial choices** to resonate with international audiences, while also preserving the gallery's strong local roots and inclusive identity.

Simultaneously, Lisbon's cultural ecosystem has flourished. Therefore, the opening of ***Museu de Arte, Arquitetura e Tecnologia*** **(MAAT)** in 2016 marked a **key turning point**, followed by the launch or revitalization of several contemporary art institutions in Lisbon, such as the Gulbenkian Modern Art Center or the Armando Martins Museum of Contemporary Art. Over the past 6 years, the city has also seen the introduction of some **contemporary art events** such as **Lisbon Art Weekend** and ***ARCOLisboa***, which is the Portuguese international contemporary art fair, suggesting that Portugal's cultural influence in the contemporary art sector is likely to grow in the coming years (da Silva, 2024). This **rising visibility** benefits Underdogs by drawing more cultural tourists and collectors to its exhibitions and public art installations, while also positioning the gallery in the right place to collaborate with **new institutional partners** and gain **access to wider networks**.

At the same time, the influx of foreign audiences might introduce **competitive pressure**. As more galleries and art platforms notice this movement, they will enter Lisbon's market to meet the growing demand. To make sure it stands out, Underdogs can deepen its commitment to accessibility and community engagement, differentiating itself and adopting **strategic storytelling** that resonates with both local and global public.

2.1.4. Technological Factors

Technological advancements such as online marketplaces, social media, blockchain and immersive experiences, are reshaping the art industry and altering how collectors **discover**, **purchase** and **engage with art**. Therefore, as digital tools and platforms become increasingly integrated into everyday life, industries across the globe are adapting to meet the demands of a more connected and tech-savvy population. For Underdogs, embracing these tools is essential to **remain competitive** and connect with their new audience.

For the art world, one of the most significant technological shifts has been the **rise of online platforms**, such as **Artsy, Saatchi Art** and **Artnet**. These marketplaces remove **geographic barriers** and lower **operational costs** to reach **international markets**, since they don't imply the usual high fixed costs of rent and maintenance for example, enabling artists and galleries to reach global audiences with fewer resources. Beyond visibility, they offer **personalized recommendations**, **user-friendly discovery features** that enhance the buying process and **access to buyers' data**, which would allow Underdogs to optimize **pricing**, **marketing** and **inventory management** for its Editions business line. Notably, online marketplaces are emerging as a **growing source of artwork sales** for many galleries, with **54% of large galleries**[1] citing them as a key area of growth, compared to **38% for art fairs** (Artsy, 2024). For Underdogs, investing in these platforms presents a **cost-effective** and **scalable** way to connect with its digitally connected collectors while reinforcing its international presence.

In parallel, immersive technologies such as **Virtual and Augmented Reality** are also gaining traction, by **blurring the lines between physical and digital spaces** and enabling new forms of storytelling, interactivity and participation in the art world (Astapciks, 2023). By **eliminating the physical constraints** of conventional galleries, VR allows users to experience **virtual exhibitions**, **immersive environments** or **fully digital artworks** from any location in the world. This movement is being spread by platforms such as **VR-All-Art**, **Art Gate VR** and **VIVE Arts**, which are hosting curated virtual exhibitions with interactive 3D viewing experiences. Meanwhile, AR enhances physical experiences by layering digital content onto the physical world through **mobile apps** or **smart glasses** (Astapciks, 2023). This allows artists to create immersive multidimensional experiences, as well as allows collectors to **visualize artworks in own spaces** before purchasing.

[1] In this case, larger galleries are the ones with 25 or more full-time employees.

This said, these innovations have become particularly attractive in a post-pandemic world, where audiences are more receptive to **remote hybrid experiences** (Astapciks, 2023). Notably, leading institutions such as **The Louvre** and **the Smithsonian** now offer VR-based **immersive virtual tours** (Richardson, 2024). Although AR is still less developed, institutions around the world have begun incorporating it into their exhibitions. For example, the **Albertina Museum** in Vienna created a street gallery in 2018 that was accessible to the public through AR (Artivive, 2018). Thus, for Underdogs, integrating **AR into its Editions sales** or offering **virtual exhibition tours** could enhance customer experience and make the gallery's programming more accessible to remote audiences.

Building on the broader digital transformation of the art world, the emergence of **blockchain technology** and **Non-Fungible Tokens** (NFTs) has introduced new tools for ownership and authentication. While the NFT market has declined significantly, with auction values dropping from **$110.5 million in 2021** to **$9.3 million in 2024**, a 92% decrease, forecasts suggest the market will **continue to be active**, but with **lower prices than in 2021** (Artprice, 2024). Thus, NFTs, which are unique digital assets verified using blockchain technology, allow artists to tokenize their digital creations, establish verifiable ownership and sell directly to collectors without intermediaries (Sharma, 2024). Platforms like OpenSea and Foundation played a big role in the sector's explosive growth between 2020 and 2021, including high-profile sales like Beeple's **$69.3 million auction** (Kastrenakes, 2021).

However, for galleries, the utility of blockchain extends beyond digital art. It enables **provenance tracking**, **reduces forgery risk**, **fractional ownership** through tokenization and **smart-contract enabled royalties** (Campus, 2024). As **sustainability** and **transparency** gain importance among collectors, these capabilities align with shifting consumer expectations, in particular when implemented via environmentally conscious platforms.

Despite market volatility, NFTs and blockchain applications are expected to become an **integrated part of the future art ecosystem** (WOW Summit, 2023). For Underdogs, piloting blockchain-based initiatives, such as digital certificates of authenticity, royalty-enforcing smart contracts or NFTs, could enhance trust, modernize its Exhibitions and Editions offering and engage a new generation of collectors that values innovation and accountability.

2.1.5. Environmental Factors

As **sustainability** becomes both a **societal and regulatory priority**, environmental concerns are reshaping **operational expectations** across the art world, including how galleries transport, produce and present art. Therefore, for Underdogs, aligning with these changes offers not only a chance to reduce its environmental impact but also strengthen its brand, access new funds and position itself as a forward-thinking institution.

In the art world, this pressure is translating into operational scrutiny, particularly around areas such as **transportation**, **packaging**, **material sourcing** and **energy consumption**. For instance, many art galleries are shifting to **sea freight**, since this practice is 60 times less damaging to the environment than air shipping and adopting **sustainable and reusable packaging** which is both cost-saving and environmentally responsible. Moreover, art galleries also have an important role to play in promoting more **sustainable practices throughout the supply chain**, as they can persuade artists and partner carriers to use more sustainable materials and avoid waste (Rabb, 2024). Thus, Underdogs can take a **leadership role** by working closely with collaborators to embed environmental criteria in the production and distribution of its unique pieces and editions.

One of the most significant developments in this domain is the rise of the **Gallery Climate Coalition** (GCC), established in 2020 with the goal of reducing the art sector's CO_2 emissions by **50% by 2030** and promoting **zero waste**. While now the coalition includes **over 900 international members**, commercial gallery participation in Portugal remains limited. As of

2025, ***3+1 Arte Contemporânea***, is the **only Portuguese gallery** affiliated with the GCC, a membership that signals a public commitment to measuring and reducing carbon emissions, promoting sustainability across the sector and aligning with international environmental standards (GCC, n.d.-a). However, a broader shift may be underway. Other Portuguese cultural institutions, such as the **Calouste Gulbenkian Foundation** (which just joined in 2025), **Insights of an Eco Artist** and **PADA**, have also become GCC members under the non-profit and institutional categories (GCC, 2025). This signals **growing awareness of environmental responsibility** in the national cultural sector, even if engagement among commercial galleries remains low.

In this context, Underdogs has a unique opportunity to become a **first mover among urban art galleries in Portugal**, joining a rising sustainability movement while occupying a distinct position in the commercial art segment. This step would align closely with the gallery's own stated mission of fostering artistic experimentation and promoting creativity that engages with contemporary issues. Since environmental sustainability is one of the defining concerns of our time, integrating it into the company's strategy is a logical **extension of its commitment** to social relevance and cultural innovation.

Beyond coalition participation, environmental criteria are also starting to influence **government cultural policy** and **funding eligibility**. Initiatives like Creative Europe have started integrating sustainability goals in alignment with the EU Green Deal (Tsimitakis, 2024) and access to grants and cross-border collaborations is increasingly tied to demonstrable environmental responsibility. At the national level, similar pressures are emerging, for example, in Porto, the **2030 Climate Neutrality Action Plan** was launched in 2024, outlining ambitious goals for reducing emissions and promoting sustainable development. This includes collaborations between municipal and private stakeholders through the **Porto Climate Pact**, which may influence how cultural collaborations and funding are structured in the coming years

(Câmara Municipal do Porto, 2024). Finally, for Underdogs, this means that investing in **low-impact materials** and **sustainable logistics** can improve environmental performance while also opening doors to **new funding** and **partnerships with other members of this movement**. It will also position the gallery as a **relevant player** in a shifting regulatory environment where environmental credentials are fast becoming a baseline rather than an bonus.

2.1.6. Legal Factors

The legal environment plays a significant role in shaping the operations and responsibilities of cultural institutions and creative businesses in Portugal and, in this case, the art market.

Firstly, in Portugal, **Law No. 61/2013** (August 23) criminalizes any unauthorized graffiti, street art or alteration of public buildings and infrastructure, with fines ranging from **€100 to €25,000**. In Lisbon, ***Gabinete de Arte Urbana*** (GAU) oversees the regulation of street art and requires artists to submit detailed proposals, including the intended location, materials and a mockup of the artwork for municipal approval. While this bureaucratic process can pose challenges, particularly for emerging or non-traditional artists, to balance regulation with **creative freedom**, GAU has also designated "**free walls**" throughout the city, where artists can paint without prior authorization or restrictions (Câmara Municipal de Lisboa, 2016). This **dual framework** encourages artistic expression while protecting public space integrity, a structure that Underdogs can leverage by maintaining **formal partnerships** and navigating **legal requirements for its public art initiatives**.

From an investment perspective, Portugal's **Golden Visa program** includes a provision for cultural investment, allowing residency for individuals who transfer a **minimum of €250.000** into artistic production. This legal incentive, outlined in clause (f) of the program, requires applicants to transfer funds to a Portuguese bank account and obtain certification from ***Gabinete de Estratégia, Planeamento e Avaliação Culturais*** (Casaburi, 2021). This legal framework enhances Portugal's appeal as a country that values and supports the arts, helping to position it as an attractive destination for international cultural investment.

2.2. Industry Landscape and Dynamics

Following the macro-level analysis presented through the PESTEL framework, which outlines the external factors influencing the contemporary art sector, this subchapter shifts focus on the **internal landscape of the industry**, in other words, its **market structure** and **emerging dynamics**. By zooming in from the broader environmental context to the specific characteristics of the global and Portuguese art markets, this section aims to provide a deeper understanding of how external forces are being reflected in **real-time market behavior**.

An overview of the contemporary and urban art market is presented, providing insight into its **size** and **key geographic hubs**. From these, we explore the **evolving trends** that are shaping collector behavior and redefining the strategic priorities of galleries and market participants alike. This analysis lays the groundwork for understanding how players like Underdogs are positioning themselves within a rapidly transforming industry.

2.2.1. Overview of the Contemporary and Urban Art Market

In 2023, the global art market reached a value of **$65 billion**, reflecting a modest compound annual growth rate (CAGR) of **0.23%** from 2019 to 2023 (Statista Research Department, 2024). In the same year, the **contemporary art segment** represented approximately **17% of this value** or about **$11 billion** (Artprice, 2024). Furthermore, regarding the global size of the urban art market, comprehensive data on the value is unavailable. However, based on industry analyses, supplemented by logical inferences, it is possible to estimate that the urban art segment probably represents **between 0.7% and 3.4% of the total art market value**, therefore accounting between **$475 million and $2.24 billion** in 2023 (see ***Appendix 4*** for estimation methodology). However, it should be noted that the global art market has experienced **notable fluctuations over the past five years**, with a significant drop in 2020 to $50 billion due to the pandemic, followed by a sharp recovery in 2021 and a peak in 2022 at $68 billion, before **declining again slightly** in 2023 to the mentioned $65 billion (Statista Research Department, 2024).

In addition, at a global level, the market is highly concentrated. Thus, in 2023, the United States (42%), China (19%), the United Kingdom (17%) and France (17%) together accounted for 85% of the total value of the art market (McAndrew, 2024). While this reflects the dominance of well-established art hubs, it also presents a **challenge for Lisbon-based galleries** looking to gain international visibility. For Underdogs, breaking through this concentration will depend on **its** ability to differentiate through **urban and contemporary art, cultural relevance** and **digital reach**, rather than attempting to compete with legacy networks on their own terms.

Finally, to better understand the competitive landscape in this thriving market, a competitive analysis was conducted to evaluate Underdogs' positioning in the contemporary art scene. This analysis identified and categorized the relevant companies into three different groups: **direct competitors**, **similar businesses** and **top performers**. The **direct competitors** group includes businesses based in Portugal that compete for the same audience as Underdogs, namely **Mistaker Maker** and **Circus Network**, both from Porto. The **similar businesses** group covers players who have similar business models but do not compete directly with Underdogs. These include **Station 16 Gallery** (Montreal), **Vertical Gallery** (Chicago), **Urban Spree Gallery** (Berlin) and **Stolen Space Gallery** (London). Lastly, the **top performers** group features industry benchmarks, which are companies that are seen as leaders in the art world and serve as models for success. This group consists of **Beyond the Streets**, **HENI**, **Avant Arte**, **Perrotin** and **the Saatchi Gallery**.

This segmentation of competitors allows for a deeper understanding of Underdogs' distinct market position, locating possible growth or differentiation opportunities. By studying the best practices of their competitors, Underdogs can gain valuable insights into effective strategies and revenue models, which will be explored in greater detail in the specific business lines chapters (Chapters 4, 5 and 6). Given that each competitor emphasizes different revenue models and strategic focuses, a more meaningful comparison can only be made in the context of the specific business lines where Underdogs directly competes or seeks to innovate.

2.2.2. Key Industry Trends and Evolving Collector Behavior

Building on the previous section's overview of the contemporary and urban art markets, this part of the chapter turns to the forces that are actively reshaping the industry from within, namely, the **evolving behaviors, expectations and motivations** of art collectors. As external pressures and internal dynamics converge, a **new generation of buyers** is **driving significant changes** in what type of artworks are in demand and how they are **discovered, purchased and valued**. Therefore, this section outlines four key trends behind this shift: demand for affordable art, digital buying habits, investment motives and ethical collecting, reflecting a market evolving toward inclusivity, innovation and purpose.

It is crucial to understand that these recent shifts in customer preferences and behaviors in the art market appear to be closely tied to a **broader demographic transition** within the art market. As mentioned in the previous chapter, **HNWIs** have traditionally constituted a **dominant buyer segment**, motivated by the long-term financial potential of art and its relative stability compared to other assets (McAndrew, 2024). However, their **engagement has declined**, as evidenced by a 19% drop in the share of wealth allocated to art in 2023 and a further 15% drop in 2024 (McAndrew, 2025). Conversely, the **share of artworks sold to first-time buyers**, often younger individuals, **rose to 38%** in 2023, with this figure reaching **50%** in smaller galleries (McAndrew, 2025). Therefore, as traditional buyer activity diminishes and new collectors rise in influence, their impact on market preferences and dynamics is increasingly significant.

A. Affordable art and the rise of emerging artists

One of the most defining shifts in the contemporary art market today is the **growing demand for affordable works**, a movement that goes in hand with the **rising interest in emerging artists**. What initially appears to be a pricing trend is, in fact, the reflection of a **cultural transformation** driven by a younger generation of collectors who is actively reshaping the boundaries of **which artists and works are entering art collections**.

According to Artprice, artworks **priced under $5,000** accounted for **82%** of the total value of all contemporary art sold in 2023, marking a 6% increase compared to 2022 (Artprice, 2024). These trends highlight how both collectors and galleries are aligning around more accessible price points, with galleries recognizing the evolving collector preferences.

This transformation is especially visible in the rise of **"ultra-contemporary" artists**, typically those born in or after 1975. This group encompasses the great majority of today's young and emerging artists, who not only bring fresh creative perspectives, but also tend to sell pieces at **lower price points**. Reflecting this, Artsy reports that **48% of galleries**, representing the largest proportion of respondents, identified artists born between 1975 and 1989 as the most important to their business, followed by **32% for those born after 1990**, which is a powerful indication of where momentum is building in the market (Artsy, 2024).

In addition, it is important to note that this growing appeal of emerging artists extends across wealth levels. The *UBS and Art Basel Survey of Global Collecting 2024* shows that HNWIs allocated approximately **52% of their annual art expenditure** to pieces by new[2] and emerging[3] artists in 2023 and 2024, a rise of 8% compared to the previous edition of the survey (McAndrew, 2024). Thus, **younger HNWIs** are especially influential in driving this shift. In this survey, **Gen Z collectors** reported the **highest share of new and emerging artists** in their collections, at **55%**. Supporting this, the *Art Collector Insights 2024* report found that **53% of**

[2] In the report in question, new artists are those not yet represented by a gallery or entirely new to the commercial market.

[3] In the report in question, emerging artists are those who have been exhibiting in galleries or museums for less than 10 years.

collectors aged 36 or younger said that it was important to have emerging artists in their collection, compared to **just 40% of older collectors** (Kakar, 2024).

Altogether, the general market trend is clear: the rise of ultra-contemporary art and emerging artists is closely linked with the growing influence of a younger collector base who is seeking affordability, accessibility and new visions in the works they acquire.

Finally, for a mid-sized gallery like Underdogs, these trends represent a direct validation of **its Editions** and **emerging artist strategy**. By investing in **limited editions** that combine collectible art with **accessible prices**, the gallery is precisely aligned with the kind of products that resonate with today's evolving collector base. At the same time, the growing interest in **ultra-contemporary artists** supports Underdogs' mission to promote socially engaged urban and contemporary art that resonates across generations and geographies. However, this growing popularity also brings the threat of **new competition**. As more galleries enter the emerging artist space following this trend and making **curatorial distinction** and **audience loyalty** more critical than before.

In sum, the strategic takeaway is that Underdogs is well positioned to lead in this space, but it must continue investing in **artist development and global collector engagement** to maintain visibility in a **competitive and fast-moving market**.

B. Tech-savvy consumers

As affordability and inclusivity reshape the artist landscape, the **tools and channels** through which collectors engage with art are evolving too, particularly in response to younger buyers' digital habits. **Millennials and Gen Z**, now entering their prime purchasing years, have grown up in a **digital-first world**. Therefore, as they have a greater influence in the dynamics of the art market, their expectations for seamless and tech-enabled experiences, that fit with their connected lifestyles, are affecting the way art is discovered, purchased and shared.

A key factor in this evolution is the shift toward **online transactions**. According to Artsy's *Art Industry Trends 2024,* over **40% of sales** to Millennial and Gen Z buyers are now conducted through **online channels**, making digital platforms one of the go-to channels for these younger collectors (Artsy, 2024). These customers prefer simple and frictionless experiences that let them explore and purchase art from the comfort of their homes, which is indicative of a larger trend towards convenience and accessibility. As this demographic grows in purchasing power, their preference for digital transactions may become a dominant force in the market.

For Underdogs, this shift presents several interconnected opportunities across its business model. The Editions line stands to benefit most directly, as its accessibly priced works suggest **low-commitment browsing** and **straightforward online purchasing**, matching the expectations of digital-first collectors. Optimizing the online store for mobile use, streamlining checkout and enhancing product storytelling are now critical tasks to remaining competitive.

Exhibitions, too, must now operate within a hybrid framework. While physical visits retain cultural and experiential value, they can be increasingly **supplemented by digital content**, such as video previews, augmented reality previews, artist interviews or VR tours, that help to **expand reach** and **deepen engagement beyond Lisbon**. For a gallery like Underdogs, this means crafting exhibition strategies that are **not just site-specific** but also **platform ready**.

It is also important to note that the growing influence of digital-first collectors is not only reshaping purchasing preferences, but also how galleries **acquire new clients**. While in-person walk-ins remain important (55% of galleries gaining new clients cited this method), **online marketplaces** are close behind at 42%, now surpassing art fairs (36%). Among larger galleries[4], online marketplaces had an even greater impact, as 73% of respondents chose them as the **most successful approach to meeting new clients**, more than any other channel (for breakdown see ***Appendix 5***) (Artsy, 2024).

[4] In the report in question, larger galleries are those that have 25 or more full-time employees.

In sum, for Underdogs, this reinforces the importance of investing in **scalable digital outreach**, but also of finding a balance. As discussed in the Technology Factors section (see PESTEL), combining **strong online infrastructure** with **curated in-person experiences** will be key to long-term growth in a **hybrid market** shaped by both access and transparency.

C. Financial motivations and art as an investment

Alongside digital fluency, many collectors, especially from the finance and tech industries, are beginning to view art as an investment asset. Traditionally, art was seen as a passion or a way to leave a legacy, especially by older HNWIs. However, in recent years, there has been a noticeable rise in the number of collectors who see art as a strategic investment.

In the *Art & Finance Report 2023* from Deloitte, **emotional value** remained the top driver for buying art, cited by 60% of collectors. However, in 2023, for the first time in twelve years, **financial value** replaced social value as the second most important motivation for buying art, cited by 41% of collectors compared to 36% for social value. This **growing financial consciousness** reflects a broader consumer mindset, as art is increasingly viewed as a potential source of safe **return on investment** (ROI), **protection against inflation** and a tool for **portfolio diversification**.

This trend presents a strategic opportunity for **Underdogs' Editions business line**. The editions offered serve as lower-risk and collectible assets, which are ideal for investors looking to enter the market without making significant commitments. By emphasizing **scarcity**, **artist trajectory** and **archival quality**, Underdogs can frame Editions not just as affordable, but as investment-worthy.

At the same time, the emergence of financially motivated buyers introduces **new competitive pressures**. These collectors often prioritize artists with existing auction results or institutional recognition. As noted by art advisor Arushi Kapoor, many of these investment-focused collectors tend to prioritize works by **established or mid-career artists** with a **proven track**

record of success, aiming to build well curated collections of well-known artists' works, particularly those whose creations are thought to have **long-term financial value** and the **potential for significant price increases** (The Editors of Artnews, 2025). This could put pressure on Underdogs to support and promote its roster of emerging artists in ways that **build their credibility and perceived value** in the eyes of ROI focused buyers.

It should also be emphasized that this shift in customer preferences is also **generational**. Hence, compared to previous generations, today's younger collectors are significantly more financially driven. In 2023, **83% of younger collectors**[5] stated that **investment returns** were a key motivation for purchasing art, up from 50% in 2021. Similarly, **51%** of respondents saw **art as a "safe haven"** during uncertain economic times (up from 34% in 2021) and **61%** said **portfolio diversification** was crucial (up from 51% in 2021) (Deloitte Private & ArtTactic, 2023). These numbers show that younger audiences are starting to see art as a **legitimate alternative capital asset**.

For Underdogs, this means that it should invest in elevating the visibility of its artists through media coverage and public exposure, in order to build their **reputational capital**, enhancing **long-term market confidence in them**. Additionally, the gallery could showcase how artists progress, exhibit internationally or collaborate with respected institutions, subtly reinforcing their **investment appeal**, without compromising artistic values.

Still, it is important to add that for many of these buyers, accessibility in terms of price point still matters. So, as also noted by Kapoor, these new consumers will prefer **paper and domestic-sized pieces**, since they provide an **accessible and lower-risk** entry point for acquiring works by high-value artists (The Editors of Artnews, 2025). This trend overlaps perfectly with Underdogs' existing model, suggesting that with the right framing, its Editions can bridge the gap between cultural access and financial strategy.

---

[5] In the report in question, younger collectors are those aged 35 or younger.

In conclusion, this evolving mindset is reshaping the dynamics of supply and demand in the market and emphasizes how crucial it is to offer artworks that are both investment-worthy and affordable. Given the rising interest in emerging artists noted in the previous subchapter and the preference among investment-driven collectors for well-known names with proven market value highlighted in this chapter, art market players will need to provide a broad and diverse range of offerings to meet these varied motivations and preferences of this new wave of purpose-driven buyers.

D. Value-driven and ethical collecting

Even as financial motives gain traction, a parallel movement is emerging, one defined by a growing emphasis on **ethical**, **sustainable** and **value-driven collecting**. This said, today's collectors are not only acquiring art based on aesthetics or investment potential, but many are also guided by **personal values** such as environmental responsibility and social impact.

This shift is most visible among **Millennials** and **Gen Z**, that as mentioned have already been instrumental in redefining affordability and investment priorities and are now extending that influence to **environmental responsibility and social impact.** According to a recent survey, **73% of art buyers** now say they prefer works produced according to **sustainable principles** and **83% of Millennial** collectors cited **positive environmental impact** as a key factor influencing their purchasing decisions, in a recent UBS report (Costa, 2024).

In this context, some artists are now incorporating **recyclable materials** and **sustainable practices** into their work, leading to the rise of certifications of sustainably for artworks, such as the **Forest Stewardship Council** (FSC) **label**, which help signal ecological responsibility to collectors. As provenance expands to include environmental credentials, one study noted that **65% of HNWIs** now consider **ecological credentials** as part of their acquisition strategy (Costa, 2024). Beyond purchases, sustainability also influences collector engagement. Data from the *Luxury Art & Environmental Responsibility Survey*[6] reveals that over **60% of collectors** say they are more susceptible to **visiting art galleries** that show an **environmentally responsible ethos** (Costa, 2024). While this insight reflects the upper tier of the market, it points to a broader trend of values-driven engagement that is increasingly influencing collector behaviour across different segments of the contemporary art market.

Therefore, for Underdogs, this presents as both **a threat and an opportunity**. While its mission is already culturally aligned with value-driven collectors, there is room for improvement on the **environmental front**. The gallery could consider adopting a clearly communicating low-impact **production, packaging** and **shipping methods**, such as recycled or FSC-certified paper, sustainable framing and eco-conscious packaging for both Editions and Exhibitions. Doing so could enhance its appeal to buyers who treat sustainability as a baseline and not a bonus.

Simultaneously, despite of the investment-driven behaviour mentioned before, we shouldn't overlook the growing importance of **art's social impact**. Thus, in 2023, **41%** of the respondents to Deloitte's survey cited **social impact** as an important consideration when purchasing art, up from 31% in 2021. This is part of a larger trend toward **purpose-driven investments**, as collectors are looking for assets that have cultural relevance and social value in addition to financial gain (Deloitte Private & ArtTactic, 2023).

For Underdogs, this emphasis on purpose reinforces the value of its **Public Art Program** and the **message it tries to voice** through its exhibitions. Hence, artist collaborations that address pressing issues, such as urban life, climate change or inequality, are not only culturally timely but also **strategically valuable**. They offer collectors meaningful ways to support causes while acquiring works that reflect their values.

---

[6] This study focuses on high-end collectors within the luxury segment.

These evolving priorities also shift how galleries are evaluated. Increasingly, value-driven collectors want **transparency and alignment** in who a gallery works with, how art is produced and what its broader impact is. This redefines what makes a gallery relevant and trustworthy. Initiatives like **community engagement, educational programming** and **partnerships with socially engaged artists** could help Underdogs further distinguish itself in an increasingly value-conscious field.

Looking ahead, if ethical and sustainability considerations continue to influence acquisition behaviour, as trends strongly suggest, then galleries that **authentically integrate these principles into their mission and operations** will not only attract a wider audience but also position themselves for long-term cultural relevance. For Underdogs, the path forward involves both **deepening its existing commitments** and **closing the gap** where environmental responsibility is concerned, to ensure its values align with those of the next generation of collectors.

2.3. Opportunities and Threats

In conclusion, the art market is going through a major transition, influenced by both **changing collector habits** and **influences at the macro level**. This environment offers galleries like Underdogs a complex yet promising set of opportunities and challenges that demand **strategic awareness** and **flexibility**.

On the **opportunities** side, the shift toward **affordability** and **accessibility** is one of the most defining market trends. What initially seemed like a pricing adjustment has revealed itself to be a generational shift in how art is valued, favoring **emerging voices**. Underdogs is already **strongly positioned** to benefit from this movement**.** Hence, its Editions line, in particular, responds directly to growing demand for affordable works from new collectors. Moreover, its commitment to also showcasing emerging artists, instead of only established ones, resonates with the preferences of this new more diverse collector base.

However, there is a growing influence of **investment-oriented collectors**, who tend to favour established or mid-career artists, which highlights the importance of **balance in Underdogs' artist portfolio**. By continuing to support new voices while also expanding its offer of investment-attractive works, the gallery can **strengthen its appeal** across a wider range of collectors and enhance revenue stability in a more competitive market.

Additionally, the gallery's identity, rooted in social engagement, is aligned with the growing emphasis on **value-driven collecting**. As more buyers seek out works that reflect social relevance, Underdogs' curatorial focus stands as a competitive strength. However, the ethical dimension of this shift also includes **rising environmental expectations**, where Underdogs still **have room to grow**. Buyers increasingly factor in sustainability when making purchasing decisions, from materials to logistics. Adopting more **eco-conscious practices**, such as using recycled or certified materials, low-impact shipping or supporting environmentally conscious artists, could enhance **Underdogs' appeal** and access to **environmentally focused funding streams**.

Simultaneously, **technological transformation** is rapidly reshaping how art is discovered, experienced and collected, particularly among Millennial and Gen Z audiences who prioritize seamless digital-first interactions. **Online marketplaces** are becoming key discovery and sales channels, offering new opportunities for galleries to expand their reach. In parallel, **emerging technologies** such as **NFTs**, **blockchain authentication** and immersive experiences using **AR** and **VR** are opening up innovative ways to present and distribute art. For a gallery like Underdogs, these shifts present a timely opportunity to explore curated online platforms, strengthen narrative-driven digital content and pilot experimental formats like blockchain-backed digital unique pieces or AR previews. While such developments require a thoughtful investment, they represent a dynamic frontier for reaching new audiences, diversifying revenue streams and staying culturally relevant in a fast-evolving art landscape.

Furthermore, **Portugal's national platforms** like the **Portugal Contemporary Art Guide** app offer Underdogs greater visibility. At the same time, Lisbon's evolving demographic creates a **promising new customer base** for the gallery. Lastly, Lisbon's expanding contemporary art scene (e.g. MAAT, ARCOlisboa) opens new institutional collaboration opportunities for Underdogs.

On the threat side, Lisbon's growing visibility as a cultural centre may attract **new players**, intensifying rivalry for collaborations, artists, media exposure and collector interest. Therefore, standing out in this increasingly crowded market will require Underdogs to **articulate and communicate a sharper value proposition**, particularly as new entrants compete in similar price segments and artist demographics. Additionally, this competitive pressure might be particularly intense in the **affordable and emerging artist segments** where more players are now entering the market to meet shifting collector preferences. At the same time, the growing influence of investment-focused collectors, who often prioritize artists with institutional recognition or proven secondary market results, may pose **a challenge for emerging talents without that visibility**, requiring additional efforts to build reputational credibility.

In addition, **economic and political uncertainty** are also threats. While inflation is stabilizing, lower price points do not eliminate risk and affordable art is still discretionary spending, so downturns in consumer confidence could impact even mid-sized galleries. Combined with political uncertainty, this creates a challenging environment for long-term planning.

Moreover, rising expectations around **environmental compliance** and **digital fluency** are no longer **optional**, so galleries that lag behind in these areas risk exclusion from funding, partnerships and new collector networks.

At the same time, **regulatory frameworks** around public art, such as municipal approval for urban interventions, might pose logistical and creative hurdles, especially for galleries working in public spaces like Underdogs.

3. Financial Plan

What will be the financial impact of the recommendations?

3.1. Financial Projection

To understand the financial impact of the recommendations for Underdogs across its three revenue streams, two projected income statements were developed. The first, presented in ***Appendix 30***, assumes a base scenario, in which Underdogs maintains its current operations. The second, shown in ***Appendix 31***, considers a scenario in which the company adopts the strategic recommendations proposed in this project.

The implementation of the recommendations significantly increases Underdogs' revenue potential, especially from 2027 onwards, due to a strong contribution from the initiatives for the Projects revenue stream. Additionally, the performance in 2030 reflects the full impact of all implemented initiatives. In 2027, Underdogs has a 23.3% higher revenue in the scenario that considers the initiatives than in the one that considers only organic growth and in 2030, 34.5% higher. Moreover, considering the projected revenue for the last year, 2034, the scenario in which the recommendations are implemented outperforms the base scenario across all revenue streams, being 9% higher in Editions, 41% in Exhibitions and 104% in Projects.

Although costs are higher in the scenario with recommendations, the absolute growth in gross profit compensates it. The same applies to gross margin, which shows a slight reduction in the scenario that considers the initiatives, but which is outweighed by the absolute increase in gross profit. Moreover, OPEX were projected at a constant level in both scenarios, which was assumed to represent 18% of the revenue for the *Supplies and External Services* category and 11% of the revenue for the *Staff Costs* category.

Regarding EBITDA, the base scenario shows negative results from 2027 onwards, underscoring operational unsustainability in the long term. In contrast, the scenario incorporating the recommendations maintains positive EBITDA throughout the forecast period, with the highest historical value in 2026, representing €105,304. The peak is followed by a decline as cost increases due to the implementation of the initiatives. This pattern suggests that while the strategic recommendations successfully drive revenue growth, they also entail higher costs in the short to medium term.

In conclusion, the financial projections highlight that implementing the proposed recommendations positions Underdogs for sustained growth and improved financial health. Despite higher costs, the long-term benefits justify the strategy. In this sense, the recommendations not only strengthen the revenue streams, but also ensure that the company can scale more sustainably.

3.2. Timeline of Recommendations

This section outlines the financial rationale and strategic timeline for implementing the recommendations developed throughout the previous chapters. The approach integrates financial return with operational feasibility, ensuring that decisions are both value-driven and realistically actionable within the gallery's current and projected capabilities, as well as a well-structured and realistic roadmap for Underdogs' growth over the next six years.

To determine the optimal sequence for implementation, a matrix was built in order to evaluate each recommendation along two key dimensions: the **ease of implementation** and the **expected return on investment** (see the Matrix in ***Appendix 34***). Thus, the ease of implementation was assessed based on the **estimated cost** and the **complexity of the execution**, including the number of required steps. On the other hand, the ROI dimension was already computed in previous chapters and is considered with the intent of reflecting the **financial and strategic value** the recommendation is expected to bring to the gallery. For analytical purposes, **higher ROI** was defined as any recommendation with a return above the average ROI of all proposed initiatives, calculated at **29%**, while **lower ROI** refers to any initiative falling below this threshold.

The matrix groups recommendations into four broad categories: high ROI and simple implementation (Quadrant B); high ROI but complex implementation (Quadrant D); simple implementation but low ROI (Quadrant A); and, finally, low ROI and complex implementation (Quadrant C). This way, a six-year timeline balancing **quick wins** with **long-term initiatives** was created.

In the short term, covering the years 2026 and 2027, the focus is on initiatives that promise high returns and are relatively easy to implement. Notably, the Eco Fundamental Sustainable T-Shirts Project, scheduled for 2026, represents a straightforward and cost-efficient initiative, requiring only €8,285 and expecting a ROI of 45%. Alongside this, introducing blockchain-based certificates of authenticity for exhibitions, also planned for 2026, stands out with the highest projected ROI of 88%. With a modest cost of €3,200, it presents a highly attractive early-stage investment. These two initiatives serve as strategic "quick wins," enabling the organization to generate immediate value while building financial momentum. Simultaneously, during this initial period, groundwork will begin on more complex recommendations, ensuring sufficient preparation time for their future implementation.

These more complex recommendations, but still with high return, will be implemented in 2027. Therefore, the community engagement workshops are planned for this year, offering a strong **return of 57%** on a small investment of €4,368. In the same year, the outbound reach strategy will be launched. Although significantly more complex and costly, requiring an investment of €535,624, it is expected to deliver a solid **ROI of 35%**. It is important to underline that the high cost is primarily attributed to the substantial expenses involved in delivering a project tailored to B2B clients, that is balanced with a strong return.

Following these, in the mid-term, the initiatives to be executed will generally offer more modest returns. Therefore, priority will be given to the simpler ones, which are easier to implement and help maintain operational momentum. Due to the simplicity of these initiatives, in 2029, three will be integrated into the gallery's operations. Namely, the ***Azulejos de Fachada*** **ceramic tiles**, which involve a modest cost of €3,906 and a manageable implementation process. Though its ROI is more moderate at 15%, it contributes meaningfully to the diversification of revenue streams. Another key project during this phase is the **post-exhibition package initiative**, expected to cost €121,283 and yield a respectable ROI of 20%. Additionally, the **adoption of sustainable practices**, while offering a lower ROI of 11.8%, supports the organization's sustainability strategy and longer-term brand positioning and doesn't imply very significant extra costs.

Finally, the long-term phase, covering 2029 and 2030, is reserved for projects that are more complex and offer lower financial returns, but may provide strategic value and could potentially yield greater benefits under future market conditions or once the gallery has gained more exposure. In 2029, the organization plans to expand digitally through online marketplaces such as Artsy. This initiative requires an investment of €83,882 and is projected to return a ROI of only 3%. However, its potential to enhance visibility and access to broader markets may justify the investment from a non-financial perspective. Also scheduled for 2029 is the exploration of creating NFT editions. With a total cost of €92,318, this initiative offers a moderate ROI of 13% and aligns with the growing digitalization of the art sector. In 2030, the gallery may consider implementing an AR initiative to allow clients to visualize artworks in their own spaces. Despite its innovative potential, this project entails a significant investment of €64,213 and has a projected ROI of only 0.2%. Nonetheless, it may contribute to the gallery's positioning as an early adopter of digital tools in the art market, which could translate into long-term reputational and experiential value.

This phased approach enables the company to begin with achievable, high-impact projects, build internal capabilities over time and progressively take on more ambitious initiatives. It ensures that resources are allocated efficiently, risk is minimized and the return on investment is maximized throughout the implementation period. The plan remains flexible, allowing for periodic reassessment of each initiative based on changing internal priorities or external market conditions.

3.3. Summary of Financial Implications by Revenue Stream

To sum up, this section provides an analysis of the projected financial benefits associated with the implementation of the targeted strategic recommendations across the three revenue streams: Exhibitions, Editions and Projects. This analysis, therefore, focuses on the incremental profit generated by each initiative over a nine-year period (2026-2034), thereby isolating the added value of the recommendations from baseline operations (for the breakdown of these values consult ***Appendix 35***).

In the first place, the Editions stream stands to benefit from a series of initiatives aimed at enhancing **scalability** and **digital engagement**. These include expansion into online marketplaces, the development of sustainable merchandise (T-shirt project), the introduction of artist collaborations (e.g., ceramic tile editions) and the integration of AR tools to support buyer decision-making. The financial impact of these measures begins in 2026, with full implementation achieved by 2029. The Editions initiatives are projected to contribute **€18,215 in annual profit** to the company's overall EBITDA. While modest in size, this contribution confirms Editions as a reasonably high-margin and strategically vital component of the business model, particularly due to its alignment with digital trends and accessible pricing.

In the Exhibitions revenue stream, proposed interventions include the implementation of blockchain-based certificates of authenticity, sustainability advancements and the provision of post-exhibition packages. These initiatives begin generating returns in 2026 and are fully implemented by 2028. From that point onward, the gallery can expect an **annual profit increase of €30,858** attributable to these interventions. Although the margin is comparatively modest, the reputational benefits and potential for increased audience engagement reinforce the strategic relevance of these initiatives.

Finally, the Projects stream demonstrates the most substantial financial impact resulting from the proposed strategic actions. Specifically, the recommendations include the development of outbound reach strategies and the establishment of community engagement workshops. These initiatives both begin in 2027 and are fully operational starting that year. Therefore, from 2027 onward, the Projects stream is expected to deliver an **annual added value of €190,269**. This substantial contribution highlights the latent potential of Projects as a scalable and profitable revenue stream. However, it is important to note that this segment is inherently volatile due to the variability in project size and frequency, an element that must be factored into long-term financial planning.

In summary, if all recommendations are fully implemented by **2029**, from that year forward Underdogs is projected to achieve a **total increase of €239,484 in annual profit** derived solely from these strategic interventions. It is also important to consider the **qualitative and synergistic effects** of these initiatives, such as enhanced brand positioning, stronger artist partnerships and deeper community engagement, which, although not quantifiable in this financial model, are likely to further reinforce the gallery's long-term sustainability and cultural impact.

4. Bibliography

Aníbal, S. (2025, March 31). *Inflação cai abaixo de 2% em Março*. PÚBLICO; Público. https://www.publico.pt/2025/03/31/economia/noticia/inflacao-cai-abaixo-2-marco-2127971

ArtBasel . (2022). *The Art Basel and UBS Global Art Market Report*. Art Basel. https://www.artbasel.com/stories/the-art-basel-and-ubs-global-art-market-report-2022

Artivive. (2018). *Augmented Reality For Art Galleries - Artivive*. Artivive.com. https://www.artivive.com/blog/augmented-reality-art-galleries

Artprice. (2024). The 2024 Contemporary Art Market Report. In *Artprice*. https://www.artprice.com/artprice-reports/the-contemporary-art-market-report-2024/contemporary-and-ultra-contemporary-art-market-annual-report

Artsy. (2019, September 23). *Key Factors Driving Art Collectors—from Aesthetics to Investment*. Artsy. https://www.artsy.net/article/artsy-editorial-drives-art-buyers

Artsy. (2024). Art Industry Trends 2024. In *Artsy*. https://www.artsy.net/article/artsy-editorial-art-industry-trends-2024

Artsy. (2025). *Artsy - Grow Your Gallery Business with Artsy*. Artsy.net. https://partners.artsy.net/gallery-partnerships?utm_medium=internal-banner&utm_source=artsy&utm_campaign=b2b-2025-gallery-partnerships-application-banner-link&utm_sfc=701Hu000001jeLjIAI

Lei n.º 61/2013, (2013). https://diariodarepublica.pt/dr/detalhe/lei/61-2013-499057

Astapciks, I. (2023, April 13). Council post: The impact of AR and VR on customer experience. *Forbes*. https://www.forbes.com/councils/forbestechcouncil/2023/04/13/the-impact-of-ar-and-vr-on-customer-experience/

Avant Arte. (2024, March). *Collector Report 2024: Who are the new generation of art collectors?* Avantarte.com. https://avantarte.com/insights/articles/collector-report-2024

Basel, A. (2025, August 4). *Global art market sales reached an estimated $57.5 billion in 2024 | art basel*. Art Basel. https://www.artbasel.com/news/the-art-basel-and-ubs-global-art-market-report-2025

Câmara Municipal de Lisboa. (2016). *GAU: GAU*. Cm-Lisboa.pt. http://gau.cm-lisboa.pt/gau.html

Câmara Municipal de Lisboa . (2016). *GAU: Onde pintar*. Cm-Lisboa.pt. http://gau.cm-lisboa.pt/onde-pintar.html

Câmara Municipal do Porto. (2024). 2030 Climate Neutrality Action Plan. In *NetZeroCities.app*. https://netzerocities.app/_content/files/knowledge/4452/2030_ccc_city_of_porto.pdf

Campus. (2024, February 19). *Blockchain: The Future of Digital Art and Design*. Www.smu.edu. https://www.smu.edu/meadows/newsandevents/news/2024/blockchain-the-future-of-digital-art-and-design

Casaburi, P. (2021, January 6). *Portugal Golden Visa changes 2022 (Last chance for a cheaper investment)*. Global Citizen Solutions. http://www.globalcitizensolutions.com/golden-visa-portugal

Circus Network. (2025). *Circus Network*. Circus Network. https://circusnetwork.net/

Wc2

Cultural Affairs Collective. (2021). *Cultural Affairs Collective*. Cultural-Affairs.com. https://cultural-affairs.com/

da Silva, J. (2024, November 18). *Lisbon's museum scene booms as new and revamped institutions are unveiled*. Theartnewspaper.com; The Art Newspaper - International art news and events. https://www.theartnewspaper.com/2024/11/18/lisbons-museum-scene-booms-as-new-and-revamped-institutions-are-unveiled

De Grauwe, P., & Ji, Y. (2025, April 30). *The high price of the fight against inflation: The case of the euro area*. CEPR. https://cepr.org/voxeu/columns/high-price-fight-against-inflation-case-euro-area

Deloitte Private, & ArtTactic. (2023). Art & Finance Report 2023. In *Deloitte*. https://www.deloitte.com/lu/en/services/financial-advisory/research/art-finance-report.html

Deodato Arte. (2021, November 5). *Street Art: a skyrocketing market*. Deodato.art. https://www.deodato.art/en/blog/post/street-art-market-growth

Gallery, S. (2019). *Saatchi Gallery*. Saatchigallery.com. https://www.saatchigallery.com/

Garcia, P. (2024, May 23). *Lisbon's Growing Gallery Scene Is a Haven for Art Collectors*. Artsy. https://www.artsy.net/article/artsy-editorial-lisbons-growing-gallery-scene-haven-art-collectors

GCC. (n.d.-a). *Gallery Climate Coalition*. Gallery Climate Coalition. https://galleryclimatecoalition.org/

GCC. (n.d.-b). *The Evolution of GCC's SCF Policy*. Gallery Climate Coalition. Retrieved May 19, 2025, from https://galleryclimatecoalition.org/scfs/the-evolution-of-gcc-s-scf-policy/

GCC. (2025). *Non-Profit/Institution*. Gallery Climate Coalition. https://galleryclimatecoalition.org/our-members/non-profits/by-location

Gil, F. (2024, October 10). *Cultura. Despesa para a Cultura sobe quase 80 milhões de euros*. Diário de Notícias. https://www.dn.pt/cultura/cultura-despesa-para-a-cultura-sobe-quase-80-milhoes-de-euros

Gonçalves, M. (2023, March 15). *Contemporary art: a new app is out with over 100 exhibitions from all over the country*. Time out Lisboa; Time Out. https://www.timeout.pt/lisboa/pt/arte/contemporary-art-an-app-with-over-100-exhibitions-from-all-over-the-country

Kakar, A. (2024a). Art Collector Insights 2024. In *Artsy*. https://www.artsy.net/article/artsy-editorial-art-collector-insights-2024

Kakar, A. (2024b, August 21). *How Digital Art Has Fared since the NFT Boom*. Artsy. https://www.artsy.net/article/artsy-editorial-digital-art-fared-nft-boom?utm_source=chatgpt.com

Kakar, A. (2024c, September 11). *How These 5 Saatchi Gallery Exhibitions Changed the British Art World*. Artsy. https://www.artsy.net/article/artsy-editorial-5-saatchi-gallery-exhibitions-changed-british-art

Kastrenakes, J. (2021, March 11). *Beeple sold an NFT for $69 million*. The Verge. https://www.theverge.com/2021/3/11/22325054/beeple-christies-nft-sale-cost-everydays-69-million

Li, Y., Ma, X., & Luc Renneboog. (2022). In Art We Trust. *Management Science*, *70*(1), 98–127. https://doi.org/10.1287/mnsc.2022.4633

Lisbon Art Weekend. (2022a). *Events – Lisbon Art Weekend*. Lisbonartweekend.com. https://www.lisbonartweekend.com/events/

Lisbon Art Weekend. (2022b). *Underdogs – Lisbon Art Weekend*. Lisbonartweekend.com. https://www.lisbonartweekend.com/portfolio/underdogs/

136(Longo et Al), 57–69. https://doi.org/10.1016/j.cie.2019.07.026

Lusa. (2025, March 19). *Presidente da República decretou dissolução da Assembleia da República*. PÚBLICO; Público. https://www.publico.pt/2025/03/19/politica/noticia/presidente-republica-decretou-dissolucao-assembleia-republica-2126621

Maker, M. (2019). *Mistaker Maker*. Google Arts & Culture; Google Arts & Culture. https://artsandculture.google.com/partner/mistaker-maker

McAndrew, C. (2022). A Survey of Global Collecting in 2022. In *UBS*. Art Basel and UBS. https://www.ubs.com/global/en/our-firm/art/art-market-insights/download-survey-report-2022.html?campID=NL-AMS2022-GLOBAL-ENG-ANY-ANY-ANY

McAndrew, C. (2023). *The Art Market 2023 a Report by Art Basel & UBS*. https://theartmarket.artbasel.com/download/The-Art-Basel-and-UBS-Art-Market-Report-2023.pdf

McAndrew, C. (2024). The Art Basel and UBS Survey of Global Collecting 2024. In *Art Basel*. Art Basel and UBS. https://theartmarket.artbasel.com/download/The-Art-Basel-and-UBS-Art-Market-Report-2024.pdf

McAndrew, C. (2025). *The Art Basel and UBS Art Market Report 2025*. UBS; Art Basel and UBS. https://www.ubs.com/global/en/our-firm/art/art-market-insights/download-market-report-2025.html

NonFungible. (2022). *NFT - Academy - NonFungible.com*. NonFungible.com. https://nonfungible.com/academy/nft

Perrotin. (2025). *PERROTIN - art gallery*. Www.perrotin.com. https://www.perrotin.com/

Rabb, M. (2024, April 22). *5 Ways Galleries Are Making the Art World Greener*. Artsy. https://www.artsy.net/article/artsy-editorial-5-ways-galleries-making-art-greener

Richardson, J. (2024, January 24). *Virtual Reality is a big trend in museums, but what are the best examples of museums using VR?* MuseumNext; MuseumNext. https://www.museumnext.com/article/how-museums-are-using-virtual-reality/

Sharma, R. (2024, June 12). *Non-Fungible Token Definition: Understanding NFTs*. Investopedia. https://www.investopedia.com/non-fungible-tokens-nft-5115211

Statista Research Department. (2024). *Art market worldwide - statistics & facts*. Statista. https://www.statista.com/topics/1119/art-market/#topicOverview

The Editors of Artnews . (2025, January 2). *Art World Insiders Make Their New Year's Predictions for 2025*. ARTnews.com. https://www.artnews.com/art-news/market/art-world-market-insiders-2025-new-year-predictions-1234729185/

Trading Economics. (2025). *Portugal Inflation Rate | 1961-2020 Data | 2021-2022 Forecast | Calendar | Historical*. Tradingeconomics.com. https://tradingeconomics.com/portugal/inflation-cpi

Tsimitakis, M. (2024, September 17). *What to Expect from the EU's Creative Europe Programme in 2025*. Creatives Unite. https://creativesunite.eu/article/what-to-expect-from-the-eu-s-creative-europe-programme-in-2025?utm_source=chatgpt.com

Underdogs. (2025a). *About Underdogs*. Underdogs. https://www.under-dogs.net/pages/gallery-about

Underdogs. (2025b). *About Underdogs*. Underdogs. https://www.under-dogs.net/pages/gallery-about

Underdogs. (2025c). *Editions*. Underdogs. https://www.under-dogs.net/collections/editions

Underdogs. (2025d). *Exhibitions*. Underdogs. https://www.under-dogs.net/pages/exhibitions?sort=latest

Underdogs. (2025e). *LinkedIn - Underdogs : About Us*. Linkedin.com. https://pt.linkedin.com/company/underdogs-gallery

Underdogs. (2025f). *Projects*. Underdogs. https://www.under-dogs.net/pages/projects?sort=latest

Underdogs. (2025g). *Public Art*. Underdogs. https://www.under-dogs.net/pages/public-art?sort=latest

Underdogs. (2025h). *subscribe-our-newsletter*. Underdogs. https://www.under-dogs.net/pages/subscribe-our-newsletter?utm_source=newsletter&utm_medium=email&utm_campaign=Newsletter%20Release%20March&utm_content=subscribe%20newsletter

Underdogs . (2020). *Underdogs Gallery on Instagram: "AVAILABLE NOW: JonOne Time-Gated Open Edition –*. Instagram. https://www.instagram.com/p/DA6FrF6Cr0d/

Underdogs . (2025). *Underdogs Gallery (@underdogs_gallery) • Instagram photos and videos*. Instagram.com. https://www.instagram.com/underdogs_gallery/

Urban Spree. (2025). *Home*. Urbanspree.com. https://www.urbanspree.com/

WOW Summit. (2023, June 26). *NFT Art: Revolutionizing the Art Market with Blockchain Technology | WOW SUMMIT*. WOW SUMMIT | World's Biggest Web3 Conference. https://wowsummit.net/blog/nft-art-revolutionizing-the-art-market-with-blockchain-technology/

5. Appendix

Appendix 1: Underdogs Historical Income Statements (2022 – 2024)

Underdogs	Historical Results		
	2022	2023	2024
Underdogs Income Statement			
Revenue	**2.482.943**	**3.983.189**	**2.541.992**
Editions	1.496.842	2.293.889	1.661.797
Exhibitions	408.193	517.157	359.332
Projects	577.907	1.172.142	520.863
Costs	**1.728.232**	**2.810.181**	**1.575.403**
Editions	1.008.195	1.631.410	939.497
Exhibitions	251.650	492.435	260.949
Projects	468.387	686.336	374.957
Gross Profit	**754.711**	**1.173.008**	**966.589**
Editions	488.647	662.479	722.300
Exhibitions	156.543	24.722	98.383
Projects	109.520	485.806	145.906
Gross Margin	**30,4%**	**29,4%**	**38,0%**
Editions	32,6%	28,9%	43,5%
Exhibitions	38,4%	4,8%	27,4%
Projects	19,0%	41,4%	28,0%
Operating Expanses (OPEX)	**742.657**	**815.806**	**949.071**
Supplies and External Services	411.057	504.892	643.778
Staff Costs	331.600	310.914	305.292
EBITDA	**12.054**	**357.202**	**17.518**
EBITDA Margin	*0,5%*	*9,0%*	*0,7%*
EBIT	**5.311**	**350.459**	**11.257**
Depreciation	6.743	6.743	6.261
EBT	**44.070**	**347.558**	**14.180**
Financial Result	- 2.870	- 2.901	-
Extraordinary Result	39.447	-	-
Prior Year	2.182	-	2.923
Corporate Income Tax	**7.338**	**63.337**	**1.417**
Net Income	**32.363**	**284.221**	**6.917**

Source: Underdogs Annual Reports

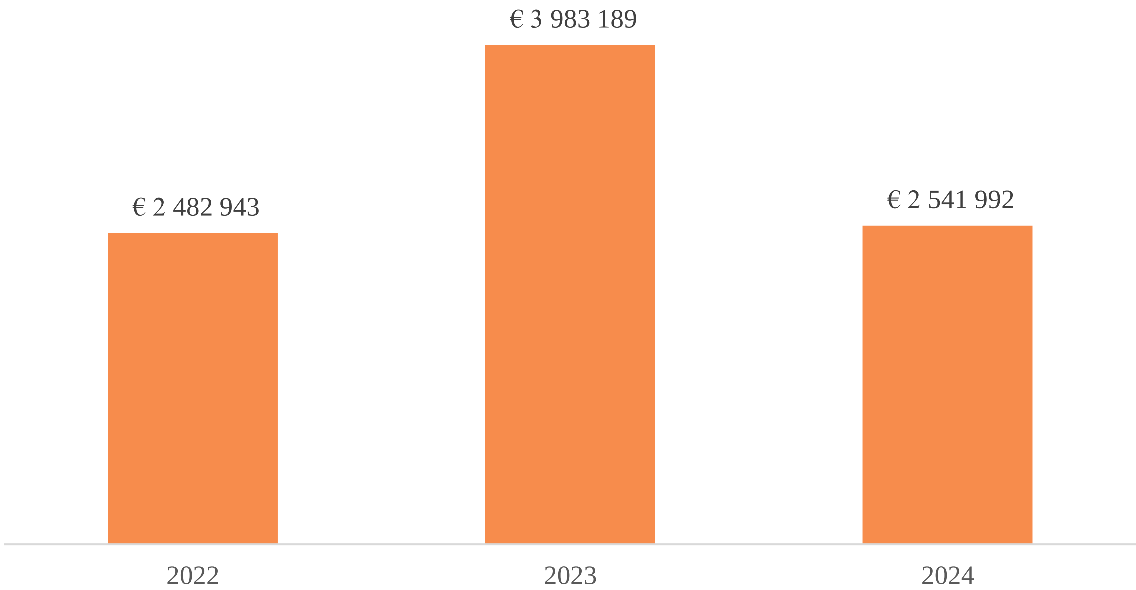
Appendix 2: Detailed OPEX Breakdown of Underdogs (2022-2024)

Underdogs	Historical Results		
	2022	2023	2024
Operating Expanses (OPEX)	**742.657**	**815.806**	**949.071**
Supplies and External Services	**411.057**	**504.892**	**643.778**
Shopify	24.795	-	-
Service Suppliers	7.536	6.320	10.608
Grupo Galileu	-	18.309	2.473
External Producer	-	-	14.200
Google	-	4.034	3.050
Artsy	9.839	-	-
Basecamp	326	219	-
CRM Arternal	2.164	-	-
Photographer	4.359	1.364	4.086
Art Fairs and Institutions (ARCO)	-	722	-
Website developer	-	3.268	5.558
Website development and SEO		19.673	16.662
Website assessment	72	-	-
E-commerce Project Manager	-	-	10.535
PRR support e-commerce	-	- -	6.379
Mariana Bouza	-	-	6.000
Carolina Costa	-	-	6.014
Garantir Cultura	1.295	-	-
Cision UD	-	-	1.620
Cision UD (annual)	-	-	1.000
Translator UD (curatorial texts + other needs)	-	- -	54
Operational and Strategic Marketing	1.569	1.930	-
Paid Media (Meta + Branded Content)	-	-	1.255
Google Adwords	-	-	625
Pess Officer (Namalimba)	-	-	7.617
Clay (New company trademark and branding)	-	-	5.841
Clay (project kick-off)	-	-	24.103
Professional Fees (GROUP)	293.777	397.019	444.926
Maintenance and Repairs	2.598	8.992	2.364
Lighting system	-	-	12.509
Other Supplies and Services	6.891	1.845	3.727
Tools and Equipment	782	645	652
Office Supplies	1.129	822	443
Eletricity	1.548	1.308	1.760
Fuels	1.084	653	857
Water	651	450	509
Travel and Acommodation	1.840	2.288	1.537
Goods Transportation	2.734	-	-
Rents and Rentals	28.940	24.790	38.811
Communication	5.680	4.831	4.261
Isurance	8.040	2.725	12.265
Surveillance and Security	1.029	571	1.184
Cleaning, hygiene and comfort	2.380	2.115	3.162
Staff Costs	**331.600**	**310.914**	**305.292**

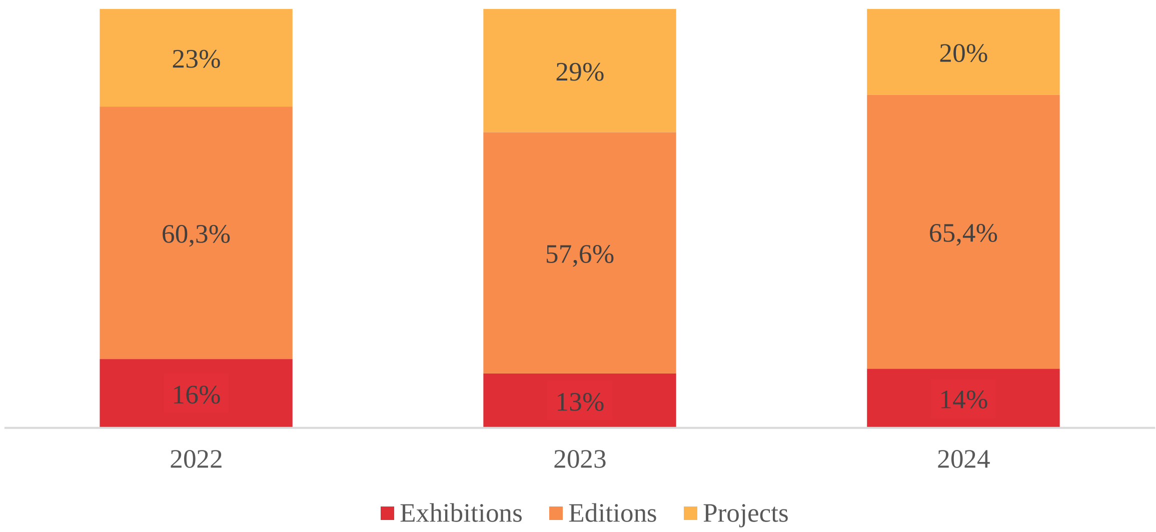
Source: Underdogs Annual Reports

Appendix 3: Revenues Historical Evolution and Breakdown (2022 – 2024)

Appendix 3.1: Revenues Historical Evolution



Appendix 3.2: Revenues Breakdown per Revenue Stream



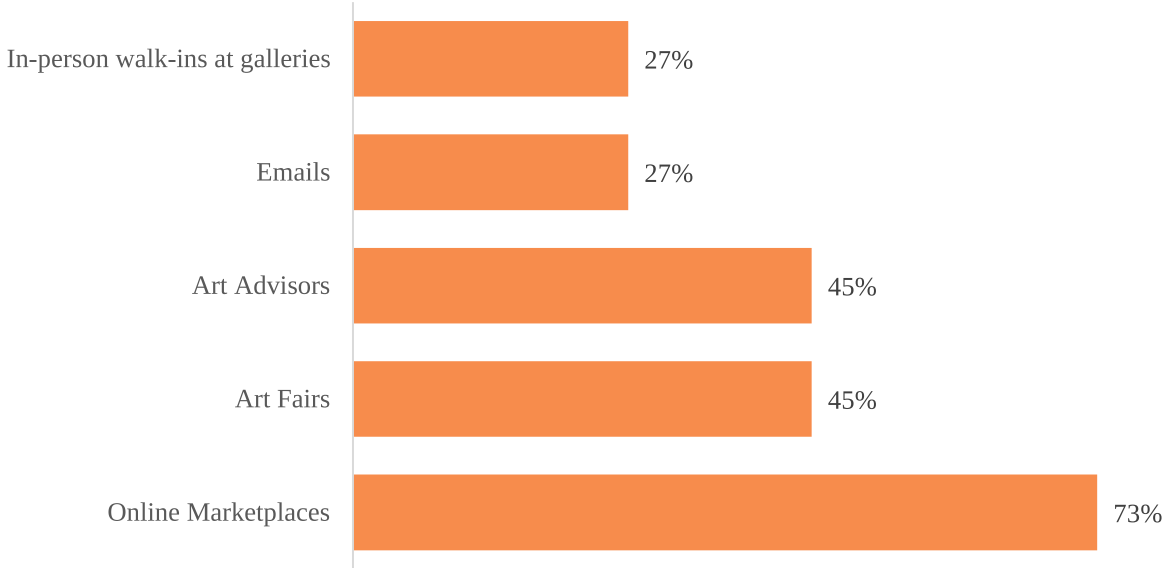
Source: Underdogs Annual Reports

Appendix 4: Estimation methodology followed to compute the size of the urban art market

The estimate relies on the following proxies. The global art market size is $65 billion. Within this market, 40% of the total sales value comes from auctions, representing $26.1 billion in 2023 and 60% of the total sales value comes from dealer transactions, accounting for $39.1 billion in 2023 (McAndrew, 2024). In the auction segment, artworks from the famous urban artist Banksy represented as much as 7% of contemporary art sales (Deodato Arte, 2021). However, it is essential to consider that this artist is an outlier and the majority of urban artists represent smaller shares. Thus, for the estimation, it is conservatively assumed that urban art represents from 0.5% to 1.5% of total auction sales, representing a range from $162.5 million to $487.5 million. Regarding sales via dealers, while specific segmentation data is lacking, a share of 0.5% to 2% of this channel is attributed to urban art, resulting in an estimated value of $162.5 million to $1.3 billion. In the online channel, which accounted for 23% of total industry sales in 2023, thus representing $15 billion (McAndrew, 2024), urban art has expanded considerably. Thus, for the purpose of this estimation, it is assumed that urban arts accounted for 1% to 3% of the online sales share, corresponding to a range of $150 million to $450 million. Finally, combining these three channels, the estimated market size for urban art ranges from approximately $475 million to $2.24 billion, corresponding to 0.7% to 3.4% of the global art market in 2023.

Appendix 5: What are the three most impactful ways for your gallery to meet new clients?

(exclusive to large galleries)



Source: Art Industry Trends 2024 (Artsy, 2024)

Appendix 30: Projected Profit & Loss considering all Revenue Streams – Without the Implementation of Recommendations

This income statement considers all the revenue streams, projecting a baseline scenario without the implementation of the recommendations

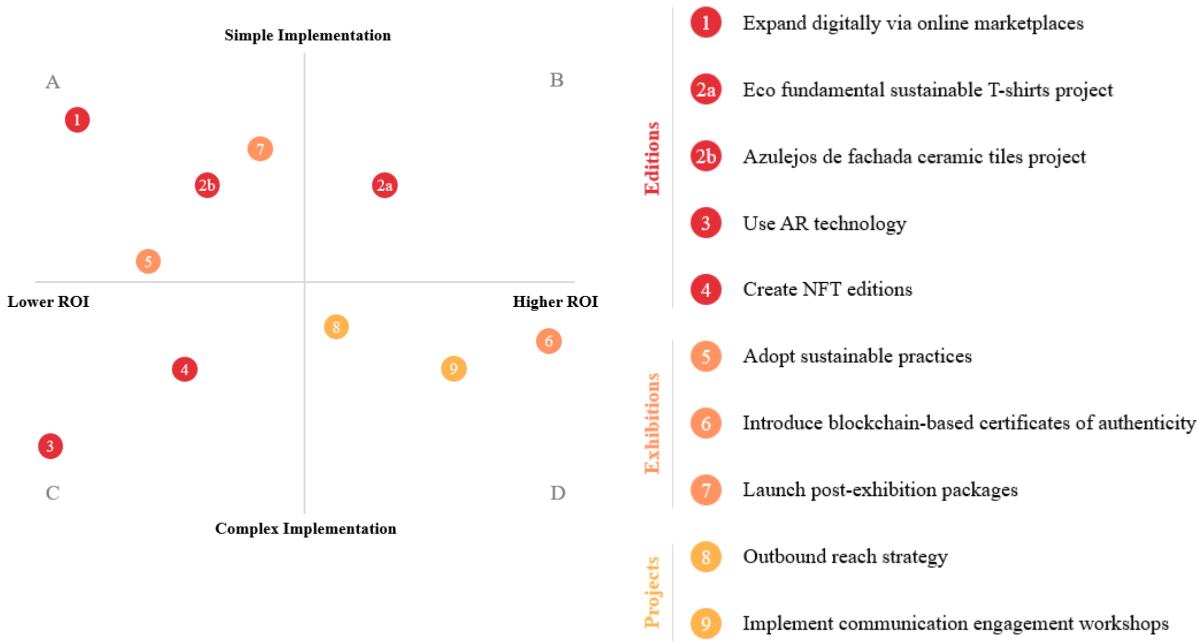
Underdogs	Historical Results			Forecast Period									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Underdogs Income Statement (Without considering the recommendations)													
Revenue	**2.482.942**	**3.983.188**	**2.541.992**	**2.673.302**	**2.811.828**	**2.957.983**	**3.112.203**	**3.274.952**	**3.446.720**	**3.628.025**	**3.819.417**	**4.021.477**	**4.234.822**
Editions	1.496.842	2.293.889	1.661.797	1.763.000	1.870.367	1.984.273	2.105.115	2.233.316	2.369.325	2.513.617	2.666.696	2.829.098	3.001.390
Exhibitions	408.193	517.157	359.332	373.813	388.878	404.550	420.853	437.813	455.457	473.812	492.907	512.771	533.435
Projects	577.907	1.172.142	520.863	536.489	552.584	569.161	586.236	603.823	621.938	640.596	659.814	679.608	699.996
Revenue Growth YoY	-	*60%*	*-36%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Costs	**1.728.232**	**2.810.181**	**1.575.403**	**1.793.539**	**1.885.529**	**1.982.547**	**2.084.879**	**2.192.830**	**2.306.720**	**2.426.890**	**2.553.699**	**2.687.528**	**2.828.782**
Editions	1.008.195	1.631.410	939.497	1.146.007	1.215.799	1.289.841	1.368.392	1.451.727	1.540.137	1.633.932	1.733.438	1.839.005	1.951.000
Exhibitions	251.650	492.435	260.949	269.145	279.992	291.276	303.014	315.226	327.929	341.145	354.893	369.195	384.074
Projects	468.387	686.336	374.957	378.386	389.738	401.430	413.473	425.877	438.654	451.813	465.368	479.329	493.709
Costs Growth YoY	-	*63%*	*-44%*	*14%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Gross Profit	**754.710**	**1.173.007**	**966.589**	**879.764**	**926.300**	**975.436**	**1.027.324**	**1.082.122**	**1.140.000**	**1.201.135**	**1.265.718**	**1.333.949**	**1.406.040**
Editions	488.647	662.479	722.300	616.994	654.568	694.432	736.723	781.589	829.188	879.685	933.258	990.093	1.050.390
Exhibitions	156.543	24.722	98.383	104.668	108.886	113.274	117.839	122.588	127.528	132.667	138.014	143.576	149.362
Projects	109.520	485.806	145.906	158.102	162.845	167.731	172.763	177.946	183.284	188.783	194.446	200.279	206.288
Gross Profit Growth YoY	-	*55%*	*-18%*	*-9%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Gross Margin	**30,4%**	**29,4%**	**38,0%**	**32,9%**	**32,9%**	**33,0%**	**33,0%**	**33,0%**	**33,1%**	**33,1%**	**33,1%**	**33,2%**	**33,2%**
Editions	32,6%	28,9%	43,5%	35,0%	35,0%	35,0%	35,0%	35,0%	35,0%	35,0%	35,0%	35,0%	35,0%
Exhibitions	38,4%	4,8%	27,4%	28,0%	28,0%	28,0%	28,0%	28,0%	28,0%	28,0%	28,0%	28,0%	28,0%
Projects	19,0%	41,4%	28,0%	29,5%	29,5%	29,5%	29,5%	29,5%	29,5%	29,5%	29,5%	29,5%	29,5%
Gross Profit Growth YoY	-	-3,1%	29,1%	-13,5%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Operating Expenses (OPEX)	**742.657**	**815.806**	**949.070**	**781.738**	**827.510**	**1.083.795**	**1.183.276**	**1.286.460**	**1.355.507**	**1.408.525**	**1.464.493**	**1.523.580**	**1.585.968**
Supplies and External Services	411.057	504.892	643.778	486.154	514.619	673.999	735.865	800.034	842.974	875.945	910.751	947.496	986.294
Staff Costs	331.600	310.914	305.292	295.585	312.892	409.796	447.411	486.426	512.534	532.580	553.742	576.084	599.673
EBITDA	**12.053**	**357.201**	**17.519**	**98.025**	**98.789**	**-108.359**	**-155.952**	**-204.337**	**-215.508**	**-207.390**	**-198.775**	**-189.632**	**-179.928**
EBITDA Margin	*0,5%*	*9,0%*	*0,7%*	*3,7%*	*3,5%*	*-3,7%*	*-5,0%*	*-6,2%*	*-6,3%*	*-5,7%*	*-5,2%*	*-4,7%*	*-4,2%*

Appendix 31: Projected Profit & Loss considering all Revenue Streams – With the Implementation of Recommendations

This income statement considers all the revenue streams, projecting a scenario in which Underdogs implement the initiatives from the plan

Underdogs	Historical Results			Forecast Period									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Underdogs Income Statement (Considering the recommendations)													
Revenue	**2.482.942**	**3.983.188**	**2.541.992**	**2.673.302**	**2.829.828**	**3.706.244**	**4.046.438**	**4.399.293**	**4.635.415**	**4.816.720**	**5.008.111**	**5.210.172**	**5.423.517**
Editions	1.496.842	2.293.889	1.661.797	1.763.000	1.882.367	1.996.273	2.121.615	2.439.922	2.640.286	2.784.578	2.937.657	3.100.059	3.272.351
Exhibitions	408.193	517.157	359.332	373.813	394.878	410.550	608.326	625.287	642.930	661.285	680.380	700.244	720.909
Projects	577.907	1.172.142	520.863	536.489	552.584	1.299.422	1.316.497	1.334.084	1.352.198	1.370.857	1.390.074	1.409.869	1.430.257
Revenue Growth YoY	-	60%	-36%	5%	6%	31%	9%	9%	5%	4%	4%	4%	4%
Costs	**1.728.232**	**2.810.181**	**1.575.403**	**1.793.539**	**1.897.014**	**2.534.023**	**2.793.677**	**3.077.828**	**3.255.931**	**3.376.101**	**3.502.910**	**3.636.739**	**3.777.993**
Editions	1.008.195	1.631.410	939.497	1.146.007	1.224.084	1.298.126	1.380.583	1.640.118	1.792.742	1.886.536	1.986.043	2.091.609	2.203.604
Exhibitions	251.650	492.435	260.949	269.145	283.192	294.476	459.629	471.841	484.544	497.760	511.508	525.810	540.689
Projects	468.387	686.336	374.957	378.386	389.738	941.422	953.465	965.869	978.645	991.805	1.005.359	1.019.320	1.033.700
Costs Growth YoY	-	63%	-44%	14%	6%	34%	10%	10%	6%	4%	4%	4%	4%
Gross Profit	**754.710**	**1.173.007**	**966.589**	**879.764**	**932.815**	**1.172.221**	**1.252.760**	**1.321.465**	**1.379.483**	**1.440.619**	**1.505.202**	**1.573.432**	**1.645.524**
Editions	488.647	662.479	722.300	616.994	658.283	698.147	741.032	799.804	847.544	898.042	951.614	1.008.450	1.068.747
Exhibitions	156.543	24.722	98.383	104.668	111.686	116.074	148.697	153.446	158.386	163.526	168.872	174.434	180.220
Projects	109.520	485.806	145.906	158.102	162.845	358.000	363.032	368.215	373.553	379.052	384.715	390.549	396.557
Gross Profit Growth YoY	-	55%	-18%	-9%	6%	26%	7%	5%	4%	4%	4%	5%	5%
Gross Margin	**30,4%**	**29,4%**	**38,0%**	**32,9%**	**33,0%**	**31,6%**	**31,0%**	**30,0%**	**29,8%**	**29,9%**	**30,1%**	**30,2%**	**30,3%**
Editions	32,6%	28,9%	43,5%	35,0%	35,0%	35,0%	34,9%	32,8%	32,1%	32,3%	32,4%	32,5%	32,7%
Exhibitions	38,4%	4,8%	27,4%	28,0%	28,3%	28,3%	24,4%	24,5%	24,6%	24,7%	24,8%	24,9%	25,0%
Projects	19,0%	41,4%	28,0%	29,5%	29,5%	27,6%	27,6%	27,6%	27,6%	27,7%	27,7%	27,7%	27,7%
Gross Profit Growth YoY	-	-3,1%	29,1%	-13,5%	0,2%	-4,1%	-2,1%	-3,0%	-0,9%	0,5%	0,5%	0,5%	0,5%
Operating Expenses (OPEX)	**742.657**	**815.806**	**949.070**	**781.738**	**827.510**	**1.083.795**	**1.183.276**	**1.286.460**	**1.355.507**	**1.408.525**	**1.464.493**	**1.523.580**	**1.585.968**
Supplies and External Services	411.057	504.892	643.778	486.154	514.619	673.999	735.865	800.034	842.974	875.945	910.751	947.496	986.294
Staff Costs	331.600	310.914	305.292	295.585	312.892	409.796	447.411	486.426	512.534	532.580	553.742	576.084	599.673
EBITDA	**12.053**	**357.201**	**17.519**	**98.025**	**105.304**	**88.425**	**69.484**	**35.005**	**23.976**	**32.093**	**40.709**	**49.852**	**59.556**
EBITDA Margin	*0,5%*	*9,0%*	*0,7%*	*3,7%*	*3,7%*	*2,4%*	*1,7%*	*0,8%*	*0,5%*	*0,7%*	*0,8%*	*1,0%*	*1,1%*

Appendix 34: Evaluation Matrix: ROI vs Ease of Implementation



Appendix 35: Revenue Stream's Breakdown of Added Profit