Enhanced Report example

Project XYZ
Draft due diligence report
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Disclaimer</td>
<td>3</td>
<td>→</td>
</tr>
<tr>
<td>General Overview and Remarks</td>
<td>4</td>
<td>→</td>
</tr>
<tr>
<td>Business Overview</td>
<td>6</td>
<td>→</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>7</td>
<td>→</td>
</tr>
<tr>
<td>Seller Details</td>
<td>12</td>
<td>→</td>
</tr>
<tr>
<td>Financial Analysis</td>
<td>13</td>
<td>→</td>
</tr>
<tr>
<td>Traffic Analysis</td>
<td>17</td>
<td>→</td>
</tr>
<tr>
<td>Sales and Marketing Analysis</td>
<td>28</td>
<td>→</td>
</tr>
<tr>
<td>Industry and Competitive Analysis</td>
<td>29</td>
<td>→</td>
</tr>
<tr>
<td>Operations and Legal Analysis</td>
<td>30</td>
<td>→</td>
</tr>
<tr>
<td>Pricing Analysis</td>
<td>31</td>
<td>→</td>
</tr>
</tbody>
</table>
Legal Disclaimer

Important: The attached report was prepared solely for informational purposes in connection with the potential acquisition of the business it describes, and should not form the basis of, or be relied on in connection with, any investment decision or any contract or commitment whatsoever with respect to a proposed acquisition, or otherwise.

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General Overview and Remarks (1/2)

Terminology

Throughout this document, the following terminology is used:

- **Client**: The person or company who commissioned Flippa to provide a risk assessment report on the Business. The Client’s name is stated on the title page.
- **Flippa.com or Flippa**: A Limited Liability Company.
- **Flippa, We**: Flippa.com as a whole or its employee(s) who were actively involved in completing the Report and carrying out the related research.
- **Report**: This risk assessment report, completed by Flippa.com on request of the Client.
- **Business, Website, XYZ**: The Business being analyzed by Flippa on request of the Client.
- **XYZ**: Web-site, subject of sale.
- **Sellers, Business Owners**: The current owners of the Business, Tom and Joanna, as advised by the Client.
- **Public Information**: Any information that is available in the public domain, including but not limited to information made available publicly on the Internet or through service providers accessible to the general public.
- **Sale Agreement**: A document outlining the terms and conditions of the sale, which is signed by Buyer and Seller prior to sale completion.

Methodology

- We have used in the Report information provided by the seller to Flippa, Google Analytics account of the Seller, answers received from the Seller during two calls in July 2020 and publicly available information.
- 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.

Information and Documentation Collected by Flippa.com

Below is a breakdown of all documentation, information, and materials provided to Flippa.com by the Seller. All of the conclusions drawn throughout the Report are based on this information. Where references to attachments or appendices are made, these attachments or appendices are added to the Report as-is and are not changed or otherwise manipulated by the Analyst.

Public Information

In order to complete our conclusion and the Report, we have analyzed the following publicly available information sources:

- Google search results for search terms related to the Business and the Seller
- Content made available by the Business
- Various publicly available tools*, such as Open Site Explorer, and others.
- Various publicly available databases*, such as the US and EU trademark databases, public databases of blacklisted email and IP addresses, and others.
General Overview and Remarks (2/2)

### Information and Documentation Collected by Flippa.com

#### Information Provided by Seller
The following information has been provided to Flippa by the Seller:

- Access to XYZ Google Analytics account.
- Sales and costs data.
- 10 sales and 10 cost invoices selected by Flippa from sales and costs data provided by the Seller

#### 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.
- We have made the following effort to achieve the highest degree of verification:
  - Accessed XYZ Google Analytics accounts.
  - Analyzed information from XYZ Google Analytics against other information provided by the Seller.
  - 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 & expenses (source documents, such as invoices, bank statements), contracts with suppliers, confirmation of registration of product and trademark.
- Please note that the Seller has not provided us with the following requested information:
  - Bank statements conforming sales and costs for selected invoices.
  - Sales information by customers and type of customers.
  - Tax returns or draft calculation of taxes related to XYZ.
Business overview

Information about the business

- The Business is selling advertisement to clients (e.g. hotels, restaurants, etc.), which is being placed in the Website and XYZ Social Media platform. Clients are paying for advertisement to bank account of the company run by the Sellers based on invoices issues by the Business.
- The Business attracts clients based on high organic traffic and number of subscribers in Social Media (Pinterest, Facebook, Instagram).
- Banner Ads., Directory Listing, Dedicated Posts and Combined Campaigns (combination of Banner Ads. and / or Directory Listing and / or Dedicated Post) are the key services provided by XYZ to clients.
- The site is Website is based on WordPress platform.

Key figures

Enterprise value of
$75k
which based on the 12 months ending June 30, 2020 net profit equals to a multiple of 1.99x annual earnings.

Number of monthly average unique visitors
18.2k for 12 months ending June 30, 2020 compared with
21k for 12 months ending June 30, 2019

75 Directory listings, 4 regional advertisers, 11 banner advertisers and 5 social media campaigns as of July 8, 2020.

Transaction perimeter

- Brand assets (Brand is not registered)
- Customer databases
- Domains
- Hosting accounts
- Marketing materials and collateral
- Policy and Process documents
- Relevant email accounts
- Social media accounts
- Vendor contacts
- Website files, source code and content

Social media

- Pinterest: 310k followers / 2.3m views p/m
- Facebook: 17,345 followers
- Instagram: 35k followers
- Email subscribers: 1,315

Key links

- Web-site
- Pinterest
- Facebook
- Instagram
Executive summary

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Recommendation</th>
<th>Risk Level</th>
</tr>
</thead>
</table>
| Quality of information | Information not provided:  
  • The most important information not provided by the seller includes:  
    • Bank statements conforming sales and costs for selected invoices.  
    • Sales information by customers and type of customers.  
    • Cost data from July 1, 2017 till December 31, 2018.  
  • The Seller refused to provide sales information as it contains sensitive business information (i.e. names of clients) and cost information because he could not prepare it short due diligence period.  
  • No explanations were provided with respect to not provided bank statements.  
| Verification of information provided:  
  • We were provided with 10 selected invoices confirming sales.  
  • We were provided with 10 selected invoices confirming costs, however 3 out of 10 invoices provided were MS Word documents with only bank account information and amount due by XYZ. Invoices provided in such format gives limited assurance, however taking into account that freelancers are private entrepreneurs or can even not be registered as private entrepreneurs they may not provide invoices in other form. |  
| Verification of financials provided to Flippa:  
  • Please note that financials presented by the Seller to Flippa slightly differs from financials disclosed during the Due Diligence, please see the summary in the table below.  
  • Immaterial difference in sales and costs is due to (i) estimated data provided to Flippa, whereas during Due Diligence precise data were provided and (ii) difference in exchange rates used to convert Business functional currency, EUR, into USD. |  

Profit and Loss Statement for 12 month ending May 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>A. Financials provided by the Seller to Flippa</th>
<th>B. Financials provided by the Seller during the Due Diligence</th>
<th>Difference (A-B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>45,933</td>
<td>45,704</td>
<td>229</td>
</tr>
<tr>
<td>Costs</td>
<td>(9,561)</td>
<td>(9,415)</td>
<td>(146)</td>
</tr>
<tr>
<td>Net profit</td>
<td>36,372</td>
<td>36,289</td>
<td>83</td>
</tr>
<tr>
<td>Net margin</td>
<td>79%</td>
<td>79%</td>
<td>0%</td>
</tr>
</tbody>
</table>

• Obtain bank statements to get comfort around sales, costs and margins generated by the Business.
# Executive summary

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
<th>Recommendation</th>
</tr>
</thead>
</table>
| **High**   | Macroeconomic Risk  
  - Due to COVID-19 pandemic, imposed respective public gathering and travel limitations tourists were postponing trips or were choosing location in their countries, which has a negative impact on travel businesses in Italy.  
  - Negative impact of pandemic on travel related businesses in Italy may lead to decrease in demand for respective advertisement and may have impact on the advertisement prices.  
  - In mid-June 2020 European Union has opened borders for non-essential travel for EU citizen, however travel from US was still a subject to strict limitations as of June 13, 2020. Taking into account that Website visitors from US accounts for appx. 30% of total visitors it can have a negative impact on traffic.  
  - Please note that 3 months traffic in April – June was 48k visitors, which is the lowest 3 months level for the last 3 years.  
  - Except for travel and public gathering related limitation, COVID-19 pandemic will have a significant negative impact on households disposable income due to global GDP decline and growing unemployment. According International Monetary Fund forecast global GDP will decline by 4.9% in 2020, whereas GDP of US, UK and EU may decline by 8%, 10.2% and 10.2%, respectively.  
  - Please note that earnings generated by the Business for 12 months ending June 30, 2020, does not fully reflect the negative impact of COVID-19 pandemic on earnings as 12 months ending June 30, 2020 included Banner Ads. prepayment for 2020, which accounts for 34% of 12 months sales. | Consider negative impact of COVID-19 on advertisement sales in 2020 and subsequent periods for Business Valuation. |
| **Low**    |             |                |

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Example Report prepared by OGS Capital for Flippa.com customers
## Executive summary

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Recommendation</th>
<th>Risk Level</th>
</tr>
</thead>
</table>
| **Traffic, Sales & Marketing Risk** | • According to the Sellers, they were not investing enough time in marketing and promotion as they were more focused on development of other business.  
• Underinvestment in XYZ had a negative impact on the traffic and sales, which are declining since June 2017 (period from which sales data are available).  
• Sales declined by 13% for 12 months ending June 30, 2019 and by 17% for 12 months ending June 30, 2020 compared to previous 12 months.  
• Please Financial Analysis and Traffic Analysis sections of the Report for more details.                                                                 | • Consider additional investment in marketing and content creation to increase traffic and sales.          | H          |
| **Growth Risks and Opportunities** | • The key growth risks relates to:  
  • impact of the COVID-19 on the travel related business as described in the Macroeconomic Risk and,  
  • growing competition.  
• The Business also has growth opportunities based on available platforms, which represents:  
  • Well designed Website, which appears in the top organic search. Please refer to Traffic Analysis for more details.  
  • Significant number of subscribers in Pinterest, Facebook and Instagram.  
• The main growth opportunities includes:  
  • Growth of the traffic and advertisement attractiveness for clients by investing in promotion, adding more content to Website and Social Media pages. According to the Seller there were no marketing and promotion campaigns in last few years as owners were spending less time to promote the Website, therefore growth opportunities are available by investing and enhancing available platforms.  
  • Broaden the audience and obtain attractiveness for clients from other countries by adding information about other travel locations, such as Spain, France, Portugal, etc.  
• Please note that there are 5 banners out of 40 available for sales to clients till the end of 2020. Also Banner Ads. for 2021 has not yet been sold, therefore the Buyer can obtain cash from the sale of all 40 banners after the acquisition of the Business. | • Consider impact of growth risks as well as opportunities on sales in 2020 and subsequent periods for Business Valuation. | H          |
## Executive summary

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Recommendation</th>
<th>Risk Level</th>
</tr>
</thead>
</table>
| **Net profit and Profit Margin Risk** | • Based on sales data provided by the Seller and cost estimates based on level of costs for 12 months ending June 2020 we estimated that net profit margin for 12 months ending June 30, 2019 was appx. 79-80%. Slightly higher margin of 82% in 2020 was due to lack of freelancers costs in April – June 2020, whereas COVID-19 impact was not fully reflected in sales.  
• Temporarily ceased cooperation with freelancers was a cost saving measure as the Sellers are willing to sell the business, therefore are reluctant to spend on business development, especially during time of uncertainty driven by the pandemic.  
• We have identified that for 12 month ending June 30, 2020 the Business generated sales from Brand Consulting and from Speaking on tourism related fairs, which is driven by knowledge and reputation of current owners. Those sales might potentially be non-recurring if the new owner does not posses required knowledge and reputation in the market.  
• Level of potential non-recurring sales are presented in the table below. | • Consider 79-80% gross margin as a normal margin level for Business Valuation purposes.  
• Consider exclusion of potential non-recurring sales related to Business Consulting and Speaking for Business Valuation purposes. | **H** |
| **Social Proof Risk** | • Website has a high ranking in organic search, Social Medial Pages are also active and have high number of subscribers, therefore we have not found any major Social Proof Risks. | • Not applicable | **L** |

### Potential non-recurring sales

<table>
<thead>
<tr>
<th>12m ending Juny 30, 2018</th>
<th>12m ending Juny 30, 2019</th>
<th>12m ending Juny 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Consulting</td>
<td>947</td>
<td>5,952</td>
</tr>
<tr>
<td>Speaking on tourism related fairs</td>
<td>-</td>
<td>616</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>947</strong></td>
<td><strong>6,568</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H</strong> - High</td>
</tr>
<tr>
<td><strong>M</strong> - Medium</td>
</tr>
<tr>
<td><strong>L</strong> - Low</td>
</tr>
</tbody>
</table>

Sensitive business information is hidden in this example Report.
## Executive summary

| Risk                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Recommendation                                                                                                                                                                                                 | Risk Level |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| **Operational Risk**    | • The Business is based on knowledge, skills and enthusiasm of the owners who are bringing new ideas and aspirations.  
• According to the Sellers, once they refocused on other business it had a negative impact on traffic and sales, therefore new owner will have to invest time and money to develop the Business.  
• Per Sellers, time required to run the business is approximately 25-40 man hours a week. Please note that this time estimate is for Sellers who are working in the business for 10 years.  
• Please note that average monthly net profit for 12 months ending June 30, 2020 was $[ ]k, which brings limited opportunity to hire additional staff to run the Business after the acquisition. | • Time and knowledge required to run the Business after acquisition should be carefully considered.                                                                                                                                                                                                                                                                   | H          |
| **Suppliers Risk**      | • There are no agreements with suppliers, all services are provided on an invoice basis.  
• Please note that the freelancer who was providing blog content creation services is an important asset to maintain high quality content on the Website. The freelancer was not available due to personal matters for a few months in 2019, however the Sellers did not find a proper substitute, therefore were working on content for the Website by their own.  
• The Sellers has temporarily stopped paid cooperation with the freelancer in April 2020 in order to save costs during COVID-19. Her services were substituted by interns, who are working for free. | • Consider confirmation of availability of the blog post creation freelances to cooperate with the XYZ after acquisition.                                                                                                                                                                                                                                         | M          |
| **Legal Risk**          | • XYZ brand name is not registered.                                                                                                                                                                                                                                                                                                                                                                                                  | • Consider registration of the brand after the acquisition.                                                                                                                                                                                                                                                        | L          |
| **Assets Transfer Risk**| • Please note that the list of assets included in the deal contain brand assets, however XYZ brand is not registered.                                                                                                                                                                                                                                                                                                                                                                            | • Verify available brand assets before the deal.                                                                                                                                                                                                                                                             | L          |
Communication with the Seller

- Throughout our communication with the Seller, he demonstrated cooperation and willingness to comply with our requests, however part of the information was not provided. Please refer to the Executive Summary with the list of important information not provided and comment provided by the Sellers in this respect.

Seller Details

Personal details
- Name: Tom
- Phone number: XXXXXX
- Location: Toronto, Canada
- Email address: XYZ@.com
- Government-issued ID: Passed
  - Summary
  - Key Findings
  - Face Match

Duplicated accounts
- Sift score: 35.3%
- Location check: Passed
- 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

Other key employees
- Joanna - co-owner / editor. Responsible for content creation and business development.
- Tom - co-owner. Responsible for IT, directory listing and business development.
- Freelancer responsible for Website content creation can be considered as an important employee as the Sellers did not find a proper substitute for her during her temporarily few months absence in mid-2019.

Competing Business Interests
- Seller does not have other business interests, which are considered competing interests.
- The Sellers own Red Ltd, which also runs two websites:
  - www.red_123.com
  - www.redadvisors_123.com
Financial Analysis

Summary of Financials

- For 12 months ending June 30, 2020 the Business generated $37.8k net profit (82% profit margin).
- Please note that financials of the Business are maintained on the cash basis, therefore sales presented in the period when cash was received from clients or paid to suppliers, not in the period when services were provided. It means that Profit and Loss Statement presented below equals to Cash Flow Statement of the Business.
- We have not been provided with cost breakdown for July 2017 – December 2018, therefore financials for 12 months ending June 30, 2018 and June 30, 2019 cannot be presented.
- Based on the information provided by the Seller, we understand that normal level of monthly costs, excluding cost of the time spend by owners, to maintain current level of sales is ca. $1,070. According to the Sellers, time required to run the business is approximately 20-36 man hours a week. Please note that this time estimate is for Sellers who are working in the business for 9 years, therefore new owner may need more time at the beginning.
- Recurring costs include:
  - Cost of 2-3 freelancers, who generate content for the Website, Social Media and perform administrative tasks.
  - Cost of software licenses, excluding costs of [ ] CRM of $190 per month.
- Please note that if the Buyer needs a CRM system additional costs should be taken into account. As per the Seller the CRM is not necessarily needed as accounts can be maintained in MS Excel.
- Based on sales data provided by the Seller and cost estimates based on level of costs for 12 months ending June 2020 we estimated that net profit margin for 12 months ending June 30, 2019 was appx. 79-80%. Slightly higher margin of 82% in 2020 was due to lack of freelancers costs in April – June 2020, whereas COVID-19 impact was not fully reflected in sales.
- Please refer to Cost Breakdown further in the Report for more details.

Profit and Loss Statement

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</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
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<tr>
<td>Cost of freelancers</td>
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<td></td>
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<tr>
<td>Software cost</td>
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<tr>
<td><strong>Total costs</strong></td>
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<tr>
<td><strong>Net profit</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$37,774</td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
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<td></td>
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<td></td>
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<td></td>
<td>82%</td>
</tr>
</tbody>
</table>

Source: Information provided by the Seller

Documentation provided

- The Sellers provided us with the breakdown of (i) sales by type of advertisement / services provided to clients and (ii) costs by nature.
- Please note that all sales presented in the report are net of VAT.
- Sales data of the Business are maintained in the [ ] CRM, developed by [ ].
- Please refer to Costs Verification and Sales Verification part of Financial Analysis for details of verification process.
Financial Analysis

Revenue breakdown

Sales structure by type of ads / services

- Sales Structure - Banner Ads., Directory Listing, Dedicated Posts and Combined Campaigns (combination of Banner Ads. and / or Directory Listing and / or Dedicated Post) are the key services, which accounted for over 96% of total sales for 12 months ending June 30, 2018 and 2019 and for 85% of total sales for 12 months ending June 30, 2020. Please note that for 12 months ending June 30, 2020 sales structure is distorted compared to previous periods due to non-recurring other sales, such as Brand Consulting and Speaking fees.

- Other services provided by the Business includes:
  - Brand Consulting – consulting services related to promotion of customer’s brand. Brand consulting services generated $6k of revenue for 12m ending June 30, 2020, none for 12m ending June 30, 2019 and $0.9k for 12m ending June 30, 2018. Taking into account that consulting services are non-recurring and driven by expertise of the Sellers, rather than generated by the website itself, we recommend to consider exclusion brand consulting related sales from Net Profit for Business Valuation.
  - Speaking on tourism related fairs - due to reputation of the Sellers they were invited to participate as speakers on fairs. Please note that the Sellers were invited to the fairs due to reputation in tourism market, therefore that type of revenue might be non-recurring after transfer of the Business to a new owner.
  - Social Media Campaign – relates to consulting with respect to promotion of tourism related service in Social Media.
  - Admin fees relates to change of customer’s data, such as legal name or link to the website, in Directory Listing, Dedicated posts, etc. in the Website.

Revenue Verification

- Please note that sales data presented in the report are based on financials provided by the Seller in excel format on invoice by invoice basis. According to the Seller, sales breakdown was generated based on the CRM system [ ].

- In order to verify sales we have requested scan-copies of 10 invoices selected by us based on the list of all sales invoices and scan-copies of respective bank statements.

- We were provided with 10 selected invoices, however client names and other client related information was blanked.

- We were not provided with bank statements confirming inflows related to 10 selected invoices.

- Please also note that the Seller refused to provide (i) sales by client, (ii) comment on the concentration of clients, and (iii) comment on clients retention rate.

---

DRAFT Due Diligence Report - 30 July 2020
Financial Analysis

Revenue breakdown

Sales development by type of ads / services ($)

<table>
<thead>
<tr>
<th>Month</th>
<th>Combined Campaigns</th>
<th>Banner Ads</th>
<th>Directory Listing</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>12m ending Jun 18</td>
<td>$63,513</td>
<td>$55,515</td>
<td>$46,153</td>
<td></td>
</tr>
<tr>
<td>12m ending Jun 19</td>
<td>$55,515</td>
<td>$46,153</td>
<td>$37,013</td>
<td></td>
</tr>
<tr>
<td>12m ending Jun 20</td>
<td>$46,153</td>
<td>$37,013</td>
<td>$37,013</td>
<td></td>
</tr>
</tbody>
</table>

Source: Information provided by the Seller

Monthly sales development ($)

- 12 months ending June declined by 13% in 2019 and by 17% in 2020.
- Please note that According to the Sellers, Banner Ads., has not yet sold for 2021 and there are still 3 Banners out of 36 not sold for 2020, therefore the Buyer can get cash from sales of Banner Ads., after the acquisition of the Business.

Reporting of sales:
- Please note that revenue is recorded by the Business on the cash basis (i.e. when cash is received from the customer), which distorts the distribution of revenue through periods, especially for Banner Ads., and Directory Listing.
- Banner Ads., and Directory Listing are usually provided for 12 months and paid in advance. For example, in July 2019 the Sellers sold 12 months Banner Ads. (please see in the chart below), which started in 2020, therefore sales were reported in 2019, whereas services to be granted through 2020.
- Please also note that in March 2018 the Sellers sold Banner Ads., for 2019, which resulted in respective sales peak.

Sales development
- According to the Sellers, they stopped actively developing the Business few years ago due to focus on other businesses, which had a negative impact on traffic and sales. Growing competition in the market and new tourism blogs also have a negative impact. As per Seller, some new blogs are offering free advertisement for hotels, restaurants, etc., to attract clients and generated content interesting for couples to increase traffic.
- Both traffic and sales are constantly declining since July 2017. Please refer to Traffic Analysis for more details.
- 12 months sales ending June declined by 13% in 2019 and by 17% in 2020.
- Please note that According to the Sellers, Banner Ads., has not yet sold for 2021 and there are still 3 Banners out of 36 not sold for 2020, therefore the Buyer can get cash from sales of Banner Ads., after the acquisition of the Business.
Financial Analysis

Costs breakdown

- **Cost structure:**
  - Cost of freelancers responsible for creation of content for the Website accounted for 94% of total costs for 12 months ending June 30, 2020.
  - Remaining costs (6% in total costs) relates to web hosting and software licenses.

- In April 2020, at the start of the COVID-19 pandemic, the Sellers stopped paid cooperation with all freelances. Services provided by freelancers were substituted with interns, who are working for free.

- Except for web hosting and software specified in the table below (MS Office, [ ], Skype) the Sellers are also using [ ] CRM, which costs $220 per months. According to Sellers CRM is not necessarily needed to run the Business as financials can be maintained in MS Excel.

- Please note that we have not been provided with cost breakdown for July 2017 – December 2018 required to compare cost for 12 months ending June 30, 2020 to previous periods.

### Cost by type

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Blog Post Creation</td>
<td>1,767</td>
<td>318</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,767</td>
<td>46.0%</td>
<td></td>
</tr>
<tr>
<td>Social Media Content Creation</td>
<td>413</td>
<td>401</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>413</td>
<td>43.7%</td>
<td></td>
</tr>
<tr>
<td>Email Management</td>
<td>71</td>
<td>130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>71</td>
<td>4.4%</td>
<td></td>
</tr>
<tr>
<td>Web Hosting</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45</td>
<td>2.2%</td>
</tr>
<tr>
<td>Akismet soft</td>
<td>62</td>
<td>107</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>62</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Office 365 Subscription</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Skype</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>0.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software costs</td>
<td>11</td>
<td>73</td>
<td>119</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>18</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>2,180</strong></td>
<td><strong>719</strong></td>
<td><strong>803</strong></td>
<td><strong>1,029</strong></td>
<td><strong>610</strong></td>
<td><strong>543</strong></td>
<td><strong>1,001</strong></td>
<td><strong>1,002</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>7,886</strong></td>
<td><strong>94.1%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Information provided by the Seller

Costs Verification

- In order to verify costs we have requested scan-copies of 10 invoices selected by us based on the list of all invoices and scan-copies of respective bank statements.

- We were provided with 10 selected invoices, however 3 out of 10 invoices provided were MS Word documents with bank account information and amount due by XYZ. Invoices provided in such format gives limited assurance, however taking into account that freelancers are private entrepreneurs or can even not be registered as private entrepreneurs they may not be providing invoices in other form.

- Names of freelancers where blanked in all invoices.

- We were not provided with bank statements confirming outflows related to 10 selected invoices.
Traffic Analysis

Traffic Summary (Source: Google Analytics)
Data for June 2020

Sensitive business information is hidden in this example Report

Example Report prepared by OGS Capital for Flippa.com customers

DRAFT Due Diligence Report - 30 July 2020
Traffic Analysis

All traffic (Source: Google Analytics)
Monthly data from 1st of July 2017 till 30th of June 2020

Source of traffic in June 2020

Sensitive business information is hidden in this example Report
Traffic Analysis

Organic traffic (Source: Google Analytics)
Monthy data from 1st of July 2017 till 30th of June 2020

Data for June 2020

<table>
<thead>
<tr>
<th>Keyword</th>
<th>Acquisition</th>
<th>Behavior</th>
<th>Conversions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Users</td>
<td>New Users</td>
<td>Sessions</td>
</tr>
<tr>
<td></td>
<td>9,361 (97.4%)</td>
<td>8,954 (97.4%)</td>
<td>11,185 (98.8%)</td>
</tr>
<tr>
<td></td>
<td>9,197 (97.7%)</td>
<td>8,800 (97.0%)</td>
<td>10,040 (97.6%)</td>
</tr>
<tr>
<td>40</td>
<td>3 (0.4%)</td>
<td>3 (0.4%)</td>
<td>48 (0.4%)</td>
</tr>
<tr>
<td>3</td>
<td>2 (0.3%)</td>
<td>2 (0.3%)</td>
<td>2 (0.2%)</td>
</tr>
<tr>
<td>3</td>
<td>3 (0.3%)</td>
<td>3 (0.3%)</td>
<td>3 (0.3%)</td>
</tr>
<tr>
<td>2</td>
<td>2 (0.2%)</td>
<td>2 (0.2%)</td>
<td>2 (0.2%)</td>
</tr>
<tr>
<td>2</td>
<td>3 (0.3%)</td>
<td>3 (0.3%)</td>
<td>3 (0.3%)</td>
</tr>
<tr>
<td>2</td>
<td>1 (0.1%)</td>
<td>1 (0.1%)</td>
<td>2 (0.2%)</td>
</tr>
<tr>
<td>2</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>1</td>
<td>1 (0.1%)</td>
<td>1 (0.1%)</td>
<td>1 (0.1%)</td>
</tr>
<tr>
<td>1</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
</tbody>
</table>

Sensitive business information is hidden in this example Report
Traffic Analysis

Social Media traffic (Source: Google Analytics)

Monthly data from 1st of July 2017 till 30th of June 2020

Data for June 2020

<table>
<thead>
<tr>
<th>Social Network</th>
<th>Acquisition</th>
<th>Behavior</th>
<th>Conversions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Users</td>
<td>New Users</td>
<td>Sessions</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>% of Total</td>
<td>% of Total</td>
</tr>
<tr>
<td>1.</td>
<td>4,170</td>
<td>4,001</td>
<td>4,446</td>
</tr>
<tr>
<td>2.</td>
<td>514</td>
<td>400</td>
<td>551</td>
</tr>
<tr>
<td>3.</td>
<td>133</td>
<td>109</td>
<td>141</td>
</tr>
<tr>
<td>4.</td>
<td>18</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>5.</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>6.</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>7.</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Sensitive business information is hidden in this example Report.
Traffic Analysis

Direct traffic (Source: Google Analytics)

Monthly data from 1st of July 2017 till 30th of June 2020

Sensitive business information is hidden in this example Report
## Traffic Analysis

### Organic Traffic

#### Organic keywords (Source: Google Analytics)

<table>
<thead>
<tr>
<th>Keyword</th>
<th>Acquisition</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Users</td>
<td>New Users</td>
<td>Sessions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>% of Total</td>
<td>% of Total</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>16,106</td>
<td>15,541</td>
<td>18,813</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(16,106)</td>
<td>(15,527)</td>
<td>(18,813)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>9,197</td>
<td>8,600</td>
<td>10,649</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(56.47%)</td>
<td>(56.62%)</td>
<td>(58.30%)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>6,887</td>
<td>6,650</td>
<td>7,645</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(42.29%)</td>
<td>(42.47%)</td>
<td>(40.64%)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.06%)</td>
<td>(0.06%)</td>
<td>(0.06%)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.04%)</td>
<td>(0.05%)</td>
<td>(0.04%)</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02%)</td>
<td>(0.01%)</td>
<td>(0.02%)</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02%)</td>
<td>(0.02%)</td>
<td>(0.02%)</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.01%)</td>
<td>(0.01%)</td>
<td>(0.01%)</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.01%)</td>
<td>(0.00%)</td>
<td>(0.01%)</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.01%)</td>
<td>(0.01%)</td>
<td>(0.01%)</td>
<td></td>
</tr>
</tbody>
</table>

*Sensitive business information is hidden in this example Report*

- As Google Analytics did not provide proper list of key words we added list of key words from Ahrefs.com on the next page.
Traffic Analysis

Organic Traffic

Organic keywords (Source: Ahrefs)

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Sensitive business information is hidden in this example Report
### Traffic Analysis

#### Paid Traffic

**Google Ads Campaigns**

<table>
<thead>
<tr>
<th>Key</th>
<th>Acquisitions</th>
<th>Behavior</th>
<th>Conversions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Clicks</td>
<td>Cost</td>
<td>CPA</td>
</tr>
<tr>
<td>1.</td>
<td>1,752</td>
<td>£1,021.74</td>
<td>£0.58</td>
</tr>
<tr>
<td>2.</td>
<td>1,225</td>
<td>£559.15</td>
<td>£0.54</td>
</tr>
<tr>
<td>3.</td>
<td>166</td>
<td>£86.17</td>
<td>£0.53</td>
</tr>
<tr>
<td>4.</td>
<td>133</td>
<td>£61.51</td>
<td>£0.46</td>
</tr>
<tr>
<td>5.</td>
<td>90</td>
<td>£59.47</td>
<td>£0.55</td>
</tr>
<tr>
<td>6.</td>
<td>72</td>
<td>£50.79</td>
<td>£0.59</td>
</tr>
<tr>
<td>7.</td>
<td>20</td>
<td>£14.98</td>
<td>£0.74</td>
</tr>
<tr>
<td>8.</td>
<td>11</td>
<td>£11.38</td>
<td>£1.00</td>
</tr>
<tr>
<td>9.</td>
<td>10</td>
<td>£1.27</td>
<td>£0.26</td>
</tr>
<tr>
<td>10.</td>
<td>1</td>
<td>£0.92</td>
<td>£0.92</td>
</tr>
</tbody>
</table>

*Sensitive business information is hidden in this example Report*
Traffic Analysis

Backlink Analysis (Source: Ahrefs)

130K
Recent 145K
Historical 1.05M

Top 10 backlinks by traffic

Sensitive business information is hidden in this example Report

Sensitive business information is hidden in this example Report
## Traffic Analysis

### Referring Domains (Source: Google Analytics)

#### Top 10 Referring Domains by traffic in June 2020

<table>
<thead>
<tr>
<th>Source</th>
<th>Users</th>
<th>New Users</th>
<th>Sessions</th>
<th>Bounce Rate</th>
<th>Pages / Session</th>
<th>Avg Session Duration</th>
<th>Goal Conversion Rate</th>
<th>Goal Completion Rate</th>
<th>Goal Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>3,602 (68.17%)</td>
<td>3,500 (70.12%)</td>
<td>3,809 (67.04%)</td>
<td>79.63%</td>
<td>1.30</td>
<td>00:00:24</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>2.</td>
<td>427 (8.08%)</td>
<td>408 (8.17%)</td>
<td>455 (8.01%)</td>
<td>87.42%</td>
<td>1.20</td>
<td>00:00:33</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>3.</td>
<td>133 (2.52%)</td>
<td>109 (2.11%)</td>
<td>141 (2.40%)</td>
<td>48.94%</td>
<td>2.40</td>
<td>00:01:51</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>4.</td>
<td>119 (2.25%)</td>
<td>108 (2.06%)</td>
<td>140 (2.48%)</td>
<td>66.43%</td>
<td>1.62</td>
<td>00:02:11</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>5.</td>
<td>76 (1.44%)</td>
<td>68 (1.35%)</td>
<td>94 (1.65%)</td>
<td>74.47%</td>
<td>1.78</td>
<td>00:00:47</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>6.</td>
<td>72 (1.36%)</td>
<td>72 (1.42%)</td>
<td>72 (1.27%)</td>
<td>100.00%</td>
<td>1.00</td>
<td>00:00:00</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>7.</td>
<td>57 (1.08%)</td>
<td>45 (0.90%)</td>
<td>60 (1.04%)</td>
<td>75.38%</td>
<td>1.82</td>
<td>00:01:34</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>8.</td>
<td>33 (0.62%)</td>
<td>31 (0.62%)</td>
<td>35 (0.62%)</td>
<td>92.66%</td>
<td>1.34</td>
<td>00:01:02</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>9.</td>
<td>33 (0.62%)</td>
<td>33 (0.62%)</td>
<td>33 (0.59%)</td>
<td>75.76%</td>
<td>1.24</td>
<td>00:00:08</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>10.</td>
<td>29 (0.55%)</td>
<td>28 (0.56%)</td>
<td>30 (0.53%)</td>
<td>73.33%</td>
<td>1.67</td>
<td>00:00:36</td>
<td>0.00</td>
<td>0 (0.00%)</td>
<td>0 (0.00%)</td>
</tr>
</tbody>
</table>

Sensitive business information is hidden in this example Report.
Traffic Analysis

Demographics

Data for June 2020

Gender split: Female accounts for 79% and male for 21% of site visitors.

Age split:

Blacklists and penalties

• According to the Sellers, the site and social media pages were not subject to any penalties or blacklists.

• We also have not found any information about penalties or blacklists.

Top countries

Data for June 2020

Please note that demographics and split of users by country in June shows similar outcomes as for 12 months ending June 30, 2020, therefore structure of users was not heavily impacted by the COVID 19 related limitations.

Insights & benchmarks

• Revenue Per Thousand Impressions (RPM) is the metric, which measures how effectively the site converts traffic into revenue. The formula is ((Monthly Profit)/(Monthly Pageviews))*1,000

• The median RPM for businesses of a similar character is $17.21

• The Business has an RPM of $146, indicating it does a much better job monetizing traffic than similar sites.
Sales and Marketing Analysis

Product portfolio

- Banner Ads., Directory Listing, Dedicated Posts and Combined Campaigns (combination of Banner Ads. and / or Directory Listing and / or Dedicated Post) are the key services provided by XYZ. Please refer to Financial Analysis section for more details.

- We were not provided with details on sales by clients and sales concentration. The only comments provided by the Sellers with respect to sales by clients is that as of June 8, 2020 the Business had 75 Directory listings, 4 regional advertisers, 11 banner advertisers and 5 social media campaigns. There are also Dedicated posts, for which advertisers pay EUR 300 for a one-off post (average 1 to 2 a month). In total over the 10 years the Business has created 517 directory listings and there have been 287 banners. Please note that there is a large overlap of advertisers having both been in the directory and having had a banner.

- The Sellers have also commented that majority of clients are (i) hotels, (ii) restaurants and (iii) guides.

Sales Channels

- There are two main sales channels:
  - Direct contact from customers involved in tourism related services.
  - Search of potential customers and direct contact by the Sellers.

Pricing

- XYZ has a standard price list, discounts are applied on a case-by-case basis for large and loyal customers.

- Prices by type of advertisement:
  - Banner Ads. – from [ ] EUR to [ ] EUR + VAT per month, depending on the size and location of the banner.
  - Directory Listing – [ ] EUR + VAT per year.
  - Newsletter – [ ] EUR + VAT.
  - Social Media Campaign – [ ] EUR + VAT.

Customer Acquisition Cost

- The Sellers are not tracking and analysing customer acquisition cost.

- The Business is also not using any paid advertisement to attract more visitors. According to the Sellers, they tried to promote the site via Google Ads., few years ago, however increase in traffic was not as high as expected, therefore the Sellers are not using paid advertisement to promote the Website.

Revenue Consistency

- According to the Sellers sales are usually lower in May – September, which is the high season for tourism, when clients are providing services advertised via XYZ.

- Sales are peaking when the Business announces sales of Banner Ads. for the next year. Please refer to Financial Analysis section for more details.
Industry and Competitive Analysis

Industry Analysis

- Market is highly fragmented and competitive.
- More and more tourism related blogs are appearing in recent years, especially in Social Media, such as Facebook, Instagram, Pinterest. Some of new blogs are places advertisement free of charge in order to generate content to attract more traffic and clients.
- Organic search and Social Media are the key sources of traffic.

Competition

- The Sellers has not been actively monitoring competitors and their activities, they are rather focused on providing valuable content to couples and high level of services to customers.
- The Sellers specified the following websites as main competitors:
  - [Deleted in example]
  - [Deleted in example]
  - [Deleted in example]
- Comparison to competitors:
  - Revenue Per Thousand Impressions (RPM) is the metric, which measures how effectively the site converts traffic into revenue. The formula is \( \frac{\text{Monthly Profit}}{\text{Monthly Pageviews}} \times 1,000 \)
  - The median RPM for businesses of a similar character is $17.21
  - The Business has an RPM of $146, indicating it does a much better job monetizing traffic than similar sites.

Growth Opportunities

- The Business has good growth opportunities based on available platforms, which represents:
  - Well designed Website, which appears in top in organic search. Please refer to Traffic Analysis for more details.
  - Significant number of subscribers in Pinterest, Facebook and Instagram.
- The main growth opportunities includes:
  - Increase the traffic and attractiveness for clients by investing in Website and Social Media promotion, adding more content to Website and Social Media pages. According to the Seller there were no marketing and promotion campaigns in last few years, owners were spending less time to promote the Website, therefore growth opportunities are available by investing and enhancing available platforms.
  - Broaden the audience and obtain attractiveness for clients from other countries by adding information about other travel locations, such as Spain, France, Portugal, etc.
Operations and Legal Analysis

Operating model
- The Business is selling advertisement to clients (hotels, restaurants, guides, etc.) which is being placed in the Website and XYZ Social Media platform. Clients are paying for advertisement to bank account of the company run by the Sellers based on invoices.
- The Business attracts clients based on high organic traffic and number of subscribers in Social Medial (Pinterest, Facebook, Instagram).

Time required to run the business
- According to the Sellers, time required to run the business is approximately 25-40 man hours a week. Please note that this time estimate is for Sellers who are working in the business for 10 years.

Used platforms
- The Sellers are using XYZ Website built on WordPress as the main platform, whereas Social Medial, such as Pinterest, Facebook and Instagram are used to attract additional traffic.
- Sales are mainly generated by advertisement placed in the Website.

Placing orders
- Customers are placing orders via e-mail. Once conditions are agreed the Sellers issue an invoice to a customer.

Supplier contract validation
- The Business does not have contracts with suppliers, all services are provided based on invoices. Please see Financial Analysis section with information related to verification of invoices from suppliers.

Assets transfer risk
- We found no asset transfer risks, except for lack of XYZ brand registration.
- The Sellers can move other domains used by them from XYZ to a new server/ hosting platform, if needed.
- Client contacts can also be transferred to a CRM of the Buyer.

Legal & Licenses
- No licenses are needed to operate the business

Violations and Warnings
- We have not found any information about any violations and warnings.

Mailing list
- We have verified email addresses in the customer mailing list, which included 1,315 emails as of June 8, 2020.

Geographic Considerations
- Business can be run from anywhere. No issues should arise if the Business to be run from another location.

Post-Sale Support
- Sellers are willing to provide free of charge support for 30 days and the set up and transfer of the CRM.
- Social Media, SEO training and other ad-hoc trainings, if needed, will be additionally charged.

Rating and feedback
- We have found no rating or negative feedbacks with respect to the Business and Website.
Pricing

Pricing Analysis

- The Sellers asking price is $75,000, which represents a multiple of 1.99x based on net profit for 12 months ending June 30, 2020.
- 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.

Comparable Sales

- The average multiple for similar businesses over the past 12 months is around 1.7x annual net profit
- Based on recent comparable sold FBA businesses, the Seller’s asking multiple of 1.99x annual net profit is reasonable.

RPM

- Revenue Per Thousand Impressions (RPM) is the metric, which measures how effectively the site converts traffic into revenue. The formula is \( \frac{\text{Monthly Profit}}{\text{Monthly Pageviews}} \times 1,000 \)
- The median RPM for businesses of a similar character is $17.21
- The Business has an RPM of $146, indicating it does a much better job monetizing traffic than similar sites.

Monetization Efficiency

- Similar to RPM, this shows the impact on revenue that an increase in traffic can have, and compare this to the sale price. The formula is \( \frac{\text{RPM}}{\text{Net Profit Multiple}} \)
- The median monetization efficiency score for businesses of a similar character is 22
- The Business has a monetization efficiency score of 73, which is in line with the average. This indicates the Business is reasonably priced.