



# Business Finance Services Ltd

*Our clients come first and stay*

**Project Brief**

**On-line Business Network Platform**

**July 2011**

**BFS Ref.:** EL/323/045

**Initial Investment:** up to £500,000

## **Summary**

Our clients are offering an opportunity for investor(s) to acquire shares in a company that believes it has developed what will become the next generation of on-line business networking platform.

Our clients have identified a gap in the fast-growing social media market for a dynamic and proactive global business network that offers both online membership and a physical regional team group membership structure.

As an indication of the potential of this business our clients are forecasting that, by year 4, it will be turning over in excess of £31 million with an EBITDA of £1.8 million.

Our clients are looking for an immediate investment of £0.5m from investors in return for up to a 20% equity stake. This investment will be used to further test the market, raise awareness, purchase email databases and recruit personnel. Further funding will subsequently be required over an extended period to launch the network overseas. Potential investors are invited to bring in the expertise, network and global marketing resources to grow the business to the levels seen with the likes of Facebook, Google and Groupon.

## **The Business**

Based on the premise of, *'all things being equal'*, people will do business with, and refer business to, those people they know, like and trust. The business has been designed from the ground up to enable business people to increase their annual turnover and profits by marketing their services and products to new associates in a super efficient, high-tech, but technophobe friendly, low cost way.

### How it works

The company has developed a platform that combines the business networking relationships of LinkedIn and the social ease of Facebook.

Initial membership is *free*. Following an easy registration process members can interact, market and promote their business, services and products to other members. Members are also provided with 10 free business connections, £250 of free business consultancy advice and informed how to connect with other members. At the core of the business, however, is a revenue generating model whereby, for an annual membership fee of £25, the business will provide a proprietary and unique web-based business-to-business trading platform for members to generate revenue from increased sales of their products and services. Members who upgrade to the Premier Membership will receive, in addition to all of the free member benefits, the opportunity to advertise, promote, post messages & updates about their business. Premier Members also receive 100 new contacts and £1,000 of business consultancy advice.



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## The Market

The Directors are forecasting 50,000 new members in Year 1 and the aim is to convert 10% to Premier Members at £25 per year. The six month milestone was to achieve 800 members by 31<sup>st</sup> August – **as at 31st May 2011 the business had 2,077 members.**

By year 4 the business is forecasting turnover in excess of £31 million and EBITDA of £1.8 million.

## Future Plans

In addition to generating revenue for the business from member fees, income will also be derived from advertising on the website and in due course income from actual regional face to face member networking events. Whilst initially the platform is only being offered in the UK, the real expansion of the business will take place when the platform is offered to business users in other countries. In total 32 countries are being targeted over the first 5 years.

## Financials

The founder directors have devised an innovative way of avoiding the usual need for heavy up-front investment when developing a product of this type. They have done this by recruiting ten preferred business partners, each of whom has contributed services in return for an equity stake of 2% each. As at May 2011, an offline and online marketing company, a business video company, a telephone call management company, an executive recruitment company, an online business social media marketing company, a web and graphic design company and a firm of Chartered Accountants and corporate finance advisors have signed up as preferred partners.

The Company is, however, looking for an immediate investment of £0.5million. This investment is to be used to help promote the UK website as well as establish uptake and, once it is proved successful, rapidly scale up and replicate the platform in another 32 countries around the world, including USA, China and India. The overseas scale - up will require additional funding. This is detailed fully in the business plan.

## The Investment Opportunity

In return for an investment of up to £500,000 the investor(s) will be offered up to a 20% equity share in the business. As far as our clients are concerned, the ideal investor will be one with the relevant contacts and experience in the B2B and social media sphere.

## Exit route

There have been some staggering valuations in the social network space that may not provide a realistic guide to future valuation of the business, but do give a clear indication of the appetite for acquisition of new media social networking and networking communities.



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The most obvious of these are Facebook and LinkedIn. These were acquired on the basis of the extent of their community profile and reach, rather than profitability. For example LinkedIn recently floated with a first day market capitalization of \$10 billion, valuing each member at \$100 despite the lack of revenue.

The founders see 4 options for Exit...

1. Business sale to one of the online giants like Amazon or E-bay.
2. Business sale to one of the Venture Capital investment agencies.
3. Business sale to one of the Blue Chip Consultancy/Accountancy Corporations.
4. Trade sale to one of the major online marketing businesses.

For further information please contact:

**Lynn Cowley**, Mobile 07935 102445, e-mail [lynn@bufinserv.co.uk](mailto:lynn@bufinserv.co.uk) Or **Peter Douglas** Phone: 01327 349779  
Mobile 07770 866955 or e-mail to [peter@bufinserv.co.uk](mailto:peter@bufinserv.co.uk)

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