



Rapid Diligence

Preliminary Analysis: Example.com

Terms

- *We / Rapid Diligence*: This refers to us as an entity responsible for buy-side due diligence for this business
- *You / (The) Client*: This refers to you, the individual or entity, who has engaged us for buy-side due diligence
- *Seller / Owner*: This refers to the current individual or entity that owns the business for sale
- *(The) Business / (The) Company / Target Acquisitions*: This refers to the business in question that is under consideration for purchase by the Client
- *During Due Diligence*: This refers to the exclusive due diligence period after a Letter of Intent is executed, typically 30 – 90 days

General Synopsis

Overall, Example.com appears to have healthy margins, strong growth over the trailing thirteen months, varied revenue sources through different mediums, and a niche product offering that is being reviewed. A couple of points worth noting:

- Product “Offering”: The business generates revenue through reviewing various types of tires both as standalone products and ones that are best utilized for an individual brand of vehicle. In general, car tires in particular are a great product to review for a variety of different reasons:
 - Tires are generally the most cross shopped parts on a car, both for everyday consumers and car enthusiasts. Most everyday consumers generally do not cross shop items such as brakes or oils (outside of synthetic vs. conventional) but given that tires make a significant difference in the driving experience, are essential to ride quality, safety, and performance, and generally more expensive than most routine wear and tear parts on a vehicle, general consumers and enthusiasts alike spend time ensuring that their tire purchase is a good one.
 - Because tires are a wear and tear part, they will always need replacement. This creates a more frequent reader repeat cycle for Example.com versus if the website was reviewing actual cars or home styles, which are far less frequent purchases.
 - While brands are constantly releasing new tires with updated technology, the base product remains primarily unchanged, especially as it pertains to everyday consumers. Unlike technology or fashion products, tires are not subject to becoming obsolete or

going out of style, which makes them great for a review website.

- Marketing + Creative Growth: There is a lot of potential here for supplementary product reviews, community review, and partnership development. Below, we have broken down each:
 - Supplementary product reviews: Because Example.com is branded more generically to driving or cars as a whole, expanding to supplementary offerings should not be an issue, versus if the Business was branded as BrakeReviews.com, for example. Growth here could come through offering product reviews for other wear and tear car parts, such as car batteries, windshield fluid, oil brands, brake brands, and more. Alternatively or alongside that, adding categories for performance-focused tires and those on other types of vehicles (trucks, off-road vehicles, etc.) could also provide an influx of audiences from alternative readers.
 - Community Review: While general consumers go through tires more slowly (every few years, on average), most car enthusiasts tend to go through tires a lot more frequently and are more particular on the tires they choose. It would definitely be worthwhile to have a “Community Review” section where enthusiasts or even everyday consumers can rate and review tires after they have purchased them and provide insight into their experience. This automatically adds more meaningful and useful information to the website and allows you to effectively crowdsource content and reviews, all of which will help with search engine rankings.
 - Partnership Development: Partnering up with a major tire chain such as Discount Tire to display the website in stores for their customers wanting to make a buying decision could be very profitable and lead to a lot more exposure, though it would not be deemed as low hanging fruit for this business.
 - Another alternative growth strategy to continue to bring users back to the website would be to allow them to add their vehicles (similar to [DiscountTire.com](#)), which would allow a bit more of a personalized experience for them. Another alternative example would be simply creating a curated mailing list that is displayed as a way to personalize their tire recommendation.

Get a FREE Personalized Tire Recommendation for Your Vehicle

Vehicle Make: Mazda

Vehicle Model: MX-5

Tire Preference: Summer ▾

Current Tire Condition: A Bit Worn ▾

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- This would create a much more personalized and meaningful User Experience (UX) and also allow automated email outreach based on the expected life of their tires (e.g. “Looks like your Mazda MX-5 will be needing new tires within the next six to twelve months. Here are some great replacements for you to consider:”) This will certainly require some backend work and is not considered low hanging fruit but would definitely take the more generic approach that currently exists and make it more tailored to the individual. After all, most people are not really interested in all the different types of tires out there — they care about what will suit their needs for their vehicle(s).
 - **Historical Growth:** Over the trailing thirteen months, the business has seen significant growth in both revenue and profit, averaging out to a Month-over-Month (MoM) revenue growth of 44.34% and a MoM profit growth of 49.80%. While the business is claimed to be in business over the past six years, most of the growth appears to have occurred within the trailing year or so, which is something we will need to dive deeper into during due diligence.

Month	Revenue Growth	Profit Growth
Jan-22 to Feb-22	-37.35%	180.43%
Feb-22 to Mar-22	84.20%	164.56%
Mar-22 to Apr-22	93.08%	77.02%
Apr-22 to May-22	74.26%	54.26%
May-22 to Jun-22	26.54%	25.26%
Jun-22 to Jul-22	70.63%	45.96%
Jul-22 to Aug-22	115.47%	56.18%
Aug-22 to Sep-22	96.94%	50.40%
Sep-22 to Oct-22	48.18%	33.04%
Oct-22 to Nov-22	31.41%	24.19%
Nov-22 to Dec-22	-37.58%	-61.39%

We've also copied over a year over year monthly comparative growth model for both revenue and profit, which paints a similar picture:

Comparative Revenue Growth

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020 — 2021	4.49%	-7.60%	99.34%	5.48%	14.76%	25.45%	-14.92%	221.88%	108.49%	-24.04%	24.02%	40.97%
2021 — 2022	23.13%	141.13%	13.87%	757.58%	1332.37%	691.30%	629.97%	3797.82%	7055.20%	10199.78%	6177.47%	2605.07%
2022 — 2023	2768.17%	4477.74%	5902.14%	710.65%								

Comparative Profit Growth

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020 — 2021	12.03%	-1.34%	99.34%	5.48%	14.76%	25.45%	-14.92%	221.88%	108.49%	-24.04%	24.02%	40.97%
2021 — 2022	-77.22%	-197.14%	-61.42%	554.63%	1271.82%	701.30%	701.70%	4434.10%	8421.41%	12262.10%	7463.34%	3135.27%
2022 — 2023	16627.70%	-13554.89%	21247.72%	192.50%								

Year-over-Year (YoY) Growth

Year	Revenue Growth	Profit Growth
2020 to 2021	22.74%	23.87%
2021 to 2022	2715.98%	3161.44%
2022 to TTM	57.95%	54.77%

The business has seen exceptional YoY growth, with the bulk of it occurring within the trailing twelve months.

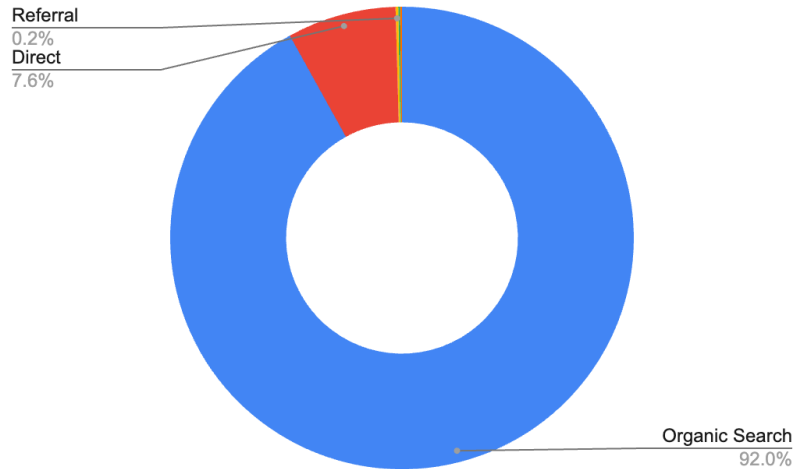
- Margins: We calculated the profit margins of this business to average 70.08% over the trailing thirteen months. This has drastically improved over the trailing 6 months to 97.57%. Like most content businesses, Example.com enjoys significantly higher margins as revenue continues to grow as most costs are fixed costs for content and SEO. These profit margins are not uncommon for content businesses but we will validate the validity of the content and backlinking costs during post-LOI due diligence.

Month	Profit Margin	Profit Margin Variance
Jan-22	16.65%	-1.35
Feb-22	-33.03%	-2.60
Mar-22	27.78%	-1.06
Apr-22	62.59%	-0.19

May-22	78.53%	0.21
Jun-22	83.04%	0.33
Jul-22	90.06%	0.50
Aug-22	95.39%	0.64
Sep-22	97.66%	0.69
Oct-22	98.42%	0.71
Nov-22	98.80%	0.72
Dec-22	98.07%	0.70
Jan-23	97.09%	0.68

- Website Traffic: Similar to revenue, traffic has continued to see significant growth over the trailing thirteen months, most of it primarily consisting of organic traffic:

Month	Number of Users	Revenue	Organic Users	User Variance
Jan-22	22900	\$889.00	11,041	-1.19
Feb-22	18847	\$557.00	9,433	-1.23
Mar-22	28346	\$1,026.00	17,049	-1.15
Apr-22	66966	\$1,981.00	49,254	-0.81
May-22	93559	\$3,452.00	75,287	-0.58
Jun-22	99840	\$4,368.00	84,195	-0.53
Jul-22	118663	\$7,453.00	103,965	-0.37
Aug-22	170404	\$16,059.00	158,803	0.08
Sep-22	231404	\$31,626.00	217,776	0.61
Oct-22	317103	\$46,864.00	301,226	1.35
Nov-22	351618	\$61,582.00	345,518	1.65
Dec-22	305261	\$38,439.00	290,307	1.25
Jan-23	269673	\$25,498.00	255,438	0.94



- Multiple: Asking multiple at 3.0 appears reasonable given the type of business, the average profit, age of the business, and compared it to similar businesses that we have reviewed. However, as mentioned above, most of the revenue and profit has occurred within the trailing thirteen months, which creates a far greater risk. In this case, the business would be worth much closer to a 2.05 – 2.3X annual earnings multiple.

Next Steps

Overall, the business appears to be in good shape with the primary reason for concern being the actual age (i.e. how long it has received meaningful traffic and revenue, not simply how long it has simply just existed).

For next steps, we recommend reviewing this document thoroughly and scheduling a preliminary call with the owner to become acquainted with him and ask any questions you may have. We were unable to obtain any historical earnings from the listing so this is something that we highly recommend obtaining and sharing with us before agreeing to move forward to the LOI stage, as it will be imperative to an accurate valuation of the business.

If you choose to move forward after reviewing this preliminary analysis document, please let us know and we will also send over a list of questions pertinent to the target acquisition. You are also welcome to schedule a call with us to review this document in greater detail, address any questions or concerns, or go over what next steps should look like in greater detail.