

Newsletter

Mergers & acquisitions for website owners

This article was written to provide website owners and purchasers with information and examples into how having a targeted and well thought out website mergers and acquisition (M&A) strategy can assist in the expansion of your online business and create significant website synergies, therefore significantly increasing owner's profits.

Many internet business owners should sit up and take notice of the very real opportunities out there to purchase websites related to their current ones that they can acquire for excellent value due to the very real synergies that they can create by having both their current and the acquired site working together.

Synergies can be explained by the notion that the value of both websites working together is greater than the individual websites separately. In other words $1+1=3$. These synergies can be created by acquiring targeted websites for a number of reasons. They include but are not limited to traffic sharing, advertising, and cost synergies.

In the case study box below an example of an actual traffic and advertising synergy from a website acquisition we were involved in with a client is presented:

Case Study 1

Client A was the owner of a cars discussion forum website who approached nEquity to assist in expanding his business and increasing profits. We presented to the client several ideas on websites types that could be targeted that we believe would link in well with his current site and could possibly be bought for excellent value due to the creation of synergies. The favoured option was to leverage off the automobile related traffic at his forum site. We suggested the purchase of a website that sold car accessories or parts, as this could be linked into and advertised at the forum and could gain an excellent reputation around the forum and advertise to the members.

So we presented several target websites that fitted the description that was required. Data was analysed and modeled to see what kind of profits could be achieved and where the greatest could be achieved. Due diligence was performed for the client on the targets that were selected as the best and the deal was closed. The client purchased a site that was producing before purchase \$4000 in profits a month. Through the synergies with the forum the acquired site began to produce \$6000 in profits per month. A significant 50% increase in profits due to being able to advertise the site on the forum to members and having a trusted name there. The site was bought at a significantly low price considering it's price was based on the \$4000 in profit a month rather than the quickly achieved \$6000. Profits are also expected to grow from the forums members as the forum grows and the reputation increases even more of the acquired site in the forum.

Other cases can be to acquire a website purely to direct its traffic to your site. For example if the owner of a site purchases a lot of traffic from Google, the owner could look at the cost of purchase of a similar site that generates its traffic organically and compare to the costs of Google Adwords to get this targeted traffic. If purchasing the site is significantly cheaper than purchasing from Google or some other source of advertising, it could be a good proposition to acquire this site purely for its traffic. Of course traffic at the target site needs to be heavily analysed to find how much of it is related, targeted and useful traffic.

Significant synergies can also be created in cost reductions due to cheaper suppliers. Below in case study box 2 is an actual example of a client who had a very cheap drop shipper supplier for certain chairs he sold online and was able to use this to buy another website and increase its profit dramatically:

Newsletter

Mergers & acquisitions for website owners

Case Study 2

In this case Client A came to nEquity to see if we could assist him in expanding his online internet business that sold designer chairs and thereby increase profits. In our discussions and idea generation we discovered that the website owner had a significantly cheap drop ship supplier for the chairs he sold online. So we presented the client with the idea of purchasing websites that sold the same chairs as just switching the supplier for the acquired website could increase profits in the site dramatically.

We searched for the client and found several options and analysed their current revenues and supplier costs. The analysis showed that with several of these sites margins on sales could be increased some 50% due to the much cheaper supplier. The client decided there was one particular site he liked, so we proceeded to conduct due diligence on the site and everything looked good and the deal for the site was closed. Client A acquired the site at a very good price considering it was sold on the basis that it was generating a profit of \$900 a month, but due to the cheaper supplier Client A would be able to increase it to around \$1350 a month in profit.

In summary as outlined above, website owners running internet businesses should take note of the opportunities that are available out there to expand their businesses and therefore profits through mergers and acquisition of other websites. The implementations of the synergies that can be gained are very simple with websites which is the wonderful thing about website M&A as opposed to traditional M&A. If you would like to discuss and generate ideas on M&A options for your website with nEquity please do not hesitate to contact us.

Disclosure and Disclaimer

This report and its contents are not intended to constitute a solicitation for the purchase of the websites or an offer of the website. The information provided in this report has been prepared without taking account of your particular objectives, financial situation or needs. You should, before acting on the information provided in this report, consider the appropriateness of the purchase or sale of the websites that are the subject of this report having regard to these matters.

The accuracy of the information provided is unknown and is information provided by the website owners. The accuracy should be verified through thorough due diligence by the purchaser. No due diligence on the websites listed here has been undertaken by nEquity.

nEquity does not guarantee the performance of the websites discussed in this report. Any information in this report relating to the history or performance history of the websites that are the subject of this report should not be taken as an indication of the future value or performance of the relevant websites.

In preparing this report, nEquity analysts have relied upon certain information provided by the website owners and others of the websites that is the subject of this report or otherwise made publicly available by such companies. The information presented and opinions expressed herein are given as of the date hereof and are subject to change. We hereby disclaim any obligation to advise you of any change after the date hereof in any matter set forth in this report. THE INFORMATION PRESENTED, IS NOT CHECKED OR GUARANTEED AGAINST ERRORS OR OMISSIONS AND WE MAKE NO WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AND DISCLAIM AND NEGATE ALL OTHER WARRANTIES OR LIABILITY CONCERNING THE ACCURACY, COMPLETENESS OR RELIABILITY OF, OR ANY FAILURE TO UPDATE, ANY CONTENT OR INFORMATION HEREIN.

This report and the information filed on which it is based may include estimates and projections which constitute forward looking statements that express an expectation or belief as to future events, results or returns. No guarantee of future events, results or returns is given or implied by nEquity.

Estimates and projections contained herein, whether or not our own, are based on assumptions that we believe to be reasonable at the time of publication, however, such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from the estimates and projections provided to nEquity or contained within this report.

This report may, from time to time, contain information or material obtained from outside sources with the permission of the original author or links to web sites or references to products, services or publications other than those of nEquity. The use or inclusion of such information, material, links or references does not imply our endorsement or approval thereof, nor do we warrant, in any manner, the accuracy of completeness of any information presented therein.

In this report no representation is made as to the reasonableness of the assumptions or the accuracy or completeness of the models or information used. No representation is made that such information is in any way indicative of future performance.

Analyst Certification: All observations, conclusions and opinions expressed in this report reflect the personal views of nEquity and the writer.

About nEquity

nEquity is a website investment advisory business dealing in the small to mid-size website market. Our services are internet only related website valuation services, website due diligence services and website mergers & acquisition advisory.

We have several highly experienced and well educated and talented staff behind us coming from both finance and IT backgrounds. nEquity staff have extensive experience in the finance world having previously worked at the likes of investment bank Goldman Sachs and for Big 4 accounting firms around the globe.