

Artspace

2014-17 Income Statement & Cash Flow

Key Assumptions

Revenue - Income Statement

- Revenue in the out years is based on the number of monthly visits to the site, average conversion rate & average revenue per order
- Increase in average monthly visits driven by increased marketing, staffing and inventory on site
- Modest yearly increases in average order size and conversion rate

Expenses - Income Statement

- Base (2014) Headcount 14, Additional (8) FTE in 2015 and (2) in 2016 drive salary increases
- 2015 additional headcount includes Product/Developers (4) and Editorial (2) to build back the technology and editorial teams
- Model assumes the following GM%: Q4 2014 (22%), 2015 (22%), 2016 (23%) and 2017 (23%)
- Model includes Monthly Rent of \$20k

Cash Flow - Inflows

- The majority of transactions are paid by credit card online
- Cash Receipts assumes 90% of revenue received in month ordered with 10% the following month

Cash Flow - Outflows

- COGS paid 2 months after the expense is occurred
- Salaries paid in month the expense occurred
- All other expenses paid the month following expense incurred.

Artspace

Quarterly Income Statement (2014 - 2017)

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Total Revenue	\$ 658,200	\$ 571,849	\$ 646,608	\$ 530,771	\$ 986,699	\$ 2,735,927
COGS	\$ 513,917	\$ 446,042	\$ 504,354	\$ 414,001	\$ 769,625	\$ 2,134,023
Gross Profit	\$ 144,283	\$ 125,807	\$ 142,254	\$ 116,770	\$ 217,074	\$ 601,904
Gross Margin %	21.9%	22.0%	22.0%	22.0%	22.0%	22.0%
Operating Expenses						
G&A	\$ 136,323	\$ 121,750	\$ 161,750	\$ 103,750	\$ 113,750	\$ 501,000
Marketing	\$ 16,629	\$ 60,000	\$ 60,000	\$ 60,000	\$ 90,000	\$ 270,000
Merchandising	\$ 22,340	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 24,000
Editorial	\$ 2,100	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 30,000
Tech/Product	\$ 30,852	\$ 42,870	\$ 42,870	\$ 42,882	\$ 42,870	\$ 171,492
Salaries/Benefits	\$ 353,305	\$ 602,998	\$ 673,683	\$ 932,233	\$ 682,233	\$ 2,891,147
Capitalized Tech Salaries	\$ (64,125)	\$ (122,097)	\$ (173,850)	\$ (173,850)	\$ (173,850)	\$ (643,647)
Total Operating Expenses	\$ 497,424	\$ 719,021	\$ 777,953	\$ 978,515	\$ 768,503	\$ 3,243,992
EBITDA	\$ (353,141)	\$ (593,214)	\$ (635,699)	\$ (861,745)	\$ (551,429)	\$ (2,642,088)
Headcount						

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Total Revenue	\$ 1,018,015	\$ 992,845	\$ 849,234	\$ 1,923,687	\$ 4,783,781
COGS	\$ 783,872	\$ 764,491	\$ 653,910	\$ 1,481,239	\$ 3,683,511
Gross Profit	\$ 234,143	\$ 228,354	\$ 195,324	\$ 442,448	\$ 1,100,270
Gross Margin %	23.0%	23.0%	23.0%	23.0%	23.0%
Operating Expenses					
G&A	\$ 104,063	\$ 114,063	\$ 104,063	\$ 114,063	\$ 436,250
Marketing	\$ 61,800	\$ 61,800	\$ 61,800	\$ 92,700	\$ 278,100
Merchandising	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 24,000
Editorial	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 30,000
Tech/Product	\$ 45,018	\$ 45,018	\$ 45,030	\$ 52,018	\$ 187,084
Salaries/Benefits	\$ 709,522	\$ 724,722	\$ 732,322	\$ 736,851	\$ 2,903,418
Capitalized Tech Salaries	\$ (180,804)	\$ (180,804)	\$ (180,804)	\$ (180,804)	\$ (723,216)
Total Operating Expenses	\$ 753,099	\$ 778,299	\$ 775,911	\$ 828,328	\$ 3,135,636
EBITDA	\$ (518,955)	\$ (549,944)	\$ (580,587)	\$ (385,880)	\$ (2,035,367)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total 2017
Total Revenue	\$ 1,752,959	\$ 1,972,784	\$ 1,987,354	\$ 3,263,032	\$ 8,976,129
COGS	\$ 1,349,778	\$ 1,519,044	\$ 1,530,262	\$ 2,512,535	\$ 6,911,619
Gross Profit	\$ 403,180	\$ 453,740	\$ 457,091	\$ 750,497	\$ 2,064,510
Gross Margin %	23.0%	23.0%	23.0%	23.0%	23.0%
Operating Expenses					
G&A	\$ 104,719	\$ 114,719	\$ 104,719	\$ 114,719	\$ 438,875
Marketing	\$ 63,654	\$ 63,654	\$ 63,654	\$ 95,481	\$ 286,443
Merchandising	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 24,000
Editorial	\$ 7,800	\$ 7,800	\$ 7,800	\$ 7,800	\$ 31,200
Tech/Product	\$ 47,195	\$ 47,195	\$ 47,207	\$ 47,195	\$ 188,790
Salaries/Benefits	\$ 775,865	\$ 775,865	\$ 775,865	\$ 775,865	\$ 3,103,461
Capitalized Tech Salaries	\$ (188,036)	\$ (188,036)	\$ (188,036)	\$ (188,036)	\$ (752,145)
Total Operating Expenses	\$ 817,196	\$ 827,196	\$ 817,208	\$ 859,023	\$ 3,320,624
EBITDA	\$ (414,016)	\$ (373,456)	\$ (360,117)	\$ (108,526)	\$ (1,256,115)*

* Note 2017 revenue in the acquisition financial model included \$1.1M revenue associated with Phaidon books sold to Artspace customers with a 75% margin, this model includes similar total revenue in 2017 but with Artspace margin of 23%

**Artspace
Cash Flow (2014 - 2017)**

	Q4 2014	FY 2015	FY 2016	FY 2017	14 - 17
<u>Cash Inflows</u>					
Receipts	837,701	2,715,770	4,756,066	8,928,915	17,238,451
Credit/Overdraft Facility	650,000	2,550,000	2,325,000	1,350,000	6,875,000 *
	1,487,701	5,265,770	7,081,066	10,278,915	24,113,451
<u>Cash Outflows</u>					
COGS	(292,817)	(1,935,705)	(3,218,939)	(6,229,441)	(11,676,902)
G&A	(136,193)	(496,417)	(436,146)	(438,656)	(1,507,412)
Marketing	(15,458)	(244,402)	(277,200)	(285,516)	(822,576)
Merchandising	(24,440)	(25,500)	(24,000)	(24,000)	(97,940)
Editorial	(2,100)	(27,500)	(30,000)	(31,100)	(90,700)
Technology/Product	(31,469)	(167,202)	(186,368)	(188,065)	(573,104)
Salaries	(510,612)	(2,891,147)	(2,903,418)	(3,103,461)	(9,408,637)
	(1,013,089)	(5,787,872)	(7,076,071)	(10,300,239)	(24,177,271)
Net Inflow/(Outflow)	474,612	(522,102)	4,994	(21,324)	(63,820)

* Acquisition Cash Flow Model Credit/Overdraft Facility (\$6.1M) did not include \$0.7M in Rent

Artspace
Monthly Cash Flow (2014 - 2015)

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Q4 2014	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015	
Cash Inflows																				
Receipts	49,405	137,289	188,615	239,885	222,508	837,701	157,538	204,788	210,478	209,729	262,154	178,871	153,878	152,202	218,951	260,177	297,470	409,533		2,715,770
Credit/Overdraft Facility	0	0	200,000	0	450,000	650,000	0	150,000	200,000	225,000	100,000	300,000	400,000	550,000	300,000	100,000	150,000	75,000		2,550,000
	49,405	137,289	388,615	239,885	672,508	1,487,701	157,538	354,788	410,478	434,729	362,154	478,871	553,878	702,202	518,951	360,177	447,470	484,533		5,265,770
Cash Outflows																				
COGS	0	0	(27,016)	(117,324)	(148,477)	(292,817)	(192,574)	(172,866)	(117,466)	(164,431)	(164,144)	(163,527)	(209,031)	(131,796)	(118,717)	(118,717)	(176,567)	(205,868)		(1,935,705)
G&A	0	(4,347)	(40,523)	(48,234)	(43,089)	(136,193)	(45,000)	(22,083)	(46,083)	(53,583)	(56,083)	(56,083)	(49,583)	(32,083)	(32,083)	(39,583)	(32,083)	(32,083)		(496,417)
Marketing	0	(520)	(2,711)	(1,087)	(11,140)	(15,458)	(4,402)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(30,000)	(30,000)		(244,402)
Merchandising	0	0	(5,600)	(7,000)	(11,840)	(24,440)	(3,500)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)		(25,500)
Editorial	0	0	0	(2,100)	0	(2,100)	0	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)		(27,500)
Technology/Product	0	0	(10,617)	(10,290)	(10,562)	(31,469)	(10,000)	(14,290)	(14,290)	(14,290)	(14,290)	(14,290)	(14,290)	(14,302)	(14,290)	(14,290)	(14,290)	(14,290)		(167,202)
Salaries	(45,983)	(111,324)	(108,274)	(119,727)	(125,304)	(510,612)	(176,842)	(203,019)	(223,136)	(223,136)	(223,136)	(227,411)	(227,411)	(477,413)	(227,411)	(227,411)	(227,411)	(227,411)		(2,891,147)
	(45,983)	(116,191)	(194,741)	(305,762)	(350,412)	(1,013,089)	(432,318)	(436,759)	(425,476)	(479,941)	(482,154)	(485,811)	(524,815)	(680,080)	(417,014)	(424,502)	(484,851)	(514,152)		(5,787,872)
Net Inflow/(Outflow)	3,422	21,098	193,874	(65,877)	322,096	474,612	(274,780)	(81,971)	(14,997)	(45,211)	(119,999)	(6,940)	29,063	22,121	101,937	(64,325)	(37,382)	(29,619)		(522,102)
* Stay Bonuses																				
Bank Balance																				
Opening Balance			99,568	293,442	227,565		549,661	274,881	192,910	177,913	132,702	12,702	5,763	34,826	56,947	158,884	94,559	57,178		
Net Inflow/(Outflow)			193,874	(65,877)	322,096		(274,780)	(81,971)	(14,997)	(45,211)	(119,999)	(6,940)	29,063	22,121	101,937	(64,325)	(37,382)	(29,619)		
Ending Balance			293,442	227,565	549,661		274,881	192,910	177,913	132,702	12,702	5,763	34,826	56,947	158,884	94,559	57,178	27,558		

**Artspace
Monthly Cash Flow (2016)**

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	FY 2016
Cash Inflows													
Receipts	334,919	344,527	346,120	344,888	374,438	281,090	246,206	243,523	350,322	565,593	631,913	692,527	4,756,066
Credit/Overdraft Facility	250,000	300,000	200,000	250,000	200,000	300,000	375,000	300,000	125,000	0	0	25,000	2,325,000
	<u>584,919</u>	<u>644,527</u>	<u>546,120</u>	<u>594,888</u>	<u>574,438</u>	<u>581,090</u>	<u>621,206</u>	<u>543,523</u>	<u>475,322</u>	<u>565,593</u>	<u>631,913</u>	<u>717,527</u>	<u>7,081,066</u>
Cash Outflows													
COGS	(234,933)	(328,825)	(250,474)	(266,931)	(266,466)	(265,464)	(290,857)	(208,171)	(187,512)	(187,512)	(278,885)	(452,909)	(3,218,939)
G&A	(49,583)	(32,188)	(32,188)	(39,688)	(32,188)	(32,188)	(49,688)	(32,188)	(32,188)	(39,688)	(32,188)	(32,188)	(436,146)
Marketing	(30,000)	(20,600)	(20,600)	(20,600)	(20,600)	(20,600)	(20,600)	(20,600)	(20,600)	(20,600)	(30,900)	(30,900)	(277,200)
Merchandising	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)
Editorial	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(30,000)
Technology/Product	(14,290)	(15,006)	(15,006)	(15,006)	(15,006)	(15,006)	(15,006)	(15,006)	(15,018)	(15,006)	(22,006)	(15,006)	(186,368)
Salaries	(236,507)	(236,507)	(236,507)	(236,507)	(244,107)	(244,107)	(244,107)	(244,107)	(244,107)	(244,107)	(244,107)	(248,636)	(2,903,418)
	<u>(569,814)</u>	<u>(637,626)</u>	<u>(559,275)</u>	<u>(583,232)</u>	<u>(582,867)</u>	<u>(581,864)</u>	<u>(624,758)</u>	<u>(524,572)</u>	<u>(503,926)</u>	<u>(511,413)</u>	<u>(612,586)</u>	<u>(784,139)</u>	<u>(7,076,071)</u>
Net Inflow/(Outflow)	15,106	6,901	(13,155)	11,656	(8,429)	(775)	(3,552)	18,951	(28,604)	54,180	19,327	(66,612)	4,994
Bank Balance													
Opening Balance	27,558	42,664	49,565	36,410	48,066	39,637	38,862	35,310	54,261	25,658	79,838	99,165	
Net Inflow/(Outflow)	15,106	6,901	(13,155)	11,656	(8,429)	(775)	(3,552)	18,951	(28,604)	54,180	19,327	(66,612)	
Ending Balance	<u>42,664</u>	<u>49,565</u>	<u>36,410</u>	<u>48,066</u>	<u>39,637</u>	<u>38,862</u>	<u>35,310</u>	<u>54,261</u>	<u>25,658</u>	<u>79,838</u>	<u>99,165</u>	<u>32,553</u>	

**Artspace
Monthly Cash Flow (2017)**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	FY 2017
Cash Inflows													
Receipts	527,313	587,073	643,558	695,147	760,577	531,425	523,108	525,096	895,956	1,031,150	1,049,675	1,158,837	8,928,915
Credit/Overdraft Facility	325,000	300,000	100,000	100,000	100,000	350,000	475,000	275,000	(300,000)	(200,000)	(150,000)	(25,000)	1,350,000
	<u>852,313</u>	<u>887,073</u>	<u>743,558</u>	<u>795,147</u>	<u>860,577</u>	<u>881,425</u>	<u>998,108</u>	<u>800,096</u>	<u>595,956</u>	<u>831,150</u>	<u>899,675</u>	<u>1,133,837</u>	<u>10,278,915</u>
Cash Outflows													
COGS	(490,313)	(538,016)	(391,366)	(458,788)	(499,623)	(539,223)	(590,802)	(389,019)	(404,324)	(404,324)	(721,615)	(802,027)	(6,229,441)
G&A	(49,688)	(32,406)	(32,406)	(39,906)	(32,406)	(32,406)	(49,906)	(32,406)	(32,406)	(39,906)	(32,406)	(32,406)	(438,656)
Marketing	(30,900)	(21,218)	(21,218)	(21,218)	(21,218)	(21,218)	(21,218)	(21,218)	(21,218)	(21,218)	(31,827)	(31,827)	(285,516)
Merchandising	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)
Editorial	(2,500)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(2,600)	(31,100)
Technology/Product	(15,006)	(15,732)	(15,732)	(15,732)	(15,732)	(15,732)	(15,732)	(15,732)	(15,744)	(15,732)	(15,732)	(15,732)	(188,065)
Salaries	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(258,622)	(3,103,461)
	<u>(849,029)</u>	<u>(870,594)</u>	<u>(723,944)</u>	<u>(798,866)</u>	<u>(832,201)</u>	<u>(871,800)</u>	<u>(940,880)</u>	<u>(721,596)</u>	<u>(736,913)</u>	<u>(744,401)</u>	<u>(1,064,801)</u>	<u>(1,145,213)</u>	<u>(10,300,239)</u>
Net Inflow/(Outflow)	3,285	16,479	19,615	(3,719)	28,376	9,625	57,228	78,499	(140,958)	86,749	(165,127)	(11,376)	(21,324)
Bank Balance													
Opening Balance	32,553	35,838	52,317	71,931	68,212	96,588	106,213	163,441	241,941	100,983	187,732	22,605	
Net Inflow/(Outflow)	3,285	16,479	19,615	(3,719)	28,376	9,625	57,228	78,499	(140,958)	86,749	(165,127)	(11,376)	
Ending Balance	<u>35,838</u>	<u>52,317</u>	<u>71,931</u>	<u>68,212</u>	<u>96,588</u>	<u>106,213</u>	<u>163,441</u>	<u>241,941</u>	<u>100,983</u>	<u>187,732</u>	<u>22,605</u>	<u>11,229</u>	

ArtSpace**Revenue Drivers (2015 - 2017)**

	2015	2016	2017
<u>Visitor Metrics</u>			
Average Monthly Unique Visitors to Site	150,688	187,907	229,852
Growth in site visitors	19.3%	24.7%	22.3%
Visits Per Unique	1.5	1.5	1.5
Total Visits	2,712,376	3,382,326	4,137,333
Average Site Monthly Conversion Rate	0.07%	0.09%	0.14%
Average Monthly Orders	162	277	503
Average \$ Order Size (Art Only)	1,392	1,400	1,417
<u>Revenue</u>			
<u>Art</u>			
Total Gross Revenue	2,594,857	4,489,284	8,423,544
<u>Other Revenue</u>			
Total Revenue Framing	99,376	224,464	421,177
Total Revenue Shipping	155,691	269,357	505,413
	255,067	493,821	926,590
Total Revenue (Art & Other)	2,849,924	4,983,105	9,350,134
Refunds	(113,997)	(199,324)	(374,005)
Total Gross Revenues	2,735,927	4,783,781	8,976,129