

Investigating Financial Valuation Models of Newsletter firms

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Preface

This thesis has been conducted as closure for an Industrial Engineering Bachelor of Science, I have conducted this in conjunction with the company the Milk Road, a US media start-up that provides daily news to readers of its newsletter.

I want to take this moment to thank the employees and team at the Milk Road who have contributed to the thesis and advised me during this period with their expertise and insights. I experienced an extremely pleasant work environment and as such wanted to thank my company supervisors who provided me with support, advice and guidance during the thesis.

Lastly, thank you to my academic supervisors at the University of Twente, namely dr. Roorda and dr Joosten. Being provided with clear, helpful feedback throughout this entire process allowed me to increase the quality and focus of the thesis.

I hope you enjoy reading my thesis.

Wouter Teunissen

1 Management Summary

The MilkRoad is an American media startup providing a range of news and insights in the crypto-industry in the form of a daily newsletter. The main product offering is a newsletter which is sent to over 265,000+ readers every day to keep them informed on the happenings in the industry. The rise of similar media startups (*and subsequent acquisitions*) whose businesses revolve around the distribution of news through a digital newsletter begs the question, how should a company such as this be valued?

Due to the unique nature of the newsletter business traditional valuation models may or may not be appropriate, therefore the core problem this thesis aims to tackle is:

What business valuation models, if any, are applicable to evaluate a newsletter business?

Given this, a key deliverable of this thesis is to provide a tool or valuation-methodology that can act as a guideline for actors to determine the financial value of newsletters given a set of key data inputs by the user. This core problem was found by establishing an overview of the newsletter industry and identifying the company context, doing so through the use of a problem cluster the core problems were identified. Afterwards the research questions were identified and established. These research questions serve as the back-bone of my thesis where by answering these I come sequentially closer to the final deliverables of the investigation.

Using the findings from answering these research questions, specifically the answers to research question 3, we then apply the learnings to the creation of a Newsletter Valuation Tool that aims to be a useful guideline when evaluating the financial valuation of a newsletter business.

Then finally, the tool is created in section 4 where afterwards the accuracy is tested on publicly known newsletter acquisitions. You can find this tool under the file name '*Final - Wouter Teunissen Newsletter Valuation Tool*' in the associated files uploaded.

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2 Introduction to the problem

Before diving deeper into the exact issues facing my thesis, this introduction serves to highlight the context regarding the company I am doing my investigation at, as well as giving an overview of the current industry. The newsletter business is fascinating to me but not well known to everyone, similarly the company I am researching for is a small start-up, so section 2.1 aims to give an overview on the company and industry.

2.1 The Company (MilkRoad) and the Context (Industry)

The MilkRoad, is a media brand with its flagship product being the daily MilkRoad newsletter. Servicing over 260,000 readers through a daily newsletter that is sent out every weekday.

Recently, the MilkRoad was acquired for multiple millions by another media brand who owned several smaller online blogs. Despite the newsletter still being the flagship product of the company, the acquisition begs the question of how much should a newsletter business be worth?

There are methods to evaluate the financial worth of specific types of companies, yet specifically for newsletter businesses this process is not very well documented. As a result the company has asked me to investigate to gain more insights into this issue to help their decision making process regarding newsletter business acquisitions or valuations. This specific problem will be discussed in greater depth in the problem solving chapter.

As for the industry itself, it has been a growing sector for many years. Large players like The Skimm, Morning Brew and the Hustle are companies that have existed for over 8 years. However, recently with the rise of tools and software called 'Email Service Providers' there has been a large explosion in newsletters being created and consumed.

Despite the low frequency of newsletter acquisitions, the deals that have happened have valued some companies that are primarily newsletter businesses at over \$100MM. For context, below is a table with some of the most recent and larger deals in the space and key business metrics in regards to those acquisitions.

The table highlights on a high-level scale the cashflows, the revenue sizes and acquisition prices in the newsletter business to help give insight into the industry.

Company	Short Description	Newsletter Subscribers	Revenue	Money Raised	Acquired by	Acquired for
<i>Industry Dive</i>	Industry-specific newsletter company with dozens of daily/weekly newsletters across 24 industries	2.5m+ free subscribers	\$110m+	\$900k	Informa	\$389m (Tobitt, 2022)
<i>The Athletic</i>	Sports Media Business with a newsletter component	1m+ paying Subscribers	\$60m+	\$1.39m	The New York Times	\$550m (Nytimes, 2022)
<i>Morning Brew</i>	Business / Finance Newsletter	4m+ free subscribers	\$50m+	\$750k	Business Insider	\$75m (Kafka, 2020)

Table 1: Recent newsletter acquisitions.

Newsletter companies in this space primarily earn cashflows via three main methods. One of or a combination of the following methods are used to generate revenue; advertisements placed within the newsletter, affiliate commissions paid out on product sales generated through the newsletter or subscription payments from the readers themselves to access gated-content.

Content distribution has inherent leverage in terms of linear operating costs as opposed to potentially non-linear growth rates in readership, this allows newsletters to have profitable cashflows if the company is structured appropriately. The structures of newsletter businesses will be explored later in my research, as by understanding the business models more coherently any analysis of the company's financial health or worth will be grounded in more knowledge as opposed to assumptions.

This new medium of communication is growing in popularity with consumers, offering a unique combination of community, diversity and information which has really captured peoples attention. These businesses tend to be cash-flow heavy with either consistent subscription revenue coming in monthly or having an array of advertisement placements that are generating cash. These companies can have margins ranging anywhere from 40 to 70% (Phan, 2021).

Given this understanding of the industry, we now dive deeper into the problem context that will help shape the rest of this thesis.

2.2 Problem Context, Problem Cluster and Core Problem

To identify the core problem we can employ the use of a problem cluster. Using the 'rules of thumb' approach on choosing a core problem (*do, know, choose*), the research design can be constructed. Through creating a clear and concise description of the norm and reality of the core problem, the research groundwork is created.

The problem cluster is created through analysis of the problem context. The context of this problem can be described by a lack of information and unknown methodologies. When evaluating the worth of publicly traded companies or private companies in well-established industries there are many well-known methods of financially calculating a company's worth or intrinsic value, and in turn using this information to assess at what price or valuation a company may be attractive to buy.

In the newsletter industry however, due to the unique nature of the business there is an apparent struggle to accurately evaluate the financial benefits or risks of acquiring/merging with newsletter companies which in turn leads to potentially unrepresentative models and potentially poor decision making.

There does not appear to be any one-size fits all method available currently for the financial evaluation of newsletters, instead companies historically have relied on rigorous data-analysis which is costly, time-intensive and not generally applicable. There is thus an apparent need for a more detailed and comprehensive model designed specifically for newsletter businesses which can take into account the unique properties of newsletters and incorporate these properties and traits into a model such that all aspects of the business are accounted for. Specifically we are talking about advertisement based newsletter models, as this is the type of company MilkRoad is. There are online advertisement business models to evaluate companies available yet it is not clear that any are specifically applicable to newsletters.

With this understanding of the problem context we can create a problem cluster which is a depiction of the *"relationships between the problems"* in my research where the relationships are causal.

The problem cluster is a useful method that helps organize the issues and by establishing a clear relational overview can help me identify the core problem in the problem context. The reasoning for creating the cluster is that there are usually several starting problems for the research. So to find the core problem that I will solve, I must find all the problems in the problem context as to accurately identify the root problem we are capable of solving. This problem cluster was created and iterated upon with the help of my company supervisor, as a result it more accurately resembles reality.

2.2.1 Explanation of the problem cluster

Starting with the first vertical, an important question a company must ask itself is if through a merger or acquisition, is there a net gain? Mergers and Acquisitions are incredibly complex and the strategy and goals for a merger may be very different depending on the company. Because of the different types of mergers like horizontal, vertical, strategic or diversification mergers, when we want to understand the reasoning behind a M&A activity we must look at the specific company and its goals.

To be able to decide this however, the acquiring company must have information on comparing the newsletter’s performance relative to others in its field. This type of net-gain analysis is really important when making a decision on acquiring a company but it is very dependent on the type of merger or acquisition happening, and the reason for such a merger. Because I am investigating models on a higher level and not specifying them specifically to any one company looking to acquire a specific

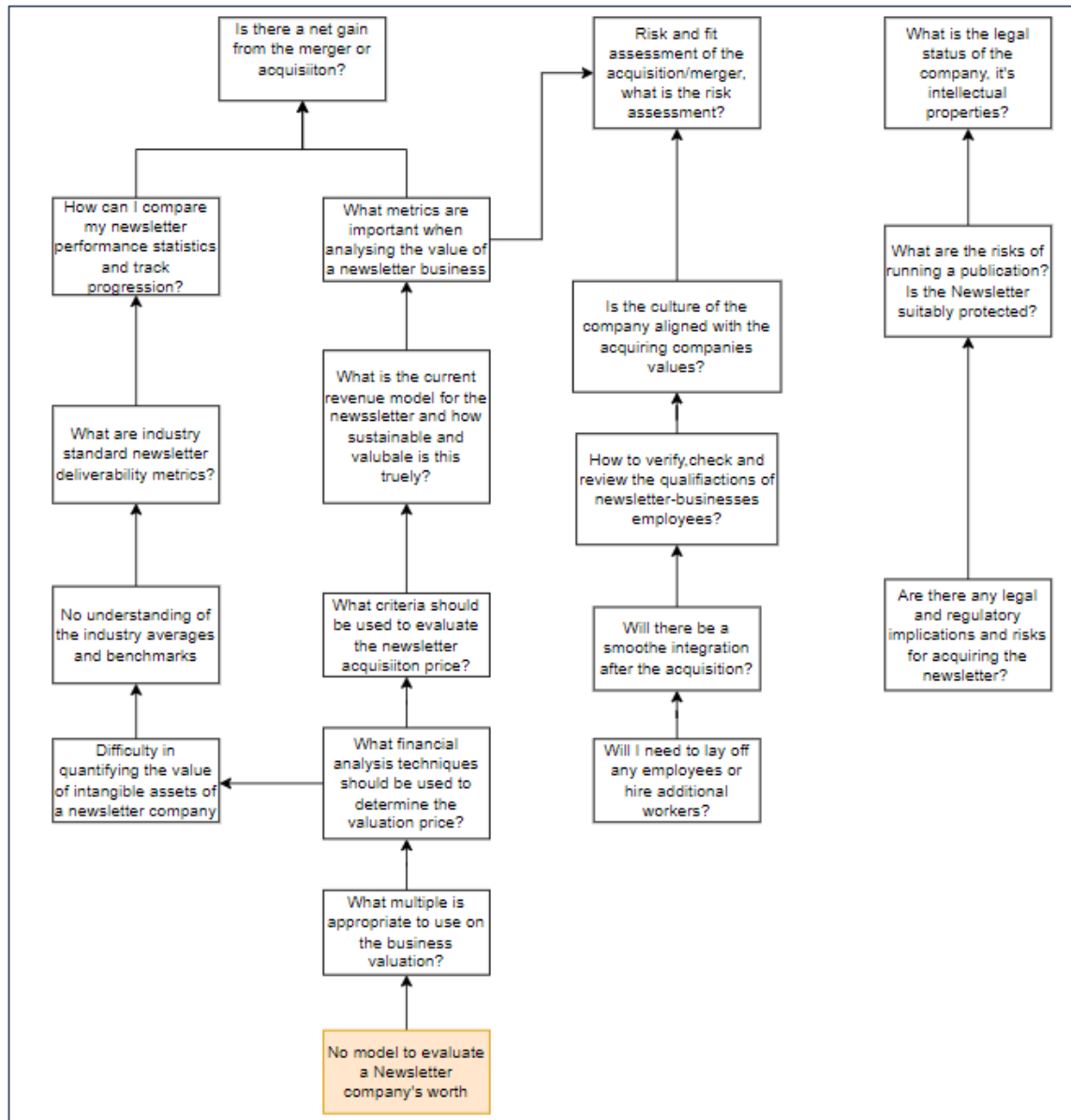


Figure 1: Problem Context.

newsletter, regarding the second vertical in my problem cluster this net-gain analysis is very relevant for my research but falls outside the scope of my research considering that I do not know exactly the case of which company is acquiring who. The focus of the research as evident from this problem cluster will lie closer to valuating newsletter businesses using principles of online advertisement valuation models. As this research is conducted from an investors perspective, the merger net-gain analysis does not fall within the scope of my research despite being a relevant aspect of M&A.

Regarding the first vertical, the difficulty in quantifying the value of assets both tangible and intangible assets of a newsletter company like the subscribers, the quality of the newsletter and the value of the audience, there is great difficulty in evaluating the acquisition price based on these metrics. This

uncertainty is caused because there is no single understanding of the newsletter business model and no criteria on which to evaluate the business on to help establish an acquisition price which in turn, relates back to, and is caused again by having no established financial analysis technique or method that is used to determine the valuation price of a newsletter business.

An acquisition has risks, the deal can fall through and a company may be wasting its time, money or buying a toxic asset. To understand all of these elements the acquiring company wants to understand intangible information like the culture of the company, is it a fit? Can one verify the quality of the work of each employee, conduct analysis to see which employees are or are not essential. This leads to all questions surrounding culture and fit which ultimately all stem from the important analysis of identifying whether or not you need to lay off employees or even hire employees after the acquisition. Firing has risks for the acquiring company, legal litigation, employee severance, culture shocks whilst hiring more employees and thus inducing a greater cost might not have been accounted for in the analysis when looking to acquire the company.

The final vertical on the right hand side of the problem cluster stems from the fact that an acquisition is a legal process, as a result there needs to be an assessment done on the merger or acquisition. A company's assets such as its intellectual property must be accounted for and accurately valued. This stems from knowing firstly what the risks are for running a newsletter business? Are there anti-trust, legal defamation lawsuits, privacy issues etc.? So one must know the regulatory implications and risks for acquiring a newsletter, both for the acquisition process itself but also for the post-acquisition period of time.

2.2.2 Identification of the core problem:

A problem cluster helps identify the dependent and independent variables, evidently from the cluster there are three potential candidates (These three are "Are there any legal implications", "Hiring and firing of employees" and "No model to evaluate a newsletter business worth") that can be selected as our core problem. I'm going to discuss, with references to the 5 steps/rules (ITC E-Learning [J.M.G Heerkens]) for identifying a core problem, the methodology used to find the core problem we are capable of solving.

Firstly I must verify that the problem cluster excludes problems we cannot solve. Then once this is verified the next step is to apply the so called 'Pneumonia rule' which highlights that a cause is not relevant for the solution if that specific cause does not affect any other problems and as a result is always the same (a control variable). We do not have any in our problem cluster so we can move on to the third rule, here we go back into the problem cluster and identify, within the causal chain, by moving against the direction of the arrows the potential core problems. We arrive until a problem is found where there are only arrows going out and not into it, this type of problem is a candidate for core problem because it is the cause of other problems, but not a consequence of other problems.

Now using rule 4 it is time to eliminate what we cannot influence, because what we cannot influence cannot be a core problem we can solve. So we disqualify "Are there any legal and regulatory implications and risks for acquiring the newsletter". This problem falls outside the scope of this research considering that legal matters such as anti-trust issues, potential for legal defamation or other lawsuit or any other legal and regulatory implications of acquiring a newsletter business fall outside the scope of this project since it is not a key area of expertise and is an external factor. It is an external factor/problem because it is not in the acquiring company's control and they must rely on outside experts like lawyers and accountants to verify these problems. As a result it falls outside the scope of this research due to my limited knowledge in this field and insufficient time to conduct the research that it could be solved.

Secondly, the problem of either hiring or firing employees falls outside of the scope of this project because it's not possible on a large scale to create exact methodologies to identify or create a standard lay off or hiring mechanism. It is not possible for this research to create blanket formulas or statements on when an employee should or should not be fired because these are people, and people are incredibly complex. As a result the only thing my research could account for is recommendations to ethically fire or hire people but due to the limitations this falls outside the scope of the research and thus cannot be a core problem.

Although this process is repeatable infinitely, we now stop the process as we believe that after having eliminated the candidates who cannot be core problems we arrive at the final rule, namely rule 5, which is known as the Relevance rule.

This rule simply means that we now look at all the remaining core problems, which in our context is only "No model to evaluate a newsletter company's worth" and we decide in order of magnitude the most relevant problem to solve. This is the problem that gives the most benefit against the least cost for solving it. When looking at the problem cluster, it is clear that the core problem is indeed that there is "No model to evaluate a newsletter company's worth".

2.3 The Core Problem & Action Problem

Core Problem: The company has no understanding of any financially applicable models that can be used to evaluate the valuation of a newsletter-company's worth.

The core problem will be measured in the adaptation of financial valuation models that through an interpretation of data and inputs then yield a financial valuation result measured in dollars.

Action Problem: There is no direct financial model to evaluate the financial worth of a newsletter business.

An action problem is specifically defined as the discrepancy between the norm and reality. The norm and reality in our situation is measured in terms of the absence or presence of the financial valuation model. Because of the recent rise and the infancy of the newsletter industry it can be stated that the reality, the current situation, is that there is *no* standard financial valuation model available for newsletter businesses. Whilst the norm for the acquiring party (who is the problem owner) is that there *is* a model or methodology to evaluate a business. Which is the case in most common private or public industries or markets. As a result there is a gap between the reality and the norm in this situation, causing the action problem to exist.

In the section 2.4 we outline how we will investigate this research aim of; finding, applying or adapting financial valuation models to newsletter businesses, by following a specified problem solving approach designed for the core problem.

2.4 Problem Solving Approach

Given my learnings during my bachelor studies, a relevant learnt methodology to use for the research project is a process known as the "Managerial Problem Solving Method" by Hans Heerkens. The reason that this specific problem solving approach is relevant is because it is specifically designed to solve action problems, and our core problem is indeed an action problem that includes several knowledge problems where the outcome of these are important for subsequent research.

The Managerial Problem Solving Method (MPSM) also allows for enough flexibility giving the ability in several stages to, if necessary, temporarily exit the MPSM cycle and enter the research cycle to gain knowledge and then returning to the MPSM to the next stage. Another reason for choosing MPSM is

a fact of familiarity. The MPSM is a tried and proven method which students studying Industrial Engineering and Management like myself have grown accustomed to.

The Managerial Problem Solving Method (*see Appendix Section A.1*) will help address the core problem and achieve the research aim whilst producing a set of deliverables, which we will discuss more specifically in the next section. Now that we have identified that the MPSM is specifically relevant for this research and its goals I will move on to identifying the knowledge problems followed by a discussion on the research questions and design.

4. Identifying the Knowledge Problems

Carrying out the problem solving approach, a main research question must be defined which aims to solve the core problem and achieve the research aim. A set of sub-research questions is created which can be answered independently to gain more knowledge such that the main research question can be answered. Because these knowledge problems are so closely linked to the problem solving approach, each research question is assigned a phase of the Managerial Problem Solving Method (MPSM).

4.1 Research Questions

Main Research Question:

What business valuation models, if any, are applicable to evaluate a newsletter firm?

This main research question is directly correlated to the core problem which states that there is no current model to evaluate a newsletter business. Therefore this main research question tackles the research aim of finding applicable models and adapting them to fit the newsletter business.

The subsequent “sub-research questions” are divided into two categories, firstly knowledge questions in the category of “the current situation” and secondly, knowledge questions in relation to “model research” where both categories and their research questions will allow me to solve the main research question.

The first category is used to establish an overview of newsletter businesses and the media industry landscape whilst the “model research” category is intended to involve the new found knowledge to explore further such that a financial valuation model can be found or adapted that is suitable for a newsletter business.

4.2 Category 1: The Current Situation

Research Question 1 : What are the core elements of a newsletter business?

- A. What is the structure of the newsletter business?
- B. What are the types of business models on a high level?
- C. What are ‘Email Service Providers’ and what risks are associated with them?
- D. What are the most important metrics, criteria and aspects of the newsletter business to consider when evaluating the business?

Research Question 2: Is the current private and public landscape regarding Mergers and Acquisitions favorable for buyers of companies within the advertising industry?

These initial questions will help lay the foundational knowledge to create a valid and useful newsletter valuation model. Findings from these first research questions will be fundamental in establishing knowledge so that once/if the right model is found, I have enough knowledge to ensure that I am able to interpret the model (or aspects of a model) as applicable to newsletter business valuations.

After addressing these questions we move on towards the second set of research questions which revolve around the potential application/creation of a found model.

4.3 Category 2: Model Research

Research Question 3: What are the best-known valuation models in literature?

- A. What are key financial terms to know?
- B. What are models specifically regarding online-advertisement company valuations?
- C. What are models specifically regarding subscription-focused media company valuations?
- D. What are well known valuation models of Publicly traded media companies?
- E. What are the valuation models found that are specific to newsletter businesses?
- F. What are the key-learnings, methodologies, concepts that are relevant from each of these models that can be applied to a newsletter valuation model?

Research Question 4: Which of the online-advertisement business models is most applicable to newsletter businesses, and to what extent?

4.4 Used Research Methods

First I will discuss the category 1 research questions (Regarding Questions 1 to 2) and discuss the research methods intended to be used. Then followed closely will be the second category, category 2 set of questions (Regarding Questions 3 to 4).

Category 1 Questions: The Current Situation

Research Methods for **Research Question 1** : What are the core elements of a newsletter business?

This question will require an analysis of published literature, online content, published interviews and discussions with industry experts and company employees to help create an accurate description of the industry and the business model of newsletter companies.

Research methods for **Research Question 2:** Is the current private and public landscape regarding Mergers and Acquisitions favorable for buyers of companies within the advertising industry?

This question will require a systematic literature review process to be undertaken. The Systematic literature review (SLR) will provide insight and help determine the current macro-environmental landscape which plays a key factor in the valuations of companies and influences decision making with reference to mergers and acquisitions.

Next we move on to the second category of questions, category 2, which is the group of research questions that focus on the creation of the decision support tool and specifically doing model research.

Category 2 Questions: Model Research

Research Methods for **Research Question 3:** What are the best-known valuation models in literature?

This question will require literature review and research on popular valuation models alongside using experience from previous Industrial Engineering Modules followed during the bachelor in consultation with industry experts to find relevant models.

Research Methods for **Research Question 4:** Which of the online-advertisement business models is most applicable to newsletter businesses, and to what extent?

This question will require statistical analysis done in Microsoft Excel where given a certain amount of key newsletter inputs multiple metrics will be given as outputs that can be used to evaluate the value of a newsletter business. Cross-referencing with earlier systematic literature review will be done

specifically in regards to which methodologies and valuation models can be applied to our tool. The output of this research question will be the creation of a tool alongside a guide for the user that results in a business valuation given a set of input metrics.

5. Research Design

The research design highlights the types of key variables found within my research, their operationalization. Briefly, this section also discusses the limitations, reliability and validity of the research. After this section we can then begin by diving into answer the first set of research questions.

5.1 Definitions of Key Variables

Variables can take on sets of different values, more specifically key variables are ones that are important and divided into logical attribute-based groupings. There are four types of key variables split into two categories. A key variable can be either independent or dependent and it can be either an internal variable (which means that the variable is influenced by the company MilkRoad) or an external variable (which is a variable that cannot be influenced by the company, for example the macro-economic environment).

As such in the following sub-sections, the key variables are outlined for the thesis by identifying the independent and dependent variables.

5.1.1 Dependent Variables and their Operationalization

A dependent variable is a variable that is measured or observed in an experiment, but which is dependent on independent variable.

In my research the dependent variables are described as follows:

Dependent (type) Variable	Operationalization
Macro-economic situation (external)	Measured by looking at the Price to Earnings Ratio (The Multiple).
Paid Acquisition Costs (internal and external)	Measured in dollars.
Most important newsletter metrics (internal)	List of most important newsletter metrics and criteria in relation to a newsletter business as determined by the company management.
Intangible assets like evaluation of labour (internal)	Measured by looking at the costs and value they provide based on literature.
Financial valuation model (internal)	Measured through the creation of a financial tool.

5.1.2 Independent Variables and their Operationalization

As for independent variables, these are variables that can be best described as variables that affect the dependent variables. Importantly, independent variables are not dependent on the value or change in any other variable in the experiment.

Independent (type) Variable	Operationalization
Elements of a newsletter business (internal)	Measured through a detailed list of elements of the business.
Methods being used to grow the newsletter (internal)	Measured through a detailed list of current growth strategies and channels

5.2 Validity, Reliability and Limitations

Assuring the investigation is conducted in an appropriate manner such that the thesis is valuable. To uphold the standards of high quality investigation it is essential that reliability, validity and the limitations of the study are accounted for. When performing the investigation it must be both valid and reliable to be of use. Most sources define these terms similarly, we will use the definition of Cooper and Schindler (2014) who describe validity as whether a measure accomplishes its claims. ITC E-Learning [J.M.G Heerkens] describes validity as to whether one actually is measuring what you're intending to measure. A third source explains that validity refers to the consistency of how a method measures something. For the investigation and sources to have high validity, the same results should be achievable if the method is repeated under identical circumstances (Middleton, 2022).

Because of the importance of validity as discussed in the previous paragraph, it's crucial that during my thesis and the conducting of my thesis that I closely monitor my work to ensure validity is achieved. There are two types of validity as outlined in the book "Business Research Methods". First is external validity which is defined as "*data's ability to be generalized across persons, settings and times*". The second type of validity is internal validity, which is defined in the book "Business Research Methods" as "*the ability of a research instrument to measure what it is supposed to measure*". I'll now elaborate on these types of validity concerns in my thesis in the following sections.

5.2.1 External Validity

The most relevant external validity threats for this research are *Measurement Bias* and *Selection Bias*. Measurement bias refers to when the measurements do not accurately capture the construct being studied which leads to biased and inaccurate results. This can be the result of using improper financial parallels and metrics that are widely known and respected but do not apply to my specific newsletter valuation model, this could be the case.

Then we also have Selection Bias. This is when a sample is used that is not representative of the entire population of the newsletter industry or advertisement industry leading to inaccurate or biased results. For example I only have access to certain people and certain companies and as a result my research may only include data from a certain type of company and as a result the financial valuation model may not accurately represent the entire population of businesses in the industry. The validity of the decision support tool will also be determined by external parties potentially using the tool in their analysis. As a result this falls in the external validity category.

5.2.2 Internal Validity

There are several internal validity threats to my research, however the most important are *History threats* and *Experimenter bias*.

Regarding *History* threats, this refers to when unexpected changes affect the outcome of data being taken (Steffkerk,2022). For example if interest rates significantly increase and the macroeconomic conditions worsen, information or newly collected data taken during week 1 of my thesis from the same subjects, when asked the same question weeks later may differ drastically. As a result my thesis may act more as a snapshot in time as opposed to being valid for significantly long periods of time. To combat this I ensure that in my tool, specific inputs are able to be adjusted to reflect the time the user uses my tool.

Secondly *Experimenter bias*. This refers to when the researcher impacts the results of the study in a biased way. For example it is important to note that for my research to be internally valid the research must be conducted in a natural setting and just manner such that no bias enters the literature review or scholarly research process. The result of taking actions to prevent bias in the research gathering

phase should help achieve a more internally valid research. Similarly assumptions taken during the creation of the decision support tool and decisions taken to exclude specific online advertisement models can be threats to the research as these decisions must be grounded in justified reasoning.

5.3 Reliability and Scope

Cooper and Schindler (2014) define that the reliability of research is concerned with estimates of the degree to which a measurement is free of random or unstable error. Meaning if there is a random error, the results should also be random. Reliable instruments are to be selected and used so that with confidence we can expect situational factors to not interfere with the results of the research and as such ensuring that we are producing valid results because of having reliable instruments.

There indeed appear to be several limitations and boundaries for this research, a few were identified and discussed briefly during the problem cluster analysis but let me elaborate on these further here. Firstly the boundary of this research which must be taken into account. The project is a bachelor thesis project and the duration of such a project is 10 weeks which is a heavy constraint. This means that the research is limited to a 10 week time frame. This limits the scope of the research due to insufficient time for in-depth analysis, conversations and investigation of all the elements that require attention to be able to create a truly accurate newsletter valuation model. As a result certain elements will need to be purposefully ignored as they fall outside the scope of the research, elements like legal implications. Similarly, because of this boundary constraint the research will ensure a heavy focus on the valuation of newsletter businesses from the principles of online advertisement business models, relying on research and already established models to create overlap with newsletter advertisement businesses specifically.

Another key limitation is that personally, as the lead researcher, I don't have any significant experience in either the newsletter industry or in analyzing financial valuation models of private companies, as a result I may encounter barriers and problems a more experienced researcher may know how to avoid. Data availability is another key limitation, the companies data collection is a primary resource for my study and I will be limited largely to the information I can find there, due to the nature of the industry being largely private companies the private data set will likely be a constraint, however, because of the scope of my research being focused on the advertisement-industry I will be able to do significant research here and will rely on experts from the industry.

The scope of my research is as such constrained to the advertisement industry and specifically the creation of a valuation model of an advertisement business. My thesis investigations aim is to apply and adapt online-advertisement financial models to the evaluation of a newsletter advertisement business model. We now dive into the research and begin by answering the first research question.

6.1 Research Question 1

Introduction to this section:

Before answering the first set of thesis questions I want to preface this section by highlighting that the following set of Research Questions are designed to establish an overview of the newsletter business industry landscape. The goal is to, by answering these Research Questions, understand more clearly the landscape of newsletter businesses and to understand how they work and in what capacity they currently exist.

Building upon the knowledge I hope to gain from Research Questions 1 and 2 I can then begin to conduct the research necessary needed to understand what advertisement valuation models are

applicable to the newsletter business model. This is only possible if the understanding of said business model is sound and grounded in literature.

Overview of Research Question 1

The first set of research questions relate to the overarching theme or question of, what are the core elements of a newsletter business? Which is then split further into the following sub-research questions so that my research can be more targeted.

- A. What does the newsletter business look like?
- B. What are the types of business models on a high level?
- C. What are 'Email Service Providers' and what risks are associated with them?
- D. What are the most important metrics, criteria and aspects of the newsletter business to consider when evaluating the business?

Research Question 1A. What does the business look like, an overview.

What does the newsletter business look like?

To answer this question we must first investigate the technology underlining newsletter businesses. By understanding the rise of the medium we can get insights which we will dive deeper on by looking to relate newsletter-businesses to their real world counterpart, newspaper businesses. Afterwards I hope to have a better understanding of how the business model looks like and having a better understanding of the newsletter landscape. If you are interested in learning more about the rise of the technology which has been a key proponent in the industry growing so large, please see appendix section A.1.

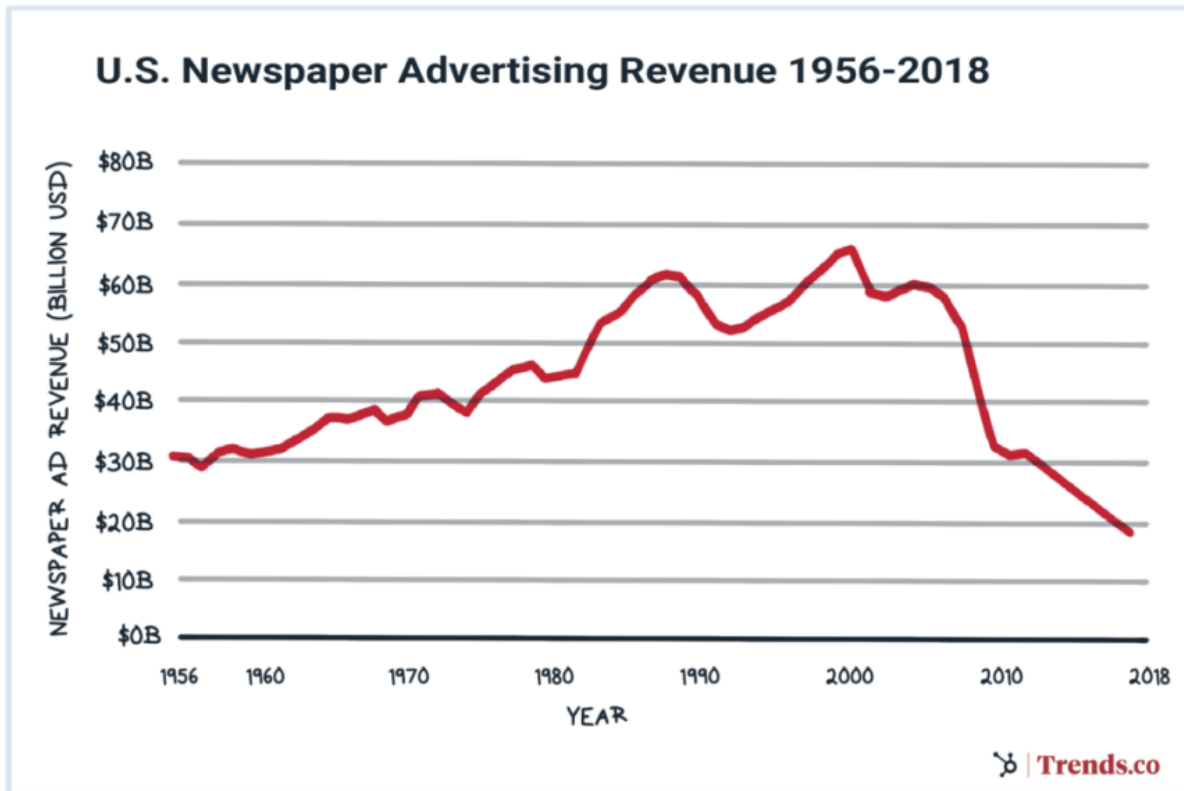
Relation to Newspapers

According to Beehiiv CEO Tyler Denk (Beehiiv, 2023) , there are several positive and negative aspects about the email medium. By analyzing these we can see how the aspects are similar or dissimilar to the newspaper medium.

Email allows for a direct connection with readers. The inbox is one of the only places on the internet that is not (yet) dictated by any specific algorithms and as such most messages received and sent via email have a high trust factor, this allows for companies to have a direct relationship with their readers and not be subject to the changes in algorithms by social-media platforms, or at least less affected. This is similar to newspapers who had a direct relationship with customers via delivery to their home, most mail we receive tends to be important and as such when the newspaper showed up on peoples doors it indicated the trust these newspaper brands had with their readers. As such newsletters similar to newspapers own the frequency of which they deliver news, and the exact contents within which they decide to do so as people are either opting-in and willingly providing their email address to receive your newsletter or with newspapers people are giving their house-addresses (which I believe is an interesting parallel to the modern day address, which is your newsletter) to allow newspapers to send directly to them. Email, like newspaper deliveries is meeting people where they are (at home, or logged into their email) as such it can much more easily be incorporated into a daily routine.

Looking at how modern behaviour reflects how we used to read news, i.e. via newspapers, and relating our modern day habits to the rising medium of email draws interesting parallels. This connection I believe helps to highlight why email-newsletter businesses are becoming more popular it is a combination of the rise in technology as discussed with the fact that the product (news) already has been proved in the past with businesses like newspaper companies. Unfortunately, similar to newspapers there is a limited amount of data you can collect. It is hard to gauge reader satisfaction.

As Tyler Denk mentions that “email is limited from a design point you are limited in design and functionality with email, (and) there’s limited amount of data that you can collect” (Beehiiv, 2023).



Source: brookings.edu

Figure 2 (U.S. newspaper advertising revenue, 1956-2018, 2019).

To close and answer this research question of what a newsletter business looks like, identified are some recent company exists to highlight on a high-level the businesses that exist. Afterwards we dive deeper with Research Question 1B. more specifically into what these models are and how they function.

What does the business look like

Looking at successful exits or acquisitions is helpful in achieving our eventual goal in establishing a financial model to evaluate newsletter businesses, as these acquisitions are real representations of what businesses believed the value of a newsletter-business to be. We can look at these acquisitions in aggregate on a high-level to understand how the businesses look like. We will look at acquisition price, both acquiring and selling company and the structure of both such as revenue, headcount etc.

I will structure the following section in a way as to provide as much oversight as possible and to allow for easier cross-analysis.

Arbdn acquires investing insights newsletter Finimize for a reported £87 million pounds. (Walker, 2021)

Arbdn is a financial services company that helps customers plan, save and invest for their futures. They acquired a financial newsletter called Finimize (MarketScreener, 2021) which had over 1,000,000 free subscribers with 40,000 paid readers. Finimize primarily created revenue through its premium-

subscription and advertisements placed on the free newsletter. The CEO of Arbdn stated the reasoning for the acquisition was to further drive *“client-led growth”* (Walker, 2021).

There are no concrete numbers I could find that state the revenue of the newsletter Finimize, however we know the premium product costs \$69.99 per year, as such they were generating *at least* ~\$2.8million in annual recurring revenue from their paid product. Because they ad 40,000 paid subscribers paying *at least* \$69.99 per year.

I think this is interesting as already we’re seeing two types of revenue streams, paid subscriptions and advertisement revenue, were the key revenue sources for Finimize, but interestingly it seems the fit of the readers with the product Arbdn offers was a high motivating factor to pursue the acquisition, so it seems we are learning that not only are the financials of the newsletter important (diversified income stream) but the people reading the content matters to acquiring parties, too.

Robinhood acquires Marketsnacks (Robinhood, 2022)

Robinhood is an investment app that allows users to buy or trade securities (for example stocks) and other advanced trading features such as futures-trading. Although this acquisition does not have a price it is indicative that a 8 billion dollar publicly traded company’s first acquisition was a financial newsletter! According to Forbes, in 2018 a year before the acquisition MarketSnacks had around 100,000 subscribers with 40% open rates, interesting metrics to note! (Forbes, 2018) .

Stunningly it seems that Finimize since 2019 has grown rapidly and has over 40 million subscribers according to Robinhood as of last year. ("Just a moment..," 2022)

Again it seems that the readers of the content were key in the acquisition decision, with a reported 85% of subscribers being under the age of 26 according to Fortune (Fortune, 2019) prior to the acquisition, as Robinhood is an app catered to millennials investing in the markets this fit with company customer and newsletter audience seems to again be an important aspect of the acquisition.

Hubspot acquires The Hustle for a reported \$25-30million (Wishpond, 2022)

Hubspot is a behemoth, it is one of the largest CRM (Customer Relationship Management) software tools in the world, the company is currently worth over \$26 Billion and publicly traded. Once again a major company is investing resources in acquiring a newsletter, but why? Luckily the ex-SVP of Marketing at Hubspot wrote a blog post detailing the thinking behind the acquisition. Hubspot believed that the acquisition would bolster the companies media efforts in order to meet their customers needs, outside of their own product offering. Hubspot, as Kieran Flanagan states (Flanagan, 2021) saw an *“opportunity to diversify the content we published and the mediums through which we delivered that content”* as such the Hustle newsletter seems to have been acquired largely in an effort to increase HubSpot’s media presence and to generate more recognition.

The Hustle at the time had over 1.5 million subscribers delivering daily tech/business news, the company also had a premium subscription called ‘trends’, again similar to Finimize which created revenue through a premium subscription product alongside advertisement based revenue.

Once more a theme seems to be recurring that the content, the readers and the size of the newsletters audience are all key to an acquiring companies decision whilst perhaps a coincidental causation but so far majority of these newsletters also had several streams of revenue (subscriptions and advertisements), this is interesting to note to see how important it is to acquiring companies that the newsletter has a healthy diversified portfolio of revenue streams.

Insider inc buys a majority stake in Morning Brew, valuing it at over \$75 million. (Kafka, 2020)

Previously we saw non-media companies acquire newsletters but Insider inc, an already established online-media company with over 551 employees as of 2019, also saw reason in acquiring a newsletter company, namely Morning Brew.

It was reported that Morning Brew had revenues of over \$20million in 2020 and contained over 2 million free subscribers, with a business model based largely on advertisement-backed revenue streams.

Morning brew at the time's primary revenue streams came from selling sponsorships on their newsletters. Unlike previous deals covered Morning Brew did not have several revenue streams. (Kafka, 2020). However, what is unique about Morning Brew is that the company had *several* newsletters, four at the time, each focused on different content categories. For example they had more focused newsletters on specific industries like Emerging Tech and Retail, each with subscriber list sizes of multiple six figures. Again the founders claim to have 40% open rates, an interesting parallel to what Forbes said about MarketSnacks. (Axios, 'Just a moment', 2020)

It does not seem to be exactly clear why Insider acquired Morning Brew, however, we are learning more and more about what types of newsletters get acquired and by which types of companies. So far the range seems very diverse yet there are similarities and parallels that can be taken from each of these acquisitions to help us understand better what a newsletter business looks like and as such help answer our Research Question 1A.

Investigating on a surface level these acquisitions helps show that there is indeed precedent for acquiring newsletter companies, that there are several interesting learnings that these acquisitions reveal about what a newsletter business looks like and as such allows us to move forward to the next sub research question with a better understanding of the newsletter business and landscape.

Given this, we can now move on to Research Question 1B. where we seek to get a better understanding of the types of newsletter business models, which we can now do from an understanding of how the medium works and also what types of newsletter companies have been historically acquired.

Research Question 1B. Types of business models

What are the types of business models on a high level?

The previous Research Question has allowed us to transition into answering the following question. To answer this question the following strategy is employed, we go back and understand the types of newsletter companies that were acquired, simultaneously consulting with my company supervisors to get a better understanding of the landscape of types of business models and their structure, ultimately creating an overview of the types of newsletter business models (on a high level) that exist.

Newsletter Business Models

There are two categorical distinctions between the types of newsletter models, namely 'free' business models and 'paid' business models. Below is an overview of the types of business models we will cover per category, starting with the 'free' models, here is a short overview for reference:

- 'Free' Advertisement-Supported newsletter business models:
 - CPM.
 - CPC.
 - CPL.
- 'Paid' newsletter business models:
 - Premium Subscriptions.
- Other newsletter business models.

We start by looking at ad-supported newsletter models.

Ad-Supported Newsletters

Ad supported newsletters are newsletters for which the primary source of revenue is generated from newsletter advertisements. Newsletter advertising is "*the process of placing sponsored content in email newsletters to get in front of readers*" (Beehiiv, 2023).

Where unlike most digital marketing, newsletter advertisements are delivered directly to readers email-inboxes and as such bypassing any potential ad-blocking programs.

The benefits of newsletter advertisements are that there is a real audience to be access, the newsletter subscribers do not see the advertisement as a billboard and continue with their day but instead they are engaging with the content of the newsletter actively, and as such pay more attention to the advertisement(s) because they are an engaged audience.


Advertisers can leverage the newsletters brand and the newsletters trust that their writers have built with the their readers to create a more effective and visible advertisement. Advertising is a popular way to monetize newsletters, recall from the previous sub research question that several of the acquired newsletters (Morning Brew, MarketSnacks) primary source of revenue was advertisements

To understand the business model of advertisement based newsletters, we first need to look at the two types of advertisements available to newsletters, Native and Programmatic.

Native

Native Sponsorships occur when the advertisement is created in coordination with the newsletter (publisher) and advertiser. Each sponsorship campaign is as such created independently for each sponsor, this can create additional work for the newsletter company but allows for the newsletter to tweak the advertisement content/format to be specific to the sponsoring company to appeal more to readers. This creates significant additional work but client and reader satisfaction can arguably be higher than programmatic advertisements.

a) → **TOGETHER WITH CARIUMA**
Celeb-loved sneaks for the summer



Stepped outside lately? The sunshine is comin' in hot, so keep your shoe game coooool with a capital C.

b) → Enter Cariuma. These B Corp-certified, stone-cold classics will have you turnin' heads. That clean silhouette look familiar? How about those fresh colorways? You've seen 'em on celebs like Helen Mirren and Jon Hamm and in tastemaker mags like GQ + Vogue.

Whether you're heading to the beach to catch some rays or strolling to the office to crunch some numbers, these sneaks (which just cleared a 94k waitlist) will have you lookin' fab + feelin' coooomfy. Aaand they help the environment—each purchased pair plants 2 trees.

For a limited time, use code BREWMAY for 20% off. There won't be a Memorial Day sale, so don't wait.

c) → [Shop now.](#)

Figure 3: Native Advertisement Example (Morning Brew, 2023).

You can see in the example figure that the advertisement is brought to the reader's attention with the headline (a) whilst the text is written by the morning brew team, giving it the 'tonality' which is similar to the rest of the newsletter (b) and finally there is a call to action for readers to start shopping (c).

Morning Brew ex-CEO Alex Lieberman mentioned that Native Sponsorships can also demand a higher price or premium considering that the publishing team is offering writing or copywriting services to the advertisers to create the advertisement content to be relevant to the readers of the newsletter.

Benefits & Disadvantages of Native Sponsorships

There are several benefits and downsides on being a native-sponsorship focused newsletter. These points are summarized in the table below

Benefits	Downsides
High revenue potential for advertisers and for the newsletter.	Requires a lot of different specialized work and time. Requires a sales person/selling skills, someone to manage and schedule the advertisement, someone to write the advertisement text, someone to ensure technically everything is sound and to report performance and someone to send, collect and create the invoice.
Personalization factor is key	Payment terms might favor advertisers and as such it isn't uncommon to receive payment 30 days after having done the work, as such delaying your cash flows.
Adds legitimacy to newsletter publication to be associated with other recognizable advertising brands.	Expectations from advertisers can be high which may lead to high churn of advertisers if there is poor performance.
Helps build deeper relationships with employees at advertising companies.	Readers may be turned-off from your content and feel misled by sponsorships.
	Marketing budgets are cyclical and sensitive to the macro-economic environment.
<i>Source: ('Newsletter XP Course' Beehiiv, 2023)</i>	

An alternative to native advertisements for a 'free' newsletter business are programmatic advertisements. These are similar to native sponsorships in that they are placed within the content of the newsletter, however, they are more similar to web or online display advertisements as they are designed via automation.

Programmatic

The technicality of using programmatic advertisements as the main ad-model, is usually a set of code is inserted into the newsletter, and automatically through a third party, they are inserted into the email

Pro's and Cons of Programmatic

Benefits	Downsides
There is minimal effort, no need to produce the advertisement yourself. After receiving the code/pixel from a third party you simply need only the code.	Revenue is typically low as you can command less from advertisers.
Large variety of advertisers. Programmatic advertisements are used by many different types of companies and advertisers thus exposing you less to single industries.	No personalization of the content and no direct relationship being built with advertiser.
	No publishing control over the advertiser and their content.

Source: ('Newsletter XP Course' Beehiiv, 2023)

Now that we have explored the two types of ad-supported newsletter models (Native & Programmatic) we now need to explore the pricing structure of advertisement models generally. This is important to note as the prices a newsletter can charge dictate largely the revenue potential of the business, for this reason it is important to understand how the pricing structures work for ad-supported newsletter models.

Pricing: Ad-Supported Newsletters pricing models:

There are three main pricing models according to Tyler Denk, namely; CPM (Cost per mille), CPC (Cost per click) and CPL (Cost Per Lead).

Advertising models - CPM

CPM stands for Cost Per Mille and is a pricing model where advertisers are paying based on the number of people who have opened the email. Typically best practices are to charge based on the number of people opening the email but some publications opt to charge based on the number of people *receiving* the email, we are going to assume that CPM refers to pricing based on the number of opens.

For example, if your publication can command a \$25 Cost Per Mille (cost per thousand impressions) and your publication has a list size of 20,000 readers with, on average, 50% of readers opening the email when you send it (i.e. a 50% open rate) then the publications revenue per newsletter is \$250.

$$\$250 = \$25 * 20 * 50\%.$$

More generally the revenue per newsletter as a function of CPM can be calculated as such:

$$Revenue\ per\ newsletter\ edition = CPM * \frac{Subscriber\ Amount}{1,000} * Open\ Rate$$

Because the publication is charging on a CPM model it isn't uncommon for newsletters to be paid upfront based on historical performance averages which is beneficial as it increases the publications cashflow. However, it also isn't uncommon for a CPM model to have payment come later and be

determined by the actual number of people opening the email. As such if we continue with our previous example we can highlight the difference in having a set-flat CPM rate, or having a CPM rate that is determined only after a newsletter has been sent can differ the revenue the newsletter generates pretty significantly depending on the open rate of the newsletter edition:

CPM rate is fixed based on historical averages:

$$\$250 = \$25 * 20 * 50\%.$$

CPM rate based on actual performance, with two examples of below average performance (40% open rate) and above average performance (55%)

$$\$250 = \$25 * \frac{20,000}{1,000} * 40\% \text{ (below average),}$$

$$\$200 = \$25 * \frac{20,000}{1,000} * 55\% \text{ (above average).}$$

As such it can be beneficial to have a fixed, historically pre-determined CPM rate as it creates a more predictable income stream as the newsletter publication receives payment regardless of how well the advertisement or newsletter performs. For example even if no readers click on the advertisement and no-one buys any products, the publication still receives payment. As such it shifts the risk more from the newsletter to the advertising party who is giving a large guarantee of payment without guarantee of success, as such advertisers need to trust that those newsletter publications are actually reporting their data and subscriber amounts. Nearing the end of this section we will cover what dictates the CPM number a publication can charge but in essence it is related to the engagement (open and clickthrough rates) of the readers, the size of the newsletter and the value of the audience.

We now transition to discussing the second ad-supported newsletter pricing model, namely: Cost per Click.

Advertising Models – CPC

Cost per click is an alternative pricing model where advertisers are paying based on the number of clicks their sponsored content receives. For example if a newsletter charges a \$1 CPC and the sponsored content receives 250 clicks, then the revenue generated is \$250, see how here:

$$\$250 = \$1 * 20,000 * 50\% * 2.5\%.$$

In the above example there are 20,000 subscribers with 50% of them opening the newsletter and of those 50%, 2.5% are clicking through to the advertisers content (CTR: Click through rate) we then multiply this with the cost per click and we end up with \$250 in revenue for the newsletter.

More generally:

$$\text{Revenue per newsletter edition} = \text{CPC} * \text{Subscriber Amount} * \text{Open Rate} * \text{CTR}$$

This model, considering it is based on the performance of the newsletter, means payment will be paid after the edition goes live, again delaying the cashflow. Cost per clicks has a greater balance between advertiser risk and newsletter risk as newsletters with good engagement should be able to deliver on the number of people reading and clicking the advertised content whilst the advertisers are only paying for the people that click a link and end up on their website.

Advertising Models - CPL

Cost per lead refers to the amount advertisers are willing to pay per lead or per acquired customer.

For example, if an advertiser is willing to pay \$10 for every customer that buys one of their products and you have the following performance statistics: An email list of 20,000 subscribers with 50% open rate, 2.5% Click through rate (so 250 clicks) and a 10% conversion rate (meaning 25 people actually end up buying a product), then the newsletter will generate \$250 in revenue.

$$\$250 = \$10 * 20,000 * 50\% * 2.5\% * 10\%.$$

More generally:

$$\text{Revenue per newsletter edition} = \text{CPL} * \text{Subscriber Amount} * \text{Open Rate} * \text{CTR} * \text{Conversion Rate}$$

Again this payment structure has payment post-newsletter publication. Tracking conversion is also a difficult task here as the newsletter needs to trust the advertising party reports accurately the sales generated from newsletter readers, this can be a challenge.

CPL is most beneficial for the advertiser since there is no guarantee to pay the newsletter, they only pay for successful conversion. Because an advertiser determines the CPL they are willing to pay they can have a strong control on the campaigns success. For example if Nike is selling a \$50 shoe and they pay a newsletter a \$25 CPL, if that newsletter generates 100 conversions (i.e. 100 shoe sales) worth \$5,000 in revenue for Nike, that costs Nike only $\$25 * 100 = \$2,500$ whilst also generating \$2,500 in net revenue:

$$\$2,500 = \$5,000 - \$2,500 = (100 * \$50) - (\$25 * 100).$$

More generally the formula for net-revenue for advertisers based on a CPL model is:

$$\text{Net Revenue (for the advertiser)} = (\text{Conversions} * \text{product price}) - (\text{CPL} * \text{Conversions}).$$

As we can see this model is most risky for newsletters considering the conversions are mostly out of their control. If the advertiser has a poor website and thus despite many people clicking and going from the newsletter to e.g. Nike's website but perhaps no one buys any shoes because Nike's website is not working properly, then the newsletter makes no money. Similarly the newsletter is subject to the reporting of the advertiser which often leads to little transparency on exactly how e.g. Nike determines which customers came from the newsletter. For this reason, Tyler Denk considers the CPL model to be "risk-free" (Beehiiv, 2023) for advertisers.

Concluding the Ad-Supported Newsletter Model Section

Before concluding the ad-supported business model section we conclude by discussing several important questions such as: What newsletters benefit most from advertisement-based models? Generally how do newsletters sell advertisements? And what model is most appropriate for newsletters to use?

Newsletters that seem to benefit the most from advertisements are ones with either large audiences or with niche, high value audiences.

Regarding large audiences, no matter whether you charge on CPC, CPL, CPM the more readers you have the easier it is to get advertisers with larger budgets excited. This is a big reason advertisers for cars for example typically advertise on large-scale platforms such as TV or billboards. (SOURCE FROM BARD AI?). With a large audience even if you charge lower rates, due to the size of the audience the volume of revenue can still be large.

In terms of niche-high value audiences the more targeted an audience the higher you can typically charge advertisers on any of the three models (CPM,CPC,CPL). Certain advertisers are willing to pay more to be seen by a very targeted audience, for example if a company wanted to advertise only to Chief Executive Officers of companies in the state of California, if your newsletter caters to exactly that audience, the advertiser will be willing to pay more to target these readers. Understanding the newsletter audience (by collecting data) and by having great engagement the newsletter publication can better price their services (CPM, CPL or CPC) appropriately. Tyler Denk and Brian Hanly shared suggestions for how CPM's can be determined by publications. A good public indicator is the cost of google advertisement campaigns, which highlight the costs to be featured next to specific google searched words. These prices are indicative of what the cost per clicks on the internet in your category can be. Similarly google releases a CPC per ad-category every quarter (Marino, 2023) this is a valuable resource and can highlight which ad-category can demand higher cost per clicks. Publications can use the CPC to calculate the CPM they'd like to charge. *"We're seeing CPMs come in from 10 to 100, it really depends on the type of audience"* (Beehiiv, 2023). The higher a CPM a publication a charge, typically the higher the return in net-revenue is for the sponsors willing to pay higher CPMs. According to Tyler Denk there is no simple formula to calculate CPMs you can charge as it depends very largely on the publication, audience and advertiser. Brian Hanly agrees with this and highlights that the advertisement market is very volatile and related strongly to the macro-economic environment.

In a general sense there are three ways to attract advertisers.

Firstly is the newsletter team sources the advertisements through outbound messaging or via advertisers reaching out to the newsletter. Secondly can be through a third party agency who specialize in advertisement sales. Finally a marketplace that helps connects advertisers with publications can be a good source. In each of the second two examples the publication does not own the relationship with the advertiser, you must pay a fee to either the agency or marketplace and the sale is typically more transactional.

Thirdly regarding what model is most appropriate, it seems in light of the above that a diversified revenue stream for ad-supported newsletter models would consider all three models CPM,CPC and CPL to minimize the risks of each of the three. The mix of the three makes for a well-rounded and more secure revenue stream. Now we look at the paid newsletter business model.

Paid Newsletter Business Models

Paid newsletters are newsletters where people pay a subscription (on a weekly, monthly, quarterly or yearly basis) to receive access to certain media content. Often these newsletters have a top of funnel, free newsletter, to try and get people incentivized to buy 'more' or deeper content.

Premium newsletters reduce or remove the need to sell advertisements due to a new income stream. Subscribers often have higher life-time values than 'free' subscribers whilst recurring revenue provides a more predictable stream of revenue. Readers who also pay to receive your newsletter are often also more engaged and loyal and as such the newsletter's influence on their thinking is arguably stronger due to the direct relationship.

A relatively small newsletter subscriber base can generate similar levels of revenue to a newsletter with a larger subscriber base due to the fact that each subscriber is paying a monthly fee.

Despite these positive aspects of paid newsletter business models there are some difficulties too. Because the newsletter content is behind a paywall, it's important that the publishers content is differentiated and unique and as such there is significant pressure to deliver value at risk of subscribers 'churning' and cancelling their subscriptions.

It is harder to acquire customers for a paid newsletter than a free newsletter due to the friction of requiring payment, similarly due to email being an open framework technological platform, paid newsletters can be sent or shared to non-paying subscribers.

Requiring readers to pay creates a complex operation that needs to be supported by a technologically savvy business. Requiring payment means authenticating users are legitimate, it means managing and collecting potentially multiple tiers of paying subscribers whilst also dealing with refund and payment problems.

Knowing these benefits and disadvantages to the paid model, it's important we try to understand the subscription economics at a high-level to understand how the cashflows and profits of the company would flow.

Subscription Economics

Most newsletters that have a premium model operate with a '*freemium*' structure. Meaning they have a free newsletter to acquire new readers and then they upsell those readers into a premium product (Kannan, 2023).

One of the key metrics in determining the viability and profitability of a subscription-supported newsletter is knowing the cost to acquire a customer. The *Customer Acquisition Cost* (CAC) for the free newsletter is a key metric in determining how profitably (or un-profitably) a newsletter can grow it's revenue. In turn, how many readers the publication is able to convert (*Conversion rate*) into paying subscribers dictates how expensive it is to acquire a paid subscriber.

For example: If it costs \$2 to acquire a free subscriber and on average 5% of all a publications subscribers convert to paying subscribers then it costs $\$2/0.05 = \40 to acquire a premium subscriber. Note that during our previous sub research question we saw Finimize be acquired by Robinhood, they shared this business model. They had 40,000 paying subscribers and well over 1 million free subscribers.

As such the *subscription price* is an important factor in the economics of subscription-based newsletters. The Subscription price is the monthly or annual cost the publication charges readers to receive premium content. In relation to the price, a determining factor in the business model of paid subscription newsletters is the *churn rate*, this is the percentage of paying subscribers who cancel or stop paying after a month. So if 5 out of your 100 paying subscriber cancel in any given month, then the churn rate that month is 5%. This is important as the higher the churn rate, the lower the *lifetime value* of your paying subscribers becomes. Lifetime value (LTV) is the expected length that a premium reader will continue to pay before churning (cancelling).

$$LTV = \frac{\text{Subscription cost}}{\text{churn}}$$

For example a newsletter charges \$10/mo. for its premium newsletter whilst it has a churn of 5%, that means LTV is \$200, this also indicates that the *expected lifetime* of a paying subscriber is 20 months. The expected lifetime refers to the length of time you expect a new customer to continue paying.

Given this understanding of subscription economics it's important we state the relationship between CAC and LTV, which is a KPI when analyzing the health of a premium newsletter business.

CAC:LTV

The ratio of the customer acquisition cost to lifetime value is a key determinant in how much revenue a publication can earn. By looking at two examples we can see how all the aspects we previously mentioned come in to play and can affect the CAC:LTV ratio.

Example A	Example B
$CAC_{premium} = \$40$ to acquire a premium subscriber	$CAC_{free} = \$5$ to acquire a free subscriber
$LTV = \$200$ expected revenue generated by each premium subscriber on average	$Subscription\ cost = \$20/mo$ $Conversion\ Rate = 2\%$ and as such, $CAC_{premium} = \$250$ to acquire a premium subscriber $Churn = 10\%$ then Life time value is: $LTV = \$200$
$CAC:LTV = 40:200 = 1:5$	$CAC:LTV = 250:200 = 1.25:1$
So for every \$1 spent on acquisition, the publication earns \$5 in revenue	So for every \$1 spent on acquisition, the publication earns \$0.80 in revenue

So in Example B the acquisition/growth strategy is actually unprofitable and thus the company is losing money when gaining new subscription revenue. The CAC:LTV ratio is a strong indicator on the ability of the publication to run as a profitable subscription business whilst growing instead of losing money. This ratio in turn can dictate how much money is available to spend on marketing and acquiring customers.

Concluding

To conclude this sub-research question (*what are the types of business models on a high level*) we have identified the two main categories of newsletter business models (advertisement focused and subscription based) and learnt about the characteristics of each. In general the advertisement model can be laborious but also very profitable whilst the premium subscription model can generate sustained predictable revenues but requires a high value product. That being said neither model is exclusive and some companies opt to have both advertising and subscription revenues.

Research Question 1C. What are Email Service Providers, and what are the associated risks?

With any social media there is associated platform risk which should be taking into consideration. Platform risk is *“the potential for losses related to a platform that you use for a business.”* (Spacey, 2023).

As such it is responsible to try to understand what platform risks may be associated with email businesses. The primary way an email is delivered from the writers room to a list of readers is through what is called an *‘Email Service Provider’* this is a technology that allows users to *manage and deliver email marketing communications as such they are an integral part of how the newsletter-business can deliver it’s product/service.* The reason it’s important to understand this technology is because if there

are any significant risks these need to be identified and potentially need to be accounted for when valuing a newsletter business.

Luckily despite email service providers being the tool with which emails are sent to a publication readers, and as such the tools capabilities tend to be the limiting factor in the emails functionality (what data can you directly collect, how many emails can you send, can you do A/B testing, etc.) the only limiting factor the ESP creates is that it limits your profit (due to the service costs) and it can limit the capabilities your email has, like the poor reporting as mentioned.

There is no significant platform risks with any major ESP provider fortunately due to the fact that the publication owns the emails of its readers and not the ESP, as such the audience is always fully in control of the publication and can be moved around to any platform as the newsletter-publication wishes. This is one of the major reasons newsletter-businesses are unique media companies because in the modern-age it is rare for a media brand to directly own their distribution and audience. With email that is a key characteristic.

The most popular email service providers according to platform Beehiiv are: Beehiiv, Substack, MailChimp and Convertkit. There seems to be negligible differences in terms of risks associated with each, the choice thus comes down to preference and cost sensitivity. (How does Beehiiv compare? 2023)

Finally we thus need to evaluate if Email Service Provider choice can affect the valuation one would put on a newsletter business, after doing this research and I'm answering that question with a no, it does not matter significantly.

Research Question 1D. Most important Newsletter metrics/aspects to consider

The final sub Research Question , Research 1 Question 1F can be answered now that we have the knowledge from questions 1a to 1e. This question aims to explain, from a business valuation perspective, the most important metrics, criteria and aspects of the business to consider. This will be important later in my research as the valuation model should be as applicable to newsletter business models, as such by answering the following sub-research question we aim to try and highlight the key aspects we may use later.

What are the most important metrics, criteria and aspects of the newsletter business to consider when evaluating the firm?

After consulting with industry experts, answering previous sub-research questions and diving further into literature discussing newsletter and media businesses. I am, by answering this question, restricting the scope of future research by identifying the major metrics and aspects of a newsletter business so that during future literature search it is possible to identify and use relevant articles and findings.

As such, globally, the **first important thing** to consider about a newsletter-business is the actual business model of the newsletter. Is the business advertisement-focused, subscription-focused or does the revenue stream consist of a mixture of both?

Next are the **revenue metrics**. I will mix certain metrics and aspects that are relevant for either advertisement-focused and/or subscription-focused as to condense this section but an important revenue metric is the Lifetime value (LTV) of a customer whilst subscription price is also a key determinant of the levels of revenue, whilst the Cost Per Mille CPM a publication can charge (or the

CPL,CPC) play a large factor too. Lastly, the Customer acquisition cost (CAC), which heavily relates to LTV as we saw with our CAC:LTV ratio, is also an important metric.

The ideal newsletter has an active readership base, we track readers engagement levels using **newsletter engagement metrics**, these reflect the satisfaction of readers, the deliverability of the newsletter and indicate how 'engaged' readers are with the content of the publication. Metrics in this category include a newsletters open rate, unsubscribe rates, click through rates, and either advertising or subscription conversion rates. Similarly the demographic of the readers such as location, salary, age, income and so forth are important to understand what content category the newsletter-business finds itself in. These interestingly can also correlate strongly to the revenue metrics and rates a publication can charge its readers or advertisers.

Similarly, the **organisational aspect** of a newsletter business is important to consider, specifically the size of the team and the operational efficiency with which the publication and revenue are made or utilized. This includes global financial metrics for the business which will be covered more extensively during the model-construction research but to name a few important aspects/metrics I refer to metrics such as; top-line revenue, working capital, revenue growth, EBITDA, cash-flow and for example profit margins.

This section now concludes the answers to sub-research questions 1a through d. These initial questions have laid the foundational knowledge that will be built upon to be able to research a useful and valid newsletter valuation model. The findings from research questions 1 and shortly question 2 will be fundamental in establishing knowledge so that once/if the right model is found, there is enough understanding to see whether or not a model is applicable to newsletter business valuations.

After addressing this first research question we move on towards the second research question which looks at the current macro-economic environment through a systematic literature review to identify whether or not the current market conditions are favorable or are indicative of Merger and Acquisition (M&A) activity

6.2 Research Question 2. Are the current macro-economic conditions favourable?

Utilizing the results from my Systematic Literature Review (SLR) process (*see Appendix A.2*) I am now capable of answering the knowledge question, which is the second research question in my research design:

Is the current private and public landscape regarding Mergers and Acquisitions favorable for buyers of companies within the advertising industry?

The systematic literature review yielded 16 relevant academic sources, which are presented in the conceptual matrix (*see appendix A.2*). Using these sources I can now explore how each of the selected articles contributed to the study and whether an answer to the research question was found. Finally, I can then present the answer to the research question based on the synthesized results of the reviewed literature.

The reason I have confidence in my research results can be described in a threefold manner, namely; Systematic Search, High Quality Results and database selection. Let me elaborate on these three before concluding an answer to my research question. Firstly, I have confidence in my research because of the manner it was conducted. The Systematic Literature Review is designed such that it is repeatable and continually narrows a search down to increasingly more relevant literature. By following the steps

of the SLR precisely I was able to identify key concepts and create relevant search queries which resulted in high quality academic literature as the outcome. Furthermore following the SLR process resulted in 16 high quality academic sources that can be used in answering the research question, as a result I'm confident in my research process as I am able to use relevant and high quality academic literature which I founded on many years of expertise from other researchers to help me answer my research question. Lastly I selected three specific databases that were not only recommended by the University as relevant for Industrial Engineering and Management literature search but also are high quality databases containing thousands of pieces of literature which were importantly also relevant.

Now coming to the most important part of my systematic literature review process, which is the concluding results, namely, was I capable of answering my research question? The answer is yes:

Using the outcomes of the SLR we first analyse the current private and public landscape regarding M&A activity to see if it is favorable, we then specify with regards to the advertising and media industry.

A really relevant and helpful article was , Choi *et al* (2011) which investigated the impact of macro-economic conditions on merger activity from 1980 to 2004. The results of the study show that initially, it was thought that M&A activity is *only* industry specific and firm specific yet the research found that the macro-economic condition does play an important role in the conditions for mergers and acquisitions. The study found that mergers and acquisitions appear to happen in "*a agglomerate fashion, forming a clustering pattern or wave*" this in turn suggests that there exists "*macro-level environments which drive M&A (activity)*". As a result we now know that the private and public landscapes (also known as the current economic or macro-economic environment) do indeed play a part in establishing whether or not mergers and acquisitions are favorable in both the private and public markets.

This is further emphasized when Choi *et al* (2011) state that "*there is a long-run equilibrium relationship between the set of macroeconomic variables and ... aggregate merger activity*". Thus importantly macroeconomic conditions do play an important role in dictating the trends of merger and acquisition activity in the United States. Choi *et al* (2011) importantly also acknowledge that real-income is one of the most significant indicators of the current macro-economic environment, they state that "*the most important macroeconomic variables in determining merger activity include real income*" as a result we can now analyze the current real-income levels in 2023 and use this to determine whether the macro-economic conditions are indicative of a period of high or low M&A activity which is important in answering the aspect of our research question which references the current public and private landscape.

We can see that in recent years the levels of real household income have fallen according to data from the US Census Bureau ("*Real median household income in the United States,*" 2022)

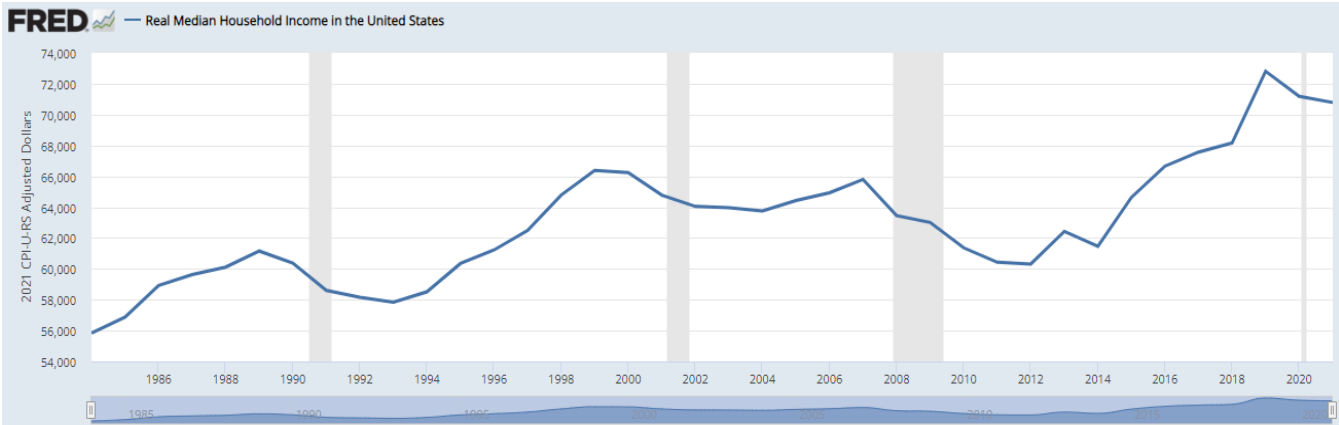


Figure 4: Chart of Real Median Household income - US Census Bureau (St Louis Fed).

As we can see the current real-income levels in 2023 are historically indicative that we are in a period of low merger and acquisition activity, this can especially be seen when comparing the above chart of real household income compared to the volume of M&A activity as you can see below per Business Insider (Kleintop, 2015)

Global M&A activity has rebounded strongly

Monthly global M&A deals worth \$1 billion or more

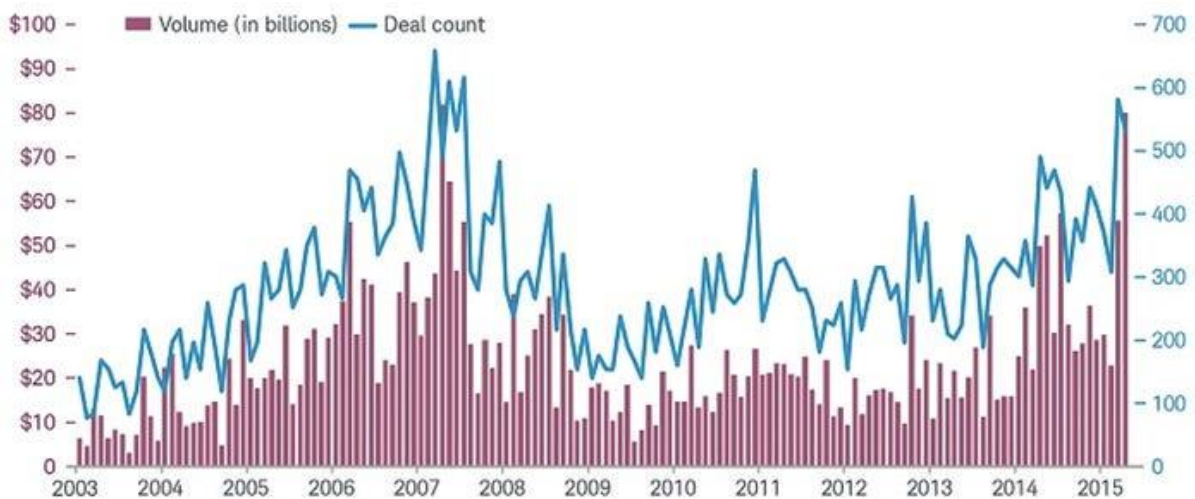


Figure 5: Charles Schwab, Bloomberg data as of 5/22/2015.

As a result we now know that indeed the macro-economic environment is important in establishing if conditions are favorable for mergers and acquisitions whilst we have also established the current macro-economic environment we are in. We can now further answer the research question by looking at research from Yan (2010) who describe the market conditions that are unfavorable for M&A activity to try and establish if indeed the current conditions are favorable or not for advertisement businesses. Yan (2010) explain that unfavorable conditions for M&A activity largely come from whether or not external capital is more costly at the aggregate level. This is predominantly determined by how high interest rates are. Interest rates are extremely important in finance considering that they are seen as the 'risk-free' rate of return, as Warren Buffet states that *"Interest rates basically are to the value of assets what gravity is to matter"* (Buffett, 2021) highlighting the importance of interest rates with regards to asset valuation prices. Similarly in periods of high interest rates, Yan *et al* (2010) state that

when external capital is more costly at the aggregate level that *“investment of focused firms decreases but the investment of diversified firms remains unchanged”*.

This is interesting because it means that for companies conducting vertical mergers (within the same industry) that historically the current macro-economic environment conditions indicate that M&A activity will decrease and as a result we are in an unfavorable period of time. However, this finding also indicates that if for example a non-advertisement focused company engaged in M&A discussions with an advertisement focused company that the current macro-economic conditions (high external capital costs) actually do not impact M&A activity.

Thus the current public and private landscape is not necessarily unfavourable for specific companies because *“internal capital markets become more efficient”*.

We now thus know that although macro-economic conditions are important for M&A activity and that historically on an aggregate level the current macro-economic conditions are unfavorable for M&A activity yet nevertheless specifically if the conditions are favorable or not depends heavily on the type of buyer and the type of merger or acquisition occurring. Thus Choi (2011) and Yan (2010) are both consistent in saying that although macro-economic conditions play a role in M&A activity, the conditions that make M&A activity favorable for buyers is specific to the buyer and industry.

Thus knowing that *“firms with different motivations for M&A (are) affected by different macroeconomic environments”* differently we can link this to findings from Van Cayseele (2019) who dive further into the specifics of an advertisement business (specifically newspapers). Newspapers and digital media are examples of a two-sided market where an *“advertiser’s demand depends on the number of readers”*, in this type of industry companies are much more sensitive to interest rate levels as when levels of real income drop, consumer spending decreases and as a result advertisement budgets of companies also decrease. For this reason advertisement focused businesses can suffer from worsening macro-economic conditions as economies tighten.

Research Question 2 Conclusion

We can thus see that indeed macro-economic conditions play a pivotal role in the levels of M&A activity on an aggregate level, yet on an industry specific view worsening economic conditions (measured through real household income levels) may or may not play a large role in M&A decision making. Considering though that advertisement companies work in a sensitive two-sided market they are more susceptible to the fluctuations of the global economy, both on a positive and negative aspect. As a result the decrease in household income and increased difficulty to access capital, which are representative of the current public and private landscape we find ourselves in currently, do play a role in the decision making process for M&A activity in the advertisement industry. Specifically the economic conditions affect the number of bidders and buyers interesting in buying a company and as a result we can conclude that the current private and public landscape regarding mergers and acquisitions can be favorable for buyers of companies within the advertisement industry given that the buyers are in a healthy personal financial situation and that the merger or acquisition is happening as a horizontal merger/acquisition and preferably not a vertical merger or acquisition.

We thus see that the specifics of the deal and buyer profile heavily affect whether or not current conditions are favorable, but we see that given the current environment, if a buyer has a healthy financial profile and is enacting a horizontal M&A activity that the current conditions can indeed be favorable due to the lower valuation multiples and lower number of competing bids.

6.3 Research Question 3

The previous category of Research Questions had the goal(s) of achieving insight's into the newsletter industry. The following category of questions, questions 3 and 4 namely, are focused on using the gained knowledge to find an applicable model, adjust it if needed and create a guiding framework that can be used to value newsletter businesses. All of the next parts of the research now fall under the umbrella of achieving that goal.

Before diving straight into the third research question, this section has been created to give a high-level overview of this set of questions to help provide context as we dive-deeper. You can see an overview of the research questions we have here:

Research Question 3: What are the best-known relevant valuation models in literature?

- A. What are key financial terms to know?
- B. What are models specifically regarding online-advertisement company valuations?
- C. What are models specifically regarding Subscription-focused media company valuations?
- D. What are valuation models of Publicly traded media companies?
- E. What are the valuation models specific to newsletter businesses?
- F. What are the key-learnings, methodologies, concepts that are relevant from each of these models that can be applied to a newsletter valuation model?

Where Research Question 3 aims to find several online-advertisement valuation models through literature search on advertisement-based companies and subscription-based companies, followed by an analysis of publicly traded companies. Once a handful have been found any clearly irrelevant (based on our understanding from the first two research questions) valuation models will be removed from our shortlist. Then the set of finalized models will be analyzed, ultimately leading to Research Question 4 which sets out to, with reasoning, select the most applicable model or aspects of models to create a hybrid approach for the valuation of a newsletter company. This final approach and model will then be supported through the creation of a tool where based on a certain level of inputs a guideline of the valuation price range can be given.

Given this framework we begin by looking at Research Question 3.

Research Question 3: What are the best-known relevant valuation models found in literature?

To ensure a wide-enough net is cast in the research such that I do not return empty handed from my research journey, I am going to be incorporating a deliberate research strategy that is designed such that sufficient valuation models are found to ultimately create or adapt the knowledge from these models into one that most accurately works for newsletter companies.

As such the process for answering this first research question is to look at literature that discusses advertisement-based and subscription based media business valuation models alongside subscription-based media businesses and of course any valuation models that look at businesses that incorporate both of these models would be a welcome sight!

As such after studying literature concretely focused on the study of valuing media businesses with advertisement or subscription models, I will look at publicly traded media companies. These should provide a real-time insight into how (given current macroeconomic environments) analysts think about the valuation of a company. Understanding the earnings reports of these companies and researching information on public price targets and research from analysts is likely to help find several more methodologies and models to value media companies.

3A: “What are key financial terms to know?” this relates to creating an understanding of the theory, terms and important concepts related to valuing businesses. After answering this we can transition into finding applicable models.

Research Question 3A. What are key financial terms to know?

This question aims to answer what elements should or can be included in these valuation models. What they mean and which are important to consider. This will be done through reliance on content learned from earlier IEM courses, specifically through consultation of the information provided from the book ‘Principles of Corporate finance’ published by McGraw-Hill Education (Brealey et al., 2020) In conjunction with relevant literature.

This question thus has the goal that after being answered, we should know what elements to consider when looking at the financial valuation of a company, using this we are equipped to move on.

Overview on Corporate Accounting

Because we’re going to be analyzing the value of companies, we need to have a fundamental understanding of corporate accounting practices so that we are able to interpret income statements.

Below is a short table that highlights the key metrics, terms and ratios.

Term	Explanation	Formula
Net-income*	Final profit/loss earned by a business after deducting expenses, taxes and interest from revenue. (Corporate Finance Institute, 2019)	$Total\ Revenues - Total\ Expenses.$
Gross Profit*	Difference between revenue and cost of goods sold, this is an indication of how profitable the operations are of the company.	$Revenue - Cost\ of\ Goods\ Sold.$
Operating Expenses	Costs of running the day to day operations of a company. This can include salaries, rent and utility costs	
EBITDA*	Earnings before interest taxes and depreciation. This is a measure of a company’s operating performance	$Net\ income + Interest + Taxes + Depreciation + Amortization.$
Operating Margin*	Is the percent of revenue that remains in the company as profit after paying for all company expenses and taxes	$\frac{Net\ income}{revenue} * 100\%.$
Cash Flow	The net cash generated by a company’s operations	
Accounts payable	The amount of company a money owes to other businesses in exchange for goods or services provided on credit	
Accounts Receivable	The amount of money that is owed to the company for the goods or services provided on credit	

*Source (Brealey et al., 2020)

Already we can see that specific terms here might be more or less applicable to Newsletter businesses, for example an advertisement-focused newsletter business that receives payments for advertisements weeks or days after performing the act, this company might have an unusually large accounts receivables compared to other businesses.

Now, equipped with this understanding of the key terminologies used in corporate accounting, several valuation procedures and how these models are constructed. We now move to research question 3b

Research Question 3B. What are the best-known advertisement focused models?

The goal of answering this research question is to find a handful of well-known advertisement business valuation models through literature study.

This question aims to find financial valuation models or methods that apply to media businesses specifically. In doing so the following academic databases were used to conduct a literature review to find relevant sources, Scopus, Business Source Complete (EBSCO) and Web of Science

After combing through each of these, and filtering the results based on the relevance of the article and through the use of inclusion and exclusion criteria,

A set of 8 academic studies were found to be, on a surface level, relevant. Next in the process was going through these articles and extracting key results. As such I found three articles to contain the most relevant models or procedures used to analyse media, advertisement focused, businesses. Find in the table below a summary of each.

Database	Authors	Title	Key Learnings
EBSCO	(Lueo et al, 2013)	Social Media and Firm Equity Value	Web traffic has a positive correlation with public equity and expected returns Customer satisfaction levels have similar correlations.
EBSCO	(Blake, 2016)	The Valuation of an Icon: Playboy's Valuation—A \$500 MM Fantasy	A valuation mode known as the 'Gordon Growth Model' can be and is applied to the Playboy company. Playboy is a relevant article considering the company has significant digital and print media revenue. We also found that WACC (<i>Weighted Average Cost of Capital</i>) is used to calculate the models discount rate.
Web of Science	(Jung 2003)	The bigger, the better? Measuring the financial health of media firms.	Revenue Diversification can affect company valuation

Given this high-level overview, we now dive deeper into each article to note our findings which we plan to eventually incorporate in our own model.

Social Media and Firm Equity Value

With the rise of social media and much commerce, communication and time spent online accounting for a company's social media presence in relation to the firm's equity value seems reasonable. Lueo et al state this even more strongly, saying that *"social media may enable investors to both effectively scrutinize customer satisfaction and prospects for firm future performance"* (Lueo et al, 2013, pg. 149). This research paper studies specifically computer hardware and software industries, because it also analyses the social media presence in relation to the value of these firms, the results are applicable and interesting to look at for our purposes.

The study found that *"social media metrics ... have a significant positive predictive relationship with firm return"* (Lueo et al, 2013, pg. 156). These metrics included the web traffic in terms of page views of a website and the consumer sentiment /rating towards the content they read, whether that's positive or negative.

As such the implications are that *"social media can be a significant leading indicator of firm equity value"* (Lueo et al, 2013, pg. 159). This result is specific to software/hardware industries but the relation can be applied to media companies.

Our learnings from this is that in our valuation model we must account for these social media metrics, especially considering the fact that social media as a medium isn't far removed from the newsletter medium. And as such, a large following on one platform needs to be accounted for in any model valuation.

The Valuation of an Icon: Playboy's Valuation—A \$500 MM Fantasy

Playboy Enterprises is a collection of media assets which are analyzed by Michael Blake in terms of establishing a financial valuation model on the company. Blake analyses the company through the use of the *Capitalization of Earnings (Gordon Growth) model* which calculates current company value based on assumptions of company earnings growth. Blake did so under the assumptions that *"the core business is likely to grow at a relatively modest pace, there are no published cash flow forecasts available, and there are few, if any publicly traded comparable companies"* (Blake, 2016, pg. 16).

Interestingly enough these assumptions are relevant for our scenario too given the youth of the newsletter industry there are little to no directly related public comparable companies nor are there any clear published cash flow forecasts. The model used (Gordon Growth) requires only three metrics, Baseline Cash Flow, A growth rate and a discount rate / required rate of return. The discounted rate of return is calculated *"by estimating the company's weighted average cost of capital"* (Blake, 2016, pg. 16).

Given this we now have a viable model, presented with a clear explanation and application of the model to a related media-company, that can be incorporated in our own creation of a valuation procedure/tool.

The bigger, the better? Measuring the financial health of media firms

This study identifies that certain degrees of product and revenue diversification are related to the financial health of media companies. Jung identifies specifically that *"performance decreased as (media) firms shifted from concentrated business strategies to related diversification, but increased (when firms introduced) unrelated diversification".* (Jung, 2003, pg. 237).

This finding in and of itself is potentially not relevant considering the age of the article and the types of media businesses analyzed in the study (26 media firms performance from 1996 to 2002), yet the

paper introduces the idea of considering revenue/product diversification when viewing the health of a media company. As such, we incorporate this idea into our own research where we not only try to understand the cash flows of newsletter businesses, but we seek to understand and evaluate the degree to which the revenue streams of a newsletter are correlated, and as such are accounted for in specific manners in the valuation model.

Research Question 3C. What are the best-known subscription focused models?

The goal of answering this research question is to find a handful of well-known subscription business valuation models through literature study. This time the following databases were used, namely; Scopus, Google Scholar, Business Source Complete (EBSCO) and Web of Science.

A set of 6 academic studies that seemed to be relevant were found and noted. Afterwards, analyzing and reading these articles/studies I determined that 4 of these studies were of relevance to the research question. Find in the table below a summary of each.

Database	Authors	Title	Key Learnings
EBSCO	(McCarthy et al, 2017)	Valuing Subscription-based businesses using publicly disclosed customer data	Identifies that valuations of subscription companies is directly tied to customers. Links valuation to monthly revenue and monthly acquired customers.
Google Scholar	(Fader et al, 2020)	How to value a company by analyzing its customers	Introduces the idea of CBCV (Customer Based Company Valuation)
Scopus	(Cohen et al 2018)	Valuation of a SaaS Company: A Case Study of Salesforce.Com	Highlights several methods/ratios to value a stock
EBSCO	(Schneider et al 2020)	Used-based Valuation of Digital Subscription Business Models	Introduces the term Customer Equity

As you can see there are a lot of learnings to dive into and explore individually to try and understand how subscription based businesses are valued.

Valuing Subscription-based businesses using publicly disclosed customer data

This paper looks closer at *“linking the value of a firm’s customers to the overall value of the firm”* (McCarthy et al, 2017, p.1) and as such develop a framework for valuing subscription based firms. Although many types of companies have subscription products that are different to content-backed subscriptions like newsletter-subscriptions, the valuation methodology should still be applicable for our scenario.

Given a monthly timeframe, which is consistent with most subscription models, McCarthy (2017) introduce a methodology that links two key metrics for subscription-based revenue streams (Monthly Acquired Users and Monthly Revenue) and creates long-run projections upon which firm value can be estimated based on cashflow analysis. After introducing this model the study elaborates with several examples. This model is interesting since it links customer-based metrics to future cash flow projections and uses this foundation to create a company valuation model. For newsletters key metrics

related to this would be LTV, CAC and Churn. As such the relevance of this article seems clear for subscription based newsletter companies.

How to value a company by analyzing its customers

This study introduces the idea of valuing a company based on a customer-centric model.

Similar to the previous study, Fader (2017) create financial projections (most notably revenue) and link firms value to the customer value. Specifically four aspects of the customer journey are analyzed and seen as important, these are: *“The Customer Acquisition model, Customer Retention, Purchase Model and Basket-size”* (Fader et al 2020). The purchase model refers to how frequently customers interact with the firm and basket size refers to purchase value. These do not exactly relate to the newsletter industry however clearly acquisition and retention do. Whilst basket size and purchase model can be translated into newsletter-metrics we explored earlier such as LTV and Average Order Value.

This study does not outline a specific model but introduces concepts and terms that are useful for our own analysis.

Valuation of a SaaS Company: A Case Study of Salesforce.com

Through the analysis of the publicly traded Salesforce, Cohen (2018) introduces well-known company valuation metrics (such as P/E, P/B ratio etc.) which can be used to estimate the value of a stock.

These are key metrics used in public equity analysis, as such my tool may consider incorporating these metrics in any analysis or guideline for company valuation.

Used-based Valuation of Digital Subscription Business Models

This study introduces a more elaborate CBCV model described as the idea of ‘Customer Equity’, which is a user-based valuation model that links customer equity values to the value of a firm. The study *“suggests customer equity tracks the market capitalization of the investigated companies remarkably well”* (Schneider et al, 2020,. P1) perhaps indicating a strong correlation.

The study also indicates that CAC, LTV (in this study denoted as CLV, customer lifetime value) are key metrics in determining company valuation. (Schneider et al, 2020,. P3). The study then introduces the term Customer Equity which expresses the *“total value of all existing and new users in a single monetary number. It is calculated as the sum of all CLV’s of existing and future users”*.

The study creates a customer equity model for subscription-based digital businesses. The learnings from this can be that CBCV is indeed a suitable approach for valuing a business, assuming we agree with the ‘Efficient Market Hypothesis’ (Baldrige, 2022) then indeed if customer equity tracks the publicly traded value of digital-subscription based businesses then it is a valuable proxy for determining company value. As such we can be more confident in the answering future sub-research questions that incorporating and linking customer based metrics are key to determining the value of a newsletter business, both if it’s subscription or advertisement based.

Research Question 3D. What are valuation models of Publicly traded media companies?

After having analyzed the literature specifically related to advertisement and subscription based company valuation models. We now look at publicly traded media companies and research analysts price targets and any published valuations or analyst insights that can perhaps give us further insight into what metrics or methods should be incorporated within our own tool/valuation procedure.

Analyzing the top companies (by market cap) across the world that fall under the digital media business a list of 8 suitable companies that could translate to newsletter businesses is created. Of which a total of 5 were chosen to do further research on what publicly available information was available in regards to their stock price , valuation and projections. These companies are:

Company	Ticker	Valuation Methods/Models Found
New York Times	NYT	Cashflow based valuation. Industry Averages comparison of key ratios. Discounted Cashflow Analysis
Gannet Co., Inc.	GCI	Discounted Cashflow Analysis
Reach plc	RCH	Relative Comparison Valuation
Tribune Publishing Company	TPCO	Relative Comparison Valuation
Thompson Reuters Corporation	TRI	Relative Comparison Valuation

Researching available media coverage, analyst sentiment and available price targets and stock price valuation on these companies leads to a conclusion that there is no single media-based valuation procedure used by public equity analysts. Despite this, there is a key learning that several valuation methods appeared again and again whilst doing research, specifically the following two methodologies/valuation procedures were popular:

- Discounted Cash Flow Valuation Model.
- Relative Comparison Valuation Model.

The DCF model was typically based on company projected earnings which is more difficult to do with privately held companies, whilst the relative comparison valuation incorporated comparing key ratios (such as P/B and P/E ratios) of companies with similar competitor companies that were also publicly traded. As such it is to keep in mind these two models as potential options to consider when creating our tool.

Research Question 3E. What are the valuation models specific to newsletter firm?

The goal of this Research Question was to research any information published by people within the newsletter industry specifically on the topic of newsletter valuations, and in doing so, completing our research on any available models or methodologies used to value newsletter companies. Through systematic review of articles and public blogs (not academic literature) a set of 6 relevant articles were found that discussed the topic of valuing a newsletter company, and how to do so. The following articles were found with subsequent key learnings.

Article	Key Learnings	Reference
When selling a newsletter business, focus on the intangibles	Acquisition price determined through a multiple of revenue	(Roper, 2023)
How To Sell Your 7-Figure Newsletter	Factors that influence valuation are niche, team and monetization opportunities. Valuation determined by a multiple put on revenue. Where multiple is determined through key newsletter metrics (like Subscribers, CAC, LTV and engagement metrics)	(Beehiiv Blog, 2023)
How to Value a Newsletter Business	Valuation through multiple on profit.	(Investing, 2023)
How to Evaluate A Newsletter's Worth	Again a multiple based valuation	(How to evaluate a newsletter's worth, 2023)
Newsletter valuation calculator	Calculator that bases valuation through determining subscriber value, dependent on list size, open rate and monthly revenue.	(Newsletter valuation calculator, 2023)

Concluding these findings to answer the research question, it appears that the most popular method for determining the rate of newsletter businesses according to this subset of articles, is to determine a multiple dependent on key newsletter metrics and using this apply it to the revenue or profit of the newsletter and thus taking a trailing evaluative approach to estimate the value of the newsletter as opposed to discounting future expected earnings.

This is an interesting difference with how the public equity analysts estimated the value of stocks they analyzed.

Research Question 3F. What are the key learnings, methodologies, concepts that are relevant from each of these models that can be applied to a newsletter valuation model?

The goal of this research question is to summarize the learnings from the previous sub-research questions whilst specifically concluding and relating how the key-learnings can be applied to a newsletter valuation model.

Answering this question will help lay the foundation for Research Question 4 where we will be creating the tool. Summarized below per previous sub research question are the key-findings and how it can directly relate to what we will incorporate in any tool/valuation methodology.

Advertisement-focused models

What we learned from analyzing these advertisement focused business models that can be applied to our scenario and own tool is threefold.

Firstly we should account for social media followings within the valuation model as these have positive correlations with potential returns of the company. This is specifically also true in the example of Newsletter businesses as social media can be a large customer / reader acquisition channel. We also discovered that the Gordon Growth Model may be a suitable valuation model which has relatively few parameters but operates under the assumption that the core business does grow at a constant rate. Lastly we also discovered that revenue stream correlation is important to consider when valuing a business, greater correlation may present greater risk. This is especially interesting for when we value newsletter businesses that have both advertisement and subscription revenue.

Subscription-focused models

What we learned from analyzing specifically focused subscription-business models that can be applied to our scenario and own tool is that Monthly Acquired Users and Monthly Revenue are key when projecting out future cash flows, which then can be discounted in an attempt to value the present value of the company. For this reason key newsletter metrics we discovered earlier in the research such as LTV and CAC are relevant metrics. Secondly we discovered that key financial ratios can be used to get a quick overview of the financial health of a business, as such our tool should aim to incorporate these too given a set of user inputs into the tool.

We finally also discovered customer based company valuation, with specific regards to Customer Equity which can be a methodology used to determine company valuation of a subscription based company. As such this may be relevant to use for subscription-based companies.

Public Company Analysis & Newsletter Valuation Articles

From our research the main finding was that the two most popular methods to determine public company value was through a discounted cash flow analysis or a valuation by comparatives. As such discounted cash flow based on future projected earnings can be a relevant methodology to determine the value of either solely subscription-based or advertisement-based newsletter businesses. What we learnt from the Newsletter Valuation Articles was that many times a multiple is put on profit or revenue of a company and that determines the acquisition/value of a newsletter business. There wasn't any concrete suggestions on how these multiples should be determined but the intangibles, newsletter engagement metrics and other newsletter KPI's play a factor in determining this multiple.

Conclusion

Before being able to move forward with creating the tool by answering Research Question 4, we have answered Research Question 3 to help identify popular valuation methodologies and tactics that we can use in our own tool creation with specific relation to newsletter business models.

6.4 Research Question 4 – The Tool

Our final research question and it's deliverables are the climax of this research. Through systematic research, literature review and analysis we now come to the point where the accumulation of these insights needs to be put into action to create a valuation tool that acts as a guideline for valuing newsletter business models of three different types. Namely, Advertisement Focused, Subscription Focused and models that focus on both types of revenue.

Research Question 4 states:

Which of the online-advertisement business models is most applicable to newsletter businesses, and to what extent?

We answer this by creating the tool, and explaining the reasoning behind the creation of the DCF models. The following sections will elaborate the reasoning behind the inputs and outputs of the DCF models, following the same order as the excel file.

Ultimately this tool is *not* intended as a source of absolute truth, but more so as a guideline to reference when calculating the value of a newsletter company. After explaining all of the model inputs and outputs we end this research question by applying publicly available data and previous acquisitions to see how similar our model is to real world data. It is good to note that any screenshots showing the model, if there is a cell colored in yellow than we require the user to input data. If the cell is highlighted white, then the cell is a calculation.

What is a Discounted Cash Flow Model?

During the answering of research question 3, it became apparent that a Discounted Cash Flow Model (*from now on referred to as a DCF model*) was the most popular and applicable method of valuation. According to popular website Investopedia, a “*Discounted cash flow (DCF) refers to a valuation method that estimates the value of an investment using its expected future cash flows. DCF analysis attempts to determine the value of an investment today, based on projections of how much money that investment will generate in the future.*” (Investopedia, 2023). As such a large part of the value of DCF models comes from projecting out revenues, so we need to be careful about the assumptions we make and how we project revenue into the future.

My model also presents a multiple-valuation approach alongside a net-present value (of future discounted cash flows) valuation. This can be used for users of the tool who only want to analyze true and factual trailing data for their valuation as opposed to projecting out future cash flows. Both methods have pros and cons, I suggest using neither specifically but instead provide both options to generate as much insight for the user as possible

[Explanation per page per model](#)

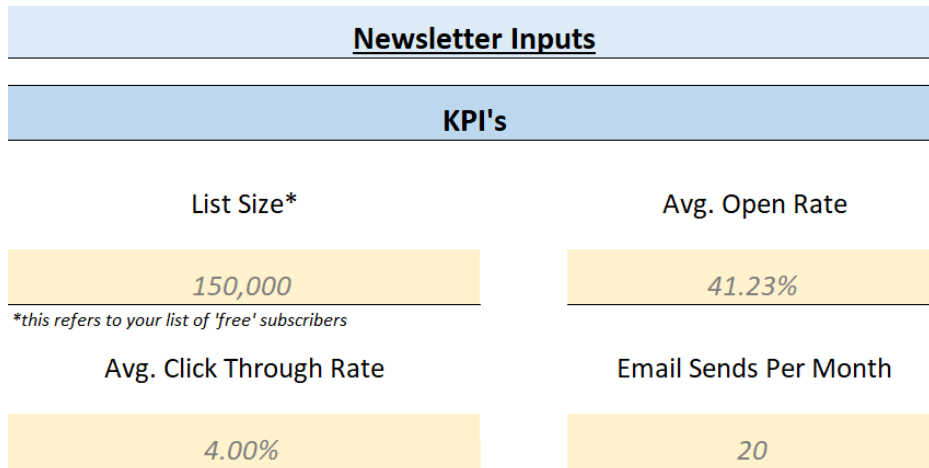
General Inputs

This sheet is designed to allow the reader to input key newsletter KPI's that we discovered in earlier research. This data is common for newsletters to track and as such can be used for all three models. As such we start with this sheet when modelling.

Newsletter Inputs – KPIs

We ask the user to input firstly four main metrics. Firstly the number of people on the email list is a key KPI, this is the total number of people that are reachable through the newsletter, and as such is an important indication of the publications reach. The Average open rate is a strong indicator of how

active the reader list is, a similar metric to show engagement is the Click Through Rate, which is the



percentage of readers that click on a link featured throughout the newsletter. Finally the number of email sends per month is shown, this is important as the more sends potentially the more revenue could be earned or lost depending on the newsletter performance itself. If for

Figure 6: Newsletter Tool Screenshot

example per email-send, a large number of readers unsubscribe from the newsletter, than a high-volume of email sends per month will result in slow growth and potentially even a decline in readership. Whilst a high-volume of email-sends might be beneficial for advertisement-focused newsletters as it allows for more advertisements to be placed and sold per month due to more advertisement inventory.

Newsletter Inputs – Cost and Growth

The costs of a business determine greatly how profitable it can be or become. As such I require the user to input the Average Fixed Monthly expenses of the business. For growth, a key determinant of a newsletters worth is how the subscriber base is growing. As such we require the user to input 'net' subscriber growth which represents the total growth in subscribers.

$$\text{Where Net subscriber growth (\%)} = \frac{\text{Gained Subscribers this month} - \text{Lost Subscribers this month}}{\text{Total Number of Subscribers currently subscribed (all time)}}$$

General Inputs – Economic Factors

Finally in the first sheet with general inputs we require the user to set some parameters for growth rates and the discount rate. Where the discount rate is "the rate at which an entity can obtain capital. It is used to determine the present value of future cash flows. The discount rate is a crucial component of a discounted cash flow (DCF) model" (Investopedia, 2022). The revenue growth rate and cost growth rates indicate the monthly growth in key financial KPI's which determine profitability.

This concludes all the metrics/general inputs we require users to complete before moving on to the next steps of the model. These inputs will be used in part to generate the results of all three model types and as such we ask the user to start here given that this data is generally applicable to all three models in various manners. We now move on to the more advertisement focused model we explain the inputs and outputs, subsequently covering the same for the subscription focused model and combined model respectively.

Advertisement Focused Inputs

As we discovered earlier in the research advertisement models have unique traits, one of the key metrics we discovered was CPM (Cost Per Mille). The CPM a newsletter can charge determines greatly the potential revenue it can generate. Aside from requesting this we also need the Monthly Fill Rate of a newsletter (Beehiiv, 2023). Which is simply:

$$CPM = \frac{\textit{Advertisement Fee Charged}}{\textit{Total Number of Subscribers}} * 1000$$

Importantly we negate the CPM and CPL models as these are less popular than the advertisement-focused CPM models in newsletters of size.

Then a key factor in knowing the cost of growing the newsletter which is important for a potential acquiring party to know given that they're likely to have some growth assumptions in place. We ask the user to input the advertisement spend and the number of subscribers acquired, this helps calculate the following two key metrics; the Customer Acquisition Cost (CAC) and the Lifetime Value of a subscriber.

Advertisement Focused Model

This model is an adaptation of a classic Discounted Cash Flow Model. This model requires a final three inputs before calculating several valuations for the newsletter. Firstly the data needed is the percentage of the company that the acquiring party will own, the profit multiple and the time horizon for the discounted cash flows. A shorter time horizon would indicate less trust in the ability for growth to hold.

We extrapolate the revenue, costs and profit out into the future with the previously user-inputted growth assumptions. Given these cash-flows, we provide several valuations, four specifically. The *first* is a valuation on a year-by-year basis that is simply a multiple on the profit expected to be earned in that year. A multiple is a method to look at a company and value it compared using previous/existing data as opposed to discounting future cash flows, we also represent this valuation graphically layered onto expected future cash flows for reference.

The final three valuations all include using the DCF model. Given specific assumptions about growth of costs, revenue and as a result profit we extrapolate data into the future to provide cash flow statements until the extent of the time horizon chosen by the user. Given there is limited uncertainty built into the model we include a 15% deviation upwards and downwards of the expected base-line profit projections. This gives a greater representation of the spread of potential cash flows and more so accounts for potentially unexpected events.

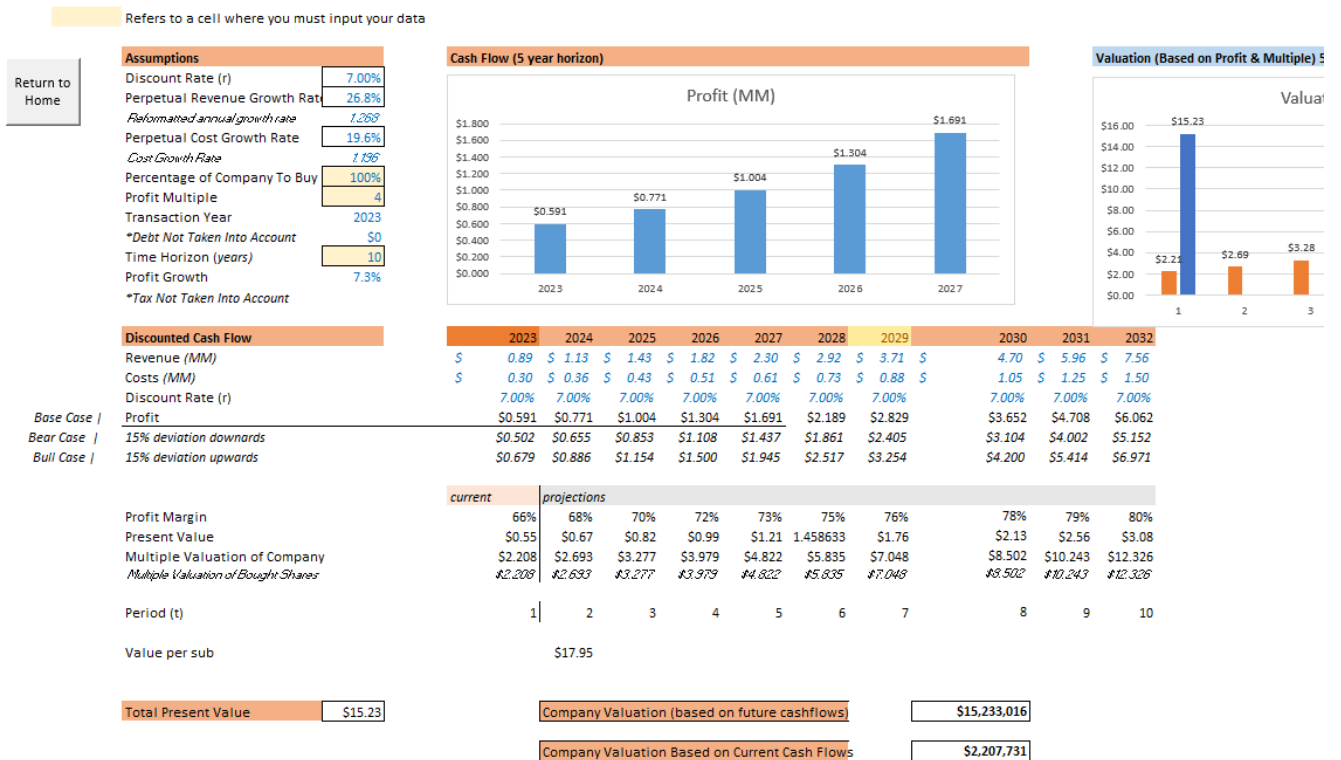


Figure 7: Screenshot of the DCF Advertisement Only Model.

Given these three scenarios we use the DCF model to discount future cash flows into a net-present value representing the worth of the cash flows in present terms.

$$\text{Present Value of CashFlow of Year } i = (\text{Profit in Year } i) * \frac{1}{[1 + \text{Discount Rate } (\%)]^{\text{Period } i}}$$

Where "i" is any real number. As an extra step, we multiply these present valuations by the percentage of the company the acquiring party is expected to buy, which translates to the percentage of profits/cashflow the acquiring party would have right to. As such the final total present value is:

$$\text{Total Net Present Value} =$$

$$\text{Percentage of shares Bought} * \sum \text{Present Values of Cashflows per all years } i$$

Given these calculations we receive several results for valuing the company. The 3 cash flow variations (with -15%, 0% and +15% deviation to the profit growth per year).

Future Cash Flow Valuations (3 Scenarios)

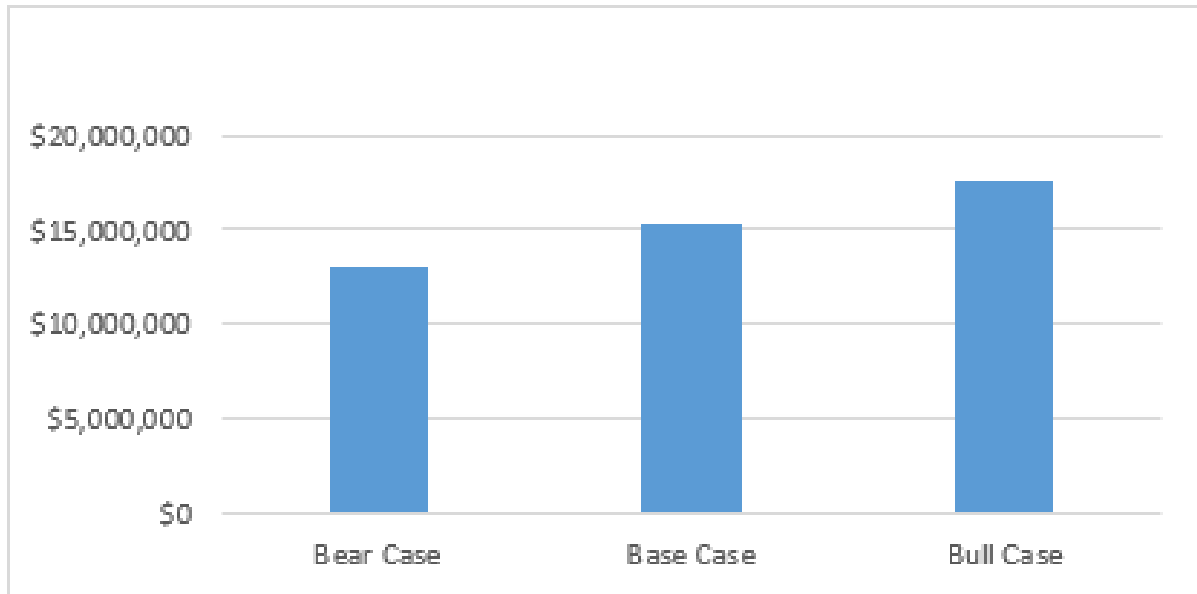


Figure 8: Screenshot of the Future Cash Flow Variations.

And also the company valuation based on the current-cashflow and the multiple the user input.

Company Valuation Based on Current Cash Flows **\$2,207,731**

Figure 9: Screenshot of the Valuation based on current cashflows.

Given these results, the user can change specific inputs in the model to see how the DCF model will react. The user can change the percentage of company to buy, the profit multiple and the time horizon to visualize different scenarios. We now move on to the Subscription focused model, which provides also a DCF model but based on different inputs.

Subscription Focused Inputs

Given that the business model of a subscription focused newsletter is different to that of an advertisement based newsletter, we require various different inputs to be able to calculate the profits and revenues.

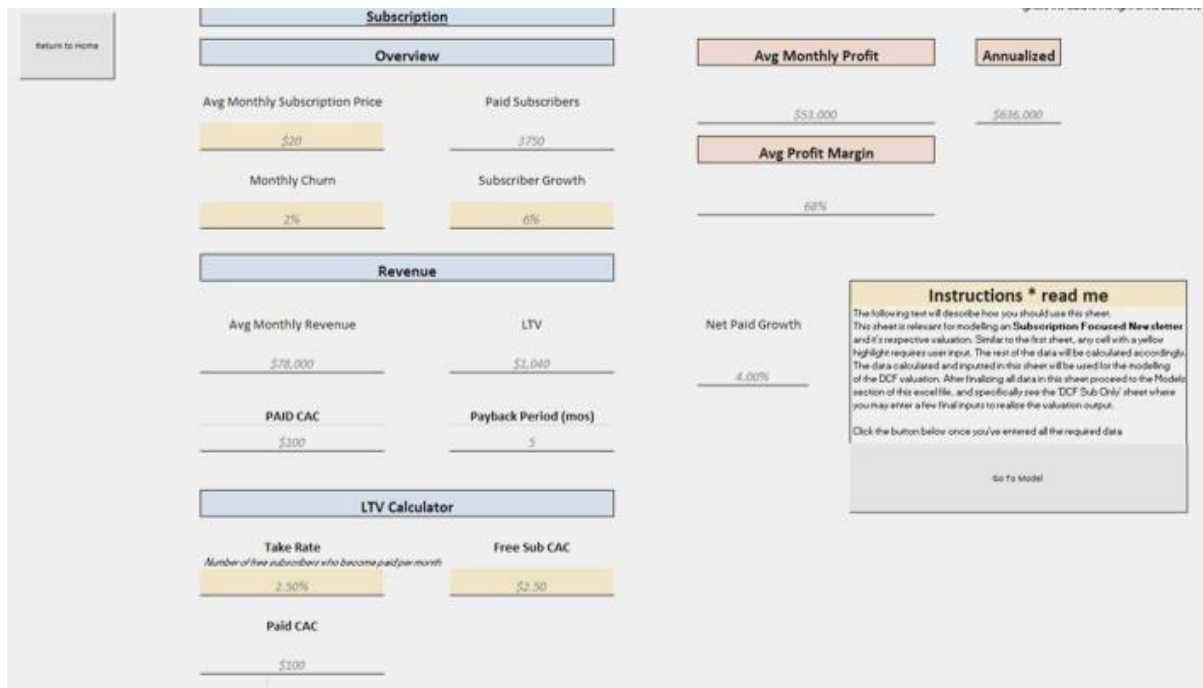


Figure 10 – Subscription Focused Model Inputs.

Given that all of the revenue comes from the subscription product, we need to have the user input the average monthly subscription price paid by paying subscribers. We then ask for the subscriber growth (for paid users) and the monthly churn rate (for paid users) so that we are able to see the net growth per month, this will help us determine the annual growth rates and profits.

We also require the user to give information regarding the take rate, which is the percentage of free subscribers who convert to paying subscribers, and the free subscriber customer acquisition cost. The Free Sub CAC helps us calculate the paid subscriber customer acquisition cost which is simply $Paid\ CAC = \frac{Free\ Sub\ CAC}{Take\ Rate\ (\%)}$.

Given these metrics we're able to move forward and go to the Discounted Cashflow model for the subscription based newsletter.

Subscription Focused Model

Again we apply the discounted cash flow analysis as our primary valuation model. The key difference between this model and the previous advertisement model despite the growth assumptions and revenue rates the user has inputted. We now have a *lower* discount rate which is 80% of the discount rate the user has inputted at the beginning of the model creation.

We lower the discount rate by 20% (as such it's 80% of the original discount rate the user has input) as since the discount rate reflects the rate at which we adjust future cash flows and is used to determine in essence the 'required rate of return', we only use 80% of the original discount rate considering a lower discount rate represents less risk of future cash flows. Given the recurring nature of subscription businesses and the ability to more accurately predict cash-flows there is less risk in assuming future growth is sustainable and as such the discount rate is lowered.

This way our model attempts to incorporate a more accurate representation of the subscription business given the results of this research. Considering that the tool is again a method and a guiding resource to determine the value of a newsletter business and not the definitive only way to value a

newsletter company, these assumptions are important to announce so that users may interpret the results more accurately.

The model also recommends the user to incorporate a higher profit multiple (Around 10) because Subscription based firms tend to have higher multiples when valuing a business, typically 4x-10x annual profit according to FE international (2019).

Aside from these adjustments the model again still gives four valuations, three based on discounting future cash flows and a fourth which uses a profit multiple to determine valuation. We now look at the third and final model, the Advertisement AND Subscription Focused Model.

Advertisement and Subscription Inputs.

The inputs aren't drastically different than before, the most important thing is that the user must input the percentage of revenue that is subscription revenue and the percentage that is advertising revenue based. This is important and we will use this data later when we calculate the discount rate to attribute to the model.

Apart from this the rest of the inputs are largely based on the general newsletter inputs and the cost/revenue data provided. We now move on to the advertisement and subscription model.

Advertisement and Subscription Model.

The model follows the same structure as the previous model archetypes, again four valuation outputs are given based on the inputs the user has given.

This time however, the profit multiple is also recommended to be higher (around 15). This is due to the fact that the combination of revenue streams de-risks the company somewhat to specific external factors that might impact revenue. The subscription and advertisement revenue have a low enough correlation due to the fact that one is coming from consumer payment flows whilst advertising revenue is coming from a B2B source, as such the value of current cash flows the model assumes to be worth more, as such a higher multiple seems more appropriate.

Similarly we calculate the discount rate as a percentage of the original discount rate inputted in the model. The discount rate is calculated based on the idea that a higher advertisement percentage should result in a higher discount rate due to the irregular nature of the revenue. As such, the higher the subscription revenue as a percentage of total revenue will result in a lower discount rate due to the more consistent nature of the cashflows. In this combined model the discount rate is calculated as such:

$$\text{Discount rate } (r) = (\text{Original Discount Rate}) * (0.2 + \text{Percentage of Revenue Attributed to Advertising})$$

Because our model is a guideline for acquiring newsletter businesses, this is simply one approach to valuing the company. The percentage of revenue attributed to advertising is used to ensure that the discount rate is higher for companies who have a higher percentage of revenue attributed to advertising. This is a choice made by myself because, recurring revenue demand tends to be less elastic and less unpredictable than recurring revenue. As such, I deem recurring revenue to be worth more to a firm.

An acquiring party who might put less value on subscription revenue would be less suitable to use this model given the structuring of the discount rate we use.

Now knowing how the model works, we will look at 3 completed newsletter acquisitions using public data to attempt to see the variance between our valuation model and the actual acquisition price.

Example Analysis of 3 Real World Acquisition Examples

The Hustle

The Hustle is a newsletter that targets young professionals and provides them with daily tech and business news. We will now use our tool to see how close to the real reported acquisition price our modeling comes in terms of the valuation output of our model.

Important publicly known metrics are that the acquisition was for 100% of the company shares at a price of \$27,000,000. The Hustle at the time had over 1.5 million subscribers and was a daily newsletter sending an email 5 times per week. In consultation with industry specialists it's believed that the Hustle did around \$12 million in revenue during the year it was acquired with rumored margins to be around the 40-50% range. At the time, the Hustle was an advertisement-focused newsletter so we will be using that as our model with the assumptions of 40% margins and 40% open rates whilst using a discount rate of 7% and a growth rate for revenue of 4% MoM and cost growth of 1.5% MoM.

Assuming a 100% fill rate with a \$84 CPM, the Hustle would be generating roughly 1 million in revenue per month with \$402,000 in profit.

Using our model that would value the company at \$18,030,000 based on a Profit Multiple of 4x revenue. This is somewhat far off from the reported \$27 million acquisition price. However, given our growth assumptions if we looked at a three year time horizon the Net Present Value would be close to \$30MM which is very close to the reported acquisition price. Thus our model seems to be in the region of the real acquisition price given the different scenarios.

You may see the working out of the file in the document called Application of Tool to The Hustle Newsletter Case.

Psychology of Marketing

Psychology of marketing is a much smaller newsletter that had 24,000 subscribers and was acquired early in 2023. The acquisition according to industry experts was for \$36,000 in cash. With the email going out on a weekly cadence (4 per month), and revenue according to industry experts being around \$5,000 per month (indicative of ~\$115CPM). The newsletter according to industry experts had a 45% open rate with no major fixed costs apart from the single-founder team salary of around \$3,000 per month. The CPM was able to be so high given the very specific nature of the newsletter being focused on marketing tactics, as such the readers comprised mainly of marketing managers and people in marketing functions which is a specific niche who can command significant budgets at companies due to their roles.

Again the primary income for this newsletter was advertisement revenue, as such we will use our advertisement focused model. A discount rate of 7% is held, growth rate assumptions for revenue is 2% and costs are at 1%.

This data results in yearly revenue projections of ~\$60,000 with a profit margin of 40% that results in ~\$24,000 in yearly profit.

Valuing the company with a three times profit multiple the business would be, according to our model, worth \$70,000 given current year revenue. Discounting 5 years into the future the net present value is closer to \$520,000 given the growth rate assumptions which would lead to a yearly estimated profit of \$318,000 in the 5th year.

Given the company was acquired for \$36,000 and our 3x multiple valuation valued the company at \$70,000 we're quite a far way off. However, given the small nature in terms of revenues and costs the discrepancy seems significant but given that our model has millions as the standard unit the discrepancy between true acquisition price and the valuations our model provides is less significant. Growth rates may need to be significantly lowered in our model assumptions if one were to use the DCF analysis given that we are projecting several years into the future.

Finimize Acquisition

Finimize is a financial newsletter that had both an advertisement revenue stream and a free revenue stream. Given information found earlier in our research we know that at the time of acquisition the newsletter had over 1,000,000 free subscribers with 40,000 paid subscribers generating \$2.8million in annual subscription revenue (or \$233,000 monthly with an average annual subscription price of \$69.99, which is a price of ~\$5.8 per month) . The company was acquired for \$87,000,000 by Arbdn which is a financial services company (*Walker, 2021*). The business is believed to have been operating at 60% profit margins.

Industry experts believe recurring revenue was the main form of monetization potentially representing as much as 60% of total revenue, given this assumption we find that advertisement revenue would have been

$$\text{Total Revenue} = \frac{2,800,000}{0.6} = \$4.67 \text{ Million} = \text{Adv Rev} + \text{Subscription Revenue}.$$

As such:

$$\text{Advertisement Revenue} = \$4.67 - \$2.8 = \$1.87 \text{ Million per year}.$$

Given this information, we can use our model with the assumptions of: A discount rate of 7% and Revenue growth of 3.5% MoM and Costs growing at 1% MoM and a 2% Monthly churn rate. Given this information and using the recommended 15 times profit multiple, our valuation model suggests a current valuation of \$40.3 MM given current cash flows, whilst the 5 year discounted cash flow horizon on the base case (current growth assumptions hold consistently) values the company at close to \$43MM! This is really interesting considering how close the two valuations are to one another despite being different methods.

However, the company was acquired for \$87MM so our model is still vastly underestimating the apparent value of the newsletter. Potentially the discrepancy of ~\$44MM in our model could be explained by a few things: Firstly, our models growth assumptions could be too conservative, considering we don't have insight into the company growth rates might have been much faster than we assumed, which would lead to a larger valuation. Secondly, our model doesn't account for **who** is acquiring the business, The Finimize-Arbdn acquisition seems to have been a strategic acquisition to increase lead-generation for Arbdn. As such, Arbdn might be wanting to pay a much larger multiple than a standard buyer who is only looking at the cashflows as we are. Thirdly, our model doesn't take into account complex acquisition structures such as earn-outs or pay-outs or things like seller-financing. As such our model simply represents what a one-time cash payment would / could look like given the newsletter KPIs. Many acquisitions are not fully cash acquisitions and have payments that extend into several years into the future, as such if a deal was structured to be cash-only, our model might be a better representation of what a company is willing to pay in one-sitting.

7 Recommendations for Further Research

This final chapter includes recommendations, suggestions for future research and discussion of said research. We begin by discussing the recommendation for readers who want to create a more complex model and what to look out for.

7.2 Recommendations and Future Research and Discussion

There are many limitations to my model and as such it is intended to provide a guideline for any potential newsletter acquisition. That being said, future research could be conducted to expand the scope of the research.

Firstly many different types of revenue models, including a greater complex mixture of revenue streams could be explored. For the advertising models we only looked at CPM models but many newsletters incorporate a mixture of CPM, CPL and CPC advertisements within the newsletter. Similarly, our model only looked at the cash flow statements of the newsletter, there wasn't any specific attention paid to the content of the newsletter and the potential value. This was only represented through the subscription price (higher worth audience can afford a higher subscription price) and the CPM levels (a higher worth audience can lead to higher CPMs a newsletter can charge). For future research, these aspects could be incorporated into the mode to provide a more holistic overview of the business. These non-financial factors are largely ignored in my current model but do play a role in valuing a company.

Sensitivity analysis and risk assessments. Our model assumes very consistent cost, revenue and profit growth rates this may be an unreasonable assumption. To more explicitly account for irregularities or unknown events a sensitivity analysis could be performed on the DCF model to assess impact on key metrics. Similarly, having the model incorporate more risk-assessment further research could be done to evaluate the effect of certain economic factors or risks (greater competition, a recession, rise in unforeseen costs etc.) would make the model more sound and effective. As such potential Monte-Carlo simulations or value-at-risk analysis could provide a more comprehensive overview into the value of a newsletter.

Discussion

In general, the model provides a good indication of the potential value of a newsletter and can serve as the starting point for an acquiring party for where to start research or negotiations. Further development of the model could be used to be more precise and also account for more nuance details for specific acquisition cases. So whilst the current model provides a good starting point for assessing the value of newsletters for acquisition, further development could enhance its accuracy and as such utility.

The tool leveraged the learnings from the first few research questions which established the industry landscape and analyzed how the businesses work, these learnings were used to build the foundation of the inputs for the three models. The implementation of this research materialised in the tool which allows users to generate four different valuations given a set of financial and newsletter metric inputs which are then used during the calculation of the cash flows.

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Appendix

A1 Rise of the Technology

The rise of email from being non-existent to being a service over 3.9 billion people actively using it is an important aspect as without the underlying technology of email no businesses could be built on it (Campaign Monitor, 2022) as such it is contextually helpful to understand the rise of email as a technology service at its core. Email was invented as early as 1971 but has seen its largest inflection point in terms of adoption in the 21st century, especially with the rise of readily available internet, cheap data and smartphones.

Recently the lowering cost of being able to send emails to thousands of people has attracted Venture Capitalists and Entrepreneurs to begin building businesses and software in the space to allow for increasingly more people to utilize email for their business, or as their business. The most striking representation of this is perhaps the rise of a platform called **Substack** a very popular publishing tool that allows for independent journalism, through email. Substack allows “writers to send digital newsletters directly to their readers and monetize their work by putting it behind a paywall” (Fatemi, 2022). The company is facilitating over 500,000 paid transactions every single month and has raised more than \$80 Million to build their technology. (SEO Training and Link Building Strategies – Backlinko)

These metrics are relevant to us as they highlight and indicate the reasoning behind the seemingly rapid rise in the amount of Newsletter businesses, it seems that this can largely be attributed to increased adoption from the users side (more people are using email more frequently) whilst on the technological side, it's become increasingly cheaper for individuals and companies to publish newsletters directly to an audience of their choosing, as is evident by the rise of Substack.

Now that we have a better understanding of why these newsletter-businesses are becoming more frequent, I think it is valuable to relate the medium to its predecessor namely, newspaper businesses! The reason for this is that functionally both products are the same (news delivered) except one is delivered digitally and the other on paper at your doorstep. Because there is a lot of literature already written on newspapers I think it's valuable to try and understand the similarities so that we can begin to create our fundamental understanding of newsletter businesses and to answer the first research question on how the newsletter business looks like (Technical development of internet email, IEEE Xplore).

Appendix A2 Systematic Literature Review

Search Strategy

A systematic literature review is a rigorous and structured approach to gather and analyze information regarding a specific topic. For this reason I have chosen the following knowledge problem / research question to tackle using a Systematic Literature Review (SLR) to help provide a comprehensive insight into current private and public landscape regarding Mergers and Acquisitions.

Research Question:

Is the current private and public landscape regarding Mergers and Acquisitions favorable for buyers of companies within the advertising industry?

By using the SLR I can systematically answer this question and as a result help inform the decision-making process of acquiring an advertisement-focused newsletter company which is a core theme of

my bachelor thesis. This research question was refined to be specific to the advertisement industry so that it can be used in finding or applying a valuation model to the newsletter industry.

Before moving further allow me to clarify a few concepts here shortly. Firstly, a merger is “a corporate strategy to combine with another company and operate as a single legal entity” (Corporate Finance Institute, 2022) whilst an acquisition is a business transaction “that occurs when one company purchases and gains control over another company” (Skowronski, 2023). The final concept I believe is important to define before moving further is the concepts of “favorable” and the “advertising industry”. Favorable refers to the macro-economic situation being as such that valuations of companies are at multiple levels that are historically lower than previous years and as such the acquiring company isn’t as likely to be overpaying for a business. Whilst the advertisement industry refers to “companies that advertise, create advertisements (and) media that carries the ads” (Economic Times, 2023). Now we move on to creating the inclusion and exclusion criteria.

Inclusion and Exclusion Criteria

In this section I will justify and determine the criteria to determine what will be included in the SLR. I will start by looking at the **Inclusion Criteria** which refers to ‘must-haves’ meaning that without these criteria the systematic search process would yield unusable results or information.

Inclusion Criteria

<i>Inclusion Criteria</i>	<i>Reasoning</i>
Reports on Private/Public M&A Activity	The literature must report on mergers and or acquisitions. Any report that only focuses on valuations from an outsiders perspective aren’t ideal considering we’re trying to find information from the investors perspective.
Analysis on the financial performance of merger or acquired companies	Evaluating the financial performance of companies that have undergone M&A activity helps determine if the current landscape is favorable for buyers, as a result the literature should include information about this to help be relevant for my research question.
Discusses macro-economic factors affecting the M&A activity in the advertisement industry	Literature tries to understand or discusses the impact of macroeconomic factors can help evaluate whether the current landscape is favorable for buyers. This is key considering macro-economic factors are an important concept of my research question and affects M&A activity heavily.
Discusses the relevance of interest rates	The current macro-economic environment is a period of high-interest rates relative to recent years. As a result the literature I’m using must-have information and discussions surrounding the role that interest-rates play on the merger and acquisition landscape.

Exclusion Criteria

We now move on to the exclusion criteria, which refer to criteria that are ‘deal-breakers’ meaning that if the literature does include any of these criteria that it is not feasible or applicable to my research

and as a result should be neglected completely, thus we include exclusion criteria to exclude these types of literature from our SLR results.

<i>Exclusion Criteria</i>	<i>Reasoning</i>
Examines M&A Activity outside the advertising industry	The research question, and my thesis, are specific to the advertisement industry, as a result studies that look at this industry are the only ones relevant and so if the literature studies M&A activity in another industry it is not relevant.
Studies that do not evaluate the factors that influence M&A activity	Identifying the factors that influence M&A activity is important for understanding whether the current landscape is favorable for buyers, as a result literature that doesn't discuss this isn't relevant or helpful.
Study is published before 2010	Since 2010 we've entered the age of modern advertising with the rise of smart-phones and other internet technology advancements like the increased adoption of laptops and computers. As a result, any study that was published before 2010 will be analyzing a more digital-world of advertising which is not relevant to my research question considering the focus of my thesis is taken place in a world with both significant physical and digital advertising presence.

These inclusion and exclusion criteria are significantly important in ensuring that my SLR is conducted rigorously and accurately. Now that these criteria have been established the next step is to identify the most relevant academic databases for conducting the Systematic Literature Review.

Identification of the Most Relevant Academic Databases

Ensuring the right database is used is key in setting up a successful systematic literature review (SLR). As a result I've chosen the following **X** databases to incorporate in my review.

1. **SCOPUS:** Scopus is one of the most well-known academic databases at the University of Twente, it covers over 11,678 publishers and has many titles in it's database. It's specifically relevant for topics that fall under the life, social and physical science disciplines. Because of the amount of relevant literature on the platform and because it is one of the three most recommended databases to use for the IEM study and as such I've chosen this database (Industrial engineering and management, 2023).
2. **WEB OF SCIENCE:** Is a platform that provides access to several databases which cite and reference academic journals. Despite some overlap with the SCOPUS database (minimal) web of science has been chosen because it provides rich access to scientific literature. Web of science also has a great interface that allows for easy manipulation of your search to realize the intended outcomes. This source was also recommended by R.Cruz Martinez and J.M. Van Eck on the Industrial Engineering and Management literature portal (Industrial engineering and management, 2023).
3. **BUSINESS SOURCE ELITE:** The third and final database I will be using in my systematic literature review and has been specifically chosen because it is a specialized database relevant

for my research question as it provides significant and extensive coverage of the top economic and business journals covering the topics relevant to my research question.

Now that the most relevant academic databases have been selected, the next step in the SLR process is to determine the search terms to use. Selecting the right search terms will ensure the review is comprehensive in covering the aspects that are important to my research.

The Search Terms

Before I report the search terms and the result of my search logs, I'm presenting here a short identification of key concepts and related terms which will help inform my search. These key concepts should be mutually exclusive and collectively exhaustive, meaning that they cover all aspects of the research question.

	Key Concepts	Related terms/ synonyms	Broader terms	Narrower terms
1	Mergers	Integrations, combinations, unifications	Business integration, corporate restructuring, corporate growth.	Horizontal merger, Vertical merger, reverse merger
2	Acquisitions	Takeover, Industry Consolidation, company buyout, bankruptcy	Business purchase, ownership change, business transfer.	Hostile takeover, roll-up acquisition, partial acquisition,
3	Advertising Industry	Marketing industry, Media industry, communications industry.	Media companies, media and entertainment, communication and information	Digital advertising industry, social media advertising, content marketing, email marketing
4	Macro-economic environment	Economic conditions, national economy, economic climate, business environment, market conditions.	Global economy, economic policy, socio-economic context	Recession, fiscal policy, business cycle, monetary policy
5	Favorable landscape	Positive environment, advantageous situation, favorable conditions.	Economic opportunity, business environment, favorable market conditions	Low interest rates, accessible capital, industry trends, technological advancements, low competition.

Now that I've describe the key concepts that will inform my search, below is a Search log (per academic database) that highlights the search terms/queries used, the results and any remarks. The goal of the search log is to highlight the systematic and iterative search process so that the review may be repeatable / understood by others.

Search Log

A search log is a systematic and detailed record of the search strategy used to identify relevant literature during a systematic literature review. This includes information such as the database

sources, search strings, date of research and other key remarks. For my full search log please refer to the following table:

Date	Source	Search string	Total hits	Remarks
11.04	<i>Scopus</i>	((Merger) OR (Acquisition)) AND (Advert*) AND ("economic environment")	0	Searched on title, abstract and keywords. Because of 0 hits this is most definitely too narrow of a search as a result I've adjusted accordingly.
11.04	<i>Scopus</i>	((Merger) OR (Acquisition)) AND ("economic environment")	104	Searched also from 2010 to present. The two key words any search I have must include are mergers and acquisitions. The phrase economic environment is aimed at trying to find literature that discusses the impact of the public landscape on mergers/acquisitions. Search results by screening titles still seem to be too broad. Narrowing down by adjusting my search.
12.04	<i>Scopus</i>	((Merger) OR (Acquisition)) AND ("market conditions" OR "economic environment) AND (favourable OR favorable)	18	I narrowed the search down by including the conditions favorable and or favorable such that the results would yield literature that has some implicit or explicit linkage or explanation of how current macro-economic environment effects M&A. A quick screening of the title seems to show several good articles

				that can be used in my research. Both of these article seemed to use the word “conditions” or “impact” so I’ll be adjusting my search string to try find more results like that
12.04	Scopus	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment”) AND ((positive OR negative) OR (favorable OR favourable))	62	Similarly good results but a lot of articles specifically revolving around China seem to be popping up, I’m going to adjust my search to exclude this.
12.04	Scopus	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment”) AND ((positive OR negative) OR (favorable OR favourable)) AND NOT (China OR Chinese)	45	Successfully removed any literature related strictly to the Chinese economy but some sources are not specific enough to the advertisement industry.
12.04	Scopus	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment”) AND ((positive OR negative) OR (favorable OR favourable)) AND NOT (China OR Chinese) AND NOT (China’s) AND (advertising OR media) AND (media industry OR media companies)	45	No change in results so terms need to be adjusted.
12.04	Scopus	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment”) AND NOT (China OR Chinese) AND (advertising OR media) AND (media industry OR media companies) AND (“advertisement business” OR “media business”)	85	Results should now still be in line with what we previously had but now more broadly focused on media businesses or advertisement companies.
12.04	Scopus	Searched for: media industry OR media company Within the following string: ((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment”) AND NOT (China OR Chinese) AND (advertising OR media) AND (media industry OR media companies) AND (“advertisement business” OR “media business”)	44	The added condition of the keywords being in the media industry or having the literature contain the phase media company help narrow the focus down to the specific industry we are looking for. After this search we’ve collected several relevant literature articles. I still want to find more focused literature so will be

				moving on to the next two databases to achieve that after having exhausted the options on Scopus.
14.04	<i>Web of Science</i>	(merger OR acquisition) AND ("market conditions" OR "economic conditions") with the publication dates ranging from January 1 st 2010 to present whilst searching within all fields, namely; Topic, title author, publication titles funding agency, affiliation, publisher,	245	<p>Extending the search by using a string that was already used previously with Scopus that worked quite well.</p> <p>I again only did items starting from 2010 onwards so that we have results that are relevant to the digital age of online media.</p> <p>Some seemingly great results but again a focus of a few literature pieces on China, adjusting search to negate this.</p>
14.04	<i>Web of Science</i>	(merger OR acquisition) AND ("market conditions" OR "economic conditions") NOT (china OR chinese OR china's)	218	This result didn't include Chinese results. Still a lot of results though so need to increase focus
14.04	<i>Web of Science</i>	(merger OR acquisition) AND ("market conditions" OR "economic conditions") NOT (china OR chinese OR china's) AND ("media industry" OR "advertising industry") NOT (china OR chinese OR china's)	0	<p>Focus on media and advertising by including the new search terms of media industry and advertising industry.</p> <p>This search resulted in no results</p>
14.04	<i>Web of Science</i>	(merger OR acquisition) AND (market OR economic) AND (Media or advertising) NOT (china OR chinese OR china's)	1,157	<p>Changing the string to not have the exact phrase of 'market conditions' or 'economic conditions' so that we have a greater range of available results by changing them to more broad terms.</p> <p>This is too broad though.</p>
14.04	<i>Web of Science</i>	(merger OR acquisition) AND (market OR economic) AND (Media or advertising) AND ("media industry"	7	I'm keeping the market or economic phrasing

		OR “advertising industry”) NOT (china OR chinese OR china’s)		<p>but now reducing the previous search to be more specific to the media industry and/or advertising industry by adapting the search phrase.</p> <p>This seems to have decreased the results significantly.</p>
14.04	<i>Web of Science</i>	(merger OR acquisition) AND (market OR economic) AND (Media or advertising) AND (industry) NOT (china OR chinese OR china’s)	257	<p>Previous result may have been just too specific so again broadening the search to include the term ‘industry’ instead of only media or advertising industry.</p> <p>Search results seem to be going in the right direction, now just a bigger focus on the specific economic conditions.</p>
14.04	<i>Web of Science</i>	(merger OR acquisition) AND (market OR economic) AND (Media or advertising) AND (industry) NOT (china OR chinese OR china’s) AND (conditions OR favorable OR favourable)	31	<p>I created a larger emphasis on the economic environment and conditions by specifying the search terms of ‘Media or advertising’ as a new term.</p> <p>Results look much more quality so this is positive.</p>
17.04	<i>Business Source Elite</i>	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment) AND (favourable OR favorable) searched on all fields (title, author, source, abstract, subject terms) and from the period of	144	<p>This is a more specific database and so I’m starting my search already somewhat narrow by leaning on the experience and learnings from previous search attempts and strings/queries on Scopus and Web of science.</p>

17.04	<i>Business Source Elite</i>	((Merger) OR (Acquisition)) AND (“market conditions” OR “economic environment) AND (favourable OR favorable) NOT (china or Chinese or china’s)	129	Again removing topics related to China to try and get more accurate results.
17.04	<i>Business Source Elite</i>	((Merger) OR (Acquisition)) AND (market conditions” OR “economic environment) AND (favourable OR favorable) NOT (china or Chinese or china’s) AND (media OR advertising)	7	Trying to narrow the search by adding a focus on the media and advertising industries
17.04	<i>Business Source Elite</i>	((Merger) OR (Acquisition)) AND (market conditions) AND (favourable OR favorable) NOT (china or Chinese or china’s) AND (media OR advertising)	8	Previous search was likely to narrow adjusting the ‘conditions’ search term accordingly. Got a few great results from this one by initial title screening.

Now that I have conducted a thorough documentation of my search log for the systematic literature review, I will move on to Section 5 where I will discuss the final set of articles that are relevant to my research question.

Relevant Results found

In this section, I will explain my screening process and highlight, via a table, the chosen articles that are relevant in determining whether or not the current landscape of mergers and acquisitions in the advertising industry is favorable for buyers.

In total the screening process included 44 sources from Scopus , 31 from Web of Science and 8 from Business Source Elite of which a total of 15 were duplicates resulting in 68 sources to screen. Regarding my screening process, I initially contemplated heavily using Covidence, a tool that streamlines the screening process during a systematic literature review. (title abstract and full text)which we have used in previous modules during the Industrial Engineering and Management bachelor. However, due to the limited number of hits and high relevance of those hits on my search strings I have instead opted to screen directly within each of the three data-bases to find relevant literature. The process I used to do this was to firstly look and screen through the titles of the literature, identifying if any of the titles contained key concepts relevant to my research question, and if so, setting them aside for potential further review. Once this initial step was taken I then went through each source and based on the number of citations each literature had, either kept the source or discarded it if it had a low number of citations compared to the other literature on my list I discarded it. After having a more general and abstract screening process I then went through the full-text secondly and that resulted in the following list of 15 resources.

Final set of articles included

Source (Scopus)	Title	Link
Choia <i>et al</i> (2011) Choia, S. H., & Jeon, B. N. (2011). The impact of the macroeconomic environment on merger activity: Evidence from US time-series data.	“The impact of the macroeconomic environment on merger activity: Evidence from US time-series data”	link

Applied Financial Economics, 21(4), 233-249. doi:10.1080/09603107.2010.528365		
Becher <i>et al</i> (2020) Becher, D., Jensen, T. K., & Liu, T. (2020). Acquisitions and funding conditions. <i>Journal of Corporate Finance</i> , 65 doi:10.1016/j.jcorpfin.2020.101760	"Acquisitions and funding conditions"	link
Kim <i>et al</i> (2021) Yi, H., Kim, S., & Han, S. (2021). Choice between acquisition and joint venture based on financial statement comparability. <i>Sustainability (Switzerland)</i> , 13(11) doi:10.3390/su13116218	"Choice between acquisition and joint venture based on financial statement comparability"	link
Zheng <i>et al</i> (2018) Kim, J., Zheng, T., & Schrier, T. (2018). Examining the relationship between the economic environment and restaurant merger and acquisition activities. <i>International Journal of Contemporary Hospitality Management</i> , 30(2), 1054-1071. doi:10.1108/IJCHM-07-2016-0346	"Examining the relationship between the economic environment and restaurant merger and acquisition activities"	link
Van Cayseele <i>et al</i> (2019) Van Cayseele, P., & Vanormelingen, S. (2019). Merger analysis in two-sided markets: The Belgian newspaper industry. <i>Review of Industrial Organization</i> , 54(3), 509-541. doi:10.1007/s11151-018-9650-z	"Merger Analysis in Two-Sided Markets: The Belgian Newspaper Industry"	link
Source (Web of Science)	Title	Link
Snieska (2017)	"Mergers and acquisitions in the growth of the digital economy"	link
Tunyi (2019)	"Firm size, market conditions and takeover likelihood"	link
Yan <i>et al</i> (2010)	"Conglomerate investment under various capital market conditions"	link
Stoehr <i>et al</i> (2020)	"Happily Ever After?: Vertical and Horizontal Mergers in the US Media Industry"	link
Riera <i>et al</i> (2018)	"Advertising Companies in Period of Crisis (2008-2015): Economic and Financial Analysis"	link
Wayne <i>et al</i> (2023)	"We Don't Aspire to Be Netflix": Understanding Content Acquisition Practices Among Niche Streaming Services	link
Mangani <i>et al</i> (2017)	"Who survives a recession? Specialization against diversification in the digital publishing industry"	link
Source (Business Source Elite)	Title	Link
Wild <i>et al</i> (2016)	"Market Uncertainty will hinder M&A activity in 2016"	link
Szalai <i>et al</i> (2010)	"Climate for M&A heats up"	link
Farrel (2014)	"Climates right for more mergers"	link

Now having identified the set of relevant articles, I will now move on to Section 6 where I construct a conceptual matrix to summarize the selected articles for review, highlighting their core topics and

findings related to my research question regarding the favorable landscape for buyers in the advertising industry's with respect to mergers and acquisitions

Conceptual Matrix

Concepts	Concepts per source	Mergers	Acquisitions	Advertising Industry	Macro-Economic Environment	Favorable landscape
References						
Sources per concept		10	10	6	14	7
Choia et al. (2011)	3	X			X	X
Becher et al. (2020)	2		X		X	
Kim et al. (2021)	3	X	X		X	
Zheng et al. (2018)	4	X	X		X	X
Van Cayseele et al. (2019)	3	X		X	X	
Snieska. (2017)	4	X	X	X	X	
Tunyi (2019)	4	X	X		X	X
Yan et al. (2010)	3		X		X	X
Stoehr et al. (2020)	5	X	X	X	X	X
Riera et al. (2018)	2			X	X	
Wayne et al. (2023)	2		X	X		
Mangani et al. (2017)	2			X	X	
Wild et al. (2016)	4	X	X		X	X
Szalai et al. (2010)	3	X	X		X	
Farrel (2014)	3	X			X	X

Now having completed the conceptual matrix we now have the ability to quickly access and find information from the relevant literature so that we can finalize the systematic literature review by using the literature to answer the research question. This will be done in the answering of research question 2