

# Dash Kits Covers | [www.dashkitscovers.com](http://www.dashkitscovers.com)

## Recommended Value Range

**\$2,834 - \$2,977**

## Information & Website Data

Valuation	<b>\$2,905</b>
Historical Profits (monthly)	<b>\$215</b>
Website Age	<b>20 months</b>
Traffic History (monthly)	<b>1500</b>
Back links	<b>12162</b>
Industry	<b>Automotive</b>
Revenue Streams	<b>Sales</b>

## Investment Points

**Organic valuable traffic directed from top search engines Google and Yahoo**

**Website derives value from its organic traffic, supplier knowledge and the site design itself**

**Website is producing 33% margin on sales and showing profits with potential for growth**

The second asset is the value of having a reliable drop shipper able to supply the dash kits. The supplier has many varieties of kits that have not been updated onto the site, which could potentially increase sales. The supplier has also proven to be reliable and supply the goods at a competitive price. To value this we searched the web for drop shipper lists and found they cost on average \$99 for a good list and presume it may take 3 purchases before finding a reliable one with a comparable product list.

The final asset of DKC is the site itself. The site is a functional, yet simple design that has the necessary ability to achieve a sale from the customer. The costs to create a comparable website would be around \$200 for the man hours and scripting.

The sum of all these intangible assets which create the value of the entire site add up to a total value of \$2,977.

The second and usual method used to value a business such as DKC is the Discounted Cash Flow (DCF) technique as modeled below in **Appendix I**. This technique is based upon historical profits and using this to predict future cash flows the business will produce. Then due to the time value of money and the required rate of return of the investor, a predictive value can be derived for the website. The general rule for websites has always been a rate of return of 120% particularly for smaller sites that are less than a year old. In this case, DKC is 20 months old and we therefore reduce the required rate of return of the investor to 100%, which in turn increases the value of the site. This results in a DCF value of \$2,834.

The two values derived above are both in a very close range, which gives an excellent indication into the value of the website. We therefore recommend a site value of between \$2,834 and \$2,977.

## Website Overview (The Facts):

Dash Kits Covers (DKC) is an e-commerce site selling interior dash kits for automobiles. Profit is generated by earning a margin on the dash kits. The dash kits are sourced from a drop shipper.

The site has averaged sales of 3 -7 dash kits a month, with an average profit margin of \$45 per dash.

The site is averaging 1500 unique visitors a month; this translates to between 0.2% to 0.47% hits to sales conversion rate.

The Average monthly revenue is between \$135 and \$315 a month. The only expense associated with the site would be for hosting. The site has been in operation for 20 months since June 2007.

It ranks well in search engines for some very useful terms, such as coming in at #2 in Google for "dash kits" and #10 for "interior dash kits". Most of the traffic is organic, with over 75% coming from search engines.

## Our website valuation:

The main value of DKC is derived from several intangible assets, of which we have been able to do an intangible asset valuation on as seen below in **Appendix II**.

The first asset of DKC is the traffic to the site. These 1500 hits a month it is pulling in is a majority organic, which is the best kind of traffic. Using one of our traffic valuation methods we have valued the traffic at \$2,480. This is done by using the statistics from the preceding 6 month period of the keywords searched to find the site, and the estimated cost per click charged by Google Adwords for this traffic. This is a nEquity method of traffic valuation that usually proves quite reliable and appears to in this case.

# Appendix I

## Discounted Free Cash Flow Model (DCF)

### DashKitsCovers.com

	Actual 2008	Years Ending December 31									
		-----					Forecast -----				
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue	\$8,100	\$8,505	\$8,930	\$9,377	\$9,846	\$10,338	\$10,855	\$11,398	\$11,967	\$12,566	\$13,194
Cost of Goods Sold	5,400	5,698	5,983	6,282	6,597	6,926	7,273	7,636	8,018	8,419	8,840
Gross profit	2,700	2,807	2,947	3,094	3,249	3,412	3,582	3,761	3,949	4,147	4,354
Administrative expenses	120	120	120	120	120	120	120	120	120	120	120
Earnings before interest, taxes, depr. & amort. (EBITDA)	2,580	2,687	2,827	2,974	3,129	3,292	3,462	3,641	3,829	4,027	4,234
Net Operating Profit After-Tax (NOPAT)	2,580	2,687	2,827	2,974	3,129	3,292	3,462	3,641	3,829	4,027	4,234
Free Cash Flow	\$2,580	\$2,687	\$2,827	\$2,974	\$3,129	\$3,292	\$3,462	\$3,641	\$3,829	\$4,027	\$4,234
Terminal value, 2011											\$4,234
Present Value of Free Cash Flows @ 20%		1,343	707	372	196	103	54	28	15	8	8
Total Present Value of Company Operations		<b>\$2,834</b>									

### Discount Rate

Generally accepted website discount rate for sites less than 1 year old

120%

Our website discount rate for web sites of 1 to 2 years of age (reduced risk, less required return)

100%

### Assumptions

Income Tax Rate 0%

*Income tax rate is set at 0% as income is currently at low levels*

Growth Rate 5%

*Growth rate is set at 5% average per year, as it is quite achievable to have a growth of 3 more sales per year at a minimum*

Beginning Revenue \$8,100

*Beginning revenue is set at this level as the site has historically been achieving 3-7 sales a month, i.e. 36 to 84 per year with an average sale price \$135. Therefore we have taken the median sales of 5 per month, equaling 60 sales per year, which is \$8,100(60 sales x \$135)*

Gross Profit \$45 per sale

*Historically the site has been achieving a margin on sale of \$45 or 33% of sales*

# Appendix II

## Intangible Assets Valuation

### Traffic Valuation

<b>Keywords</b>	<b>Hits*</b>	<b>Google estimated cost per click</b>	<b>Total \$ Cost</b>
dash kits	1967	0.79	1553.93
wood dash kits	320	0.66	211.2
dash kits	293	0.74	216.82
dash covers	258	1.58	407.64
wood dash kits	126	0.72	90.72
<b>Total Traffic Value</b>			<b><u><u>\$2,480</u></u></b>

\*Over 6 month period

### Supplier Valuation

Avg drop shipper list cost	\$99
Assumed lists needed to purchase to find similar reliable supplier	3
Total cost to find comparable drop shipper	\$297
<b>Supplier Valuation</b>	<b><u><u>\$297</u></u></b>

### Cost to create web page

Cost to create Comparable webpage	<b><u><u>\$200</u></u></b>
<b>Total Website Value</b>	<b><u><u>\$2,977</u></u></b>

## Disclosure and Disclaimer

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