



ANALYSIS OF THE FIRM DURING THE EXPANSION INTO A NEW FINANCIAL BUSINESS VERTICAL THROUGH M&A

Based on the analysis of the Catena Media



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FOR THE BROKERCHOOSER

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Introduction

The objective of this report is to show the business analysis of the BrokerChooser's competitor – the Catena Media and figure out its performance on a new financial vertical and the level of threat that it can bring in the future.

Topic of the capstone

The purpose of the capstone is to provide the analysis of the Catena Media, which is competitor of the BrokerChooser.

The Catena Media is a lead generation company based in Ta' Xbiex, Malta. The company was founded in 2012 and employs 390 people in Malta, the United Kingdom, Serbia, Italy, Sweden, the US, Australia and Japan. The company has been operating for many year in iGaming vertical. The financial vertical was launched in early 2017 and is part of firm's strategy to grow business outside the iGaming vertical. In addition, it is a highly profitable and fragmented market where the company sees significant opportunities. Hence, the financial services sector ticks many boxes and they see clear benefits and strong synergies with their existing business.

The main findings

During these 2 years the Catena Media was acquiring financial firms to expand its operations on the financial market. The company successfully acquired the following companies. During the analysis of these firms were figured out following parameters: Acquisition time; Acquisition price; Reason and Company's strength. The main reason for most of them was the possibility to enter a new market on different continents.

Name	Acquisition price	Acquisition time
Beyondbits	EUR 9.250.000	2017 year, 3Q
Hammerstone Inc	USD 5.000.000	2018 year, 1Q
LeapRate	USD 6.000.000	2018 year, 3Q
BrokerDeal.de	EUR 3.600.000	2018 year, 2Q
TheBull.com.au	AUD 900.000	2018 year, 2Q
ForexTraders.com	USD 5.260.000	2018 year, 2Q

In addition, there are 2 firms that were established by the Catena Media: AskBrokers.com and AskTraders.com. All these acquired firms, based on the strategy, should be merged together to reach the highest level of performance in the financial vertical.

They will be focusing on several market segments:

- Main consumer proposition (high level of user-generated content and interaction)
- High-end professional Wall Street traders
- B2B brokers and industry service providers

The process of transitioning from a distinct acquisition strategy to an increased focus on organic growth. The organic growth strategy has three main components: Streamlining proprietary, established brands, growing geographically and adjusting the company's cost structure. Growing geographically means taking the firm's well-known and established brands to additional markets or growing businesses more where they are already established. Catena is also building a new vertical structure in the organization, with the aim of improving ROI (return on investment), while also making it easier to scale up and duplicate the structure into new verticals.

During the current financial year (2018) organic growth, including acquisitions but excluding paid revenue, was 23%. Traditional organic growth, excluding paid revenue, was 15% for 2018.

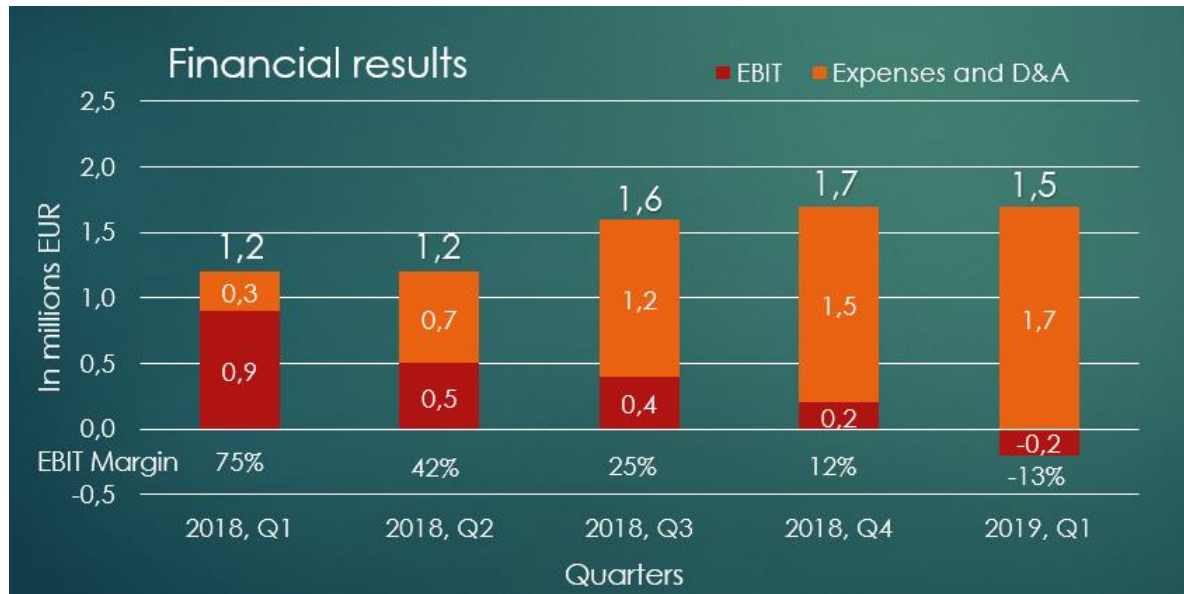
Financial results

The acquisition of the German-facing assets of Beyondbits Media Limited represents their first step in entering into this vertical. The websites are geared towards foreign exchange trading, equity trading, as well as options trading.

The vertical represented 6% of total revenues, adding up to EUR 1.8m in the fourth quarter 2018. For the full year 2018, the Financial Service vertical represented 5% of total revenues, amounting to EUR 5.7m. EBITDA for the Financial Services vertical amounted to EUR 0.3m in the fourth quarter and EUR 2.5m for the full year 2018.

Investments in management, staff, infrastructure and expanding to new markets will decrease the margin in the short term, but these investments are needed to create a long-term sustainable business. Revenue streams of Financial Services vertical has two revenue

streams, classic lead generation and subscriptions.



As we can see from first quarter report 2019 the Catena Media is currently has a negative EBIT Margin. Based on it we can be strongly sure that in a near future the company definitely slows down its M&A and starts focusing on full restricting of firms that were acquired earlier. This founding is even support the fact of new strategy that was publicly announced by the Catena Media.

Summary

The Catena Media is a strong competitor who will be further expanding. There is a high chance that the firm will become predominant within trading in the Financial Services segment. All analysis and findings are also supporting this fact.

The BrockerChooser has a strong potential in a future as it has a high month growth. Based on this indicator and others compering to BrokerDeal, which has the most similar operational structure, the estimated price was figured out for current project time.

	BrokerChooser	BrokerDeal
Annual Revenue (approx.)	EUR 120.000	EUR 1.200.000
Avg. visits per month	216 000	102 000
Growth rate	20% (monthly)	30% (annually)
Acquisition Price	EUR 1.250.000 (estimated)	EUR 3.600.000

