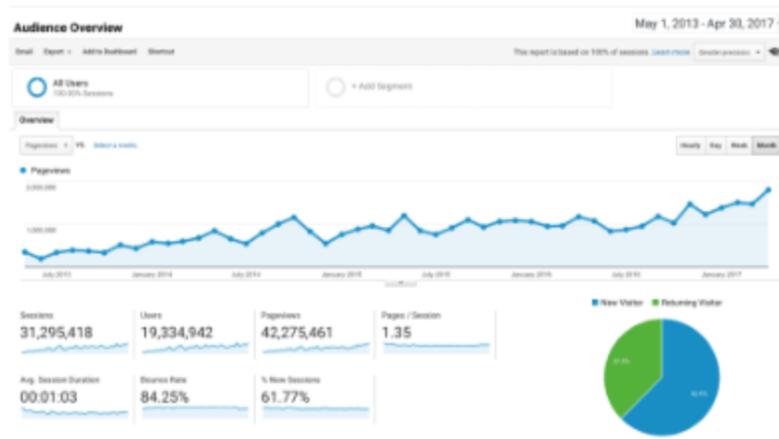




## OUTLOOK

With an investment of \$12M over four years, Nautilus has created a new audience and garnered a critical acclaim without recent precedent for a science magazine. In addition to three dozen other awards, Nautilus has become the first-ever magazine to win two National Magazine Awards in our first year. It has also achieved a monthly online audience of over 800,000 unique visitors, a print circulation of 12,000 with an estimated three readers per copy, and 70% year-over-year revenue growth — all organically.

Nautilus is embarking on a next phase business plan, leveraging our unique editorial voice and loyal audience into a self-sustaining expansion. The pillars of this expansion will be accelerating subscription revenue through marketing; winning institutional partners interested in promoting their work on the *Nautilus* platform; entering the educational market; promoting *Nautilus* content and subscriptions using third-party platforms; and boosting subscriber retention.



**The story so far** — Pageviews since launch have grown at a roughly linear rate of 30,000 per month, and today they exceed the American web traffic of *Discover* magazine. Nearly 20 million people have visited *Nautilus*.

### Investment needs

*Nautilus* needs \$1.5 million to cover \$500,000 in debts and \$1M in operational funding before reaching profitability in 15 months. *Nautilus* also holds two unstructured loans totaling \$1.1M from two *Nautilus* board members. These loans are without current repayment terms and may be convertible, in part, into a donation or equity. The projection to profitability in 15 months is based on the revenue and cost analysis below.

### Partnership Options

In addition to moving to a next phase of our business model, *Nautilus* is exploring partnership, equity and merger options.

- Non-profit merger – *Nautilus* has been in talks with the American Association for the Advancement of Science for over four months to merge *Nautilus* into AAAS. Separately, the Howard Hughes Medical Institute, a long-time supporter of *Nautilus*, is working on a funding pool that would financially support a merger.
- Philanthropic support – *Nautilus* continues to pursue a philanthropic endowment, including the HHMI funding pool, that would provide us with the funding necessary to reach self-sustaining profitability.
- For-Profit Subsidiary – *Nautilus* has studied, in detail, a plan to create a for-profit subsidiary to *NautilusThink*, our 501(c)(3), as a vehicle to attract investment in the magazine. The newco subsidiary would assume control of *Nautilus* with *NautilusThink* retaining a 20% equity interest and a royalty. Revenue to the foundation would be used to repay loans. Foundation donations to *NautilusThink*'s education mission would also support the newco's revenue.

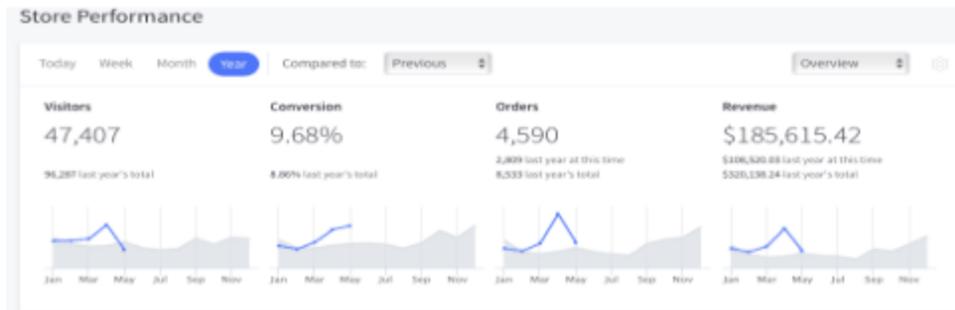


## Next Phase Model Impact Analysis

### Revenue

#### Subscriptions

- Both print and Prime (our digital subscription) revenues grew over 30% year-over-year over the course of our first three years. That growth is accelerating: Year-to-date 2017 subscription revenue is 71% ahead of 2016.



**Subscription revenues** — 2017 revenues through May 15<sup>th</sup> are shown in blue. 2016 revenues are shown in grey.

Growth has been generated with no external marketing (outside of a minimal Facebook spend). Though we are projecting a continued conservative 30% annual subscription revenue growth in coming years, we have more than doubled that rate this year and are confident we can maintain a higher growth rate. Our projection for 2017 revenues is \$426,000.

- Renewals – A key challenge to subscription growth is subscriber churn, significantly increased due to the absence of an “auto-renewal” option. Several magazine fulfillment firms have given us bids to assume the store’s operation and subscription fulfillment, and enable auto-renew.
- List acquisition and cross promotion – By aggressively renting lists and cross-promoting *Nautilus* with other magazines, we expect a significant subscription revenue boost. Our experience cross-promoting with the AAAS list of subscribers in 2015 resulted in a 100% increase in Prime subscribers.
- Expanded Social Media – Social media advertising has proven the most cost efficient way to bring traffic and customers to *Nautilus*. We intend to greatly increase promotional spending on Facebook and Google.
- Employee Benefit Services – *Nautilus* has recently begun offering discounted subscriptions to corporations for their employees.

| REVENUE  | NAUTILUS 2017 (PROJECTED) | NAUTILUS 2018 (PROJECTED) | NAUTILUS 2019 (PROJECTED) |
|--|---------------------------|---------------------------|---------------------------|
| Nautilus Store (subscriptions/back issues/product) | 426,000                   | 553,800                   | 719,940                   |

#### Retail Sale

- Newsstand sales are projected to expand in upcoming years beyond our current distribution to Barnes & Noble, Whole Foods and a number of independent outlets. However, because of distribution and bookstore costs, we do not expect retail sales to ever generate significant profit, and treat them primarily as marketing to potential subscribers. MIT Press currently runs *Nautilus*’ retail sales, expenses and revenue. That agreement will end with the May/June issue.

|                             |        |        |        |
|-----------------------------|--------|--------|--------|
| Nautilus Print Retail Sales | 30,000 | 40,000 | 50,000 |
|-----------------------------|--------|--------|--------|



# NAUTILUS

## Nautilus Channels (Institutional Custom Publishing)

- A central pillar of our business model going forward is the institutionally sponsored vertical, or “channel.” Channels give institutions the opportunity to create a custom publishing product on the *Nautilus* platform. That includes an online “magazine within a magazine”, print supplements, and potentially independent print magazine spin-offs. Channel products can be scaled to meet institutional budgets and goals. Content can be commissioned by *Nautilus*, or curated by *Nautilus* editors. *Nautilus* generates approximately \$75,000 per channel per year from a \$5,000/month platform fee and margin from editorial services. *Nautilus* currently has 6 new/renewed channels, in addition to a legacy channel from 2016 (Cosmos) and a free Science Philanthropy Alliance channel. These channels have provided revenue of \$430,000 year to date and are projected to take in \$750,000 in 2017. We are projecting 20 Channels in 2018 and 25 in 2019 with an increase in platform fee charges. There is a navigation challenge beyond 25 Channels which might require aggregating the Channels into a separate site.

|                   |         |           |           |
|-------------------|---------|-----------|-----------|
| Nautilus Channels | 750,000 | 1,500,000 | 2,000,000 |
|-------------------|---------|-----------|-----------|

## Advertising

- Online - *Nautilus* has avoided online advertising to preserve the user experience, and to pursue a better return on an issue sponsorship model targeting issue topics to institutional clients. Ads on our *Nautilus* newsletters has proven modestly successful in generating revenue without negatively effecting the reader experience. We expect our newsletter ads to generate increased revenue as our list grows. Year to date, revenue has been \$2,060 on a projection of \$12,000 for 2017.
- Print – We currently provide free print ads to our philanthropic, channel and content partners as a way to build those relationships. When the print edition crosses a circulation of 20,000, we will have the critical mass to make *Nautilus* attractive to paying advertisers.

|             |        |        |        |
|-------------|--------|--------|--------|
| Advertising | 12,000 | 30,000 | 40,000 |
|-------------|--------|--------|--------|

## Issue Sponsorship

- In 2016 *Nautilus* sold two issue sponsorships: The Glenn Foundation for Medical Research supported our May Aging issue for \$100,000 and the Olin College of Engineering was a sponsor for our September Learning issue for \$25,000. By matching our issue topics to institutional missions, we expect sponsorship involvement in 50% of our upcoming issues. As traffic increases, so will the value of those sponsorships. In addition, each sponsor can potentially be converted to a channel, as we did with the Glenn Foundation and our Aging Channel. There are no year-to-date issue sponsorships, but we project \$120,000 in sponsorships for 2017.

|                   |         |         |         |
|-------------------|---------|---------|---------|
| Issue Sponsorship | 120,000 | 300,000 | 400,000 |
|-------------------|---------|---------|---------|

## Education

- There are over 36,000 secondary schools in the United States and we’re working on an institutionally funded plan to put *Nautilus* into every one of them. For \$40 per year, per school we provide copies of *Nautilus* print to the school library or science classroom and access to *Nautilus* Prime, our premium digital offering of unlimited reads and downloads of every print and online issue, to every student and teacher in the school.

|                                  |        |         |         |
|----------------------------------|--------|---------|---------|
| Nautilus Education Subscriptions | 50,000 | 150,000 | 300,000 |
|----------------------------------|--------|---------|---------|



# NAUTILUS

## Expenditures

### Channels Impact on Operating Budget

#### Content

- *Nautilus* has traditionally commissioned 12 to 20 feature articles per month for our home page “Grid”. Feature article commissioning going forward will be reduced to 8 to 10 features per month. To supplement commissioned feature content, *Nautilus* will draw content, both custom and curated, from channels. This will reduce our *Nautilus*-specific content costs by 40%. Channels content costs are included in the individual Channel budgets. All Channels content is available to *Nautilus* for use online and in print.

|                                      |         |         |         |
|--------------------------------------|---------|---------|---------|
| Website Content (excluding Channels) | 250,000 | 300,000 | 300,000 |
|--------------------------------------|---------|---------|---------|

#### Personnel

- Because additional content and staff costs are built into each sponsored Channel, *Nautilus* would be able to reduce core staffing expenditures, instead assigning personnel and intern costs to the individual Channel budgets.

|                                      |         |         |         |
|--------------------------------------|---------|---------|---------|
| Editorial Staff (excluding Channels) | 730,000 | 590,000 | 590,000 |
|--------------------------------------|---------|---------|---------|

The plan also outsources *Nautilus* functions including store, website development and maintenance, and fulfillment.



# NAUTILUS

## Nautilus Projections

| REVENUE  | NAUTILUS<br>2017<br>(PROJECTED) | NAUTILUS<br>2018<br>(PROJECTED) | NAUTILUS<br>2019<br>(PROJECTED) |
|--|---------------------------------|---------------------------------|---------------------------------|
| Nautilus Store (subscriptions/back issues/product) | 426,000                         | 553,800                         | 719,940                         |
| Nautilus Print Retail Sales                        | 30,000                          | 40,000                          | 50,000                          |
| Issue Sponsorship                                  | 120,000                         | 300,000                         | 400,000                         |
| Nautilus Channels *                                | 750,000                         | 1,500,000                       | 2,000,000                       |
| Nautilus Education Subscriptions                   | 50,000                          | 150,000                         | 300,000                         |
| Advertising  | 12,000                          | 30,000                          | 40,000                          |
| Grants   | 300,000                         | -                               | -                               |
| Donation & Events                                  | 30,000                          | 60,000                          | 100,000                         |
| <b>Total Revenue</b>                               | <b>1,718,000</b>                | <b>2,633,800</b>                | <b>3,609,940</b>                |
|  |                                 |                                 |                                 |
| EXPENSES   | NAUTILUS<br>2017<br>(PROJECTED) | NAUTILUS<br>2018<br>(PROJECTED) | NAUTILUS<br>2019<br>(PROJECTED) |
| <b>Personnel</b>                                   |                                 |                                 |                                 |
| Editorial Staff                                    | 730,000                         | 590,000                         | 590,000                         |
| Administrative & IT Staff                          | 456,250                         | 415,000                         | 415,000                         |
| Personnel Costs & Benefits                         | 213,525                         | 180,900                         | 521,200                         |
| Intern Program/Part Time                           | 40,000                          | 0                               | 0                               |
| <b>Total Personnel Expenses</b>                    | <b>1,439,775</b>                | <b>1,185,900</b>                | <b>1,526,200</b>                |
| <b>Operations Expenses</b>                         |                                 |                                 |                                 |
| Travel, T&E Related Expenses                       | 60,000                          | 65,000                          | 70,000                          |
| Website Development                                | 30,000                          | 30,000                          | 30,000                          |
| Website Content                                    | 250,000                         | 300,000                         | 300,000                         |
| Website Maintenance                                | 40,000                          | 40,000                          | 40,000                          |
| Communications                                     | 16,000                          | 16,000                          | 16,000                          |
| Research   | 2,500                           | 2,500                           | 2,500                           |
| Administrative & Taxes                             | 75,000                          | 60,000                          | 60,000                          |
| Nautilus Print Edition Production & Distribution   | 185,000                         | 225,000                         | 225,000                         |
| Facilities   | 100,000                         | 120,000                         | 120,000                         |
| Marketing  | 40,000                          | 50,000                          | 100,000                         |
| Consulting & Outside Services                      | 110,000                         | 120,000                         | 120,000                         |
| <b>Operations Total</b>                            | <b>908,500</b>                  | <b>1,028,500</b>                | <b>1,083,500</b>                |
| <b>Expense Total</b>                               | <b>2,348,275</b>                | <b>2,214,400</b>                | <b>2,609,700</b>                |
| <b>Revenue</b>                                     | <b>1,718,000</b>                | <b>2,633,800</b>                | <b>3,609,940</b>                |
| <b>Total Income</b>                                | <b>1,718,000</b>                | <b>2,633,800</b>                | <b>3,609,940</b>                |
| <b>Total Expenses</b>                              | <b>2,348,275</b>                | <b>2,214,400</b>                | <b>2,609,700</b>                |
|  | <b>(630,275)</b>                | <b>419,400</b>                  | <b>1,000,240</b>                |

\*Nautilus Channel revenue projects profit from each channel. Channel costs are built into each channel budget (not represented in the projection), plus hosting fee and service margin profit. Channels will also absorb a portion of Nautilus staff and content costs, reducing both in subsequent years.

