

Inceptor

Case History

Vic Odryna - CEO

September 2006

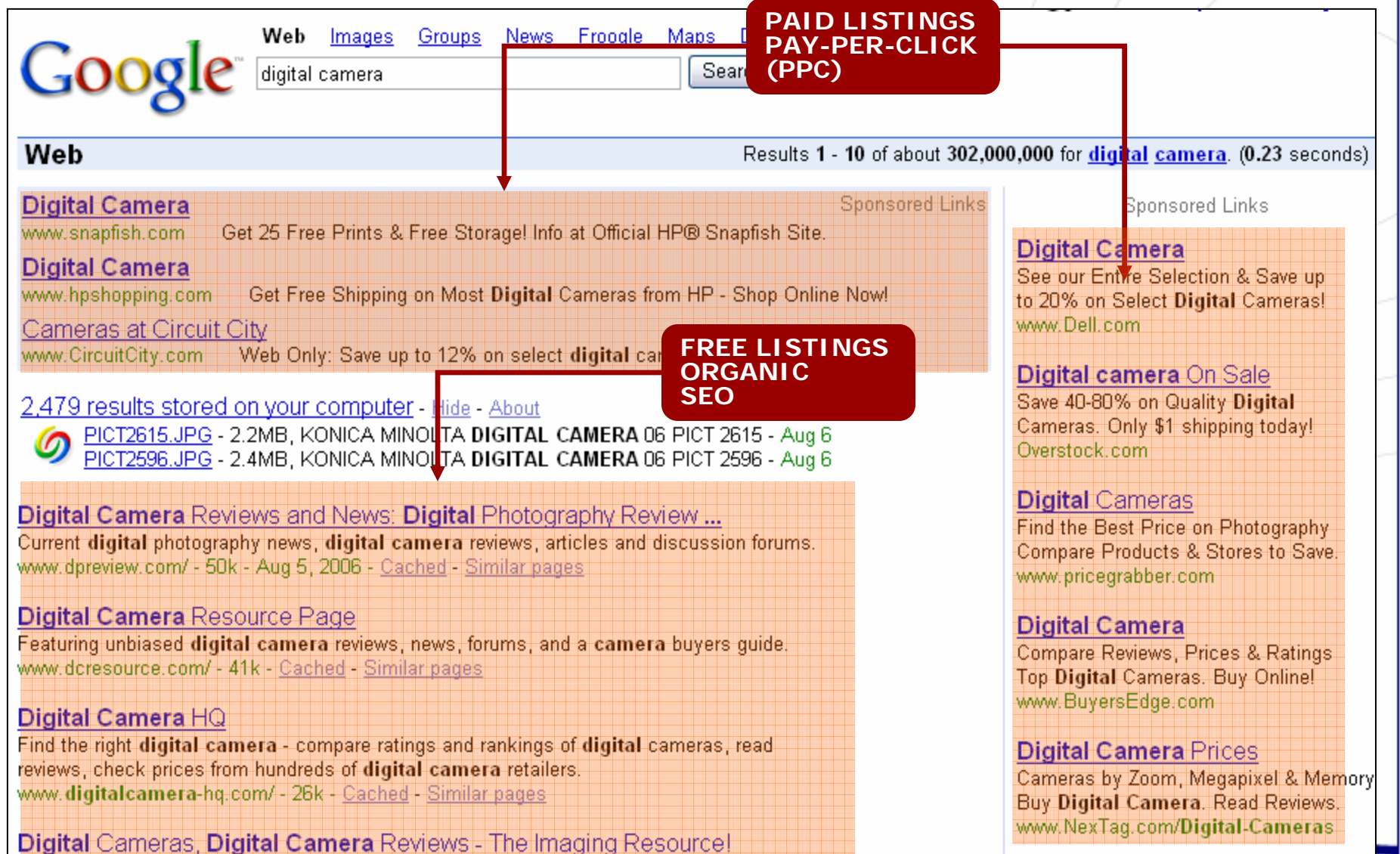
About Inceptor

- Inceptor is a leading search engine marketing (SEM) **technology and services** company
 - Founded in 1999 (one of the first SEM companies)
 - Venture capital financed
 - Headquartered in Maynard, MA
- 45 employees
- Over 4,500 active clients
- Acquired by Verizon July 2006

EXAMPLE CLIENTS



Types of Search Marketing - Google



The screenshot shows a Google search for "digital camera". The search bar at the top has "digital camera" entered. Below the search bar, the results are categorized into "Web" and "Sponsored Links".

PAID LISTINGS PAY-PER-CLICK (PPC) (indicated by a red box and arrow pointing to the top of the search results)

FREE LISTINGS ORGANIC SEO (indicated by a red box and arrow pointing to the bottom of the search results)

Web Results:

- Digital Camera**
www.snapfish.com Get 25 Free Prints & Free Storage! Info at Official HP@ Snapfish Site.
- Digital Camera**
www.hpshopping.com Get Free Shipping on Most **Digital** Cameras from HP - Shop Online Now!
- Cameras at Circuit City**
www.CircuitCity.com Web Only: Save up to 12% on select **digital** cam

2,479 results stored on your computer - Hide - About

PICT2615.JPG - 2.2MB, KONICA MINOLTA **DIGITAL CAMERA** 06 PICT 2615 - Aug 6
PICT2596.JPG - 2.4MB, KONICA MINOLTA **DIGITAL CAMERA** 06 PICT 2596 - Aug 6

Digital Camera Reviews and News: Digital Photography Review ...
Current **digital** photography news, **digital camera** reviews, articles and discussion forums.
www.dpreview.com/ - 50k - Aug 5, 2006 - [Cached](#) - [Similar pages](#)

Digital Camera Resource Page
Featuring unbiased **digital camera** reviews, news, forums, and a **camera** buyers guide.
www.dcresource.com/ - 41k - [Cached](#) - [Similar pages](#)

Digital Camera HQ
Find the right **digital camera** - compare ratings and rankings of **digital** cameras, read reviews, check prices from hundreds of **digital camera** retailers.
www.digitalcamera-hq.com/ - 26k - [Cached](#) - [Similar pages](#)

Digital Cameras, Digital Camera Reviews - The Imaging Resource!

Sponsored Links:

- Digital Camera**
See our Entire Selection & Save up to 20% on Select **Digital** Cameras!
www.Dell.com
- Digital camera On Sale**
Save 40-80% on Quality **Digital** Cameras. Only \$1 shipping today!
Overstock.com
- Digital Cameras**
Find the Best Price on Photography
Compare Products & Stores to Save.
www.pricegrabber.com
- Digital Camera**
Compare Reviews, Prices & Ratings
Top **Digital** Cameras. Buy Online!
www.BuyersEdge.com
- Digital Camera Prices**
Cameras by Zoom, Megapixel & Memory
Buy **Digital Camera**. Read Reviews.
www.NexTag.com/Digital-Cameras

Inceptor Timeline

- **Founded in 1999**
 - Spinoff from a UK entity called Hyperlink Technologies
- **Mission**
 - Develop and market a platform for managing / optimizing internet-based marketing campaigns
 - Marketing activity (costs and conversion) is easily measured
 - Help the marketing department optimize spend to deliver ROI
 - Apply datamining, AI, genetic models, predictive models, etc
- **Significant VC backing**
 - Strong penetration, especially into the new .com world
- **2001 - 2002**
 - .Com implosion happens
 - Significant client base lost

Inceptor Timeline (cont)

- **Late 2002, early 2003**

- Shift to a Services business model
 - Concentrate only on Search Marketing
 - Exploding market
 - » Clients need professional help

- **Mid 2003**

- Consider being acquired for core technology
 - Decide against that path
 - Price too low, loss for investors too high

- **Fall 2003**

- Build a 'stay-alive plan'
 - 50% Reduction in Force
 - Infuse a small additional investment
 - Bring in new leadership
 - Hope for the best

State of the State – Sept 2003

- **Team is cut in half**
 - However, they are actually very motivated
 - They see that they now have a chance to survive
- **Company is burning cash**
 - However, there is a clear path to cash flow break-even
- **Pure services play**
 - Search market is exploding, clients need help
 - We have experienced people, great technology
- **The technology team is intact**
 - Core investment is not lost

Where do we go from here?

- **Never forget the goal**
 - Maximize equity value and find a good home (acquisition)
- **Typical exit multiples in our space:**
 - Services Companies / Financial Buyers
 - 1x to 2x Net Revenue and 10x to 15x Net Income
 - Profit is a major factor
 - Technology Companies / Strategic Buyers
 - 3x to 5x Net Revenue
 - Profit is less of a factor
- **Decide we must move back to technology**
 - Must be done through bootstrapping
 - No financial assets
 - We have vision, strong people, determination

Search Placement Pro™ - 2004

- **Challenge**

- Offer Packaged Search Marketing Services to lawyers for \$599 per year (Street Price), including media!!

- **Solution**

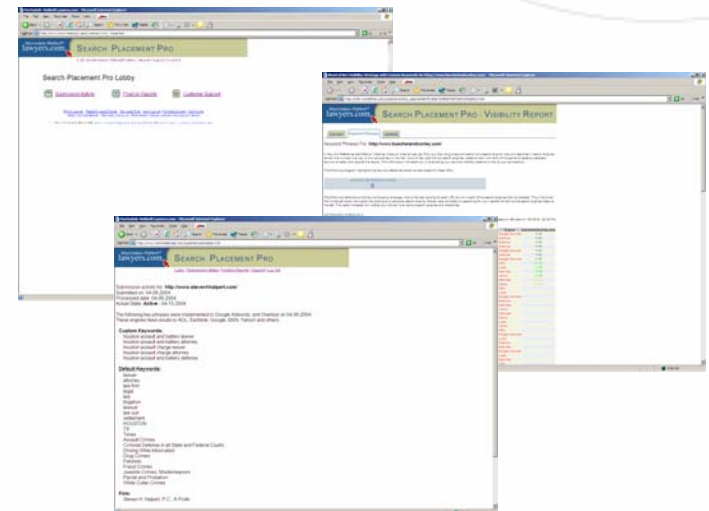
- Automation and Technology
 - Channel (Martindale Hubbell) does all marketing and selling

- **Approach**

- Build a 'front-end' for Inceptor's technology that offers clean and simple:
 - Administration
 - Status and summary of all clients
 - Adding / terminating clients
 - Help and communication
 - Client-facing information
 - Keywords in their program
 - Media spend to date and traffic
 - Monthly visibility reports

- **Results**

- 3500 law firms served
 - First year



Introducing BidCenter™ - August 2005

SEE HOW EVERYTHING IS PERFORMING IN ONE GLANCE

SEA	KWs	Active	Inactive	Clicks	Cost	Revenue	Balance
Enhance 1	7	3	4	319	\$ 1,247.00	\$ 4,926.00	\$ 105.77
Espotting 1	1	0	1	0	\$ 0.00	\$ 0.00	\$ 177.86
FindWhat 1	1	0	1	0	\$ 0.00	\$ 0.00	\$ 91.05
Google 1	5	0	5	8,705	\$ 62,702.00	\$ 4,233,587.00	\$ 1,049.00
Kanoodle 1	1	0	1	0	\$ 0.00	\$ 0.00	\$ 881.77
Mirago first	1	0	1	0	\$ 0.00	\$ 0.00	\$ 871.18
YSM UK	7	6	1	18,114	\$ 35,931.00	\$ 71,752.00	\$ 10.11
YSM US	8	4	4	19,746	\$ 28,227.00	\$ 57,269.00	\$ 14.12
Total	31	13	18	46,884	\$ 128,107.00	\$ 4,364,534.00	\$ 3,200.87

QUICK ACCESS TO EVERY ENGINE FOR EACH KEYWORD OR GROUPS OF KEYWORDS

ACCESS BIDDING AND REPORTS QUICKLY AND CLEANLY

Keyword	Rule	Group	Portfolio	Report
Black shoes	rule	group	portfolio	report
Brand new shirts	rule	group	portfolio	report
Cotton shirts	rule	group	portfolio	report
Green shoes	rule	group	portfolio	report
Old fashioned shirts	rule	group	portfolio	report
Red shirts	rule	group	portfolio	report
Red shoes	rule	group	portfolio	report
Shirts	rule	group	portfolio	report
the dub house	rule	group	portfolio	report

EASILY PUSH KEYWORDS TO NEW ENGINES

FULL SUPPORT FOR GOOGLE ADGROUPS AND OTHER ENGINE-SPECIFIC FEATURES

Modifying Keyword

Red shoes

Engine: ALL GOO YUS ENT ESP FWI KAN MIR

Creative Status: ☐ No creative, or creative not valid ☐ Started, not all are valid ☐ Complete

Save & Return Cancel

Creative Set

Google 1

Destination URL: http://cheapdestinationurl.com/27/1024

Clone Ad

Engine: ALL GOO YUS ENT ESP FWI KAN MIR

Sample of your Google

Need cheap shoes 73? Buy the cheapest clothes 73 very good quality! http://cheapdestinationurl.com/

Need cheap shoes 71? Buy the cheapest clothes 71 very good quality! http://cheapdestinationurl.com/

YSM US

Title: Need cheap shoes or shirts? 27/40

Description: Buy the cheapest clothes in the whole world, very good quality. Best Prices Ever!!!

Destination URL: http://cheapdestinationurl.com/31/1024

EXTENSIVE REPORTING

SORT ON ANY COLUMN IN REAL TIME

Time	IMP	RPK	CLK	CTR	CST	CPC	HIT	VST
January 1, 2006	1,041,823	3.62	26,519	2.55%	\$6,166.88	\$0.19	29,562	29,873
January 2, 2006	1,212,865	3.87	29,265	2.41%	\$6,883.61	\$0.20	31,777	29,873
January 3, 2006	1,176,742	3.68	28,884	2.40%	\$6,494.47	\$0.18	31,303	28,611
January 4, 2006	713,189	3.55	14,888	2.10%	\$3,048.26	\$0.20	15,250	14,079
January 5, 2006	1,476,427	3.83	43,838	2.59%	\$9,040.10	\$0.21	47,221	42,107
January 6, 2006	1,620,959	3.87	45,771	3.01%	\$8,907.02	\$0.19	48,459	44,680
January 7, 2006	1,599,476	4.15	48,495	3.03%	\$9,330.88	\$0.19	52,025	47,284
January 8, 2006	1,903,425	4.31	48,500	2.94%	\$6,677.27	\$0.19	48,417	44,726
January 9, 2006	1,190,054	4.25	42,040	3.51%	\$8,092.35	\$0.19	49,744	45,105
January 10, 2006	0	0.00	0	N/A	\$0.00	\$0.00	39,690	36,436
Total	11,941,976	3.88	325,110	2.82%	\$63,450.82	\$0.20	394,848	365,848

Inceptor Lines of Business – Late 2005

Managed Services

50+ customers

Using Inceptor technology to design, deploy and optimize Search Marketing campaigns

- Practices all disciplines of search marketing
 - Pay Per Click
 - SEO (Organic)
 - Feeds
 - Shopping Engines

Technology Services

5,000 customers

Provides Inceptor technology to others to power their efforts

- Agencies
- Vertical Portals
- Merchant Aggregators
- End Users

2005 Accomplishments

- **Attained financial stability to enable growth**
 - Significant R&D investment
 - Grew Technology Services to represent >40% of revenues
 - 450% growth over last year
 - Re-opened UK sales office
- **Rebuilt Managed Services**
 - Excellent campaign results / client retention
 - Strong employee retention
- **Launched BidCenter**
 - Very well received
 - Gaining traction, especially with agencies
- **Significantly increased awareness of Inceptor**
 - New website
 - PR attack
 - Launch of BidCenter

Late 2005 - Is it time to sell?

- **We have proven the opportunity in three significant markets**
 - It is time to invest heavily in sales and capitalize on the opportunity
 - We can't afford that
 - Therefore the opportunity may pass us by
- **We need to put this asset into the hands of someone that can maximize the value**
 - While our value is at the peak
 - Still on the leading edge of 'promise' of opportunity

YES!

The Bank

CANACCORD | Adams

- **Why them?**
 - Recently sold one of our top competitors
 - Several “warm” potential acquirers
 - Respected and known in the space
 - Personal experience with the team / process

December 2004

 **iProspect**®

has been acquired by

 **isobar**

a division of Aegis Group Plc

Adams Harkness acted as
financial advisor to iProspect

 **Adams Harkness**

M&A – The Pipeline

49 Parties Contacted

Strategic: 35

Financial: 14

14 Parties Signed NDAs and Received CIMs

Strategic: 9

Financial: 5

3 Parties Submitted Indications of Interest

Strategic: 2 ½

Financial: ½



Questions?

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Thank You