

Flippa Due Diligence

Due Diligence Report

On behalf of:

Brian Buyer

Business:

SampleBusiness.com

Completed by:

Stefan von Imhof

May 2, 2020

Legal Disclaimer

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Executive Summary

SampleBusiness.com is a 6-year old Amazon Affiliate site with very high organic, free traffic. The content is rich, with well-researched, ethically produced articles & natural inbound links.

The site has turned a consistent profit each month over the years. The low expenses and high profit margins have left plenty of room for significant seller discretionary spending, including salaries & travel expenses.

In March of 2019, the Business suffered an algorithmic penalty from Google, and was never quite able to fully recover their traffic growth trajectory. The site still has excellent traffic today, but the owners have other projects, and are ready to move on.

Like many affiliate sites, the Business is highly dependent upon Amazon for its revenue. However, the Business has protected commission rates by virtue of being a Premium Associates Partner.

The Business doesn't take much effort to operate, has plenty of room for growth, and is priced reasonably.

General Overview and Remarks

Methodology

We have used several sources of information to produce this assessment.

As not all analyzed aspects can be empirically verified, parts of the Report may include the subjective opinion of the Analyst, based on their own experience in the field.

The following information has been provided to the Analyst by the Seller

- [SampleBusiness.com Revenue – 2016](#)
- [Profit & Loss Statement w/ SDE – 2017](#)
- [Profit & Loss Statement w/ SDE – 2018](#)
- [Profit & Loss Statement w/ SDE – 2019](#)
- [Live walkthrough of CMS and Amazon Associates Account](#)
- Read-only access to Google Analytics
- Answers to email questions

Verification Process

Flippa has made every effort to accurately verify the validity of any and all claims made by the Seller and/or presented by the Seller in the form of documentation or information.

- Accessed live traffic reporting data by having the Seller grant the Analyst access to the Google Analytics account attached to the Business
- Accessed live revenue reporting data by having the Seller grant the Analyst access to the Amazon Seller account
- Analyzed Profit & Loss statements against actual earnings, to identify any misrepresentations.
- Analyzed the information provided by the Seller and compared it to similar businesses to identify any misrepresentations
- Requested additional proof and materials about the Business's revenue

Seller Details

Communication with the Seller

Throughout our communication with the Seller, he demonstrated a high level of willingness to comply with all our requests and conveyed the image of being someone who is easy to work with.

The Seller responded quickly to all requests and provided all information that was requested. We held one screen share call via Zoom, and the Seller was eager to answer questions from the Analyst.

As such, the Analyst believes the Seller to be extremely cooperative and responsive.

Personal Details

We have verified the following personal information:

- **Name:** XXXXXXXXXX
- **Business Name:** XXXXXXXXXX
- **Location:** Irvine, California, USA
- **Email addresses:**
 - yyy@yyyy.com
- **Phone number:** 1-555-123-4567
- **Skype:** XXXX
- **Twitter:** XXXX
- **Government-issued ID:** Passed
 - [Summary](#)
 - [Key Findings](#)
 - [Face Match](#)

Duplicate Accounts

- **Sift score:** [22 \(very good\)](#)

- **Location check:** [Passed](#)
 - The seller's billing location & activated IP addresses pass our location check
- **Duplicate accounts check:**
 - We did not find any duplicate Flippa.com accounts belonging to the seller
 - We did not find any alternate billing addresses for the user
 - We did not find any other users that share the same billing address

History

- Started business with XXXX in April 2015
- Came from coupon/affiliate industry

Other Key Employees

- XXXXXXXXXXXX: Partner with 38% ownership. Takes a salary.
- XXXXXXXXXXXX: Partner with 42% ownership. Takes a salary.
- XXXXXXXXXXXX: Partner with 20% ownership. No salary, paid hourly (XXXX is willing to help post-sale, for up to 3 months at \$90/hour)
- **Contractors:** [Various contractors and virtual assistants](#). No salary, paid hourly or on commission

Competing Business Interests

- XXX XXXX owns yyy.com
 - There is currently no competing interest with SampleBusiness.com
 - However, we suggest the Buyer defines restrictions and/or exemptions to keyword competition in a Sale Agreement
- XXXX owns yyy.com
 - This site currently has no relationship with SampleBusiness.com
 - In the past, it has been a very minor referrer of traffic to SampleBusiness.com (2 links)
 - However, XXXX will likely want yyy.com to be featured on SampleBusiness.com in an ongoing fashion.
 - We suggest the Buyer & Seller include the details on this in a Sale Agreement

Asset Overview

The Seller is selling company assets, not the legal entity (company) itself. We have verified that the items below are owned by the Seller:

- Domain: [SampleBusiness.com](#)
- Custom-built CMS
- Amazon Seller Account
- Google Analytics
- [Facebook account](#)
- [Twitter account](#)
- [Pinterest account](#)
- Email database (16,000+)

Financials

Documentation

The seller has provided a number of detailed [documents](#) covering the period of January 2017 through April, 2020.

- [SampleBusiness.com Revenue 2016 - 2020](#) is actual revenue earned during each specific time period
- Profit & Loss Statements:
 - [Profit & Loss Statement w/ SDE – 2017](#)
 - [Profit & Loss Statement w/ SDE – 2018](#)
 - [Profit & Loss Statement w/ SDE – 2019](#)
- The statements above are reconciled utilizing the cash method accounting, where funds earned are recognized 60-90 days later. The P&L statements above reflect the following:
 - The standard 30-60 day delay in receiving funds from affiliates,
 - Merchant returns, which are taken out of affiliate commissions months later.

- Seller discretionary earnings (SDE), which include optional operating expenses, such as salary, travel, insurance, taxes, and more.
- [Profit & Loss Statement - 2019](#) is an additional P&L statement provided. This is the document uploaded to Flippa.

Revenue Sources

- **Sources:** The business has six primary sources of revenue. Affiliates make up the lion's share of revenue. The Business also has Paid Sponsorship agreements with brands, where the Business promotes their product on 4-6 articles for a month.
- **Breakdown:**
 - Amazon Associates (88.5% of revenue)
 - LinkShare affiliate network (3.6%)
 - ImpactRadius affiliate network (3.3%)
 - ShareASale affiliate network (<1%)
 - PepperJam affiliate network (<1%)
 - Paid Placement Sponsorships (2.6%)
- **Affiliate Rates:** The commission rates of top affiliates across all networks:
 - Amazon Associates: 8-10% commission
 - XXXXXXXXXX: 18%
 - XXXXXXXXXX: 20%
 - XXXXXXXXXX: 20%
 - XXXXXXXXXX: \$0.25 CPC

Revenue Verification

- **Walkthrough:** We have verified Amazon Affiliate revenue via a [live walkthrough of the Seller's Amazon Associates Account](#)
- **Discrepancies & misrepresentations:**
 - We found no intentional misrepresentations of revenue.
 - We did find some discrepancies in top-line revenue between sources. For example:
 - In [SampleBusiness.com Revenue 2016-2020](#), 2017 revenue shows as \$448,738. But in [SampleBusiness.com Profit & Loss w/ SDE - 2017](#), it shows as \$381,877.

- Same with 2018 (\$578,459 vs \$541,535) and 2019 (\$340,050 vs \$364,173).
- The reason for these discrepancies is due the cash accounting method, in which revenue earned is recognized 60-90 days later. This is explained under [Documentation](#).
- **Boosting:** We found no evidence of revenue boosting (i.e., payments from personal accounts to boost profits).
- **Origination:** We found no evidence that revenue is originating from any site other than SampleBusiness.com.
- **Summary:** Overall, we are satisfied that revenue claims are accurate and match what the seller has actually earned.

RPM

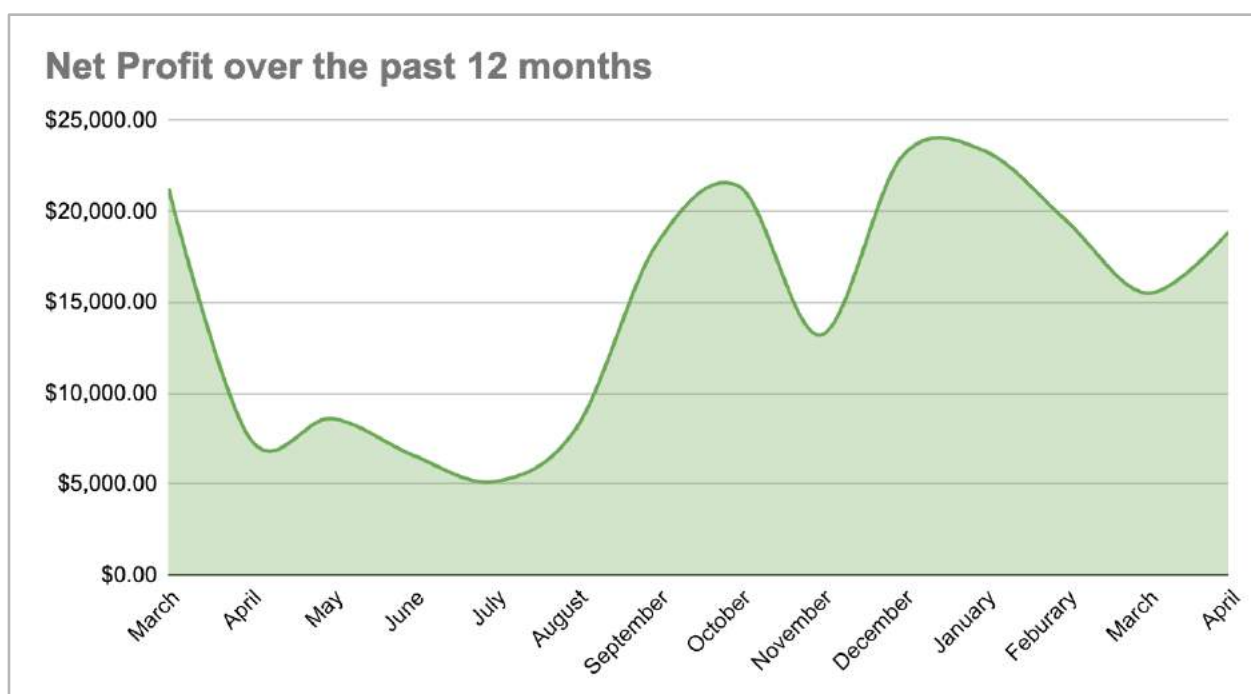
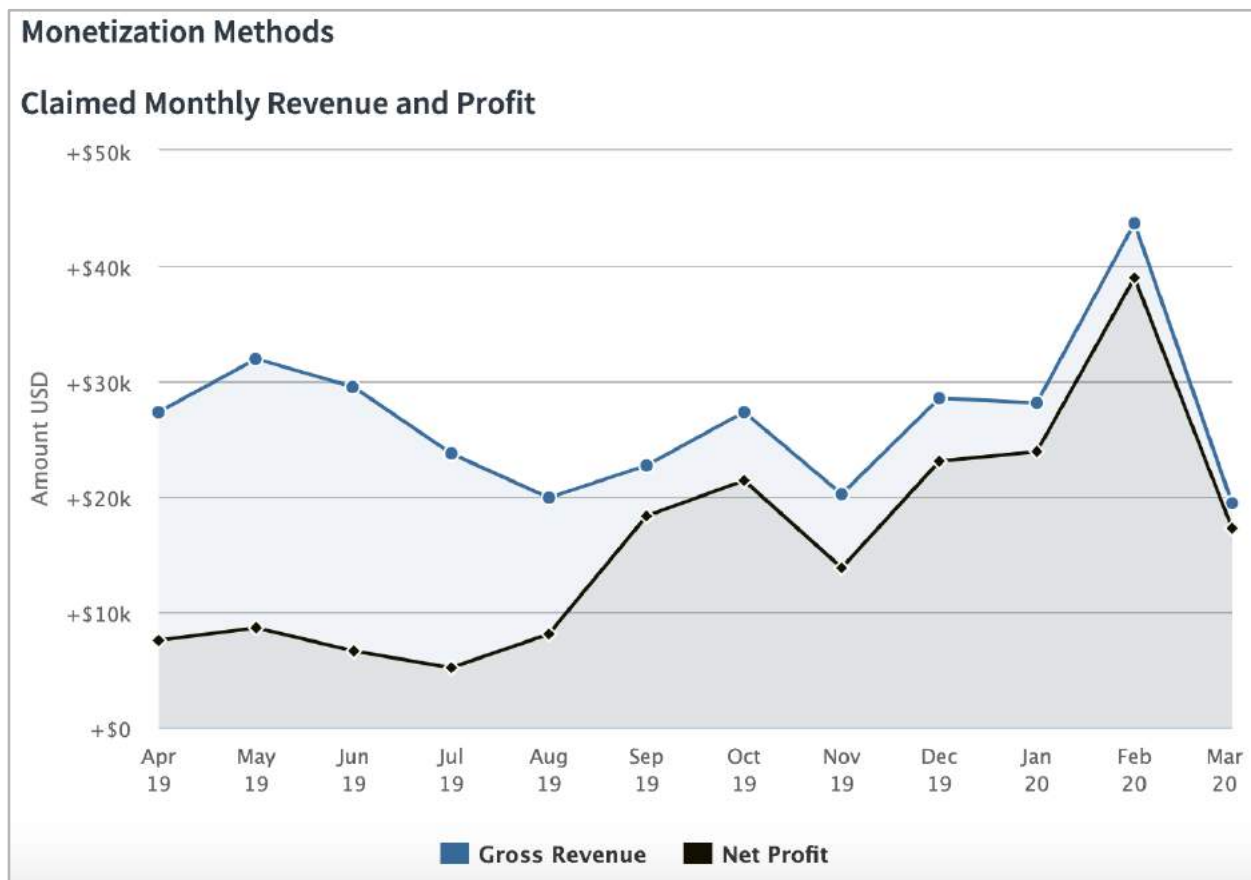
- **Definition:** RPM is defined as monthly profit/1,000 users. It is a good way of understanding how efficiently a site turns eyeballs into revenue. The higher the RPM, the better the site is at converting traffic into dollars.
- **RPM:** Over the past 12 months, SampleBusiness.com has had an effective RPM (revenue per thousand users) of **\$97.36**.
- **Benchmark:** The benchmark median RPM for high traffic, well-performing affiliate sites across the Health & Beauty, Internet, Home & Garden, and Sports & Outdoor categories is **\$103.06**. So SampleBusiness.com is right in line with expectations.

Expenses

- **Hosting:**
 - Hosting via AWS is consistent at \$916/month
 - Hosting accounts for 7.9% of expenses, and 3.1% of gross revenue
- **Advertising:**
 - Advertising consists of product purchases for research/review, and a PR contractor
 - Advertising accounts for 32.4% of expenses, and 12.9% of gross revenue
 - Starting in April 2019, in response to the [algorithmic penalty](#), the Business hired a PR contractor to assist with guest writing, pitching and link building. This was classified under Advertising, instead of under Contractors.

- You can see the effects of the greatly increased advertising expense during this period, and the effect it had on net profit, in the graphs & data below
- **Contractors and Virtual Assistants**
 - The Business utilizes a number of [contractors & virtual assistants](#)
 - This bucket includes writers, editors, social posters, website development, and other outside services
 - Contractors and virtual assistants account for 59.7% of expenses, and 23.7% of gross revenue.
 - Over the past 12 months, contractors have cost around \$6,917/month
 - Starting in April 2019, in response to the [algorithmic penalty](#), the Business got aggressive re-writing articles in order to improve SEO
 - You can see the effects of the greatly increased advertising expense during this period, and the effect it had on net profit, in the graphs & data below

	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2020	
Income	February	March	April	May	June	July	August	September	October	November	December	January	Total
Sales	\$61,547.00	\$29,694.00	\$27,315.00	\$31,930.00	\$29,482.00	\$23,724.00	\$19,891.00	\$22,682.00	\$27,321.00	\$20,198.00	\$28,525.00	\$28,119.00	\$350,428.00
Cost of Goods	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Gross Profit	\$61,547.00	\$29,694.00	\$27,315.00	\$31,930.00	\$29,482.00	\$23,724.00	\$19,891.00	\$22,682.00	\$27,321.00	\$20,198.00	\$28,525.00	\$28,119.00	\$350,428.00
Expenses	February	March	April	May	June	July	August	September	October	November	December	January	Total
Advertising	\$1,243.00	\$748.00	\$8,710.00	\$13,120.00	\$9,772.00	\$6,017.00	\$1,609.00	\$1,490.00	\$1,390.00	\$576.00	\$179.00	\$179.00	\$45,033.00
Processing Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hosting & Apps	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$916.00	\$10,992.00
Vas / Contractors	\$5,383.00	\$6,760.00	\$10,175.00	\$9,284.00	\$12,198.00	\$11,648.00	\$9,297.00	\$1,976.00	\$3,631.00	\$5,499.00	\$4,377.00	\$2,781.00	\$83,009.00
Total Expenses	\$7,542.00	\$8,424.00	\$19,801.00	\$23,320.00	\$22,886.00	\$18,581.00	\$11,822.00	\$4,382.00	\$5,937.00	\$6,991.00	\$5,472.00	\$3,876.00	\$139,034.00
Net Profit	\$54,005.00	\$21,270.00	\$7,514.00	\$8,610.00	\$6,596.00	\$5,143.00	\$8,069.00	\$18,300.00	\$21,384.00	\$13,207.00	\$23,053.00	\$24,243.00	\$211,394.00



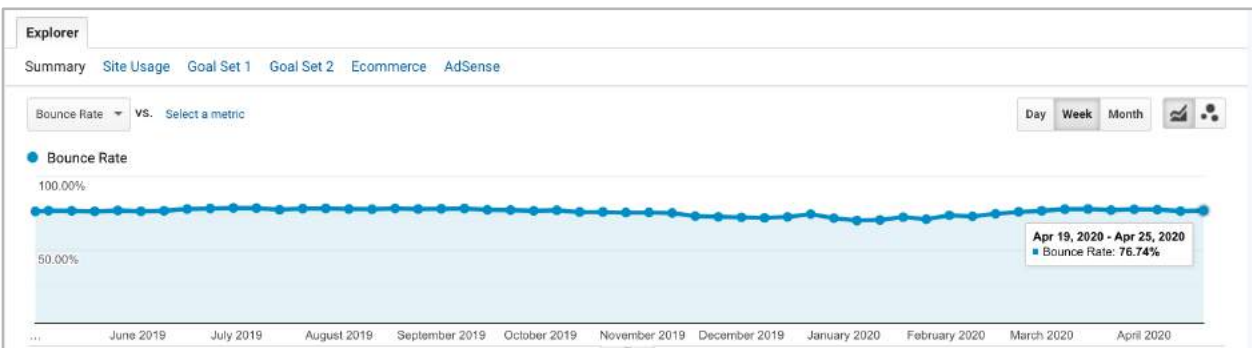
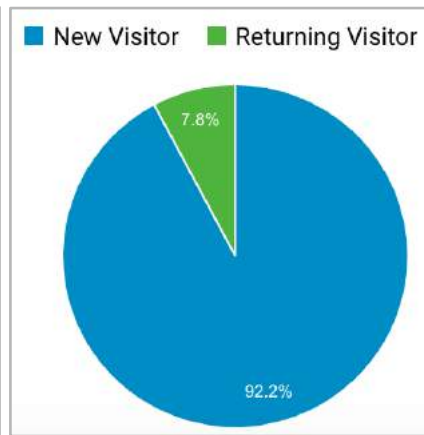
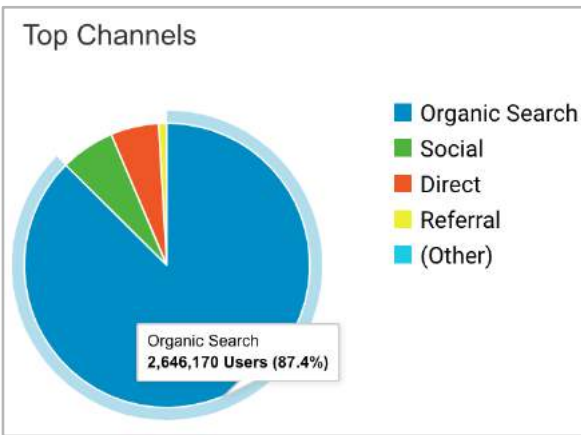
- **Seller Discretionary Earnings**
 - There are a number of large expenses which fall under Seller Discretionary Earnings (SDE). These optional operating expenses, such as salary, travel, insurance, taxes, and more.
 - Because some or all of these expenses may or may not be applicable to a new Buyer, they are typically not taken into consideration as standard business expenses, and not accounted for when valuing a small business.
 - The top expenses in 2019 that fall under SDE are as follows:
 - Wages & salaries: \$89,000
 - Taxes: \$11,143
 - Automobile allowance: \$9,000
 - Meals: \$7,431
 - Travel & entertainment: \$6,534
 - Other Travel: \$6,246
 - Utilities: \$5,756
 - Employee benefits: \$5,323
 - Professional fees: \$2,962
 - Interest expenses: \$2,476
 - Cell phone: 42,245
 - It should be noted that SDEs accounted for 58% of gross revenue in 2019.
 - SDEs minus wages & salaries accounted for 33.7% of gross revenue in 2019.
- **Discrepancies & misrepresentations:**
 - We found no intentional misrepresentations of expenses.

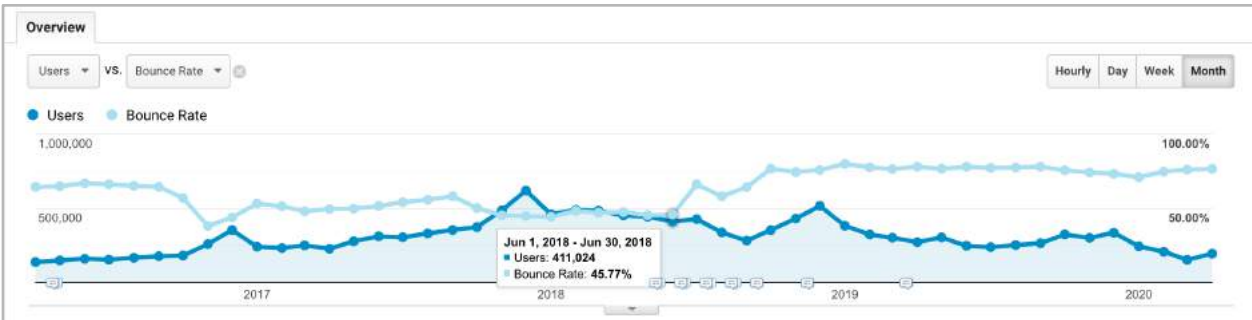
Traffic

Behavior & Engagement

- **Users:**
 - Over the past 12 months, the site has averaged 272,495 users per month
 - April 2020 had 192,533 users. While below average (due to Coronavirus), this is up 26% from March, indicating that traffic may have bottomed in March.
- **Pages per visit:** 1.18

- **Avg visit duration:** 1:10
- **Bounce rate:**
 - Over the past 12 months, the site's bounce rate is a reasonable 75.7%.
 - This has stayed consistent over the past year, fluctuating at most between 69% - 79%
 - However, it must be noted that the bounce rate used to be much lower. Prior to mid-2018, the bounce rate hovered between 45% - 65%.
 - The reason for this is the Business used to have the cursor automatically focus to the search box.
 - While this lowered the bounce rate, it proved to be a superficial improvement, as it did not increase revenue or conversion at all. So it was removed in mid-2018.
- **New vs returning users:** 92.2% of users are new, indicating loyalty is just a tad lower than typical sites of this character

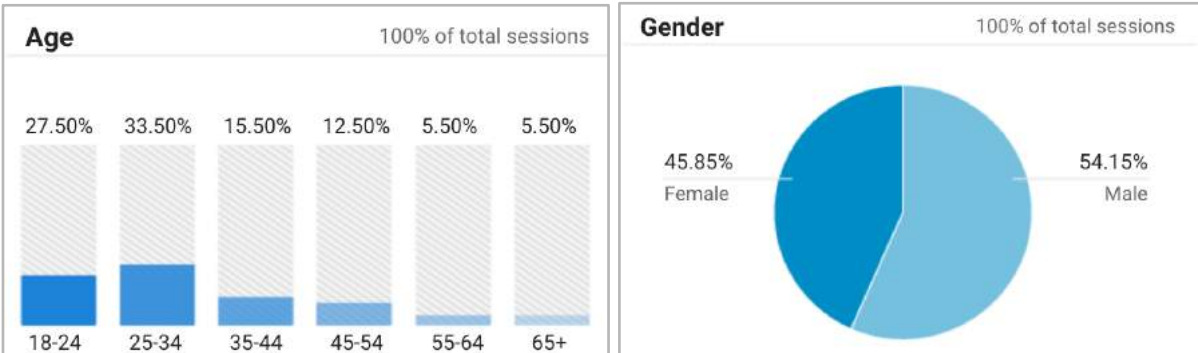




Demographics

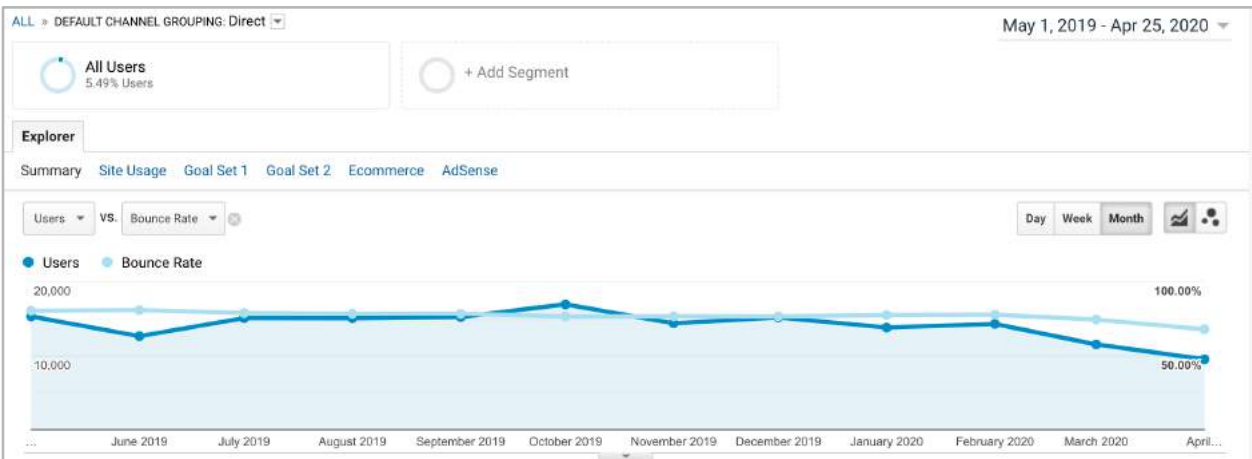
- **Location:** The United States accounts for 55.5% of traffic. Disproportionally large, but quite normal.
- **Age:** The site has a youngish audience profile. 50% of the site’s visitors are under 35.
- **Gender:** The site skews towards males, at 54%. However, this is evening out over time, as the owners have realized female keywords are more competitive, and have started gearing content towards females.

1.	United States	1,818,321 (55.49%)
2.	India	216,498 (6.61%)
3.	United Kingdom	176,555 (5.39%)
4.	Canada	164,950 (5.03%)
5.	Australia	82,795 (2.53%)
6.	Philippines	49,844 (1.52%)
7.	Malaysia	36,691 (1.12%)
8.	Germany	36,622 (1.12%)
9.	Singapore	31,197 (0.95%)
10.	Indonesia	27,945 (0.85%)



Direct Traffic

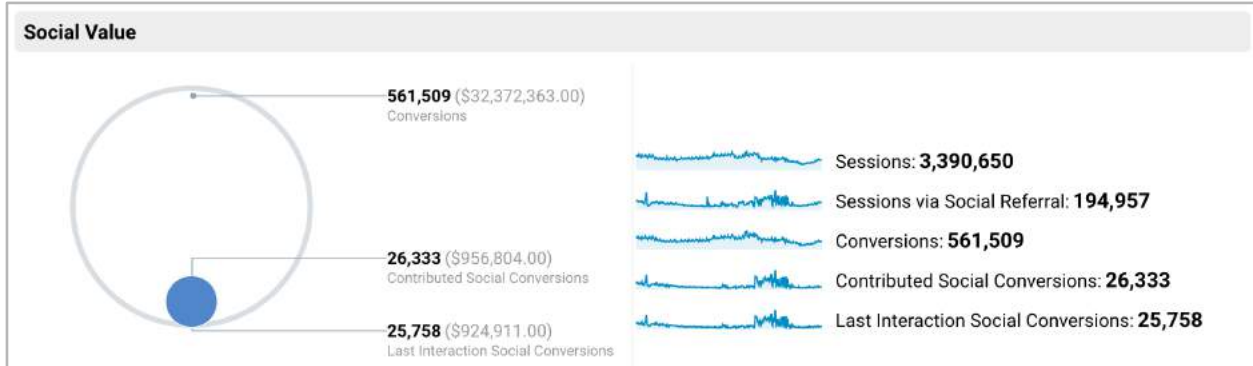
- **Percentage:** Direct traffic represents 5.48% of all traffic. A bit low, but not unordinary.
- **Bounce Rate:** Over the past 12 months, the bounce rate on direct traffic has remained steady at a reasonable rate of 78%, and is in fact falling. Thus, there is no reason to believe the site has any bot traffic.



Social Traffic

- **Percentage:** Social traffic encompasses 6.14% of all traffic. Normal.
- **Sources:**
 - Over the past 12 months, the vast majority (91.6%) of social traffic has come from Pinterest. This makes sense, as one of the VA's (XXXXXXXXXX) routinely posts top articles on Pinterest.

- The Business has also created a few YouTube videos, but these have accounted for just 242 sessions over the past 12 months.
- The Business does not do any posting on Facebook or anywhere else. Traffic from all other sources aside from Pinterest is incidental.



Social Network	Sessions	% Sessions
1. Pinterest	178,731	91.68%
2. Facebook	9,185	4.71%
3. Twitter	5,767	2.96%
4. Quora	574	0.29%
5. YouTube	242	0.12%
6. Instapaper	172	0.09%
7. reddit	74	0.04%
8. Instagram	51	0.03%
9. Instagram Stories	47	0.02%
10. Pocket	47	0.02%

Referral Traffic

- **Percentage:** Referral traffic makes up just 0.91% of all traffic.
- **Bounce rate:** The bounce rate with this traffic is 72%, which is slightly lower than site average. This indicates referral traffic is of normal quality.

Organic Traffic

- **Percentage:** Organic traffic represents 87% of all traffic. This is much higher than the benchmark, which is between 37% - 40%.
- **Number of organic keywords:** 61,700
- **Top 20 organic keywords:**

best underwear for men	9.2%
top men's cologne	6.13%
best strapless bras	5.01%
hottest girls on instagram	3.35%
best smelling cologne for men	2.73%
best push up bra	2.23%
undercut fade	1.76%
best cologne for men	1.6%
best dating apps for men	1.49%
best briefs for men	0.99%
best conditioner for men	0.78%
best lipstick brand	0.78%
best nespresso pods	0.78%
lipstick brands	0.78%
hottest instagram models	0.78%
water socks	0.74%
best chanel perfume	0.66%
boys haircuts	0.59%
nail polish brands	0.52%
best underwear for women	0.5%

- In March 2019, the website traffic was affected by a major Google Algorithm update. Since then, the Seller has focused on adhering to Google’s Search Engine Results Pages guidelines.

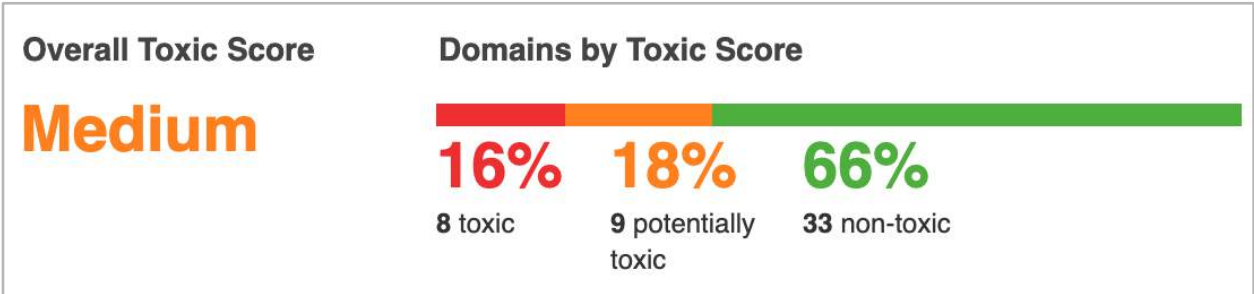
Paid Traffic

- No significant paid search has ever been done

Backlink Analysis

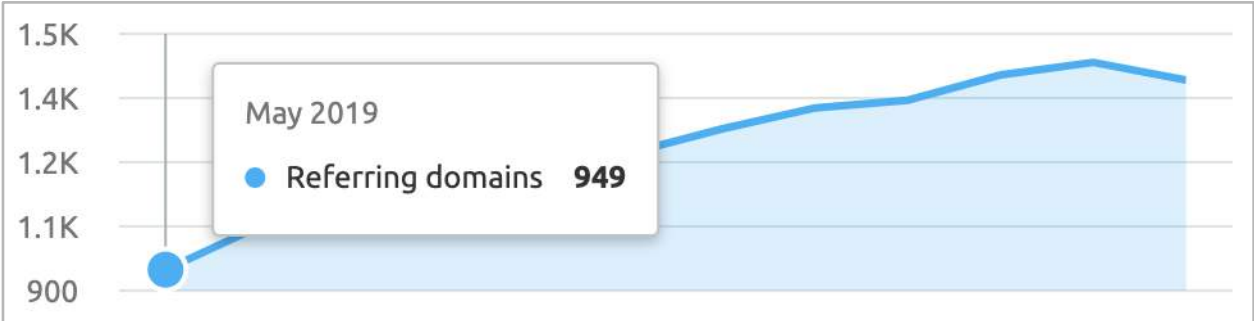
- **Number of Backlinks:** 17,500. Good.
 - This is down 13% from 1 year ago - somewhat abnormal
 - 94% are text links, which is a bit higher than normal
 - 51% of backlinks are "dofollow", which is normal
- **Toxic link score:** Medium. Between 16% - 34% of backlinks are from potentially toxic sources. This can negatively affect SEO.
- **PBN:** We found no evidence the Business is utilizing any Private Blog Networks (PBN), which can negatively affect SEO.

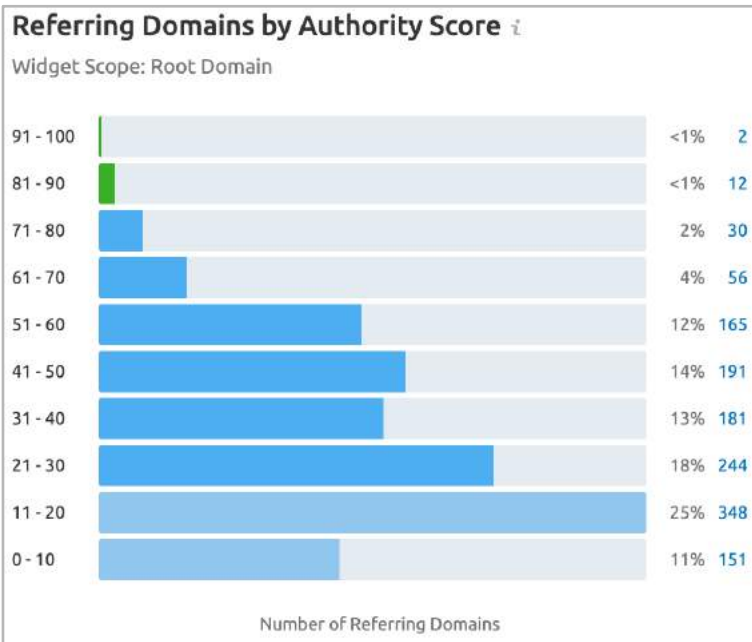




Referring Domains

- **Number of Referring Domains:** 1,392. Pretty good
 - This is up 46.7% over the past year
 - Majority of domains are from the US (62%). Pretty good international spread
 - Although the site has a pretty good number of referring domains, many of them are from lower-quality sites. About 75% of referring domains are sites which have a lower quality score than SampleBusiness.com.





Top Countries *i*

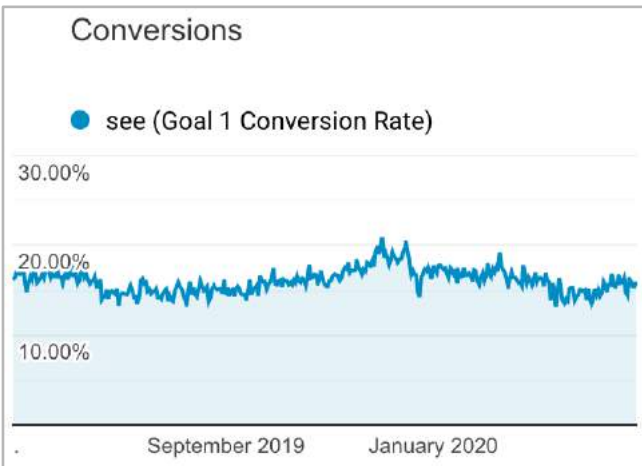
Country	Referring Domains
United States of America	62% 1,120
Canada	3% 46
France	2% 36
Germany	2% 36
United Kingdom	2% 31

- Referring IPs
 - Referring domains live across 1,793 referring IPs, or 1.29 IP addresses per referring domain. This indicates the site is receiving backlinks from a fair number of domains that share the same IP address.
- Top referring domains. These are the top referring domains by number

- yyy.com (1,511 backlinks)
- yyy.com (888)
- yyy.com (714)
- yyy.com (666)
- yyy.com (639)

Conversion Rate

- The conversion rate is defined as percentage of users who click an affiliate link
- Over the past 12 months, the conversion rate has remained steady at around 15% - 16%



Blacklists & Penalties

- **Blacklists:** The site has not had any blacklists
- **Penalties:** In March/April of 2019, a Google algorithm update significantly affected the site's organic traffic. Rather than a sudden drop, this algorithmic penalty began a slight downward trend on organic traffic which the site has never fully recovered from.



Sales & Marketing

Customer Acquisition Cost

- The customer acquisition cost (CAC) is how much it costs to acquire each new customer. It is defined as $(\text{Marketing Expenses}) / (\text{Customers Acquired})$
- In 2019, the Business had a CAC of **\$0.22**, which is very reasonable.

Average Order Value

- The average order value (AOV) is defined as the average dollar amount a customer spends each time they place an order.
- In 2019, the Business had an AOV of **\$57.67**

Top Sellers

- Since the beginning of 2020, the top 10 pages account for 53.82% of revenue
- The top page accounts for a whopping 34.20% of revenue

Rank	Page	Conversions	Value
1.	/sample-page	29,602(20.38%)	\$2,781,302.00(34.20%)
2.	/sample-page	13,494(9.29%)	\$357,671.00(4.40%)

3. /sample-page	6,971(4.80%)	\$144,644.00(1.7
4. /sample-page	6,349(4.37%)	\$210,002.00(2.58%)
5. /sample-page	5,966(4.11%)	\$203,758.00(2.51%)
6. /sample-page	3,693(2.54%)	\$225,741.00(2.78%)
7. /sample-page	3,052(2.10%)	\$147,070.00(1.81%)
8. /sample-page	2,983(2.05%)	\$53,854.00(0.66%)
9. /sample-page	2,552(1.76%)	\$34,213.00(0.42%)
10. /sample-page	2,420(1.67%)	\$224,191.00(2.76%)

Revenue Consistency

- Like nearly all ecommerce businesses, SampleBusiness.com has an extremely high seasonality effect.
- Over the past 2 years, SampleBusiness.com has seen a 1.7x in revenue during the month of December.

Profit Margin

- The business has averaged 73-77% gross margins over the past 3 years, and gross margin is increasing:
 - 72.7% in 2017
 - 75.9% in 2018
 - 76.2% in 2019
- Most businesses of similar size & character average between 65-70% gross profit margin. So compared to similar businesses, SampleBusiness.com is above average.

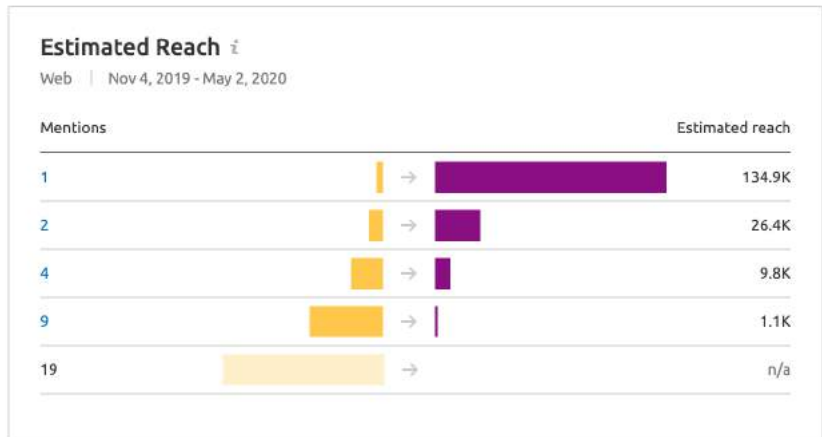
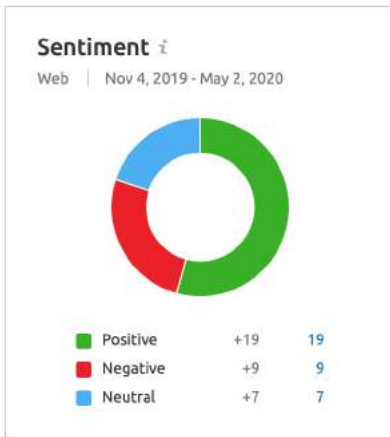
Monetization Efficiency

- This proprietary metric measures how effectively the site converts traffic into revenue. Similar to RPM, it shows the impact on revenue that an increase in traffic can have.
- SampleBusiness.com has a monetization efficiency score of **48.7**, which is right in the middle of comparable sites.

Email List

- 16,000 subscribers, never emailed.
- Lots of opportunity to market to this group. However, the email addresses should be scrubbed & cleaned first

Brand Monitoring



Operations & Legal

Employees

- XXXXXXXXXXX: Partner with 38% ownership. Takes a salary.
- XXXXXXXXXXX: Partner with 42% ownership. Takes a salary.
- XXXXXXXXXXX: Partner with 20% ownership. No salary, paid hourly

Contractors

- Various contractors and virtual assistants. No salary, paid hourly or on commission
- Names and roles:

Contractor	Role	Cost
XXXXXXXXXX	Inactive	N/A
XXXXXXXXXX	PR, Backlinks	
XXXXXXXXXX	Tips, "Faves" (Faves = writing out product details)	\$0.03 cents per word
XXXXXXXXXX	Faves	\$15 per fave
XXXXXXXXXX	Social and Photo	\$500 - \$600/month (full time)
XXXXXXXXXX	Editing	\$25/hour
XXXXXXXXXX	Faves	\$100/month

Content

- 600 articles, all uniquely written
- Of the top 20 traffic articles, the Seller rewrites them to keep them fresh.

Daily Tasks

- XXXXXXXXXXX & XXXXXXXXXXX: Plan out articles to write using keyword research. They then create an outline of each article, and assign the article to an editors (3-4 hours/week)
- **Researcher:** Researches related products on Amazon & through the affiliate network for the best products to include
- **Affiliate editor:** Updates all the links manually. Uses Geniuslink to help automate international links.

- **The editor:** Writes the article, and goes through the QA process.
- **Final editor:** Makes sure content is top-notch, adds photos & graphics, then publishes the article & promotes on social media.
- **XXXXXXXXXX (PR person):** Works on gaining links via outreach. She utilizes “pay to play” PR, and has a rolodex to help her build backlinks. She has a capped hourly rate, along with a flat payment for each link/PR relationship she brings in.
- **XXXXXXXXXX (developer):** Performs maintenance on the website if necessary

Legal Analysis

- No licenses are needed to operate the business?
- No current or past lawsuits, patent infringements, or other hidden legal issues
- Occasionally a manufacturer or retailer will ask to have a product taken down.

Violations and Warnings

- No past or current policy violations or warnings. The Seller is complying with Amazon policies, and has a good relationship with their Amazon Account Manager.
- Business has removed pricing from all blog posts, so as not to have to deal with repricing issues, or get in potential trouble with manufacturer advertised price (MAP) violations

Contract Validation

- The Business is currently categorized by Amazon as Premium Associates Partner. This means the Seller has a special relationship with Amazon which gives them higher payout rates, unaffected by the recent rate cuts.

Geographic Considerations

- Business can be run from anywhere. No issues should arise if the business were to be run from another location.
- High taxes in CA cut into net income. Business has paid \$12,866/year over the past 3 years. A new buyer could potentially save lots of money on taxes if located elsewhere.

Industry & Competition

Industry

- The men’s grooming industry, is defined as Hair Care Products, Skin Care Products, Shave Care Products, Fragrances, and more.
- The industry is projected to grow at a compound annual growth rate (CAGR) of 5.5% during 2020 - 2022, to \$166 billion.
- The market is driven by the increasing consciousness among male consumers on personal wellness and appearance. There has also been a rising societal pressure to always look good, thus fueling the grooming products available for men.
- Rapid innovations and frequent launches of various grooming solutions are offering tremendous growth potential to the market. Factors such as rising penetration of e-commerce and social media are contributing to the growth of the global market.
- Asia-Pacific is expected to generate maximum revenue. Skincare and Oral care are expected to be the fastest growing market

Competition

- **Top competitors as defined by the Seller**
 - yyy.com
 - yyy.com
 - yyy.com
 - yyy.com
 - yyy.com
 - yyy.com

- **Top competitors by organic keywords**

yyy.com	12%
yyy.com	10%
yyy.com	9%
yyy.com	8%

yyy.com	7%
yyy.com	6%
yyy.com	5%
yyy.com	5%
yyy.com	5%
yyy.com	5%

- **Monitoring & Communication**
 - The owners monitor competition semi-regularly
 - There is no communication with any competitors, nor have there ever been any lines of communication in the past

Growth Opportunities

- **Content:**
 - Increase the frequency of articles. Produce more articles (at least 2 per week) and focus on those with higher commission rates
 - Rewrite 2 additional articles per week.
 - Look for underperforming articles. When something falls from page 1 to page 2, rewrite the article.
 - Google likes fresh content. Change the headline, change the intro, change the tips.
 - If you don't see movement in rankings after 2-3 months, consider it dead, and either rewrite the article targeting different keywords, or move to a slightly different topic.
 - Update products. Most articles are optimized for the right products, but there is always room for improvement.
- **SEO:**
 - [Implement these SEO optimization ideas](#)
 - [Fix outstanding SEO issues](#)
 - An expert in SEO could also help recover the traffic that it once had. SEO efforts have a long payback period, so dedicate more time to SEO now to outperform the competition in the future.

- **Link building:**
 - The Business waited too long to focus on this, only beginning after the algorithmic penalty in 2019.
 - Allocate a specific budget for SEO/PR link building.
 - Partner with larger/high traffic websites that can leverage SampleBusiness.com's articles will lead to an even higher Authority Score and stronger SEO
- **Email marketing:** Despite a mailing list of over 16,000 users, the Business did almost no email marketing. The database has been collecting opt-in email addresses over the years, and thus represents huge untapped potential.
- **Social media marketing:** While Pinterest promotions are bringing in decent traffic, almost nothing is being done with Facebook, Twitter, Instagram, and other social networks. There is a big opportunity here to leverage site traffic into social media followers, and promote products accordingly.
- **New categories:**
 - Explore categories the Business hasn't been good at, that yield higher commission, or are less competitive.
 - For example, hosting, software, and technology typically have very high commission rates.
 - Women's categories typically have less competition.
- **More niche sites:**
 - Google prefers niche sites to broad sites. This is why the Business created the spinoff sites.
 - These are off to a good start, but not much effort has been put into them. Put more effort into each of these niche sites, and experiment with creating new ones.
- **Facebook & Google ads:** Promote higher-paying articles on Facebook and Google during key buying periods (Christmas, Father's Day, etc) to drive more revenue.
- **Dropshipping:** Mix in some dropshipping to replace affiliate links in order to improve margins

Pricing

The seller's asking price is **\$400,000**. Based on 2019 revenue of \$211,394, this represents a multiple of **1.89x** annual net profit.

To estimate an optimal offer price, we take into consideration a blend of factors. We then compare this data to sites of similar character, and perform this analysis on data over the past 12 months.

Since the Business performance changed drastically in the wake of the algorithmic penalty, we've performed two separate analyses:

- One based on the past 12 months (which includes the months where expenses were elevated)
- One based on the past 8 months (which excludes these elevated expense months)

Based on the Past 12 Months

- Based on Standard multiple: \$450,960
- Based on Median multiple: \$450,960
- Based on Profit per 1,000 pageviews: \$521,473
- Based on Profit per 1,000 uniques: \$876,200
- Based on Profit per 1,000 non-bounce pageviews: \$455,025
- Based on Profit per 1,000 non-bounce organic users: \$532,290

- Blend of Values: \$550,824
- Blend of Multiple & Traffic Averages: \$528,113

- Final Blended Average: \$539,469
- Effective Multiple: 2.7

Based on the Past 8 Months

- Based on Standard multiple: \$597,667
- Based on Median multiple: \$574,680
- Based on Profit per 1,000 pageviews: \$586,174
- Based on Profit per 1,000 uniques: \$876,200
- Based on Profit per 1,000 non-bounce pageviews: \$455,025
- Based on Profit per 1,000 non-bounce organic users: \$532,290

- Blend of Values: \$592,889
- Blend of Multiple & Traffic Averages: \$591,210

- Final Blended Average: \$592,050
- Effective Multiple: 3.0

Risk Assessment

- **Marketing expense risk:**
 - Marketing expenses have been dialed back in recent months in preparation for the sale. This is not an immediate concern, as the revenue risk of easing back on SEO is small.
 - However, since the site is highly dependent upon organic traffic, any sustained decrease in SEO efforts will likely cause the organic to fall over time.
 - Risk level = Low.
- **Organic traffic risk:**
 - Businesses like these are always at the whim of changes to Google's algorithm.
 - Changes can happen suddenly and without warning, and have drastic effects on a site's traffic, which can take months or even years to recover from.
 - Risk level = Medium
- **Amazon risk:**
 - The Business is categorized by Amazon as Premium Associates Partner. Affiliate rates for SampleBusiness.com have not been affected by the [recent commission cuts made by Amazon](#).
 - However, the Business is extremely dependent upon Amazon.com for revenue. While the Business is protected from the recent rate cut, there is no guarantee how long this will remain the case. Future cuts to the affiliate commission rate card could have drastic effects on revenue.
 - Risk level: Low/Medium
- **Page dependency risk:**
 - The top page accounts for 16% of site traffic, and a whopping 34.2% of revenue.

- While there is no reason to believe this page will lose its authority or ranking in the future, the fact that it *could* lose it means a heap of the Business income is dependent upon this page
- **Risk level: Medium**
- **Asset transfer risk:**
 - Typically, there is very little risk when transferring Amazon Associate accounts. The Seller has reached out to his Amazon Account Manager, who can confirm the process and potentially assist with any issues.
 - Once the Seller is in touch with the Amazon Account Manager, it would be wise to confirm the special protected rates are tied to the *website*, not the tax ID.
 - **Risk level: Low**
- **Coronavirus risk:**
 - Like many other businesses, the Business saw a big crash after the global onset of COVID-19. The site had its lowest traffic in a long time, and March revenue was 21% lower than February, and 33% lower than January.
 - Because people around the world were stuck at home, they didn't care as much about how they looked, and thus didn't perform as many searches for apparel, or grooming products.
 - However, the conversion rate and RPM mostly stayed the same. And as the world begins to normalize, traffic should pick right back up. April's traffic & revenue is back up to February levels, indicating the bottom has come and gone.
 - **Risk level: Low**

Recommendations and Next Steps

- The Business is priced well. The initial asking price is a reasonable starting point for negotiations.
- Be sure to get into communication with the Amazon Account Manager to confirm there would be no issues transferring the Business