

# **ABC Company, Inc.**

## **BUSINESS PLAN**

**CONFIDENTIAL**

Corporate Office

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[www.ABCcompany.com](http://www.ABCcompany.com)

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## **Executive Summary**

ABC Company, Inc. is the holding company for several investment oriented businesses aimed at active investors and public and private companies.

ABCcompany.com is a website that is building out a unique investor service, catering generally to active investors. The website is one of a growing number of targeted, niche websites which are proving to have several advantages over the larger and more well-known investing websites such as DEFcompany.com and GHIcompany.com.

The company also functions in an investor relations capacity for companies, both public and private. Currently the primary method for this is through their website by serving as a link between investors and these companies. The company is currently expanding their investor relations service offerings in a number of ways beyond the website.

The company is aiming to create a fully integrated service offering, taking advantage of the complementary and synergistic service offerings that are currently available within the company and those that are in various planning and implementation stages. The company believes that there are numerous additional revenue opportunities to be taken advantage of between their two primary offerings.

## **Background**

The growth and development of the Internet is no longer breaking news. However, a term has come into existence describing current Internet uses and applications that have achieved wide acceptance and popularity, the term is “Web 2.0.” The term basically refers to the ability to take advantage of the Internet’s global reach and to foster communication, interaction and collaboration using such tools as blogs, wikis and podcasts.

Over the last several years a very large number of websites, grouped under the term social networks or “social networking,” have been growing dramatically. The largest and most well-known of these sites, such as MySpace, Facebook, Bebo and LinkedIn, have been the subject of much attention, as well as merger & acquisition and partnership activity.

In the past few years a sub-sector within social networks has developed, and has been growing significantly. These sites are not striving to be all things to all people as the larger sites generally aim to, but instead are “special-interest” sites aiming to attract a smaller, targeted audience that consists of more passionate, committed and enthusiastic members. One advantage of these sites, from a business perspective, is their ability to better target advertising to a select audience, and in turn are often able to generate higher than average advertising rates.

Over the past couple of years one niche area that has developed is that of highly specialized investing websites. These websites are targeted towards investors and traders.

ABC Company is targeting this niche area and is striving to foster a unique investing website with a superior service offering.

These sites go beyond the traditional online sources of investing information, whether it be the data found on such sites as Yahoo! Finance or on more interactive sites such as message boards including Raging Bull and Silicon Investor, and blogs such as Seeking Alpha.

### **Company Detail**

ABC Company maintains the website [www.ABCcompany.com](http://www.ABCcompany.com) for their growing clientele.

The company also functions in an investor relations (IR) capacity for corporate clients, both public and private. This function is currently essentially facilitated through, and layered onto, their investing website.

The company is currently generating revenues from advertising placed on their website and from their investor relations services, with their IR functions currently generating approximately 50% of their total revenues.

#### ***ABCcompany.com***

The ABCcompany.com website features various investor tools. The company is currently planning and implementing a series of website enhancements in order to dramatically improve and expand their individual and corporate users' experience.

The mandate of the company is to develop and grow the website, to create a unique and superior investing experience, an investing resource that is widely recognized and widely used, and to ultimately create an asset whose value could be monetized through an acquisition, partnership or other capital markets event. The primary near- and intermediate-term goals will be to increase website traffic and monetize that traffic.

The company's website "member" base (of individual investors and traders) currently consists of approximately 5,000 members. Of this number approximately 500 are active content contributors. In January the company had 40,000 page views from 15,000 visits. Approximately 65% were "new" visits. (We would note that we generally will be using the term "member," though the term "user" can potentially be substituted in certain instances).

The company, partly as a side benefit of building their website services, also intends to assemble a substantial email distribution list. The company believes that this would serve not only as an integral driver of the company's businesses, but could also prove to be a very valuable asset which the company could monetize in a variety of ways.

The company's website was originally created in 2006, however, in 2009 new management was brought in. The company now has a new focus and a new business

model, with additional service offerings existing and planned, and a website redesign with increased functionality and enhancements ongoing.

### ***Investor Relations***

The company utilizes their website to provide investor relations (IR) services to publicly traded companies, currently primarily micro- and small-cap companies. The company offers access to its members to its corporate clients in order to increase their market exposure and shareholder ownership base. Services offered include emailing corporate content to its members and featuring company sponsored content on its website including company press releases, audio broadcasts, and company and industry showcase pieces and articles.

The company believes that their investor relations model is unique in several ways. The relationship with their website members presents many synergistic content and distribution opportunities.

The company is currently implementing a substantial broadening of their investor relations offerings. In addition to the IR services that are currently intertwined with their website, the company will also be offering a range of comprehensive IR services that can both function independently of the website as well as synergistically with the website.

These offerings include coordinating investor conferences, distributing company and third-party generated content such as press releases, and the production and distribution of internally produced content including research reports and informational data sheets, among other initiatives. For those corporate clients in need of funding, the company will serve as a liaison to various funding sources including hedge funds, mutual funds, investment bankers, broker-dealers and venture capital funds. The company will also provide ancillary functions such as performing due diligence services, writing business plans and preparing presentations.

The company will charge \$2,000 month to their corporate clients for a base level of services, with additional fees charged per add-on services. The company is planning an aggressive campaign to court corporate clients.

The company is currently generating approximately \$5,000 monthly from advertising revenues, and approximately \$5,000 monthly from investor relations services. The company is aiming to not only increase its revenues, but to also generate a greater percentage of its total revenues from website advertising sources.

### ***Additional Revenue Drivers***

The company has a host of additional revenue drivers in various stages of development, some in the planning stage and some currently being implemented. The company believes that there are numerous opportunities to be synergistically taken advantage of

between their two primary service offerings, their website and their investor relations service, as well as additional revenue opportunities.

- *Partnerships with corporate IR clients/Cross-Selling Opportunities* The company believes that they can sell client companies' products and service offerings through their website, and by other means as well. The company would receive a commission fee from such sales.
- *Additional IR client partnership strategies* The company believes that there are additional revenue generation opportunities and strategies that exist with their corporate clients that would go beyond traditional IR services. These could entail various consulting services, corporate website development and additional potential synergies. Revenue generation possibilities from corporate clients would not be limited solely to investor relations clients. The company could also act as a liaison between companies or between individuals and companies, and generate commissions and fees that way as well.

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### **Monetizing Websites**

On a very basic level websites can be grouped into two categories, those that sell products and/or services, and those that don't. The goal of any website operator, and even more so for websites that do not sell products or services, is to create and foster a website that is a "destination," that generates attention and attracts an interested and returning user base. Besides the obvious fundamentals such as revenues generated, there are additional very important metrics that exist to gauge the "value" of a website.

A start-up company might not be generating substantial (or even *any*) revenues, however, important operating metrics that gauge the traction of a website, judging by its membership base and usage and other factors, are very important indicators to observers as well as to potential partners, advertisers and investors.

As long as a site's member community is interested, involved, (relatively) active and exhibits retention, targeted advertising employed on that site as a revenue generating tool can prove to be highly effective and profitable.

For websites that do not sell products or services, an alternate business model is necessary, an alternate method of generating revenues. The primary method of achieving this is by selling advertising and thereby "monetizing" their website traffic. ABC Company is following this model, however, they also function in an investor relations

capacity and are also planning and implementing additional revenue generation opportunities.

The valuation methodologies that are used for Internet based companies use additional metrics beyond those that are strictly fundamental. These entail various statistics, or metrics, that are evaluated in order to judge and quantify the current and potential future value of these companies. These statistics and metrics include such terminology as the number of members and registered users, advertising click-throughs (paid-clicks), page-views, unique visitors, the amount of time spent on a website, as well as the percentage growth rate of these various metrics.

The tracking of these various metrics and statistics is generally referred to as web analytics, and is generally done by the company themselves as well as by “third-party” trackers. Major third-party trackers include ComScore and Nielsen/NetRatings. We would importantly note however that third party tracking services can be inaccurate due to various tracking criteria used, such as domestic vs. global tracking, ads placed on partner sites, etc. Tracking can also be done by the company themselves using software packages like Google Analytics and ClickTracks Analytics.

ABC Company is currently using the Google AdSense program to generate advertising, and thus revenues, for their website. Google AdSense is an advertising network, one of the primary providers of these services. Google AdSense places banner and text-based/text-linked ads from advertisers on websites, essentially acting as a middleman between the advertisers and the sites, and taking a portion of the revenues generated by “click-throughs,” the money paid by advertisers when their ads are clicked on (“paid-clicks”). Google AdSense is currently providing banner ads on ABC Company’s website. Google AdSense provides contextual advertising/targeting, ads that are highly targeted towards companies’ websites and their membership communities, which is very attractive to advertisers. The Google AdSense software allows for very customizable ads and ad placement, as well as providing ease of use. It is to ABC Company’s financial benefit for website visitors to actually “click” on the ads (“click-throughs”), which will then generate revenues to the company. It is additionally also to the company’s financial benefit for those end-users to then actually be “converted” (“conversion rate”) to be a purchaser of the advertiser’s products or services. Global Internet advertising sales are expected to generate approximately \$44 billion in revenues in 2008, and grow to \$80 billion by 2010-2011. (We would also note that there has been a great amount of M&A activity within the online advertising space, with Google buying DoubleClick, Yahoo buying BlueLithium, Cox buying Adify, AOL buying Tacoda and Quigo, and Microsoft’s interest in Yahoo).

The attractiveness of a website to advertisers, and their advertising dollars, is based on essentially the same quantifiable attributes that would appeal to not only users, but also to potential investors and partners. Advertisers are looking for a positive rate of return on their ad spending. They are looking not only for website traffic and usage, but also for specialized website content that can offer them a highly targeted audience that would translate into high click-through rates, in essence being served a highly coveted consumer

and business audience on a silver platter. It can prove to be cheaper *and* more effective to advertise on specialized websites than on general use websites. A website has to develop membership and user momentum in order to attract an increasing number of advertisers and generate an increasing amount of advertising revenues. (The online advertising model is not dramatically different than the standard model that applies to advertising in the “traditional” media).

Whatever their business model, the primary aim of websites is to increase their traction, to build website traffic and increase the size and activity of their website community and user base. There are various ways to achieve this including partnerships, tools such as search engine optimization used to increase website rankings in search results, taking advantage of such trends as social bookmarking (popularized by del.icio.us, for example) and popularity tracking used on sites such as Digg.com.

### **Funding/Use of Proceeds**

The company is currently seeking financing. Their near- and intermediate- term spending plans will be influenced by the specific amounts raised, as well as by their internal levels of cash generation.

The company is currently generating approximately \$10,000 monthly from website advertising revenues and investor relations services for corporate clients. The company is planning on aggressively adding corporate clients for their IR services. The company believes that they can be financially self-sustaining (roughly break-even) in 2009. Company revenues would then be at a minimum approximately \$40,000 monthly, with funds also being generated from sales of client company stock. However, the company believes that this is a relatively conservative estimate. They are also not currently factoring in additional ancillary revenues that they are planning will be generated from corporate client relationships.

The company is anticipating a monthly spending/burn rate of approximately \$25,000 for the next six months. They then anticipate that spending rate to gradually increase to approximately \$40,000 monthly. This spend would primarily be used for basic operating functions as well as a degree of ongoing business development and expansion. However, depending on the level of funding raised, that spending level could increase to facilitate a more intensive business expansion.

### ***Near-Term Goals/Projects in Development***

The company is currently in the process of implementing and planning various initiatives in order to improve, strengthen and expand their current and planned offerings. The implementation of these goals will be dependent on the company’s internal cash generation levels as well as on external financing.



- *Website enhancements* The company is in the process of improving and adding features to their website, enhancing its functionality and attractiveness for individual members and potential members as well as for corporate clients.
- *Increase website membership and advertising revenues* The company is striving to increase their market awareness and increase their website community's membership, thereby also increasing their advertising revenues. The company is also aiming to develop partnerships to achieve these goals.
- *Increase investor relations service offerings, increase corporate client base* The company is currently in the process of implementing various initiatives to enhance their investor relations offering, partly by better integrating their website membership with the needs of their corporate clients.
- *Increase personnel* The company is planning additional hires to achieve their near- and intermediate-term expansion goals.
- *Add to infrastructure* The company currently has a very lean operating structure and intends to maintain that model. The company will add to capital outlays, especially in the near-term, only as necessary, or as prudently advisable.

The company is continually seeking to enhance their service offerings in order to increase their membership, to increase their corporate client base, and to increase their advertising revenues. The company will continue to explore additional avenues such as partnerships, technological improvements, and capitalizing on the synergistic relationship between their website membership and their corporate investor relations clients. The company is also always open to pursue additional and complementary service offerings in order to diversify, complement, strengthen, expand and enhance their current offerings. The company is seeking to further establish their name and reputation in the marketplace, as well as increasing and diversifying their revenue generating capabilities.

Partnerships could include complementary companies and websites, firms involved in the capital markets (providers of capital, investment banking and financial advisory services, legal services, etc.), investor relations firms, marketing and advertising firms, among others.

### **Competition**

There are many online investing websites, some of them very well known. The largest sites, such as DEF Company and GHI Company, tend to be very broad, generalized sites, aiming to appeal to as many people as possible, though they also generally contain many specialized niche areas. There are now also a very large number of specialized, niche investing websites that have developed over the past few years. These sites vary widely in their offerings and approaches as well as in their business models, though most are advertising revenue based.

ABC Company's goal is to develop its investing website and create and foster a superior investment offering in terms of its functionality and capabilities, technology, and its usefulness and attractiveness to the investing community at large. This in turn would make the site more attractive to existing and potential corporate clients and encourage them to take advantage of the company's investor relations offerings, as well as to advertisers seeking to take advantage of targeted ad placement.

### **Terminology**

There is an abundance of Internet "terminology" that is regularly used in website discussions and website valuation methodologies. In addition to terms we've mentioned earlier, the lexicon includes such wording as users (active users, registered users, total users), visitors (visits, unique visitors, monthly visitors, unique monthly visitors), impressions (page impressions, impressions per month), page views (unique page views), retention, time spent on site (average time spent on site, average stay), conversion ratios (conversion rates), CPA (cost per acquisition), CPM (cost per thousand impressions), and CTR (click-through rate), among many others.

The volume of some of these metrics, as well as the percentage of growth in these metrics, are important indicators in gauging website performance. This is exclusive of purely fundamental metrics such as revenues, profits and operating cash flow.