

Due Diligence Report

Project Company XYZ



<https://flippa.com/XXXXXXXX>

Prepared by: Flippa Due Diligence Team | 01 March 2022

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FLIPPA DUE DILIGENCE
SAMPLE REPORT ONLY

LEGAL DISCLAIMER

LIMITATION OF LIABILITY/INVESTMENT 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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EXECUTIVE SUMMARY

SUMMARY OF KEY POINTS



WHAT WE LIKE

- ✓ Over \$700K sales in 2021
- ✓ Over 15K orders in past 12 months
- ✓ 100K mailing list
- ✓ Increasing returning customer rate (18%)



ADDED

PRIORITIES

- ✓ Increase ad spend to boost sales
- ✓ Evaluate and streamline costs to improve profit margins



GROWTH OPPORTUNITIES

- ✓ Developing product portfolio
- ✓ Adding sales channels
- ✓ Social media marketing
- ✓ SEO optimization

PURPOSE OF THE REPORT

This Report aims to identify detailed risks and opportunities with the presentation of enhanced financial and traffic information. Report was purchased by the buyer to help gather information relative to the potential purchase of the business described in this report.

METHODS USED

The Report was based on data provided by the seller, in particular, analysis of sales and costs data. Data sources include access to Shopify and Google Analytics platforms of the seller and answers received from the Seller from questionnaire/interview as well as publicly available information.

FINDINGS AND CONCLUSIONS

Company XYZ is an online jewelry e-commerce store, offering gold-and-silver plated jewelry at affordable prices.

- The business generated revenues of \$746K in 2021, with a net profit margin of 19%
- Revenue generation is largely through social media marketing and reseller program.
- The business is valued at \$350K, 2.5x the annual net profit of \$139.5K (FY 2021).
- Revenue has been decreasing in the 2nd half of 2021, mainly due to lower ad spend.
- Time spent to run the business should also be considered. Currently, the Seller spends about 3 hours a week running the store. However, the business may require more depending on the amount of scaling needed for the business.

RECOMMENDATIONS AND INSIGHTS

Flippa has identified growth opportunities such as:

- Continuing to develop current product portfolio, riding on emerging trends
- Adding new online sales channels (e.g., Amazon)
- Improving SEO content within the website to increase site relevance and traffic
- Growing the Business to Business (B2B) market
- Increasing advertising efforts through:
 - Paid social media marketing
 - Partnering with resellers, influencers and running affiliate programs.

The new owner should also consider the impact of expenditures such as corporate tax expenses, the potential increase in ad spend as well as the cost of hiring new personnel, if needed.

We recommend working with the Seller to establish agreements with Suppliers and affiliate partners so that operations continue to run smoothly.

We also recommend that the buyer pursue further due diligence work before making the final purchase, upon mutual agreement.

GENERAL OVERVIEW

TERMINOLOGY, ASSESSMENT DESIGN AND METHODOLOGY

METHODOLOGY

- We have used in the Report information provided by the seller to Flippa, including Profit & Loss Statement, answers received from the Seller, reports available through the merchant's Shopify and Google Analytics accounts, other information provided by the Seller 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.

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.
- **Flippa.com or Flippa:** A Limited Liability Company.
- **Flippa, We:** Flippa 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 for the Client.
- **Business, Website:** The Business being analyzed by Flippa for the Client.
- **XYZ.com, Company XYZ, Company XYZ:** Website, subject of sale.
- **Seller, Business Owner:** The current owner/s of the Business.
- **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.

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 efforts to achieve the highest degree of verification:
 - Accessed available merchant accounts and reviewed business reports.
 - Analyzed Profit and Loss Statement against source data available for review.
 - Reviewed publicly available data vs the Seller's statements, where possible.

**INFORMATION
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 are added to the Report as-is and are not changed or otherwise manipulated by the Analyst.
- The following information has been provided to Flippa by the Seller:
 - Sales and Costs Data for January 2021-February 2022
 - View only access to the Seller's Shopify and Google Analytics accounts
 - Invoices to subscriptions and other expenses, etc.
 - Payment statements from Stripe and Paypal
- 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
 - Various publicly available databases

FLIPPA DUE DILIGENCE REPORT ONLY
SAMPLE REPORT

BUSINESS OVERVIEW

INFORMATION ABOUT THE BUSINESS

DESCRIPTION

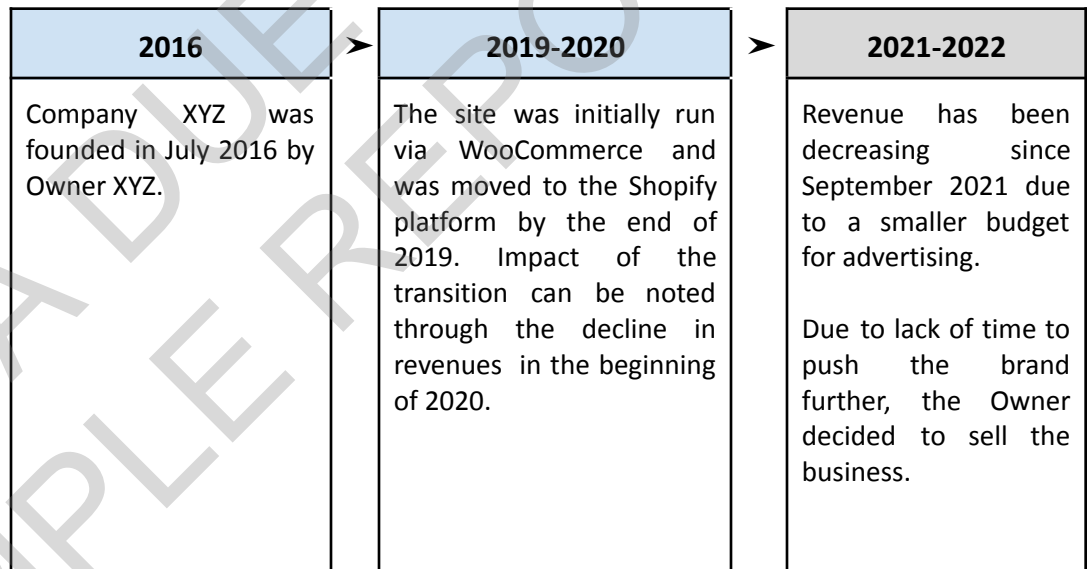
Company XYZ is an e-commerce luxury/fashion jewelry brand, offering gold and silver jewelry at affordable prices.

BUSINESS MODEL/ MONETIZATION

The business is built on Shopify and acquires customers through paid advertising on social networks and freelance resellers paid on commission. Payments are received via Stripe and Paypal as well as bank transfers (for B2B purchases).

The products are designed in-house while they are ordered and made from Asia. From there they are shipped to the business' rented office in the US.

HISTORY



KEY FIGURES

NUMBERS AT A GLANCE

REVENUE*	NET PROFIT*	ASKING PRICE	TRAFFIC STATS**	KEY LINKS
\$746 K	\$139.5 K	\$350 K	220 K page views/mo	✓ Company XYZ.com
<i>with:</i>	<i>Equivalent to:</i>	<i>Equivalent to:</i>	<i>and</i>	✓ Facebook
\$46 ave. order value ^a	19% profit margin	2.5x annual profit	50 K unique visits/mo	✓ Instagram ✓ Pinterest

*based on P&L for the 12 months ending December 31, 2021

**based on Google Analytics

^a based on Seller's answer.

^a Based on Shopify, ave. order value is €44

ASSETS OVERVIEW

WHAT IS INCLUDED IN THE SALE

ITEMS FOR TURNOVER

We have verified with the Seller that all company-related assets will be transferred over as part of the sale. Therefore it includes:

- Hosting Accounts: Shopify website
- Brand assets (logos, photo and video content)
- Inventory
- Customer contact list
- Supplier contacts
- Social networks
- Website files

NOT INCLUDED IN THE SALE

Accounts that aren't transferable are Paypal and Stripe. The buyer's accounts can be connected on the Shopify dashboard and will not impact the operation of the site.

One regular employee, who is responsible for administrative tasks, will also not be available to continue services after the sale.

FINANCIAL ANALYSIS

PROFIT AND LOSS ANALYSIS

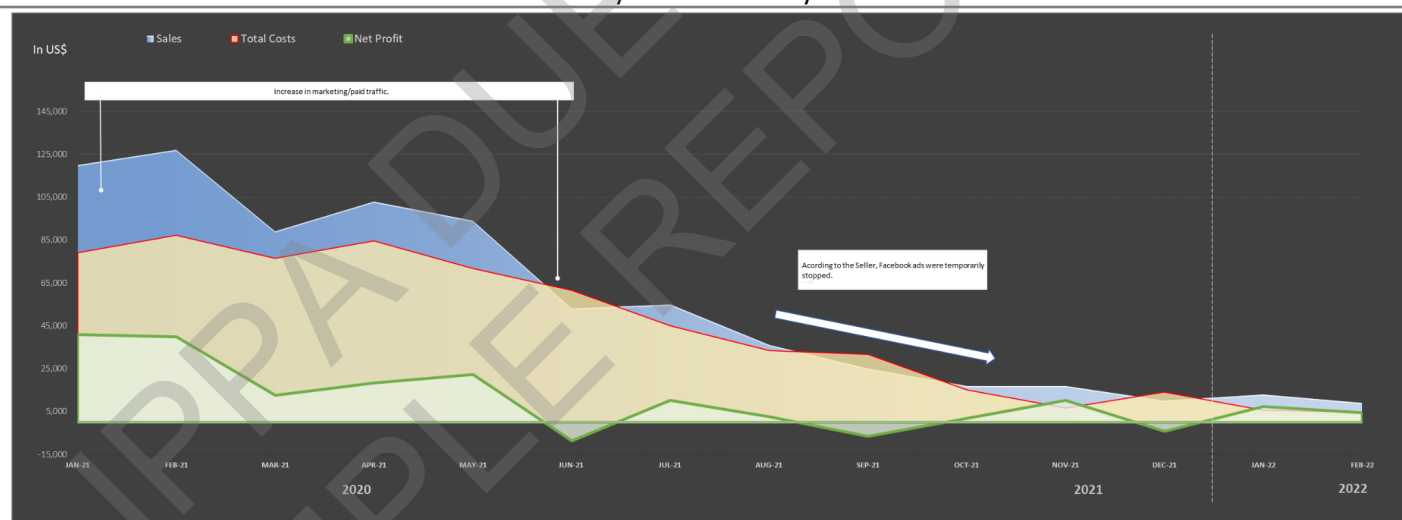
- For the 12 months ending December 31, 2021, the Business generated \$746,000 of revenue, with a net profit margin of 19% (\$139,500).
- Based on the information provided by the Seller, we understand that the normal level of monthly costs, excluding cost of the time spent by the owner, to maintain the current level of sales is \$50,542/mo. According to the Seller, he currently spends about 3 hours a week on the site. The Seller says they had reduced their advertising and had less to manage.

Costs includes:

- Cost of Goods Sold (COGS), Shipping and Delivery, Transaction fees, Hosting and Subscription, Content Creation, Influencer/Reseller, Marketing, Employee Salary, Freelancers, Office rent and utility, Miscellaneous
- In the first half of 2021, the Seller had increased its marketing/ad spend for specific months which saw revenue peaks during this time.
- Revenues are largely generated from paid advertising on social networks and freelance resellers paid on commission.
- According to the Seller, the downtrend in the 2nd half of 2021 is mainly due to lower ad spend caused by an issue with Facebook Ad.

PROFIT AND LOSS

January 2021- February 2022



	2021												2022	
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Sales														
Total Costs														
Net Profit														
Net Margin (%)														

Sensitive business information is edited out of this sample report.

NOTES:

- PnL presented is based on Seller's data provided during the Due Diligence process.
- No tax expenses are accounted for in this P&L statement.

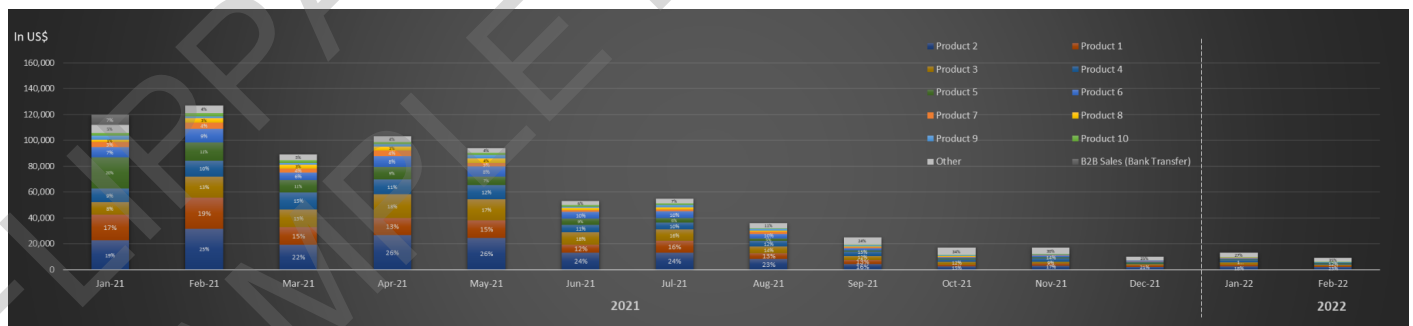
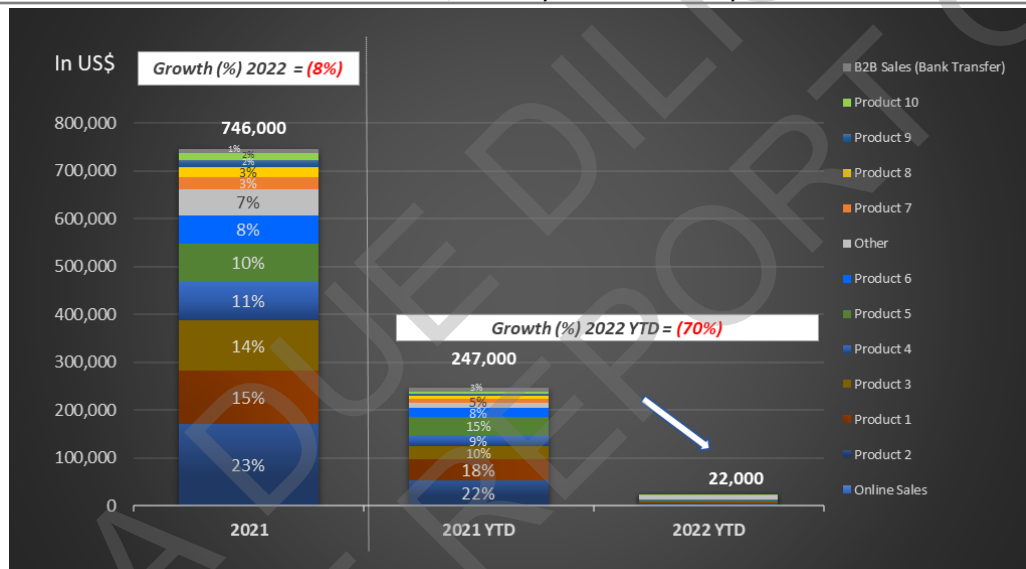
FINANCIAL ANALYSIS

HISTORICAL PERFORMANCE & REVENUE STRUCTURE ANALYSIS

- Sales in 2020 increased by 4% from 2019 backed by the growth (3%) of online jewelry sales and additional income outside of Shopify (B2B sales).
- Company XYZ revenues were initially driven by sales of Product 1. It accounted for 43% of sales in 2020.
- In 2021, revenues declined by 8% as Product 1 sales significantly dropped, which led to its share of revenues decreasing to 15%. This decline was slightly offset by the growth of the recently added Product 3, which contributed about 14% of sales and Product 2 which increased its revenue share to 23% in 2021 from 17% in 2020.
- Revenues in 2022 reached \$22,000 as of February YTD. At this rate, in order to be on par with 2021 revenue levels, Company XYZ would require a monthly average revenue of \$72,400/mo in the next 10 months.

HISTORICAL PERFORMANCE & REVENUE STRUCTURE

2021 & 2022 YTD; January 2021- February 2022



NOTES:

- Please note that sales data presented in the report are based on financials provided by the Seller in excel format. Sales breakdown was based on the % share of products/collections sold on Shopify in Euro (€).
- Breakdown of Sales for Jan 2020 was not available due to it being reported on a different platform (WooCommerce). January 2020 was the transition to the Shopify platform.

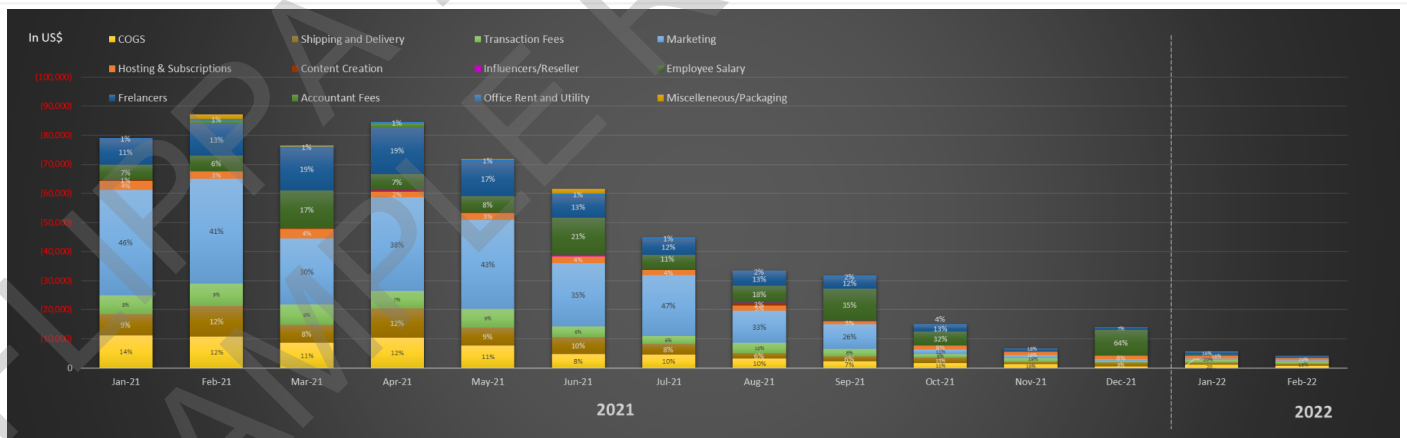
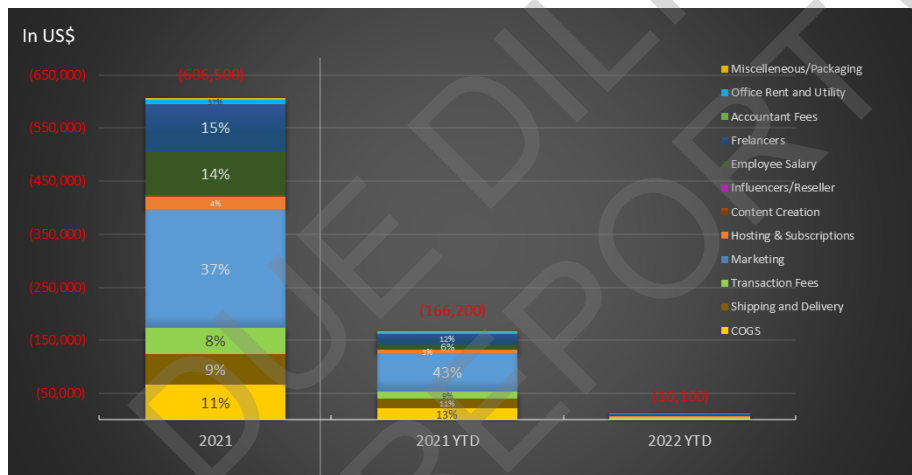
FINANCIAL ANALYSIS

COST STRUCTURE ANALYSIS

- Cost structure:
 - Fixed: Hosting and Subscription, Office rent and utility
 - Variable: Cost of goods sold, Shipping and Delivery, Transaction fees, Marketing, Content Creation, Influencer/Resellers, Freelancers, Miscellaneous/packaging, Employee Salary, Other miscellaneous
- Company XYZ has two regular employees but also has freelancers who intermittently provide services for the site.
- The largest cost mainly relates to ad and marketing, accounting for 43% and 37% of total costs in 2020 and 2021. The business has focused mainly on paid ads within social media. They have tried an agency in the past but had reportedly fluctuating results.
- Overall costs decreased by 3% in 2021 mainly due to lower marketing, content creation and photography costs.
- Shipping and delivery costs notably increased by 20% in 2021. Likewise, freelancers fees picked up by 12%.

COST STRUCTURE

2020-2021 & 2022 YTD, January 2020 - February 2022



NOTES:

- Please note that the costs data presented in the report are based on financials provided by the Seller.

TRAFFIC ANALYSIS

HOW DOES THE BUSINESS FARE IN TERMS OF WEB TRAFFIC

ORGANIC SEARCH POSITION

Organic Search Positions 1 - 100 (273)

[+ To Keyword Manager](#)

[Manage columns](#) 12/16

[Expo](#)

<input type="checkbox"/>	Keyword	Intent	SF	Pos.	Diff.	Traffic %	Volume	KD %	CPC ...	URL
		N	±2	1 → 1	0	34.78	140	35	0	om/
		I	±2	1 → 1	0	22.36	90	20	0	ram
		N	±3	1 → 1	0	17.39	70	30	0	om/
		C	±2	1 → 1	0	7.45	30	22	0	om/
		C I	±2	1 → 1	0	7.45	30	21	0	om/
		N	±2	1 → 1	0	7.45	30	20	0	om/
		I T	★	27 → 27	0	0.93	2,400	24	3.4	ce
		I	±2	2 → 2	0	0.62	90	20	0	om/
		I	±4	19 → 19	0	0.62	720	47	0	s-1
		I	±4	23 → 23	0	0.31	720	34	0	s-1

Sensitive business information is edited out of this sample report.





















NOTES: Data sourced from SEMrush

- Based on the screenshot reflected above, the business currently has 273 keywords organically ranking on SERPs.
- 6 of the top keywords rank #1 in keyword position ranking on Google. Many of the top keywords are also highly relevant to the business and have great potential for further increase in organic traffic.
- The keyword "Company XYZ" generated 34.78% of the traffic and ranked at 1st place on SERPs, pulling in a high number of users to the website. It appears there is brand recognition to the site, given the top keyword is the store name itself. The affiliate/reseller program likewise seems to have some success bringing in traffic to the site given the top 2 and top 4 keywords ("Company XYZ ambassador" and "Company XYZ official partner").
- The buyer can use this keywords data to their advantage and improve on-page SEO by adding more of these good ranking keywords and further increase the website's rankings and increase traffic count.

TRAFFIC ANALYSIS

HOW DOES THE BUSINESS FARE IN TERMS OF WEB TRAFFIC

SESSIONS BY LOCATION

Country	Traffic Share ↑	Traffic ↑	Desktop ↑	Mobile ↑	Pages / Visit ↑	Avg. Visit Duration ↑	Bounce Rate ↑
 Italy	 41.94%	97.1K	100%	0%	2.96	04:24	29.79%
 United States	 18.73%	43.4K	100%	0%	3.80	02:08	33.14%
 France	 12.8%	29.6K	100%	0%	5.68	08:01	27.66%
 Russia	 11.61%	26.9K	100%	0%	1.68	05:41	85.23%
 Ukraine	 2.65%	6.1K	100%	0%	3.83	07:21	51.74%
 Germany	 2.41%	5.6K	100%	0%	2.85	01:07	54.47%
 Spain	 1.7%	3.9K	100%	0%	4.84	02:49	18.59%
 United Kingdom	 1.4%	3.2K	100%	0%	6.25	08:25	55.02%
 Romania	 1.4%	3.2K	100%	0%	3.70	04:37	60.68%
 Morocco	 1.12%	2.6K	100%	0%	3.81	19:48	34.13%

NOTES: Data sourced from SEMRush

- Data is based on the “Last 2 years” (2020 - 2022) accumulated data.
- 41.94% of the total sessions come from Italy.
- 58.06% of the total sessions are from the rest of the world.
- With 41.94% session share in Italy alone and 58.06% for the rest of the world, this implies that growth opportunities outside its target location can be developed.

TRAFFIC ANALYSIS

HOW DOES THE BUSINESS FARE IN TERMS OF WEB TRAFFIC

ORGANIC PAGES

URL	Traffic	Traffic %	Keywords
	242	75.15	42
ogram	72	22.36	3
lace	3	0.93	14
ld-1	3	0.93	2
gold	1	0.31	6

Sensitive business information is edited out of this sample report.

NOTES: Data sourced from SEMrush

- Of the listed top 5 organic pages from the screenshot above, the top page (home page) has the most traffic contribution with 75.15%.
- The buyer can use the 42 keywords from the top organic page of the site on the other pages of the website to further increase web traffic on all other pages that have a lower percentage of traffic.

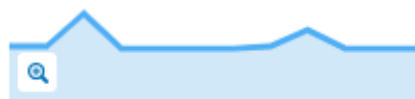
TRAFFIC ANALYSIS

HOW DOES THE BUSINESS FARE IN TERMS OF WEB TRAFFIC

- Company XYZ currently has an Authority Score of 23 with 2,200 backlinks and 266 referring domains.
- With this knowledge, the buyer can use this to their advantage and only focus on building intentional backlink. High quality intentional backlinks play a huge part in increasing website metrics such as Authority Score and higher rankings on organic search.

Authority Score *i*

23



Referring Domains *i*

266 -2%

Backlinks *i*

2.2K -3%

NOTE: Data sourced from SEMrush

SALES AND MARKETING ANALYSIS

MARKETING

Key potential growth drivers

According to the seller, this business can be further scaled through paid advertising on social networks (Facebook, Tiktok, Pinterest) and scale there quickly. It is also possible to optimize B2B by finding partners and resellers.

Focusing on B2B and paid ads could help relaunch the brand. It is also possible to optimize the affiliation to have resellers paid on commission in order to offer visibility and sales at low cost.

Target Market

The business has clients all over the world but focuses more in France, Germany, Italy, Switzerland, and the USA.

Sales Channel

Based on Seller's Google Analytics, sources of traffic for January 2019 - February 2022 include:

Default Channel Grouping	Acquisition		
	Users	New Users	Sessions
1. Direct			
2. Social			
3. Paid Search			
4. Organic Search			
5. (Other)			
6. Display			
7. Email			
8. Referral			

Sensitive business information is edited out of this sample report.

PRODUCT

Products/services offered

Company XYZ offers gold-and-silver-plated luxury jewelry at a fair price, while maintaining the high standards of premium quality and services. The quality of the jewelry is a priority for the business. The following are key features of the website:

- **Luxury jewelry** - designed in-house. Most of the jewelry is plated in fine 18K gold in order to guarantee exceptional quality and a long lifespan for the jewelry. Product offers include: Bracelets, Necklaces, Earrings, Rings, Watch Wallets.
- **Company XYZ Club Membership** - a monthly subscription service. Subscription costs €29 and contains two surprise 18K gold-and-silver-plated jewels with a minimum value of €59. Each month, a Company XYZ Surprise Box will be delivered directly to the member's home.

How to join the Company XYZ Club?

Select the color of the jewelry; gold, rose gold or silver and choose whether to pay for a subscription worth €29 via Paypal or by credit card. Upon payment, subscription will begin and the member will receive the first package at the start of the following month. As long as the subscription remains active, each beginning of the month the member will receive 2 new jewels with a value of at least €59.

For example, if the member didn't like the jewelry he/she received, it's not possible to return the jewelry to the Company XYZ Club. The member can join the private Company XYZ group on Facebook and offer an exchange with other clients.

- **Product Lifetime Guarantee** - Company XYZ offers a lifetime guarantee on all of its creations and the business has extended their offer to offer free delivery anywhere in the world.

OPERATIONS AND LEGAL ANALYSIS

OVERVIEW OF INTERNAL FACTORS INFLUENCING THE PERFORMANCE OF THE BUSINESS

OPERATIONS ANALYSIS

TIME SPENT TO RUN THE BUSINESS

- According to the Seller, time required to run the business depends on whether the new owner will manage the logistics. Currently the business has also reduced its paid advertising and currently has less to manage, hence, the Seller spends 3 hours per week.
- **Daily operations:** It takes about 20 minutes a day to process orders. Then the rest of the time is divided between social networks (posts, stories, responding to direct messages), management of paid advertisements, accounting, paying retailers and suppliers as well as the preparation of the documents for sending the orders and managing Paypal disputes, if any.

SKILLS REQUIRED TO RUN THE BUSINESS

- The seller works with freelancers for technical tasks (i.e., Shopify developer). According to the Seller, the rest of the tasks are very easy to manage and will be explained in detail to the buyer.
- A general understanding of e-commerce and Shopify is recommended.

INVENTORY MANAGEMENT

- As of December 31, 2021, they have 40,000 items in inventory, approximately worth \$82,926. The brand is sold with this running inventory.
- The products are the business' rented office. An employee currently manages the logistics and storage.
- Currently, depending on the country, the business has about 3-4% of lost parcels that the Seller offers to send back to customers free of charge.
- The business has limited refund requests (about 2% of total sales from February 2020-February 2022) mainly attributed to the quality of the products.

LEGAL & LICENSES

TRADEMARKS AND COPYRIGHTS

- According to the Seller, there are no trademarks and copyrights held by the Business.

LICENSES

- According to the Seller, there are no licenses or permits necessary to run the Business.

VIOLATIONS & WARNINGS

- According to the Seller, there are no current or past lawsuits against the Business.

POST-SALE SUPPORT

- The Seller offers 2 months of support via call, chat or e-mail. Otherwise the Seller is interested in keeping 10% of the shares of the company to remain involved in the brand and thus be able to help and guide the Buyer in the long-term.

SELLER DETAILS

YOUR KEY CONTACT

COMMUNICATION WITH THE SELLER

Throughout our communication with the Seller, he demonstrated cooperation and willingness to comply with our requests.

Please refer to the Executive Summary with the list of important information not provided and comments provided by the Sellers in this respect.

PERSONAL DETAILS

- Name: John
- Phone number: +XXXXXXXXXXXX
- Location: United States
- Email address: Supportlocal@XYZ.com
- Government-issued ID: Checked

OTHER KEY EMPLOYEES

- There are two regular employees:
 - 1) Graphic Designer/Administrative Multitasker; and
 - 2) Logistics Manager
- There is also a freelancer in-charge of Customer Support

DUPLICATED ACCOUNTS

- 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.

COMPETING BUSINESS INTERESTS

- Seller does not have other businesses which are considered competing interests.

Thank you!

Feel free to reach out to us if you have any questions.

CONTACT

support@flippa.com