

# Standard Report example

Example Report prepared by  
OGS Capital for Flippa.com  
customers

## **Project ABC**

Draft due diligence report



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# Legal Disclaimer

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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.

Flippa is not in the business of providing legal or business advisory services. By producing this report, Flippa does not intend to promote a particular asset/s or encourage or suggest that you proceed to purchase it. Before proceeding with any business or investment decision, please use caution and seek the advice of an independent professional advisor, such as an attorney or accountant.

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# General Overview and Remarks (1/2)

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## 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:** 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, App:** The Business being analyzed by Flippa on request of the Client
  - **Seller, Business Owner:** The current owner of the Business, 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.
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## Methodology

- We have used in the Report information provided by the seller to Flippa, answers received from the Seller during the call on 12<sup>th</sup> of June 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.
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## Information and Documentation Collected by Flippa

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 Flippa.

### 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)

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## Information and Documentation Collected by Flippa.com

### Information Provided by Seller

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

- Access to Amazon Seller Central and Shopify accounts.
  - Partial unstructured cost data
  - List of key words used in Amazon search
- 

### 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 Amazon Seller Central and Shopify accounts of the Seller.
  - Analyzed information from Amazon and Shopify accounts 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), legal entity registration documents, contracts with suppliers, confirmation of registration of product and trademark.
- Please note that the Seller has not provided us with the following requested information:
  - Management Accounts summarising sales, costs and margins.
  - Details of financials provided to Flippa (\$9.0k net profit).
  - Invoices and bank statements conforming sales and costs. Per Seller, he is using multiple personal and business accounts, therefore he was not able to provide us with bank confirmations in short period of time.
  - ABC product concept registration.
  - Confirmation that trademark patent request is submitted.
  - ABC LLC registration documents.
  - Tax returns or draft calculation of taxes for 2019.
  - Contract with previous supplier of the product.
  - List of alternative suppliers, who confirmed readiness to produce the product.



# Business overview

## Information about the business

- The Business operates based on FBA business model. Amazon is used as a main platform for sales, marketing and promotion. All stock is also stored by Amazon.
- The Seller has one product in the portfolio with four different colors: blue, purple, green and red. The product and "ABC" brand was developed by the Seller.
- Blue product accounts for 50% of items sold for 12 months ending 31<sup>st</sup> of May 2020. The product is mainly sold in US to 16-40 years old customers.
- All products were manufactured by Chinese supplier in May 2018. Since May 2018, 69% stock is still not sold.
- At the end of June 2020 the Seller did not have a manufacturer, previous manufacturer cannot produce products any more due to financial difficulties.

## History

- 2017 – Developed the product, launched web-site and started campaign on Kickstarter.
- 2018-May 2019 – Selling via the web-site, Zulily, Touch of Modern and Stack social.
- May 2018 – 1,300 pcs of inventory bought.
- May 2019 – Start selling via Amazon.

## Key figures

### Asking price of

**\$25k**

is unreasonable due to **\$2k net loss** generated by the business for 12 months ending 31<sup>th</sup> of May 2020.

Please note that the Seller initially presented \$9.0k net annual profit on Flippa.com.

**3,963** sessions and **5,774** page views on Amazon in 12 months ending 31<sup>st</sup> of May 2020.

Only **31%** of stock sold in 25 months. Approximately 6 more months needed to sell off existing stock in case of inventing in marketing and promotion activities.

**4.0%** conversion rate of visitors to buyers

## Transaction perimeter

- Customer databases
- Domains
- Hosting accounts
- Inventory on hand or on order at the time of closing
- Relevant email accounts
- Social media accounts

## Social media

- Facebook: 234 followers
- Twitter: 45 followers
- Instagram: 340 followers

## Key links (removed in example)

- Web-site
- Amazon
- Facebook
- Instagram



# Executive summary

## Risk level

**H** - High   **M** - Medium   **L** - Low

Risk	Description	Recommendation	Risk Level
<b>Quality of information</b>	<ul style="list-style-type: none"> <li>The most important information not provided by the seller includes:               <ul style="list-style-type: none"> <li>Details of financials provided to Flippa (\$9.0k net profit).</li> <li>Management Accounts summarising sales, costs and margins.</li> <li>Reconciliation of sales to bank statements, however we received access to Amazon account, which gives reasonable level of comfort with respect to sales data.</li> <li>Reconciliation of operating costs and cost of inventory to invoices and bank statements was not provided.</li> <li>ABC LLC registration documents.</li> <li>Confirmation of "ABC" concept registration.</li> </ul> </li> <li>Seller's response regarding information not provided:               <ul style="list-style-type: none"> <li>The Seller provided to Flippa rough estimates with respect to sales, whereas he has forgotten to add inventory cost and part of Amazon fees.</li> <li>The seller used multiple corporate bank accounts and one personal account. He we close one of the business accounts, therefore its hard to find those details.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Obtain respective invoices and bank statements to get comfort around sales, costs and margins generated by the Business.</li> <li>Please see the list of most crucial not provided information, which should be obtained before the deal in „General Overview and Remarks“ section of the Report, part „Verification process“.</li> </ul>	<b>H</b>
<b>Macroeconomic Risk</b>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<b>L</b>



# Executive summary

## Risk level

**H** - High   **M** - Medium   **L** - Low

Risk	Description	Recommendation	Risk Level
<b>Sales &amp; Marketing Risk</b>	<ul style="list-style-type: none"> <li>All sales performed via Amazon since May 2019.</li> <li>Based on Seller's comments, there were no marketing or promotions campaigns of ABC in 2020, which means brand is significantly underinvested.</li> <li>We found no evidence that ABC brand bears substantial market value.</li> <li>The Seller believes that ABC brand is the valuable asset, therefore if the Buyer can build strong portfolio by adding new products under ABC brand.</li> </ul>	<ul style="list-style-type: none"> <li>Level of required marketing costs should be considered for (i) sale of current stock and (ii) further business growth.</li> <li>Value of ABC brand should be carefully assessed to identify market value of the Business.</li> </ul>	<b>H</b>
<b>Growth Risks and Opportunities</b>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<b>H</b>
<b>Social Proof Risk</b>	<ul style="list-style-type: none"> <li>Amazon: <ul style="list-style-type: none"> <li>ABC has 36 reviews on Amazon from 3.4/5 for green product to 4.2/5 for blue.</li> <li>Red products are not rated by customers.</li> <li>Most issues mentioned by customers relates to (i) length of the charge, which is way shorter than specified by the Seller and (ii) level of volume issues.</li> <li>Ratings of competing products range from 2/5 to 5/5. Overall customer rating of Seller's products is higher than those of competitors.</li> </ul> </li> <li>Social media (Facebook, Instagram, etc.): <ul style="list-style-type: none"> <li>No feedbacks on Social Media</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Fix issues mentioned by customers in the product and consider replacement of defect products.</li> <li>Motivate customers to rate red products, which has no feedbacks or consider delisting (6% of total sales via Amazon).</li> <li>Promote ABC Headphone pages on Social Media to improve social proof and increase traffic.</li> </ul>	<b>M</b>





# Executive summary

## Risk level

**H** - High   **M** - Medium   **L** - Low

Risk	Description	Recommendation	Risk Level															
<b>Profit Margin Risk</b>	<ul style="list-style-type: none"> <li>For 12 months ending 31<sup>th</sup> of May 2020 the Business generated \$2k net loss vs. \$9.0k net profit initially presented by the Seller to Flippa.</li> <li>Please note that the Seller does not maintain Management Accounts.</li> <li>Estimated Profit and Loss Statement presented below was prepared by Flippa based on information available in Amazon account and cost of inventory disclosed by the Seller.</li> </ul> <p><b>Estimated Profit and Loss Statement</b></p> <table border="1"> <thead> <tr> <th colspan="2">\$</th> <th>12m ending 30th of May 2020</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td>7,827</td> </tr> <tr> <td>Costs</td> <td></td> <td>(9,786)</td> </tr> <tr> <td><b>Net loss</b></td> <td></td> <td><b>(1,958)</b></td> </tr> <tr> <td><b>Net margin</b></td> <td></td> <td><b>-25%</b></td> </tr> </tbody> </table> <p>Source: Amazon.comSource: Amazon.com, Cost of inventory data provided by the Seller</p> <ul style="list-style-type: none"> <li>Please note that Seller disclosed the following financials to Flippa: annual revenue = \$10.3k, annual net profit = \$9.0k, which significantly differs from financials available on Amazon. No detailed information was provided by the Seller to support \$9.0k net profit.</li> <li>Please refer to Financial Analysis section for more details.</li> <li>According to Seller's comments, he provided to Flippa rough estimates with respect to sales, whereas he has forgotten to add inventory cost and part of Amazon fees.</li> </ul>	\$		12m ending 30th of May 2020	Sales		7,827	Costs		(9,786)	<b>Net loss</b>		<b>(1,958)</b>	<b>Net margin</b>		<b>-25%</b>	<ul style="list-style-type: none"> <li>Future Operating Model should be reconsidered to improve profitability.</li> <li>Asking price of \$25k is unreasonable. As the Business is loss making, valuation of assets should be considered rather than valuation of the working business.</li> </ul>	<b>H</b>
\$		12m ending 30th of May 2020																
Sales		7,827																
Costs		(9,786)																
<b>Net loss</b>		<b>(1,958)</b>																
<b>Net margin</b>		<b>-25%</b>																
<b>Traffic Risk</b>	<ul style="list-style-type: none"> <li>Since August 2019 the Business is using Amazon as the only sales platform. As per Seller, over 90% of buyers are coming from search via Amazon.</li> <li>In the current business model using correct key search words and promotions in Amazon drivers the traffic.</li> <li>The Seller highlighted the need to work on ranking of key words and more promotion on Amazon as he shifted his focus to his new products which might have a negative effect on products business.</li> </ul>	<ul style="list-style-type: none"> <li>Ranking of key words should be improved and additional investment in marketing, promotion activities on Amazon should be estimated and considered in the deal price.</li> <li>Consider development of additional sources to attract traffic, such as Facebook, Instagram, Google, etc.</li> </ul>	<b>H</b>															



# Executive summary

## Risk level

**H** - High   **M** - Medium   **L** - Low

Risk	Description	Recommendation	Risk Level
<b>Supplier Risk</b>	<ul style="list-style-type: none"> <li>As of 23<sup>rd</sup> June 2020 the Seller did not have a supplier for products.</li> <li>As per Seller, the supplier who was manufacturing products previously is in financial difficulties, therefore cannot supply products.</li> <li>The Seller was in contact with three potential suppliers and performed production trials with one of them. Please note that we were not provided with the list of suppliers and any confirmation of successful production trials.</li> </ul>	<ul style="list-style-type: none"> <li>Including product technical documentation in the deal perimeter / Sales Agreement is crucial for future Business operations.</li> <li>Obtain contacts of potential suppliers and confirmation of successful production trials before the deal.</li> </ul>	<b>H</b>
<b>Inventory Risk</b>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<ul style="list-style-type: none"> <li>Available in Enhanced option of the Report</li> </ul>	<b>H</b>
<b>Tax and Legal Risk</b>	<ul style="list-style-type: none"> <li>As per the Seller, there are no legal risks associated with the Business.</li> <li>According to the Seller, patent for the concept is available, however ABC trademark is not registered.</li> <li>No tax returns were submitted during the Business lifetime.</li> </ul>	<ul style="list-style-type: none"> <li>Including patents and trademarks in the deal perimeter / Sales Agreement is crucial for future Business operations.</li> <li>Trademark should be registered before the deal or part of the price for the Business should be the subject of trademark registration and ownership transfer.</li> <li>Consider asset deal as opposed to acquisition of the legal entity in order to avoid legal and tax risks associated with ABC LLC.</li> <li>Obtain copy of tax return for 2019 before the deal in order to level of tax costs to be included in net profit calculation for valuation purposes.</li> </ul>	<b>H</b>



# Executive summary

## Risk level

**H** - High   **M** - Medium   **L** - Low

Risk	Description	Recommendation	Risk Level
<b>Policy violations and Warnings</b>	<ul style="list-style-type: none"> <li>Amazon account contains 2 Intellectual Property Complaints and 5 Restricted Product Policy Violations, however those relates to items other than products traded by the Seller.</li> <li>We identified an issue with Google Merchant Account – “Account suspended due to policy violation”. The Seller has not commented on that</li> <li>Per Seller, there are no more violations and warnings related to the Business.</li> </ul>	<ul style="list-style-type: none"> <li>Clarify with the Seller nature of the issues with Google Merchant Account. The Seller to resolve the issue with account before the deal.</li> </ul>	<b>H</b>
<b>Assets Transfer Risk</b>	<ul style="list-style-type: none"> <li>Based on the information provided by the Seller, products technical documentation, patents and trademarks are not included in the deal perimeter.</li> <li>The Seller was not able to provide database of customers who bought his product via Amazon. Per Seller, he does not have an access to this information.</li> <li>Available database included in the deal includes e-mail of customers, who purchased products via ABC web-site, however (i) database is outdated as the Seller moved to Amazon from May 2019 and (ii) holds low value as there were almost no repeated sales to same customers.</li> </ul>	<ul style="list-style-type: none"> <li>Products technical documentation, patents and trademarks should be included in the deal perimeter / Sales Agreement.</li> <li>The Seller is using the same Amazon account to sell other products, therefore ABC listing should be properly carved out and transferred to Buyer’s account.</li> </ul>	<b>M</b>



# Seller Details

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## Communication with the Seller

- During the Due Diligence the Seller expressed the willing to cooperate, however a lot of requested information was not provided. Please refer to Executive Summary for more details with respect to information not provided.

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## Personal details

- Name: Toni
- Business Name: ABC
- Location: Montgomery, Allabama, USA
- Email address: ABC@gmail.com
- Phone number: Not provided to Flippa
- Government-issued ID: Passed (links deleted in example)
  - Summary
  - Key Findings
  - Face Match

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## Duplicated accounts

- Sift score: 48
- 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

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## Other key employees

- No other employees. A single person can operate the business as-is.

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## Competing Business Interests

- Seller does not have other business interests, which are considered competing interests.
- As per Seller his current business interest relates to sales of household products such as automatic vacuum cleaners, smart clocks etc. via Amazon.



# Financial Analysis

## Summary of Financials

- For 12 months ending 31<sup>st</sup> of May 2020 the Seller generated net loss of \$2.0k (25% negative net profit margin).
- Please note that financials presented below does not include CAPEX incurred by the Seller, such as: development of the product, design, development of the web-site, etc.
- Please note that Seller disclosed the following financials to Flippa: annual revenue = \$10.3k, annual net profit = \$9.0k, which significantly differs from financials available on Amazon. No detailed information was provided by the Seller to support \$9.0k net profit.

### Estimated Profit and Loss Statement

\$	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	12m ending 31st of May 2020
Sales	625	1,515	794	640	553	438	1,762	448	122	127	235	568	7,827
Costs	(456)	(1,846)	(983)	(1,195)	(961)	(681)	(1,607)	(658)	(244)	(183)	(293)	(678)	(9,786)
<b>Net loss</b>	<b>169</b>	<b>(331)</b>	<b>(189)</b>	<b>(556)</b>	<b>(408)</b>	<b>(243)</b>	<b>155</b>	<b>(210)</b>	<b>(122)</b>	<b>(56)</b>	<b>(57)</b>	<b>(110)</b>	<b>(1,958)</b>
<b>Net margin</b>	<b>27%</b>	<b>-22%</b>	<b>-24%</b>	<b>-87%</b>	<b>-74%</b>	<b>-56%</b>	<b>9%</b>	<b>-47%</b>	<b>-100%</b>	<b>-44%</b>	<b>-24%</b>	<b>-19%</b>	<b>-25%</b>

Source: Amazon.com Source: Amazon.com, Cost of inventory data provided by the Seller

## Documentation provided

- Please note that the Seller does not maintain Management Accounts.
- Estimated Profit and Loss Statement presented to the left was prepared by Flippa based on information available in Amazon account and cost of inventory disclosed by the Seller.
- We were not provided with any invoices and bank confirmation for income (inflows) and costs (outflows).
- Per Seller, he is using multiple personal and business accounts, therefore he was not able to provide us with confirmation of inflows from Amazon to bank account in short period of time.



# Financial Analysis

## Costs breakdown

- 47% of costs incurred for 12 months ending 31<sup>st</sup> of May 2020 related to Amazon fees, such as:
  - Pick & Pack Fee - \$1.1k
  - Referral Fee on Item Price - \$1.1k
  - Inventory Storage Fee - \$0.9k
- In May 2020 the Seller started selling new products, such as Portable Sanitizers, therefore to promote sales of new product the Seller increased advertising costs. Due to lack of advertising costs split into products and new products cost related to products advertising was estimated based on the split of revenue generated by products (17% of total revenue in May, therefore 17% of adv costs were assigned) vs. other products (83%).

### Cost by type

\$	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	12m ending 31st of May 2020	Cost structure (%)
Cost of goods sold	(243)	(551)	(259)	(259)	(178)	(130)	(454)	(113)	(32)	(32)	(81)	(259)	(2,592)	26.5%
Amazon fees	(213)	(785)	(354)	(584)	(491)	(360)	(679)	(414)	(159)	(128)	(180)	(268)	(4,615)	47.2%
Cost of Advertising*	-	(206)	(175)	(169)	(200)	(127)	(350)	(7)	(16)	(23)	(24)	(94)	(1,390)	14.2%
Product charges	-	(244)	(127)	(178)	-	(49)	(89)	(118)	-	-	-	-	(805)	8.2%
Promo rebates	-	(54)	(66)	(6)	(92)	(7)	(30)	-	-	-	(7)	(15)	(277)	2.8%
Other	-	(6)	(3)	-	-	(8)	(6)	(5)	(36)	-	-	(43)	(107)	1.1%
<b>Total costs</b>	<b>(456)</b>	<b>(1,846)</b>	<b>(983)</b>	<b>(1,195)</b>	<b>(961)</b>	<b>(681)</b>	<b>(1,607)</b>	<b>(658)</b>	<b>(244)</b>	<b>(183)</b>	<b>(293)</b>	<b>(678)</b>	<b>(9,786)</b>	<b>100.0%</b>

Source: Amazon.com, Cost of inventory data provided by the Seller

## Expenses Verification

- Cost breakdown is based on the data from Amazon account and cost of inventory provided by the Seller.
- Please note that we have not been provide with (i) bank confirmations to verify costs and (ii) scan of invoices from suppliers to confirm costs.
- Please note that taxes are not included in the list of costs. Per Seller, he is going to submit tax returns for 2019 for the first time. No tax returns were submitted for 2018.



# Traffic Analysis

## Amazon

### Traffic Summary – Amazon

- Per Seller, over 90% of the traffic is from Amazon searches as he is not promoting the web-site, Facebook and Instagram accounts. He also does not use Google Ads.

Amazon traffic (June 2019 - May 2020)

Color	Sessions	Session Percentage	Page Views	Page Views Percentage	Buy Box Percentage	Units Ordered	Unit Session Percentage - B2B
Blue	1,519	14.4%	2,425	14.7%	98.0%	80	5.3%
Red	334	3.2%	409	2.5%	96.0%	9	2.7%
Green	1,045	9.9%	1,507	9.1%	98.0%	31	3.0%
Purple	1,065	10.1%	1,433	8.7%	98.0%	40	3.8%
<b>Total</b>	<b>3,963</b>		<b>5,774</b>			<b>160</b>	

### Key words (top 15)

<input type="checkbox"/> >	94,984	0%	0%	144,625	Video Games	Moderate	32
<input type="checkbox"/> >	8,114	0%	0%	2,216,341	Video Games	Very Difficult	34
<input type="checkbox"/> >	3,735	0%	0%	26,036	Musical Instruments	Difficult	28
<input type="checkbox"/> >	2,319	0%	0%	4,278	Cell Phones & Accessories	Easy	41
<input type="checkbox"/> >	1,915	0%	0%	2,298	Cell Phones & Accessories	Easy	34
<input type="checkbox"/> >	1,395	0%	0%	3,585	Cell Phones & Accessories	Easy	31
<input type="checkbox"/> >	1,363	0%	0%	6,566	Cell Phones & Accessories	Moderate	35
<input type="checkbox"/> >	1,352	0%	0%	2,403	Cell Phones & Accessories	Easy	52

Sensitive business information is hidden in this example Report



# Traffic Analysis

## Amazon

### Key words

<input type="checkbox"/>		1,295	0%	0%	2,689	Electronics	Easy	44
<input type="checkbox"/>		1,291	0%	0%	3,513	Cell Phones & Accessories	Easy	28
<input type="checkbox"/>	Sensitive business information is hidden in this example Report	1,213	0%	0%	1,456	Electronics	Easy	27
<input type="checkbox"/>		1,017	0%	0%	1,380	Computers & Accessories	Easy	43
<input type="checkbox"/>		951	0%	0%	2,381	Cell Phones & Accessories	Easy	35
<input type="checkbox"/>		891	↓3%	↓46%	3,141	Video Games	Very Difficult	39
<input type="checkbox"/>		721	0%	0%	2,394	Cell Phones & Accessories	Moderate	29

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# Traffic Analysis

## Amazon

### Amazon account health check

- Amazon account contains 2 Intellectual Property Complaints and 5 Restricted Product Policy Violations, however those relates to items other than products traded by the Seller

Customer Service Performance		Product Policy Compliance		Shipping Performance	
<p>Order Defect Rate</p> <p>Target: under 1%</p>		<p>Target: 0 complaints or violations</p>		<p>Late Shipment Rate</p> <p>Target: under 4%</p>	
Seller Fulfilled	Fulfilled by Amazon	Fulfilled by Seller and Amazon		Seller Fulfilled	
0%	0%	Suspected Intellectual Property Violations	0	0%	0%
0 of 11 orders 60 days	0 of 2 orders 60 days	Received Intellectual Property Complaints	2	Target: under 4%	0 of 35 orders 30 days
Order Defect Rate consists of three different metrics:		Product Authenticity Customer Complaints	0	Pre-fulfillment Cancel Rate	0%
• Negative feedback	0%	Product Condition Customer Complaints	0	Target: under 2.5%	0 of 10 orders 7 days
• A-to-z Guarantee claims	0%	Product Safety Customer Complaints	0	Valid Tracking Rate	100%
• Chargeback claims	0%	Listing Policy Violations	0	Target: over 95%	45 of 45 orders 30 days
		Restricted Product Policy Violations	5	<a href="#">View shipping eligibilities here</a>	
		Customer Product Reviews Policy Violations	0		

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# Traffic Analysis

ABC web-site

## Overview

Ahrefs Rank <sup>i</sup> <b>17,300,918</b>	UR <sup>i</sup> <b>16</b>	DR <sup>i</sup> <b>10</b>	Backlinks <sup>i</sup> <b>80</b> Recent 92 Historical 186	Referring domains <sup>i</sup> <b>16</b> Recent 17 Historical 38	Organic keywords <sup>i</sup> <b>57</b> PPC 0	Organic traffic <sup>i</sup> <b>110</b>	Traffic value <sup>i</sup> <b>\$55</b> PPC \$0
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# Traffic Analysis

ABC web-site

## Organic Traffic

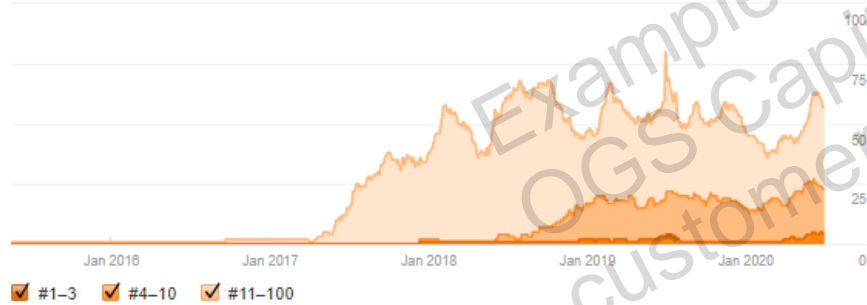
All countries

Organic traffic | 110 /month

All time | One year | Last 30 days



Organic keywords | 57



Traffic value | \$55



Country	Keyword...	Traffic
All count...	57	110
United S...	26	46 42%
Canada	7	19 17.4%
United K...	4	14 12.9%
Australia	5	11 10.5%
India	7	10 9.3%
Germany	3	5 4.6%
Netherla...	2	3 2.9%
Philippines	1	<1 <1%
France	1	<1 <1%
Malaysia	1	<1 <1%
Mexico	0	<1

### Top 10 competitors (United States)

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

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### Top 5 organic keywords (United States)

Pos.	Volume	Traffic	Results	Upd.
6	200	15	5,820,000	17 Jun
5	200	10	20,000,000	26 Jun
6	200	4.9	5,640,000	3 Jun
3	40	4.3	43,600,000	20 Jun
5	40	3.5	2,940,000	17 Jun

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### Top 5 pages

Keywords	Traffic
52	115
1	0.01
1	0.00
1	0.00

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# Traffic Analysis

ABC web-site

## Backlink Analysis

### Ahrefs Rank

Today	17,300,918	↓ 9,301
avg 7 days	18,002,908	↓ 782,393
avg 1 month	16,965,628	↓ 401,228
avg 3 months	15,811,497	↓ 1,562,736

Past 3 months



### Referring domains

All time | One year | Last 30 days



### Referring pages



### New & lost referring domains



Live links

Crawled pages: 59

Referring domains	16	100%
Dofollow	13	81%
Governmental	0	0%
Educational	0	0%
.gov	0	0%
.edu	0	0%
.com	8	50%
.net	1	6%
.org	0	0%

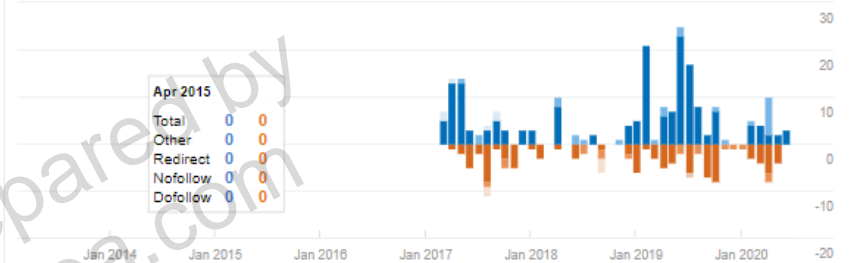
Referring pages	59
Referring IPs	16
Referring subnets	16

Backlinks	80	100%
Dofollow	72	90%
Nofollow	8	10%
UGC	0	0%
Sponsored	0	0%
Text	80	100%
Redirect	0	0%
Image	0	0%
Form	0	0%
Governmental	0	0%
Educational	0	0%

URL rating distribution		
91-100	0	0%
81-90	0	0%
71-80	0	0%
61-70	0	0%
51-60	0	0%
41-50	0	0%
31-40	0	0%
21-30	0	0%
11-20	4	5%
0-10	68	94%

### New & lost backlinks

All links | Dofollow | Nofollow | Redirect | Other



### CTLDs distribution

.com	8	50%
.uk	2	12%
.net	1	6%
.my	1	6%
.it	1	6%
.info	1	6%
.fr	1	6%
.eu	1	6%



### Anchors

Referring domains

	3	19%
	2	13%
	2	13%
	2	13%
	2	13%
	1	6%
	1	6%
	1	6%
	1	6%
	1	6%

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# Traffic Analysis

ABC web-site

## Paid Traffic

Backlink profile Organic search **Paid search**

No ads found.

## Anchor text

Anchor text

Anchor text	Referring domains	/ dofollow	Referring pages	First seen	Last check	
	3 19%	3 23%	10 17%	27 Aug '17	20 May '20	<a href="#">Details</a>
	2 13%	2 15%	20 34%	6 Feb '19	20 May '20	<a href="#">Details</a>
	2 13%	2 15%	15 25%	24 Apr '18	26 Oct '19	<a href="#">Details</a>
	2 13%	2 15%	3 5%	11 May '17	10 d	<a href="#">Details</a>
	1 6%	1 8%	2 3%	4 Jan '18	31 Mar '20	<a href="#">Details</a>
	2 13%	1 8%	3 5%	26 Apr '18	16 Apr '20	<a href="#">Details</a>
ct/	1 6%	1 8%	1 2%	24 Apr '18	22 Jun '19	<a href="#">Details</a>
	1 6%	1 8%	2 3%	26 Apr '18	29 May '20	<a href="#">Details</a>
	1 6%	0 0%	1 2%		14 Feb '20	<a href="#">Details</a>
	1 6%	0 0%	1 2%	6 Oct '19	6 Oct '19	<a href="#">Details</a>
	1 6%	0 0%	1 2%	26 Apr '20	26 Apr '20	<a href="#">Details</a>

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# Traffic Analysis

ABC web-site

## Referring Domains

Domain	DR ↓	Ahrefs rank ↓	Referring domains (dofollow) ↓	Linked domains (dofollow) ↓	Organic traffic ↓	Links to target ↓ / dofollow ↓	First seen ↓
	68	124,232	1,537	2,480	8,415	8 ▾ 4	4 Jan '18
	62	213,167	1,953	1,901	168,851	2 ▾ 0	26 Apr '20
	57	329,739	923	4,719	1,264	2 ▾ 2	26 Feb '19
	57	338,325	758	998	14,731	2 ▾ 2	11 May '17
	51	602,415	3,623	1,633	96,108	1 ▾ 0	30 Nov '18
	42	1,223,936	295	1,075	2,490	2 ▾ 2	24 Apr '18
	40	1,489,402	46	59	43	14 ▾ 14	31 Jan '19
	38	1,758,693	178	3,150	63	2 ▾ 2	26 Apr '18
	27	5,188,968	8	2,935	180	6 ▾ 6	23 Mar '20
	21	8,321,430	25	2,937	1,641	12 ▾ 12	21 Mar '20
	13	13,932,101	136	873	2,048	3 ▾ 3	26 Apr '18
	10	16,625,862	22	8	0.00	7 ▾ 7	6 Feb '19
	10	16,834,167	4	68	9	13 ▾ 13	23 Jun '19
	8	20,204,406	31	88	7,514	1 ▾ 0	9 Jun '19
	3	38,072,353	1	72,658	0.26	3 ▾ 3	18 Jun '20
N/A		—	0	0	0.00	2 ▾ 2	20 Jul '19

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## Top Pages

#	Traffic ↓	Value ↓	Keywords ↓	RD ↓	Page URL	Top keyword ↓	Its volume ↓	Pos. ↓
1	115	100%	\$59	52 ▾	12		100	4
2	<1	<1%	<\$1	1 ▾	0		450	39
3	<1	0%	<\$1	1 ▾	0		10	41
4	<1	0%	<\$1	1 ▾	1		40	96

Sensitive business information is hidden in this example Report



# Sales and Marketing Analysis

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## Product portfolio

- The Seller has one product in the portfolio with four different colors: blue, purple, green and red.
  - Blue products accounts for 50% of items sold within 12 months ending 31<sup>st</sup> of May 2020
- 

## Sales Channels

- Starting from May 2020 all sales are performed via Amazon.
  - The Seller has a web-site, Facebook, Instagram and Twitter accounts, however those accounts are not actively used for sales and marketing.
- 

## Average Order Value

- Average order value for 12 months ending 31<sup>st</sup> of May 2020 was \$48.9
  - On average customers are buying 1.8 items per order.
- 

## Conversion

- Conversion rate of visitors to buyers is 4.0%.
- 

## Pricing and Margin

- Product gross margin was 67%, which was calculated based on average price of \$48.9 per item for 12 months ending 31<sup>st</sup> of May 2020.
  - Please note that per Seller, the best market price per item is \$49. In order to sell off the stock the Seller decreased price from \$59 per item in March 2020 to \$29 starting from April 2020.
  - Price decrease has a direct effect on gross margin, which declined from 75% in March 2020 to 54% in May 2020.
  - Inventory cost was \$16.2 per item.
  - **Please note, that the Business generated losses on net profit level.**
- 

## Customer Acquisition Cost

- The Seller is not analysing customer acquisition cost (CAC).
- 

## ROI by channel

- Amazon is the key sales and promotion channel, which accounts for 100% of sales.
  - The Seller was trying to promote products through Facebook, Instagram in 2018-2019, however those activities were not successful. From September – October 2019 the Seller is not promoting products in Social Media.
  - The Seller believes that there are possibilities to acquire customers via Social Media, however accounts should be promoted more actively with better targeting of customers.
- 

## Revenue Consistency

- Per Seller, there is an increase in demand in December, during New Year and Christmas holidays.
  - Based on analysis of Amazon data we noted that growth in sales correlates with increase of advertising and promotion activities, rather than with seasonal factors.
-



# Operations and Legal Analysis

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## Operating model

- The Business operates based on FBA business model. Amazon is used as a main platform for sales, marketing and promotion.
- All sales are performed via Amazon account and inventory is stored by Amazon. Once the order from customer is paid Amazon delivers products.
- The Seller developed technical documentation for product. Products were manufactured in China in May 2018, since then the Seller did not order more stock.

---

## Time required to run the business

- Per Seller, 3-4 hours per week are required to run the Business as is
- In case of additional marketing, promotion activities or in case of adding new products to portfolio from 5 to 20 hours per week may be needed.

---

## Used platforms

- The Seller uses Amazon platform for sales.
- The Seller also has web-site, Facebook, Instagram and Twitter, but those resources are not actively used for promotion since September 2019.

---

## Placing orders, Shipping, Inventory & Fulfillment

- All orders are placed by customers via Amazon.
- The Seller bought all inventory (1,300 pcs) in May 2018, no more stock was ordered / produced since then. Please refer to Financial Analysis part for more information regarding stock.
- Amazon delivers ordered products to customers from Amazon warehouse.
- Please note that, per Seller, the previous manufacturer of products is no longer able to manufacture products due to financial difficulties. The new supplier should be found to produce more inventory.

---

## Returns

- As per Seller, there were just few returns (up to 10) during the business lifetime.

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## Legal & Licenses

- No licenses are needed to operate the business

---

## Violations and Warnings

- Amazon account contains 2 Intellectual Property Complaints and 5 Restricted Product Policy Violations, however those relates to items other than products traded by the Seller.
- We identified an issues with Google Merchant Account – “Account suspended due to policy violation”. The Seller has not commented on that
- Per Seller, there are no more violations and warnings related to the Business.

---

## Mailing list

- The Seller was not able to provide database of customers who bought his product via Amazon. Per Seller, he does not have an access to this information.

---

## Geographic Considerations

- Business can be run from anywhere. No issues should arise if the business were to be run from another location.
- The only issue may arise in case of acquisition of the legal entity ABC LLC, registered in US. Please note that we were not provided with confirmation of legal entity registration.

---

## Post-Sale Support

- The Seller is willing to provide 2-3 hours per week support, for up to 6 months. The Seller did not specify if support is included in the deal price.





# Operations and Legal Analysis

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## Rating and feedback

- There is no rating of ABC LLC at BBB
- Amazon:
  - ABC have 36 reviews on Amazon from 3.4/5 for green products to 4.2/5 for blue.
  - Red products are not rated by customers.
  - Most issues mentioned by customers relates to (i) length of the charge, which is way shorter than specified by the Seller and (ii) issues with volume level.
  - Ratings of competing products range from 2/5 to 5/5, thus overall customer rating of Sellers products is higher that those of competitors.
- Social media (Facebook, Instagram, etc.):
  - No feedbacks on Social Media

---

## Supplier contract validation

- The Seller does not have a valid contract with supplier.
- As described on the previous page manufacturer, Shenzhen LTD, is in difficult financial position, therefore cannot produce products anymore.
- The Seller was in contact with three potential suppliers and performed production trials with one of them. Please note that we were not provided with the list of suppliers and any confirmation of successful production trials.

---

## Assets transfer risk

- As per Seller, there should be no issues with transfer of assets in deal scope such as domain, hosting accounts, social media accounts, inventory, etc.
- Based on the information provided by the Seller to Flippa, products technical documentation, patents and trademarks are not included in the deal perimeter.
- The Seller was not able to provide database of customers who bought his product via Amazon. Per Seller, he does not have an access to this information.
- Available database includes e-mail of customers, who purchased products via ABC web-site, however (i) database is outdated as the Seller moved to Amazon from May 2019 and (ii) holds low value as there were almost no repeated sales to same customers.
- In case of acquisition of ABC LLC (the legal entity) the Buyer should verify ownership right of assets included in the deal perimeter / Sales Agreement and consider Tax and Legal Risks mentioned above.



# Pricing

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## Pricing Analysis

- The Seller's asking price is \$25,000.
- Over 12 months ending 31st of May 2020 the Business generated \$1,958 net loss. Per information initially presented by the Seller on Flippa the Business generated net annual profit of \$8,952. Please refer to Financial Analysis section of the Report for more details.
- Please note that no detailed information was provided by the Seller to support \$8,952 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.
- Comparable Sales
  - The average multiple for similar FBA businesses over the past 12 months is between 2.1x – 3.0x annual net profit.
  - **Based on recent comparable sold FBA businesses, the Seller's asking price is unreasonable.**

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