

January 29, 2010

Dear clients and colleagues,

Founded in 2001, Rentabiliweb is a French technology company that operates on two fronts: the monetization of audience (B2B) and the publishing of digital content (B2C). The B2B model focuses on webmasters and advertisers looking to monetize their website traffic, through which the company offers a broad range of services, including:

- Payment and micropayment solution (integrated payment form on website)
- Direct marketing and real-time statistics, allowing partners to know their online client's profile and purchasing habits
- An extremely broad affiliation program (fidelity program) that allows Rentabiliweb's audience to benefit from discounts (cash-back programs)

Its list of customers include Orange, Groupe Lagardière, Apple Store, Carrefour, Budget, Air Transat, and Sephora, to name a few.

The B2C model (for Internet users) consists in publishing digital content in the area of casual gaming, dating, and community services. With a francophone audience of more than 38 million unique visitors per month, Rentabiliweb ranks among the top 10 operators in this market.

Rentabiliweb employs more than 110 IT specialist located in France, Belgium, Netherlands, Romania, Bulgaria, and Russia.

Target market size

While it is hard to assess its exact niche market size, we know for certain that both online retailing and online marketing represent a huge market opportunity that will continue to grow at a rapid pace. Here are some interesting figures that summarize the overall market and its potential:

- Online advertising in Europe is expected to reach €14.8B by 2013, and expected to grow by 6.5% in 2010. In 2008, direct internet marketing spending in France reached €1.2B, a 20% increase from 2007¹
- At the end of 2008, there were more than 48,000 merchant sites in France. This number is expected to grow to 60,000 by the end of 2009².
- Western Europe e-commerce is expected to grow at an annualized rate of 9.6%, and its size is likely to reach €123B by 2014³.
- 91.6% of French Internet users are interested in a cash-back program⁴.

¹ Sources: Forrester Research & IAB Europe

² Source: Fevad

³ Source: OECD study

⁴ Source: Mediametrie study

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Competitive advantage

Rentabiliweb offers strong value added to its partners. In addition to having a healthy balance sheet, it is constantly looking for new innovative solutions to monetize audience. Incidentally, the company was the first to propose, through its French site, a cash-back program with Mailorama. In September of last year, it was the first operator to monetize Facebook applications by creating a micropayment form that serves partners present in this online community.

What's more, with a technical infrastructure that allows for large traffic flow, the company delivers a very solid CRM (Customer Relationship Management) solution that enables advertisers to manage and measure their marketing campaigns in real time.

Growth strategy

On the publishing content front, the company sees a lot of opportunities in the gaming and dating worlds. It is looking to grow its female audience by publishing new content.

Geographically, the company plans to further expand throughout Europe and North America. Currently, 65% of its revenues is generated by its own traffic. The company is planning to grow this ratio, which would translate into an expansion of margins (margins from its own audience are higher than that of third-party audience).

Risk

A reduction in its advertisers' online marketing budgets would affect Rentabiliweb. Although unlikely, in the event that the Internet and mobile media were no longer used for marketing purposes or were getting outpaced by another emerging medium, Rentabiliweb's business model would be compromised.

Another risk is the fact that the direction of the company depends heavily on its founder's vision and entrepreneurial skills. No other insider seems to be in the position of dictating the future of the company. The good news is that at 40 years old, he will probably be around for several more years.

Investment theme

Online traffic is being driven by continuously faster and cheaper broadband is. E-commerce for goods and services online shopping, social networking, online entertainment, etc. - is growing fast. Internet users are demanding more products and services be available for purchase online, through secure networks and multiple payment solutions.

Traditional marketing is gradually losing ground in favour of Internet media. Advertisers are increasingly willing to experiment and invest in interactive media content. They are

desperately looking for ways to improve their understanding of their customers' habits in real time, so that they can manage their marketing efforts much more effectively.

Valuation

Based on a WACC of 8.0% and a terminal growth of 3%, our target price is €15 for an expected return of 114%.

www.rentabiliweb.org

Market cap: €111 million, P/E (TTM): 14.9x, P/E (forward): 12.5x, EV/EBITDA (forward): 6.5x, Cash: 12% of market cap, Expected sales growth: 10%-15%, Free cash flow yield: 6%

Regards

The Global Alpha Team