How To Build Digital Assets I Can’t Wait to Buy

Prepared for: Chiang Mai SEO 2024

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Hi, I’m Nick

Nick Eubanks

Vice President, Owned Media @ Semrush

/in/nickeubanks

@nick_eubanks

And, I’m a Builder

- Founded Atomni in 2008, sold to Dietz & Watson in 2010.
- Co-Founded Factor Media in 2010, sold to Dentsu in 2012.
- Joined Traffic Safety Store in 2012, exitted in 2017.
- Founded From The Future in 2014, sold to TPG in 2024.
- Co-Founded Traffic Think Tank in 2018, sold to Semrush in 2023.
- Founded Super Limited Co in 2016 (HoldCo for 17 businesses at height; still own).

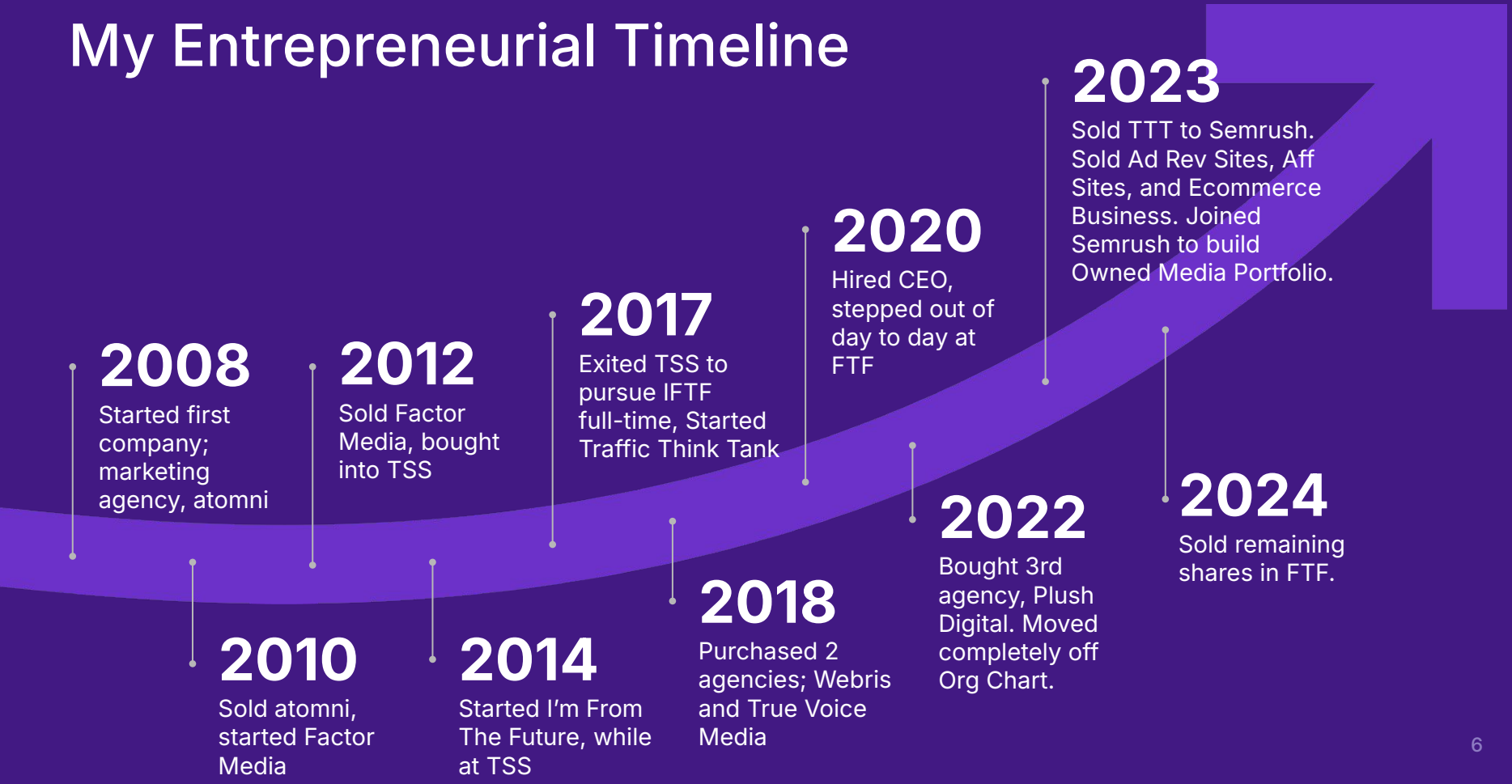
Finding my path

- Living in Honduras.
- Being sent to Military School.
- Graduating top of my class.
- Getting into a decent college.
- Landing an internship at Morgan Stanley.
- Deciding to leave my “safe” job and start a business.

Starting my first company

- 23 years old.
- Atomni was a “full service” digital marketing agency.
- Built websites and did search marketing.
- Most clients came from networking and referrals.
- Built (mainly) PBNs through a CMS we cobbled together on CodeIgnitor + Wordpress.

My Entrepreneurial Timeline



Let’s fast forward 16 years, and 5 exits into the future to today...

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RESEARCH BRIEFS

Stripe, HubSpot, And JP Morgan Are Buying Audiences. Why Acquiring Media Companies And Communities Is About To Explode

October 22, 2024

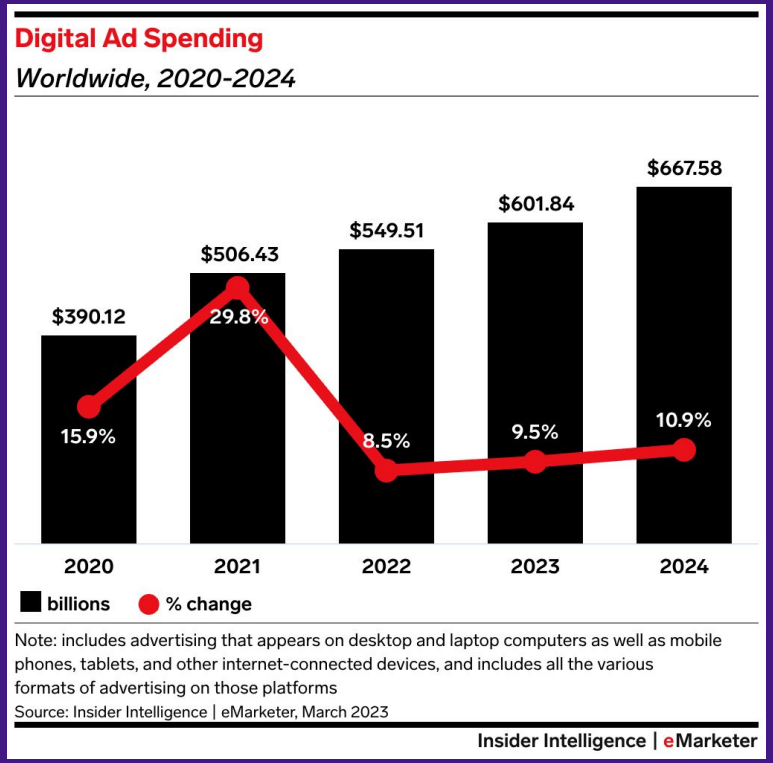
Client Intelligence | Core Intelligence | Digital Content | Enterprise Tech | Financial Services | Marketing & Ad Tech | Media & Entertainment | News & Publishing | Technology | TMT

Instead of renting an audience, companies are realizing that owning their audiences and going direct can lower CAC and increase LTV. Here are our predictions for the media companies that technology and financial services companies should have on their M&A radar.

This post was originally published on 10/12/2021. The list of select media & audience M&A transactions was updated on 10/22/2024.

Ad Costs Continue to Rise

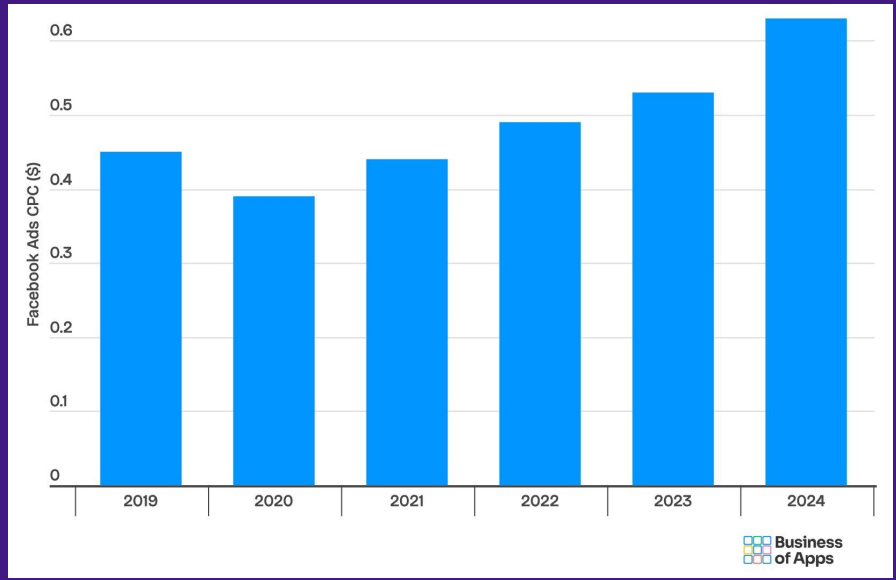
- Premium placements make a big impact—**but the price tag is high**
- Meta is forecasting 2024 revenue of $120+ Billion
- Google's cost per lead has increased significantly, on average 19%. This is significantly higher than last year's increase of 5%.



Source:
https://www.wpromote.com/blog/paid-media/paid-ads-trends
https://www.businessofapps.com/ads/cpc/research/cpc-rates/
https://www.wordstream.com/blog/ws/2022/11/10/search-advertising-benchmarks

Facebook Ads CPC ($) 2019-2024

1. Avg CPC up over 90% since 2020.
2. The highest, $3.89 per click, rate, among all five industries scrutinized, is for Finance.
3. The US and Canada dominate the Facebook Ads CPC rates with $0.97, followed by Australia with $0.90, the United Kingdom at $0.85, and finally Germany – at $0.80 per click



Source:
https://www.businessofapps.com/ads/cpc/research/cpc-rates/

What's a savvy customer acquisition strategist to do?

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Owned Media

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What is Owned Media?

It’s a strategy that some companies consider the most efficient means to acquire new customers via buying entities that have amassed large reach to audiences that we can monetize.

Example owned media portfolios

- Red Ventures = 750M visits/mo
- Ziff Davis = 600M visits/mo

Example owned media sites

- Fandom = 750M visits/mo
- SpeedTest = 119M visits/mo

Sources

[How 16 companies are dominating the world’s search results]

[Wikipedia (Red Ventures)]

Owned Media is Not a *New Strategy*

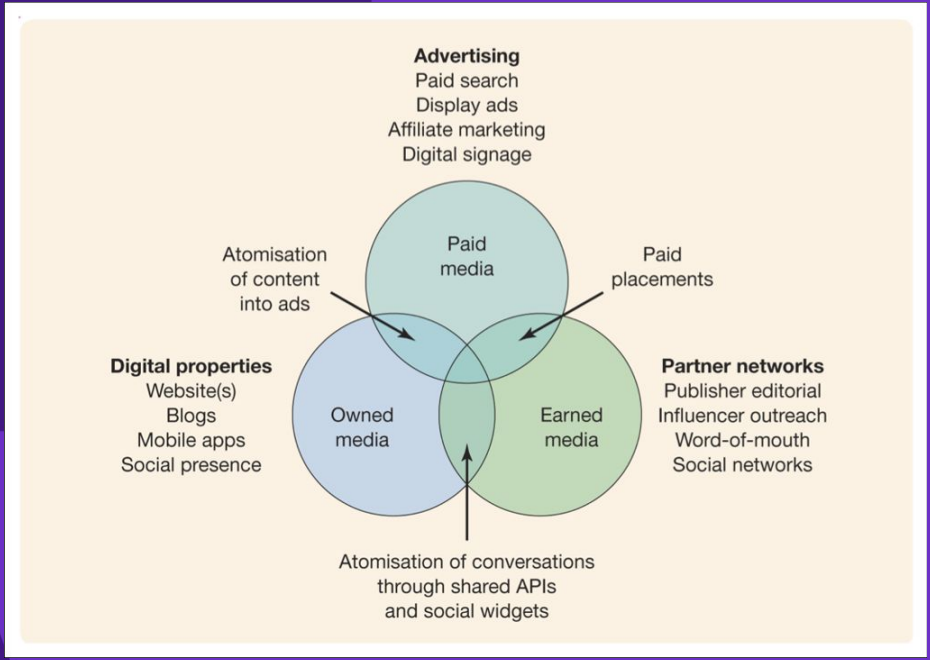
Acquirer	Media Asset
HubSpot	the HUSTLE
robinhood	MarketSnacks (Digestible Financial News)
stripe	IH INDIE HACKERS
DRAFT KINGS	VSiN
_zapier	Makerpad
DigitalOcean	SCOTCH.IO

Source: CB Insights

What's the case for Owned Media?

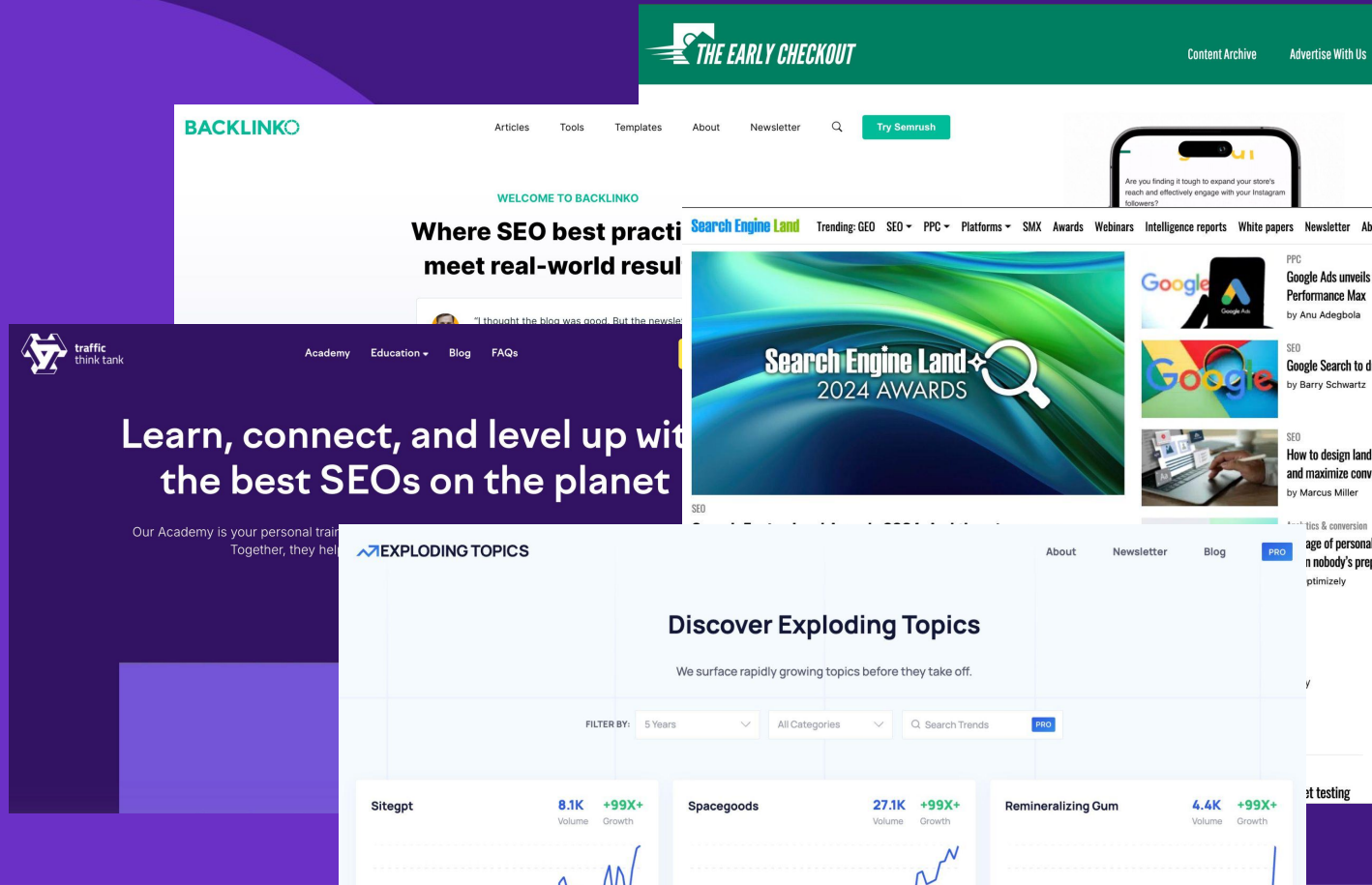
Blending channels and touchpoints allows for more trust (and more distribution) which has been shown to drive down the cost to acquire new customers versus other acquisition channels.

This is where Digital Assets come into the conversation.

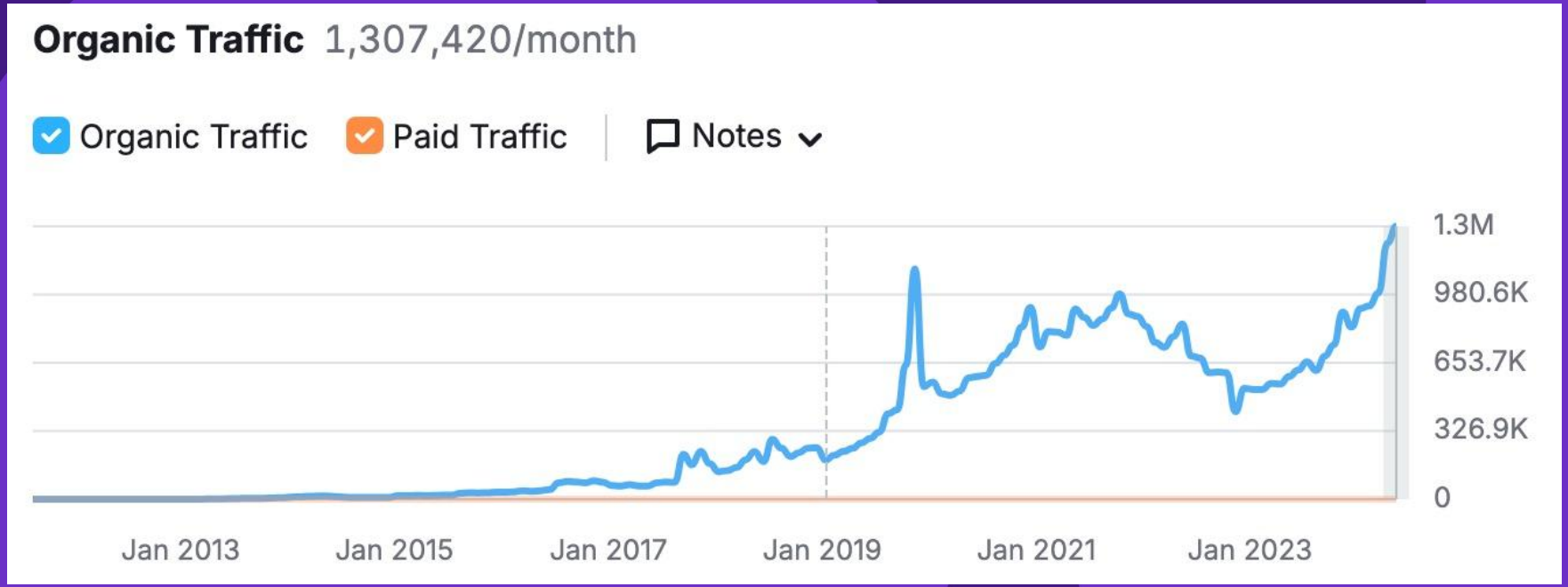


Yes, Digital Assets. *No, not crypto.*

1. Blogs
2. Communities
3. Publishers
4. Apps
5. Newsletters



What makes a digital asset valuable?
Traffic.



What makes traffic valuable?

Intent.

Keyword	Intent	Position	SF	Traffic	Traffic %	Volume	KD %
seo strategy	I	1	6	1.6K	0.44	6.6K	88
seo specialist	I	1	5	1.3K	0.36	5.4K	71
technical seo	C	1	5	1.3K	0.36	5.4K	87
local seo	I		8	899	0.24	14.8K	98
seo backlinks	I	1	8	892	0.24	3.6K	91
seo expert	C	1	7	871	0.23	6.6K	70
what is seo	I	6	6	728	0.20	33.1K	98
seo strategies	I	1	7	719	0.19	2.9K	100

But, Monetize at Your Own Risk

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Monetize vs Non-Monetized Valuations

Monetized Assets

Price based on the industry multiple of EBITDA based on the business model, i.e. affiliate, courses, ads, etc.

Non-Monetized Assets

Price based on the strategic value of traffic to the buyer.

UNLESS
You're able to kick off so much net income (EBITDA) that you force higher tier multiples.

Non-Monetized: When Traffic is More Valuable

Traffic Performance

- TTM Traffic: 3,600,000
- Assumptions:
  - Referral Rate: 1.5%
  - Conversion rate: 1%
  - Avg RPC: $200

EBITDA Valuation

- TTM Revenue: $300,000
- Avg Margin: 20%
- EBITDA: $60,000
- Multiple: 3X
- **Sale Price: $180,000**

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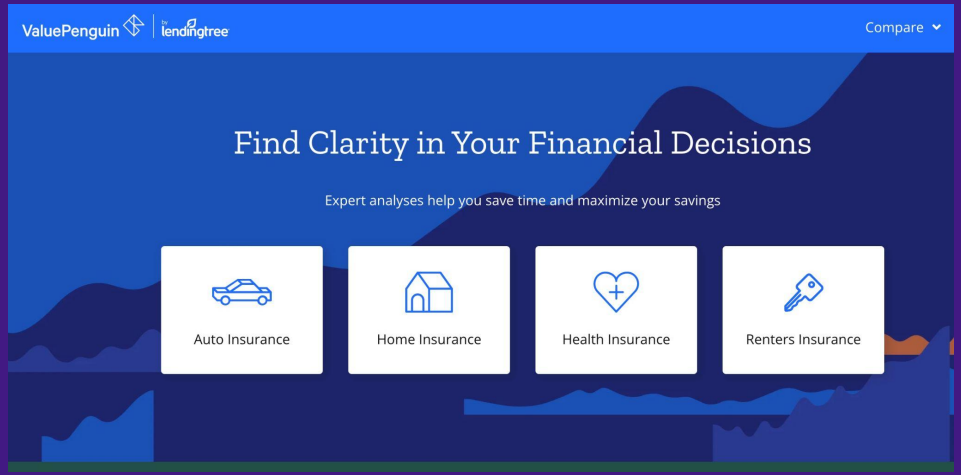
Traffic Valuation

- Referred Traffic: 54,000
- Referred Conversions: 540
- Revenue: $108,000
- Multiple: 3X
- **Sale Price: $324,000**

Monetized: When EBITDA is More Valuable

- Sold to publicly traded, Lending Tree in December 2018 for $105 Million
- TTM Financials; 12.5M in Revenue with $9M in EBITDA. 11.67x multiple.
- Estimated monthly organic traffic 1.38M, or 16.56M annually.



A Look at ValuePenguin.com

Monetized

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Non-Monetized

- Assumptions
  - Referral rate: 1%
  - Conversion rate: 0.5%
  - Avg RPC: $3,000
- Annual Traffic Value
  - Traffic: 165,600
  - Conversions: 828
  - Revenue: $2,484,000
- Exit Multiple: 3x
  - Price: $7,452,000

How do SaaS companies value traffic?

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Creating business value for SaaS companies

Commonly Known

- CAC
- MRR
- LTV

Lesser Known

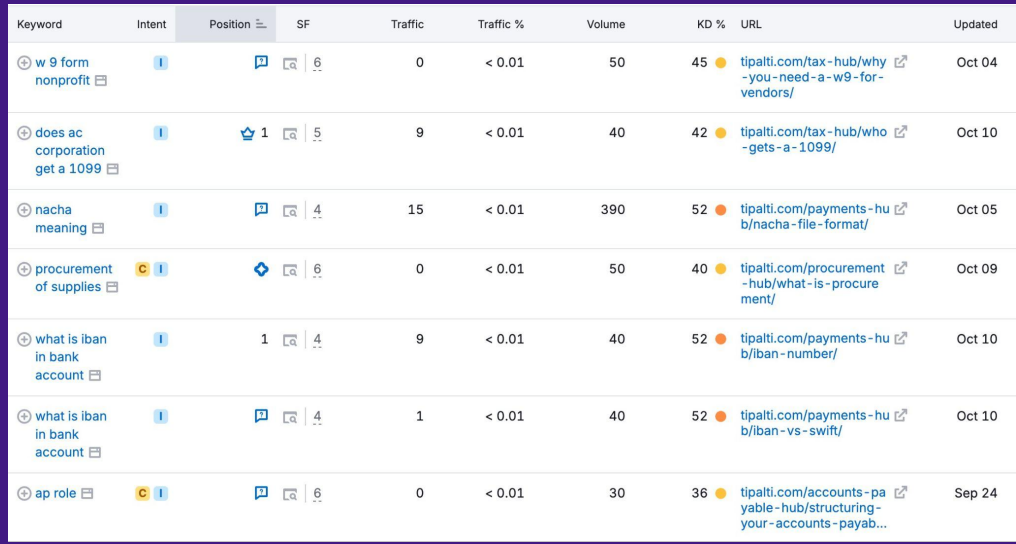
- FP
- CVR2FP
- Referral Rate

Let's Walkthrough a Real Life Opportunity

1. Let's build an asset in a high value, high growth software vertical. How about Payments Automation

2. Let's pick an ideal Buyer Target in the space. How about Tipalti, who has raised $715M over 10 rounds and was last valued at 8.3B as of 12/21.

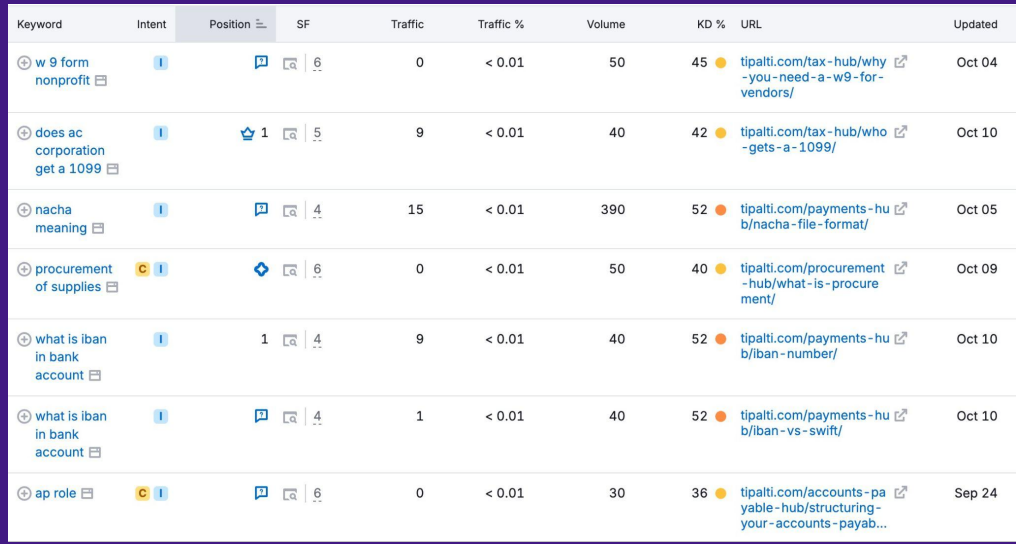
3. Let's look at their most valuable traffic to understand who their audience is.



Keyword	Intent	Position	SF	Traffic	Traffic %	Volume	KD %	URL	Updated
w 9 form nonprofit	I		6	0	< 0.01	50	45	tipalti.com/tax-hub/why-you-need-a-w9-for-vendors/	Oct 04
does ac corporation get a 1099	I	1	5	9	< 0.01	40	42	tipalti.com/tax-hub/who-gets-a-1099/	Oct 10
nacha meaning	I		4	15	< 0.01	390	52	tipalti.com/payments-hub/nacha-file-format/	Oct 05
procurement of supplies	C I		6	0	< 0.01	50	40	tipalti.com/procurement-hub/what-is-procurement/	Oct 09
what is iban in bank account	I	1	4	9	< 0.01	40	52	tipalti.com/payments-hub/iban-number/	Oct 10
what is iban in bank account	I		4	1	< 0.01	40	52	tipalti.com/payments-hub/iban-vs-swift/	Oct 10
ap role	C I		6	0	< 0.01	30	36	tipalti.com/accounts-payable-hub/structuring-your-accounts-payab...	Sep 24

Let’s Walkthrough a Real Life Opportunity

- Quick Keyword Observations
  - Accounting terms
  - Specific financial categories of “hubs”:
    - Tax
    - Payments
    - Procurement
    - Accounts Payable
  - Financial calculators
  - Lots of platform comparisons



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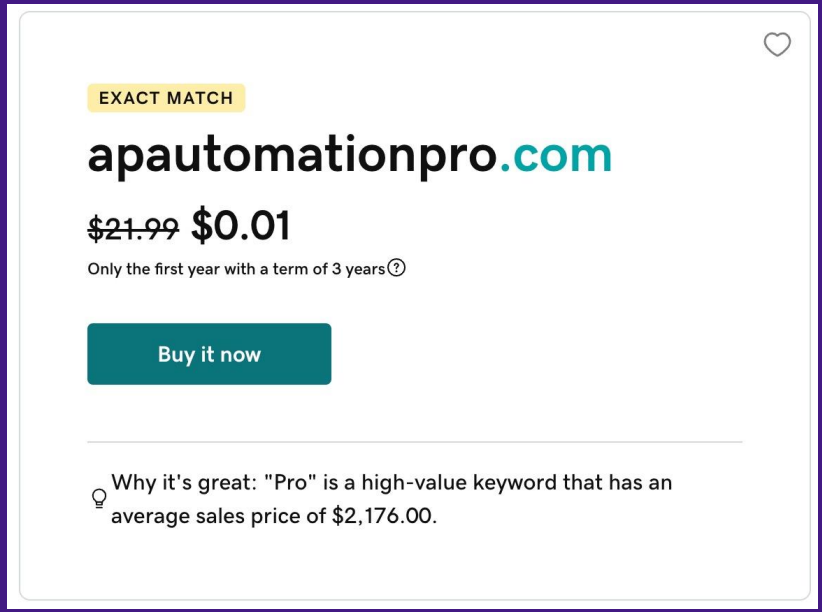
w 9 form nonprofit	I		6	0	< 0.01	50	45	tipalti.com/tax-hub/why-you-need-a-w9-for-vendors/	Oct 04
does ac corporation get a 1099	I	1	5	9	< 0.01	40	42	tipalti.com/tax-hub/who-gets-a-1099/	Oct 10
nacha meaning	I		4	15	< 0.01	390	52	tipalti.com/payments-hub/nacha-file-format/	Oct 05
procurement of supplies	C I		6	0	< 0.01	50	40	tipalti.com/procurement-hub/what-is-procurement/	Oct 09
what is iban in bank account	I	1	4	9	< 0.01	40	52	tipalti.com/payments-hub/iban-number/	Oct 10
what is iban in bank account	I		4	1	< 0.01	40	52	tipalti.com/payments-hub/iban-vs-swift/	Oct 10
ap role	C I		6	0	< 0.01	30	36	tipalti.com/accounts-payable-hub/structuring-your-accounts-payab...	Sep 24

How would I attack this opportunity?

1. I would create a content website (blog) with a core focus on their industry (AP Automation).

2. I would prioritize my content by lowest difficulty topics, and spread as many terms within each topic cluster as possible.

3. I would focus exclusively on a mix of no-brand accounting / payment / procurement queries as well as brand competitors, the same ones they're targeting with their content.



Production Assumptions

1. $20,000 per month spent on content @ $2,000 per article = 5 pieces per month

2. $50,000 (initial) link campaign budget @ $1,000 per link = 50 links over 2nd 6 months.

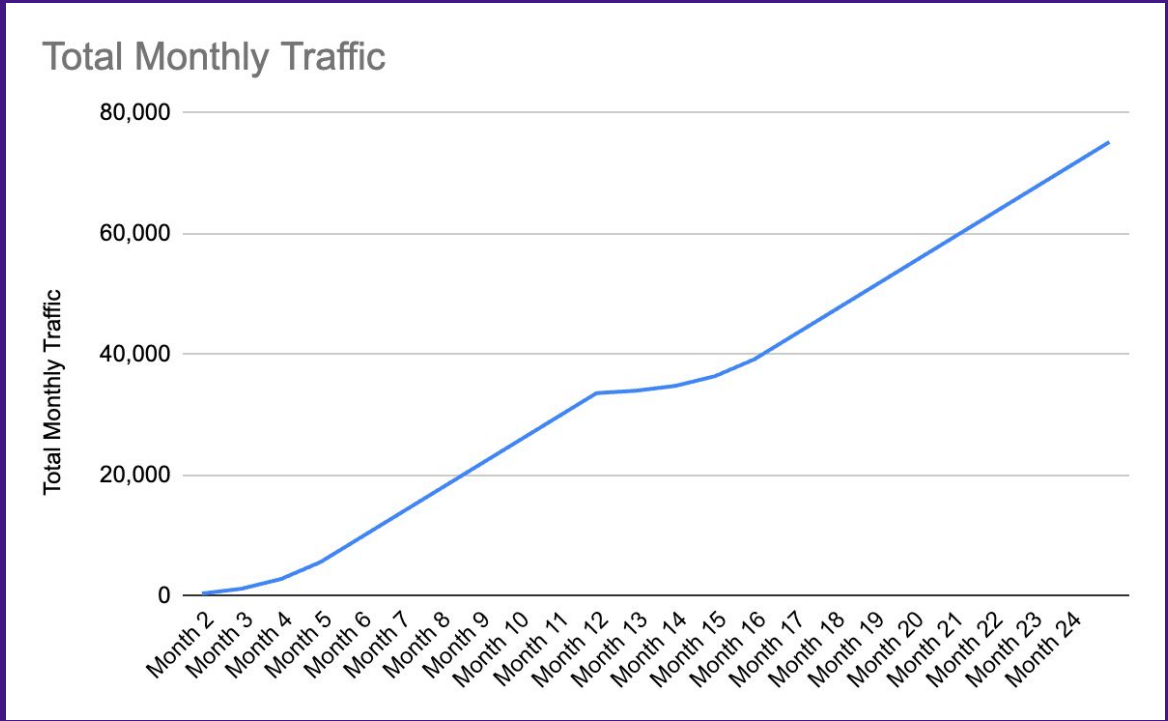
3. Each piece of content generates 500 organic visits per month, after 5 months.

4. 100,000 visits per month = 200 pieces of content.

Total 12 Month Investment = $270,000

Traffic Model

1. Mix of publishing new content and optimizing existing for higher performance
2. ~75k visits after 24 months.
3. ~30 months to reach 100k visits.



The Financial Model

100k
Website visits/mo

1%
Referral rate to Tipalti.com

0.25%
Conversion rate to FP

$10k
FP value

180k
LTV (18 months)

THEN EVERY MONTH

25k
In First Payments

$450k
In LTV

This means that it takes 400 visits from AP Automation Pro to Tipalti.com to generate 1 new customer.

If I know, on average, the traffic from a specific website converts to a FP a X%, then I know how much I can spend to acquire that visit.

Target: 30% of LTV.

Cost Per Acquisition Targets

$135k

Max Price Target based on LTV.

$76k

Average CPA after 24 months.

1 Year Valuation

Monetized

Revenue: $1,584,671
Run Rate MRR (@5% Churn): $206K
LTV: $5,400,000
Operating Margin: 40%
EBITDA: $633K

Multiple: 3X
Price: $1,900,000

Non-Monetized

Traffic: 1,200,000
Referral Traffic: 12,000
Customers: 30
FPs: $300,000
LTV: $5,400,000

Multiple: 3X
Price: $16,200,000

Footnote is optional

Questions?

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