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Equity Research Report

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CFA charter pending

**BEYOND COMMERCE, INC.**

**RATING: SPECULATIVE BUY**  
**TARGET PRICE: \$1.56**

Market data		\$ millions	2008a	2009f	2010f	2011f	2012f
Recent price, \$	0.94	Revenue	1.8	32.8	89.3	115.4	135.6
Market Cap, \$ mn	41.7	Operating income	-8.8	-7.3	4.0	9.3	18.7
Shares out., mn	44.4	Operating margin	-476.3%	-22.3%	4.5%	8.0%	13.8%
52wk range, \$	0.33 - 3.30	Net income	-12.9	-11.1	1.9	7.7	17.8
		Net margin	-697.6%	-33.9%	2.1%	6.7%	13.1%
		EPS, \$	-0.33	-0.24	0.03	0.11	0.24
		P/E	n/m	n/m	35.5	8.8	3.8
		P/S	22.63	1.27	0.47	0.36	0.31

Source: Yahoo! Finance, analyst estimates

**Summary**

Beyond Commerce is a growing company operating in three business segments: local online advertising, e-commerce solutions and social networking. The company had an excellent start of the year, recording over \$6 million in revenues from its LocalAdLink business in the first quarter – more than its total revenues since inception. At the same time, revenues were most likely much lower than what could have been possible due to a problem with the company's credit card processors, which caused Beyond Commerce to waste much of March and which significantly damaged the company's reputation. Nonetheless, Beyond Commerce announced that its record week ended May 2 brought over \$1 million in revenues and we expect the company to continue rapid revenue ramp-up.

Among the main drivers for the company we see such factors as good sales momentum, excellent underlying market fundamentals, experienced management and cross-selling opportunities. At the same time, the company faces a number of important risks, such as lack of financing, significant dilution potential, lack of operating history and tough competitive environment. Because the company has only just started reporting serious revenues and has not broken even, we are rating this investment as Speculative Buy. Our valuation model, based on absolute and relative techniques, suggests a fair value of Beyond Commerce's stock of \$1.56 per share.

## INVESTMENT HIGHLIGHTS

### **Rapid LocalAdLink revenue ramp-up in recent months**

Beyond Commerce reported over \$6 million in revenues in Q1-2009, most of which belonged to LocalAdLink business line. Moreover, revenue was growing by \$1 million in January and February – from \$1 million in December to over \$3.3 million in February. Each of these two months beat the whole of 2008 in terms of revenues, which signifies Beyond Commerce turning into a fully operational business. We expect Beyond Commerce to continue reporting fast revenue growth in 2009 and 2010 as the company fully leverages its extensive agent network and rolls out its i-SUPPLY solutions to the marketplace. It is worth mentioning that March 2009 did not generate much revenue for the company as it faced problems with its credit card processors, but Beyond Commerce has switched to another processing provider.

### **i-SUPPLY network growth**

In early June 2009, Beyond Commerce announced that its i-SUPPLY division concluded its phased roll-out to more than 5,000 pre-sold licensees. Beyond Commerce estimates that it will create tens of thousands more storefronts over the next 120 days. We should see the i-SUPPLY segment becoming a material part of Beyond Commerce's business by the end of the year.

### **Diversified business**

Beyond Commerce started out as a social network operator running the BOOMj web portal dedicated to baby boomers. Recently, the company launched two other business segments: LocalAdLink, which operates a searchable online directory of local businesses and provides local online ad solutions, and i-SUPPLY, which provides e-commerce solutions to small businesses. LocalAdLink is currently the main revenue driver for Beyond Commerce, while the three business lines are expected to generate significant cross-selling opportunities through tight online integration. In addition, segments can subsidize each other, which is already taking place, as revenues generated through LocalAdLink sales help to continue the roll-out of i-SUPPLY and the commercialization of BOOMj.

### **Local online advertising is a fast-growing industry**

Various industry reports indicate that local online advertising has lagged behind when compared to other segments of the ad market. Technology has advanced far enough to allow identification of an internet user's geographic location (geo-targeting) and serving him/her relevant local ads. However, it appears that the market opportunity has not been fully exploited and Beyond Commerce has positioned itself to profit from this niche.

### **E-commerce is more recession-resilient than retail**

The ongoing recession hit vendors hard but online sales suffered less than retail. Market analysts expect e-commerce to continue steady growth in the high single digits after recovering from the recession. Beyond Commerce should be able to benefit directly from this expected growth as its i-SUPPLY segment provides turnkey e-commerce solutions to customers. In addition, Beyond Commerce has a catalog of 1.8 brand name products that are offered on its BOOMj portal and are also available through online store widgets set up by its i-SUPPLY customers. This wide selection should help ensure sizable volume of Beyond Commerce's e-sales.

### **Baby boomers represent an important demographic segment**

The baby boomer generation is one of the most important, if not *the* most important, consumer segment in the USA in terms of size and purchasing power. As they reach retirement, many are faced with a need to change their life style and require some sort of guidance ranging from health and fitness to financial matters. Beyond Commerce's BOOMj portal provides just that, offering a web portal and a social network which brings together thousands of users, as well as experts. Catering to the needs of this social stratum offers good commercial opportunities, such as serving online ads and offering a wide range of relevant products.

### **Experienced management team**

Beyond Commerce boasts a team of experienced top level executives and directors, who have decades of relevant experience in various fields. For example, Robert J. McNulty, Chairman and CEO, has over 25 years of experience in specialty retail, e-commerce, branded consumer products, retail start-ups and developing new concepts and technology platforms for utilization in the retail industry; Wendy Borow-Johnson, President of National Advertising Sales, has over 25 years of senior level experience in cable

network development, broadcast communications and advertising; Mark V. Noffke, Executive Vice President and Chief Financial Officer, has over 30 years of senior level financial and operational experience.

### **The BOOMj portal uses a number of features to increase its success**

The BOOMj portal is dedicated to the generation of baby boomers and thus serves to satisfy their needs. This includes social networking, interest groups, relationships, advice, articles, and e-commerce. The web site has an expert network – a community of over 25 leading authors, experts and content aggregators who provide customized content in the areas that are most relevant to users: relationships, travel, health, pets and vets, finance, beauty and fashion, home improvement and outdoor adventures. Management has developed a business model built on integrating the social network with e-commerce. The wide selection of brand products available through the company's e-store, integrated into the BOOMj portal, attracts new users, while a system of reward points helps retain them as BOOMj members.

### **E-commerce segment success factors**

We already mentioned that e-commerce is expected to perform better than retail, especially during the recession. In addition to this, Beyond Commerce has several other factors that, in our opinion, should help it grow successfully:

- The company's current product catalog spans some 1.8 million brand name items, which is an impressive selection.
- The company carries no inventory – all orders are fulfilled by suppliers and distributors, while Beyond Commerce only processes these orders for a commission.
- Co-branded commerce. Beyond Commerce announced a partnership with National Lampoon's to host their co-branded ecommerce store that will be accessible across their network of over six million monthly unique users. Beyond Commerce expects such arrangements to increase its e-commerce footprint, traffic, advertising dollars and member base.
- Turnkey storefront solution offered to customers. Beyond Commerce allows its clients to open an e-shop on their websites by simply pasting a few lines of code into their websites. These stores will have access to all of the 1.8 million items in Beyond Commerce's catalog, as well as the possibility to add their own merchandise.

### **Large stock ownership by affiliates of insiders**

According to the company's annual report, approximately 41.1% of outstanding stock is held by Linlithgow Holdings LLC, an entity owned and controlled by the immediate family members of Mr. Robert J. McNulty. While Mr. McNulty disclaims any beneficial interests in these shares, we can probably view this holding the same way as insider holdings. Large ownership by insiders suggests their confidence in the company's future success, even though it also means significant control.

### **Intent to expand internationally**

Company management has expressed their intention to expand internationally. The i-SUPPLY e-commerce platform should facilitate international expansion easily as its implementation only requires copying some code by clients into their websites. The BOOMj portal will need porting to local languages and probably some heavy advertising in the beginning, while LocalAdLink is already in the process of international expansion, according to a joint venture announcement in Asia. There are no visible barriers to entry into international markets.

## **INVESTMENT RISKS**

### **Significant delay in business growth in Q1-2009**

Beyond Commerce reported that it hit a major problem during the first quarter of 2009, which temporarily halted the business development. According to the company, "*at the end of February with the spike in the volume of weekly credit card revenues generated, certain credit card processing companies without notice to the company, put a hold on all of the cash being remitted to Beyond Commerce's LocalAdLink subsidiary. This hold was initiated under the rationale of "potential business risk."*" This caused \$0.9 million to be withheld from the company, as well as bounced 567 checks totaling \$0.25 million "to valued employees, commissioned sales force and vendors". Besides halting business activity for approximately 23 days during March and worsening liquidity, this has affected the company's reputation with its sales force, customers and other counterparties, which is probably the largest negative effect of this development. It may take some time for the company to restore its partners' trust. It is not clear why

the credit card processors acted this way and whether Beyond Commerce could have foreseen this outcome. Beyond Commerce has changed its credit card processors, which has resulted in increased processing fees, personal guarantees and a mandate for the company to reserve 10% of its revenues received daily to mitigate potential risk of the account to the new processor.

#### **Numerous complaints at the Rip-off Report website**

The Rip-off Report website ([www.ripoffreport.com](http://www.ripoffreport.com)) is a website where consumers can post complaints about companies they dealt with. LocalAdLink has 14 such reports associated with it, with people complaining that they were not treated fairly or even cheated by the company. While some of these reports show lack of understanding of the company's technology, as well as may have been caused by the company's temporary problems with its credit card processors, it shows that LocalAdLink's image is not as clean as it could be. The company will need to restore its reputation and straighten all glitches in its operations to grow successfully.

#### **Low cash balance**

At the end of Q1-2009, Beyond Commerce had only \$12 thousand in cash. At the same time, its debt stood at over \$4 million, all short term. The company mentioned the need of financing as one of critical growth requirements and we must agree – Beyond Commerce needs cash to fund its growth and to pay off its debt. Failure to raise funding may reduce the growth pace of the company. In May 2009, Beyond Commerce raised \$1.6 million in gross proceeds from issuing convertible debt.

#### **Dilution is expected**

Beyond Commerce has a large number of issued and outstanding dilutive securities – warrants and options, which are largely in the money. Currently, we estimate that over 11 million shares are issuable from these securities alone, which represents about one-quarter of outstanding shares. Outstanding debt is also represented by convertible securities. We expect the company to issue additional stock to raise financing, which will further dilute the share base.

#### **History of losses**

Beyond Commerce has only recently started reporting material revenues, and has not reported a profit to date. While the company is ramping up its sales and a rapid pace, it is only in the beginning of its life cycle and thus we expect the company to continue reporting losses for some time, until the breakeven level of sales is achieved. As of the end of Q1-2009, Beyond Commerce had accumulated over \$21 million in losses and we expect 2010 to be its first profitable year.

#### **Large stock ownership by affiliates of insiders**

As we already mentioned, over 40% of Beyond Commerce is owned by an entity owned and controlled by the immediate family members of Mr. Robert J. McNulty, the company's CEO. As such, this entity may exercise significant control over the company and thus may enforce decisions that may not be in the best interest of other shareholders. In addition, a sale of a large share block may negatively affect the market price of the company's stock.

#### **i-SUPPLY has not been fully launched yet**

Although the i-SUPPLY technology has been tested and is almost complete, no full-scale commercial operations have been announced yet. This business segment will face significant competition from such industry giants as Amazon and E-Bay and there is no guarantee that it will be successful and that Beyond Commerce will be able to reach profitability from its e-commerce solutions business.

## SWOT

### Strengths

- Experienced management
- LocalAdLink has proven its viability and has reported outstanding revenue growth
- Relatively diversified revenues base planned
- E-commerce is relatively resilient to recession

### Weaknesses

- No history of operations
- No cash
- Debt

### Opportunities

- Baby boomers represent a lucrative market
- Business segment integration and cross-selling opportunities
- E-commerce is expected to grow faster than retail
- Local online advertising is a rapidly growing and underserved market
- International expansion

### Threats

- Lack of funding may halt growth and lead to default
- Significant dilution potential
- i-SUPPLY will face tough competition from Amazon and the like
- Damaged reputation

## VALUATION

We valued Beyond Commerce using both absolute (DCF) and relative (EV/Sales and P/E) valuation techniques.

### Performance forecasts

We expect the company to rapidly ramp up its revenues and to turn to profitability in 2010. Beyond Commerce has already reported over \$6 million in revenues in Q1-2009. We expect growth to stabilize by 2013.



Source: SEC filings and analyst estimates.

### DCF valuation

In our DCF model we assumed that the company's revenues would grow at declining double-digit annual rates in 2010-2012, slowing down to 2% in 2013 – the assumed long-term growth rate. EBIT margin is expected to reach the long-term stable level of 19.1% by 2013. Other assumptions:

Stock Price, \$	0.94
Shares Outstanding, 000s	44,374.1
Market cap, \$ 000s	41,711.7
Book Value of Net Debt, \$ 000s	4,783.7
Enterprise value, \$ 000s	46,495.4
Beta	1.51
Market premium	5.0%
Risk-free Rate	4.8%
Cost of Equity	12.3%
Long-term Equity Weight	89.7%
Cost of Debt	18.0%
Long-term Tax rate	38.0%
Tax Effected Cost of Debt	11.2%
Long-term Debt Weight	10.3%
WACC	12.2%
Terminal growth	2.0%
Forward diluted shares, 000s	73,110

Source: SEC filings, Yahoo Finance, Reuters, analyst estimates.

Beta was taken as the average of two values provided by Reuters and Yahoo! Finance. The long-term tax rate was assumed, as currently Beyond Commerce is not paying any taxes due to losses. We also

assumed that the company will be able to benefit from loss carryforwards and according to our estimates, Beyond Commerce will operate tax-free until 2013, when the accumulated losses will be depleted. Due to the funding requirements and a large number of outstanding warrants and options that are mostly in the money, we estimated that by 2013 the number of company's shares may increase by over 50% - to 73.1 million versus the current number of 44.4 million.

We estimated the following cash flows for the next ten years:

**DCF model:**

\$ millions	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	32.8	89.3	115.4	135.6	143.1	150.1	156.3	161.7	166.1	169.4
Revenue growth	1680.4%	172.1%	29.3%	17.4%	5.6%	4.9%	4.2%	3.4%	2.7%	2.0%
EBIT	-7.3	4.0	9.3	18.7	27.3	28.7	29.9	30.9	31.7	32.4
EBIT margin	-22.3%	4.5%	8.0%	13.8%	19.1%	19.1%	19.1%	19.1%	19.1%	19.1%
EBIT*(1-tax)	-7.3	4.0	9.3	18.7	16.9	17.8	18.5	19.1	19.7	20.1
(+) Dep & Amort	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.4
(+) CapEx	-0.3	-0.2	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
(+) Decrease in non-cash working capital	-1.4	-3.0	2.7	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2
= Free Cash Flow (FCF)	-8.9	1.2	11.7	18.2	16.8	17.6	18.3	19.0	19.5	19.9
Terminal value										199.4
Discounted cash flow	-7.9	0.9	8.3	11.5	9.4	8.8	8.2	7.6	6.9	6.3
Discounted terminal value										63.2

Source: analyst estimates.

**DCF valuation:**

DCF valuation	\$ millions
DCF stream	60.1
DC terminal value	63.2
Total DC Enterprise Value	123.2
(Less) Net Debt	4.8
Equity Value	118.4
Price target, \$	1.62

Source: analyst estimates.

The sensitivity of our valuation to WACC and terminal growth rate is shown below:

**Model sensitivity**

	WACC		
LT Growth ↓	10.2%	12.2%	14.2%
1.0%	2.00	1.54	1.22
2.0%	2.15	1.62	1.27
3.0%	2.34	1.72	1.33

Source: analyst estimates.

**Relative valuation**

Beyond Commerce has grown into a diversified company, adding local online advertising and e-commerce solutions to its initially solitary social networking business. As such, relative valuation is somewhat complicated by the lack of comparable companies. In addition, the e-commerce segment – i-SUPPLY – is in development stage, while the Boomj.com portal and LocalAdLink are still in early growth stages, which makes sum of parts valuation also somewhat problematic. This is exacerbated even further by the lack of detailed segment reporting. Finally, tight segment integration and cross-selling make it difficult to separate business lines from each other (e.g. i-SUPPLY is expected to generate a significant amount of advertising inventory for LocalAdLink, while the latter is the main revenue generator on the Boomj web portal etc.).

As a result, we decided to put different companies into the peer mix. Each of these companies is a competitor for one or more of Beyond Commerce's businesses, but none is a perfect peer.



Company	Industry	Ticker	Price, \$	MktCap, \$ mn	EV, \$ mn
Idearc, Inc.	Local search + ads	IDARQ.PK	0.05	6.7	9,502.7
RH Donnelley Corp.	Local search + ads	RHDC.PK	0.07	4.6	9,429.9
Marchex, Inc.	Local search + ads	MCHX	3.57	127.9	102.1
Local.com Corp.	Local search + ads	LOCM	3.79	54.3	43.1
Amazon.com Inc.	E-commerce	AMZN	86.59	37,200.0	34,544.0
eBay Inc.	E-commerce	EBAY	17.63	22,680.0	19,842.6
Yahoo! Inc.	Online ads, search, online portals	YHOO	16.32	22,780.0	19,424.4
Martha Stewart Living Omnimedia Inc.	Social networking, online portals	MSO	3.36	183.9	142.3

Source: Yahoo Finance.

We used two relative valuation metrics: EV/Sales and P/E. We chose EV/Sales over the more traditional P/S multiple due to the fact that some of the peers are heavily indebted, which causes a significant discrepancy between market capitalization and enterprise value (EV), as can be seen above.

#### Peer multiples

Ticker	P/E TTM	P/E 2009	P/E 2010	EV/S TTM	EV/S 2009	EV/S 2010
IDARQ.PK	n/m	n/m	n/m	3.3	3.6	n/a
RHDC.PK	n/m	n/m	n/m	3.7	4.0	n/a
MCHX	n/m	39.7	23.8	0.8	1.1	1.0
LOCM	n/m	n/m	42.1	1.1	0.8	0.7
AMZN	55.5	52.8	42.0	1.7	1.5	1.3
EBAY	13.6	12.0	11.4	2.4	2.4	2.3
YHOO	n/m	45.3	38.9	2.8	4.1	3.9
MSO	n/m	n/m	n/m	0.5	0.6	0.6
Median	<b>34.53</b>	<b>42.50</b>	<b>38.86</b>	<b>2.05</b>	<b>1.99</b>	<b>1.14</b>
Mean	<b>34.53</b>	<b>37.45</b>	<b>31.64</b>	<b>2.03</b>	<b>2.27</b>	<b>1.63</b>

Source: analyst calculations based on SEC filings and Yahoo Finance consensus data.

P/E valuation	\$
EPS FY2010e	0.03
Peers' multiple (median), 2010	38.9
Premium assumed	0%
Target multiple	38.9
Price target, \$	<b>1.03</b>

Source: analyst estimates

EV/Sales valuation	\$ millions
Sales FY2010e	89.3
Peers' multiple (median), 2010	1.1
Premium assumed	50%
Target multiple	1.7
Equity value	152.8
(Less) Net Debt	4.8
Enterprise Value	148.1
Price target, \$	<b>2.03</b>

Source: analyst estimates

#### Final valuation

The equally-weighted average of the three price targets is \$1.56 per share, 66% above the current market price of \$0.94.



## COMPANY PROFILE

### Company description

Beyond Commerce was incorporated on November 14, 2006 under the name of BoomJ.com, Inc. In December 2008, the company changed its name to Beyond Commerce, Inc. to reflect the expanded scope of its business and operations, which had gone beyond the [www.boomj.com](http://www.boomj.com) website.

In September 2008, the company commenced the operations of a new web site – LocalAdLink (<http://www.LocalAdLink.com>) – a local search and advertising platform that networks high volume websites to allow local advertisers to increase revenues and brand identity by bringing local advertising to geo-targeted local consumers.

Beyond Commerce also operates i-SUPPLY (<http://www.i-SUPPLY.com>), which provides comprehensive e-commerce revenue solutions for any website and social network, large or small.

Beyond Commerce, Inc. is a publicly traded company (OTC BB trading symbol BYOC) and has corporate offices in Henderson, Nevada.

### Company's solutions

#### LocalAdLink

LocalAdLink is an online ad network offering a complete online advertising solution that enables local businesses to reach local customers.

##### *Directory Service*

LocalAdLink has a full national directory service, similar to yellowpages.com or yellowbook.com, and offers many of the same services as other directories, including geo-targeted landing pages, which try to show local businesses first by detecting where the visitor is coming from. LocalAdLink also offers featured listing, business information, directions, business websites, easy search ability, movie galleries, picture galleries, coupon galleries, full descriptions, reviews, and logos. All of this is made as one main site for users to find businesses, as well as for businesses to have a larger web presence, but most of all as a portal to control their advertising campaigns.

When a business owner partners with LocalAdLink, the local business receives a suite of easy-to-use tools that allow it to completely manage its business listing and advertisements on its own website. Depending on the service level selected, a business owner can add and manage all of the information it wishes to display, including contact information, such as name, address, phone number and driving directions. LocalAdLink.com also provides business owners with the ability to easily create discount coupons, add multiple photos to an image gallery and upload videos. All of the management tools have been designed to be intuitive, so that business owners with little or no technology experience can effectively manage their business listings.

##### *Advertising Network*

The LocalAdLink service also incorporates an Advertising Network. The business listings that are created on LocalAdLink.com are also populated through both owned and operated web sites and third party affiliates. LocalAdLink not only allows users to search for what they are looking for, but it also shows people what they are looking for based on where they live and by which web sites they are going to (context-sensitive ads). The first part is easily accomplished by geo-targeting advertising to a person's location by detecting where they come from. The second part is accomplished by reading the content of the web site ahead of time and ensuring that advertising delivered through LocalAdLink matches up well.

Partner web sites include photography.com, tarot.com, davesgarden.com, cnn.com, facebook.com, myspace.com. LocalAdLink has also partnered with over 100 Search Engines, such as Google, Yahoo and MSN, allowing local business owners to be displayed in searches targeted to the zip code of the local business.

LocalAdLink generates revenues by charging the business users a monthly fee. The company has engaged over 30,000 independent sales representatives who sell local advertising to their local business customers.

## **i-SUPPLY**

i-SUPPLY specializes in providing e-commerce tools and solutions for high traffic Web sites. The i-SUPPLY widget store will allow any web site that is operated by a third party to use its storefront tool by simply cutting and pasting a few lines of code to instantly create a storefront on their site. Using the i-SUPPLY tool, participating web sites will be able to offer 1.8 million brand name products on their own website and will be able to customize the look and feel of their storefront. i-SUPPLY will handle product selection, pricing, customer support, billing and shipping for any sales generated by its widget, taking this burden off the customer's shoulders. In March 2009, i-SUPPLY launched the beta version of the i-SUPPLY storefront tool. In June 2009, i-SUPPLY concluded its phased roll-out to more than 5,000 pre-sold licensees.

Users of the storefront include such websites as NameMedia, the operator of over 2 million unique domain names (Tarot.com, Photography.com and Davesgarden.com); Rackspace Hosting, 70,000 client base; Mosso Cloud Storage, 100,000 domains; Wpromote, 17,000 clients; and UVU Networks.

i-SUPPLY will generate revenues through product sales on third party websites. In addition, the third party storefronts are built with customized advertising space dedicated to local advertising. This remnant ad inventory is filled by the LocalAdLink division, providing additional cross-selling opportunities.

## **BOOMj.com**

Beyond Commerce owns and operates BOOMj.com (<http://www.BOOMj.com>), a niche portal and social networking site serving baby boomers. BOOMj.com integrates content in health, finance, politics, technology, entertainment, travel and lifestyle with social networking and shopping tools. On the [www.BOOMj.com](http://www.BOOMj.com) website, users can create their personal profile for use on the company's social network platform. These users can upload, watch and share their videos and other interesting information with like-minded boomers. The website provides entertainment news ranging from the latest movie reviews, fashions and diets to show times and ticket sales. Through the online store, which offers approximately 1.8 million items, users can also buy brand name merchandise ranging from books and CDs to electronics, featuring computers and flat panel TVs. Additionally, through BOOMj.com health network, boomers have access to a collection of company-owned and operated websites and multi-media affiliates providing timely and in-depth health, fitness nutrition information, personalized tools and resources to make the right health choices. BOOMj.com health network connects to a vast community of leading experts and people seeking to manage and improve their health and wellness.

Some of BOOMj.com's characteristics are:

- developing verticals that address boomer interests;
- creating an expert network of leading authors, bloggers and niche portals to provide best of breed content;
- starting a group's network made up of real world membership organizations and affinity groups that both provide targeted content and expand the member base.

BOOMj.com's model is based on the integration of its social network with e-commerce. By offering brand name products at competitive prices, BOOMj.com drives membership through e-commerce. Boomers come across the BOOMj store looking for good deals and at checkout are offered reward points for becoming BOOMj members. BOOMj.com then continues offering reward points for a host of online social and e-commerce activities such as adding pictures, music, videos, content, communicating with other members and shopping. BOOMj.com has also extended its e-commerce platform and reward points system to real-world groups and charities as an incentive to their members to join the BOOMj network. This integration of online social network activities with e-commerce allows the company to offer its co-branded store to other social networks and niche portals, generating incremental sales.

Beyond Commerce management believes that the BOOMj website currently is the most visited baby boomer social network on the web and one of the top 50 global social networks, with over 80,000 active members at the moment.

#### *The BOOMj Expert Network*

In order to give users the most relevant and targeted content, BOOMj.com launched the BOOMj Expert Network – a community of over 25 leading authors, experts and content aggregators. The BOOMj Expert Network provides customized content in the areas that are most relevant to the portal's user base: relationships, travel, health, pets and vets, finance, beauty and fashion, home improvement and outdoor adventures.

#### *The BOOMj "Association" Network*

In March 2008, BOOMj entered into its first "real world" partnership with the National Exercise and Sports Trainer Association (NESTA, [www.nestapft.com](http://www.nestapft.com)). Together, they plan to promote healthy living and introduce the over 41,000 NESTA members to the BOOMj community.

#### *The BOOMj Store*

In late 2007, BOOMj launched its e-commerce store, offering leading brand name merchandise in 13 major categories: beauty products, books, boutique stores, camera and photo products, computers, DVDs, electronics, garden and patio products, kitchen appliances and products, music, office supplies, pet products and supplies, and wellness products – at low prices by establishing relationships with manufacturers, wholesalers, publishers and distributors in various industries. BOOMj Store offers approximately 1.8 million brand name products.

The on-line store leverages current social shopping trends and allows members to interact during the shopping experience by posting reviews and feedback on products in the BOOMj Store. Products can also be tagged and stored with popular social bookmarking sites such as Del.icio.us or pushed to other social media channels such as Twitter. BOOMj integrates e-commerce into the social network by creating brand and product profiles within the network allowing members to become "friends with their favorite products" – this gives the company opportunities to target very specific niche segments.

BOOMj also integrates commerce and community with content. Within the health and lifestyle channels, there are articles, commentaries and news about specific topics. Throughout these channels BOOMj features related products and services available in the store (through contextual e-commerce widgets) and with a click-to-buy option on the same page.

#### *Co-Branded Commerce*

By partnering to co-brand and host social shopping sites for high volume online communities, portals and blogs, the company increases its e-commerce footprint, traffic, advertising dollars and BOOMj member base.

## Management<sup>1</sup>

### **Robert J. McNulty, Chairman / CEO**

Mr. McNulty is an entrepreneur with over 25 years of experience in specialty retail, e-commerce, branded consumer products, retail start-ups and developing new concepts and technology platforms for utilization in the retail industry. Mr. McNulty founded Shopping.com and served as its President and CEO. Shopping.com was the first on-line retailer selling a broad range of consumer brand name products on the Internet, which was purchased for \$220 million in an all-cash transaction by Compaq Computers. Mr. McNulty also founded Home Club and served as its Chairman and CEO. Home Club was a chain of home improvement warehouse stores for contractor trade and do-it-yourself customers, servicing U.S. western states with 38 stores and 7,000 employees. He was the first to institute and implement the "everyday low price strategy" in the U.S. Home Improvement industry. Mr. McNulty was a founding board member of the Home Cancer Industry Council for the City of Hope Cancer Research Center. Currently, he serves as Chairman of Global Leadership Connection, a charitable organization that provides leadership programs for high school students and supports the education of today's youth leaders across America.

### **Wendy Borow-Johnson, President of National Advertising Sales**

<sup>1</sup> Source: Beyond Commerce website and SEC filings.

Ms. Borow-Johnson has over 25 years of senior level experience in cable network development, broadcast communications and advertising. Ms. Borow-Johnson was the President of the Healthy Living Channel, the General Manager for the Beauty and Fashion Network at the Media Group, Inc., and CEO of RNET Health, Inc., Recovery TV Network.

**Mark V. Noffke, Executive Vice President and Chief Financial Officer**

Mr. Noffke is a Certified Public Accountant with more than 30 years of senior level financial and operational experience. Mr. Noffke was the Chief Financial Officer of Financial Media Group, Inc., and National Storm Management, Inc. Mr. Noffke was an investment banker at Striker Pacific Corporation, and Chief Financial Officer and Director of U.S. Forest Industries, Inc.

**Ben Clark, Vice President Operations**

Mr. Clark has over 15 years of brick & mortar and e-commerce management experience. Mr. Clark was a Product Manager at Virgin Entertainment Group and a Director of Merchandising at DVDexpress.com.

**Devan Sharma, Chief Technology Officer**

Mr. Sharma has over 15 years of experience with computer technology and internet development. Mr. Sharma studied with the US Department of Defense through the University of Maryland, Massachusetts Institute of Technology, and University of Duisburg, Germany. He has been a technology developer at Belkin Components, HP, ALL By Phone + Net, Germany, Pegasus Computer Industries and has been innovative with development with Zend (PHP), Sun Micro Systems (My SQL), Google (Open Social), Microsoft (OEM Developer) and works with the W3C.

**Murray Williams, Director**

Mr. Williams was a member of the founding management team at Buy.com and is a Certified Public Accountant with 15 years of business experience in public offerings, private financings and merger/acquisitions.

**Michael Warsinske, Director**

Mr. Warsinske is an online media sales executive and currently CEO of OverAd Media, a digital media sales firm. He is a founder and CEO of Cybereps, an early online advertising sales company which launched advertising sales for IMDB.com, Advertising.com, Andover.net, Reuters.com, eMarketer.com and grew to 100 employees in 7 offices, subsequently sold to Interep (Nasdaq: IREP) in 2001. Mr. Warsinske also co-founded Wordcents, an early contextual advertising network sold to YBrant Digital. He currently advises digital media startups, including Information Strategies, Inc., CMBS.com, FlatFeeConferencing.com, InstantLaw.net and Friend2Friend.com. Mr. Warsinske has 25 years of experience in online/traditional media sales.

**Barry Falk, Director**

Mr. Falk has broad experience in structuring complex financing transactions in diversified industries, including the telecommunications, specialty finance, software and hardware technologies, distribution and retail sectors. Mr. Falk specializes in corporate and securities law, with an emphasis on business planning, venture capital and mergers and acquisitions. Prior to joining the firm, Mr. Falk worked for the U.S. Securities and Exchange Commission's Division of Corporation Finance from 1990 through 1993 where he was the senior disclosure attorney for the SEC's Pacific Region and in the SEC's Division of Enforcement from 1988 through 1990. Prior to completing his law degree, Mr. Falk worked as an accountant for a national public accounting firm. Mr. Falk is an investor in several venture capital and angel funds and is active on the board of directors of several private companies. Mr. Falk received his J.D. degree from Loyola Law School, Los Angeles and his B.S. degree in Accounting from Kean College of New Jersey.

**Ronald L. Loveless – Director**

Mr. Loveless is a retired executive of the world's largest retailer, Wal-Mart Stores, Inc. Ron served four years in the US Air Force Intelligence Service and began his career with Wal-Mart in 1964. He rose through the operations ranks, serving as assist. manager, Store Manager, District Manager and Regional Vice-President. In 1980, he was named General Merchandise Manager of Wal-Mart's Hardlines Merchandising Division. In 1983, he was named as the first CEO of the new Sam's Wholesale Club Division and achieved over \$1.5 billion in sales with 30 units in just three years of operation. Since leaving

Wal-Mart, Ron has consulted in retailing and consumer products with numerous projects in Canada, the U.S. and the Middle East.

## FINANCIAL OVERVIEW

Beyond Commerce has a relatively short operating history as the company was established in December 2006. First revenues were recorded in Q2-2007 and the company is yet to reach breakeven.

### Income statement

Beyond Commerce was reporting modest revenues until Q1-2009. The first revenues began in Q2-2007 and the largest quarterly revenue was in Q1-2009 at \$6.0 million, which probably would have been significantly higher, had the company not faced the problem with its credit card processors as mentioned above. The LocalAdLink segment, which was launched in November 2008, accounted for almost all revenues and costs of sales in Q1-2009.

US\$ thousands, except EPS	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	2007	2008
Total revenues	760.9	59.3	204.8	818.2	6,044.2	94.5	1,843.2
<b>Operating expenses:</b>							
Cost of products sold	820.8	63.7	165.6	1,125.0	5,127.1	97.9	2,175.1
Selling general & administrative	1,646.4	1,195.9	2,237.0	1,684.9	2,926.7	2,892.1	6,764.2
Selling general & administrative - related party	59.0	42.3	24.6	53.5	23.4	291.3	156.1
Professional fees	269.4	479.9	495.2	77.4	925.9	1,164.3	1,345.1
Depreciation and amortization	41.9	44.7	47.8	48.5	51.8	137.3	182.8
Total operating expenses	2,837.6	1,826.4	2,970.2	1,864.1	3,927.7	4,582.9	8,448.3
Operating loss	-2,076.6	-1,767.1	-2,765.4	-2,170.9	-3,010.6	-4,488.4	-8,780.1
<b>Non-operating (expenses):</b>							
Interest expense	-482.1	-629.5	-1,267.0	-947.1	-1,418.3	-172.9	-3,325.7
Interest expense - related party	-	-	-	-	-	-125.4	-
Expense related to derivative	-	-	-	-752.7	1,766.3	-	-752.7
Interest income	-	-	0.4	0.1	-	2.2	0.5
Total non-operating (expenses)/income	-482.0	-629.4	-1,266.6	-1,699.8	348.0	-296.1	-4,077.9
Net loss	-2,558.7	-2,396.6	-4,032.1	-3,870.7	-2,662.6	-4,784.5	-12,858.0
Preferred dividends	-	-	-	-	-	-189.0	-
Net loss available to common stockholders	-2,558.7	-2,396.6	-4,032.1	-3,870.7	-2,662.6	-4,973.5	-12,858.0
Basic and diluted net loss per common share	-0.07	-0.06	-0.10	-0.10	-0.06	-0.20	-0.33

Source: SEC filings.

Q1-2009 was the first quarter with positive gross margin, although the operating margin was still negative. Much of the increase in operating expenses is connected with rapid growth: hiring new personnel, marketing etc. Income related to derivatives related to notes issued in the third and fourth quarters of 2008. Interest expenses include non-cash expenses related to the value of warrants issued to investors who invested in Beyond Commerce's convertible notes and discounts from beneficial conversion features. This amount also includes loan fees and loan discount amortization expenses of \$0.98 million related to the company's promissory notes.

### Balance sheet

Beyond Commerce's balance sheet is pretty dry, with very little cash, relatively high debt and negative equity.



US\$ thousands	31-Dec-08	31-Mar-09
<b>Assets:</b>		
<b>Current assets:</b>		
Cash	100.1	12.5
Accounts receivable	226.1	1,055.4
Prepaid loan cost	562.7	424.9
Prepaid commissions	-	1,119.4
Other current assets	306.3	87.2
<b>Total current assets</b>	<b>1,195.1</b>	<b>2,699.4</b>
Property, website and computer equipment	871.2	959.0
Less: Accumulated depreciation and amortization	-320.4	-372.1
Other	60.1	81.5
<b>Total assets</b>	<b>1,806.0</b>	<b>3,367.7</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Short term borrowings, net	2,400.6	3,165.6
Accounts payable - trade	1,490.6	2,268.8
Accounts payable - related party	19.6	-
Note derivative liability	1,523.7	1,630.6
Deferred Revenue - current	610.0	2,697.9
Other current liabilities	1,374.5	2,336.6
<b>Total current liabilities</b>	<b>7,418.9</b>	<b>12,099.5</b>
Temporary Equity	1,136.0	-
<b>Shareholders' equity:</b>		
Common stock, \$0.001 par value	40.9	41.4
Additional paid in capital	11,096.6	12,513.1
Accumulated deficit	-17,886.4	-21,286.3
<b>Total Shareholders' equity</b>	<b>-6,748.8</b>	<b>-8,731.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,806.0</b>	<b>3,367.7</b>

Source: SEC filings.

All of the company's debt is short-term and the working capital deficit was at \$9.4 million at the end of March 2009. Most of the debt (\$4.0 million before discount) is represented by convertible promissory notes, bearing an annual interest rate of 12% and due on July 31, 2009. The rest of debt (gross value of \$0.8 million) matures in late June 2009.

## Cash flows

Since Beyond Commerce's revenues are still quite modest, the company is not generating any cash, compensating for this with financing activities.

US\$ thousands	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	2007	2008
<b>CFO</b>	-1,991.9	-1,611.3	-1,987.1	-150.2	-365.8	-2,907.8	-5,740.5
<b>CFI</b>	-71.7	-6.6	-43.7	-0.4	-87.8	-149.7	-122.3
<b>CFF</b>	1,973.4	1,633.4	2,022.4	222.5	366.0	3,114.5	5,851.7
<b>Net CF</b>	<b>-90.1</b>	<b>15.5</b>	<b>-8.4</b>	<b>71.9</b>	<b>-87.6</b>	<b>56.9</b>	<b>-11.2</b>

Source: SEC filings.

During Q1-2009, Beyond Commerce's operations were burning on average \$121.9 thousand per month, whereas during the same period of 2008, the monthly cash burn rate was \$664.0 thousand. Monthly operating cash burn for the whole of 2008 was \$478.4 thousand. Beyond Commerce has little investing cash flows.

## Warrants and options

At the end of March 2009, 10.8 million common stock purchase warrants were outstanding, with exercise prices between \$0.01 and \$2.40 per share, but mostly between \$0.70 and \$0.93 per share. At the same time, 3.3 million options were outstanding, with exercise prices between \$0.50 and \$1.50.

## Subsequent financial developments

During April and the first two weeks of May 2009, some note holders converted the principal and interest of their convertible promissory notes into shares at a conversion rate of \$0.70 per share. Total principal converted was \$1.5 million, which was converted into 2.1 million shares. During May 2009 one note holder converted the principal and interest of their convertible promissory note into shares at a conversion rate of \$1.00 per share. Total principal converted was \$0.1 million, which was converted into 100,000 shares.

During April 2009, Beyond Commerce issued a 30-day zero coupon note payable of \$550,000 for the receipt of \$500,000. This was paid in full during May 2009. In addition to the receipt of funds, the company gave the lender 500,000 options to purchase the company's common stock at a price of \$1.00 per share.

During May 2009, the company issued a 120-day promissory note at 12% interest to an accredited investor for \$800,000. As a condition of the note, the company issued the lender 400,000 options to purchase the company's common stock at a price of \$1.00 per share.

On May 20, 2009, Beyond Commerce executed a convertible original issue discount promissory note (the "Note") in the principal amount of \$1,600,000 payable to Linlithgow Holdings, LLC<sup>2</sup> ("Linlithgow" or the "Holder"). Pursuant to the Note, the company promises to pay to the Holder \$1,600,000 in cash on November 20, 2009. The Note is convertible at any time at a conversion price of \$1.00 per share. The Note bears interest at the rate of 1.5% per month outstanding until the maturity date. After the maturity date, the default rate of interest becomes 18% per month or the highest rate allowed by law, whichever is lower, until the date the Note amount is actually paid. Payment of the Note is secured pursuant to a security interest and pledge agreement whereby BYOC pledged 6,000,000 shares of treasury common stock. Further, as part of the consideration provided to the Holder for the Note, the Holder also received a warrant for the purchase of up to 1,725,000 shares of the company's common stock at an exercise price of \$0.90 per share. The warrants are exercisable, in whole or in part, any time from and after the date of issuance of the warrant.

During April and the first two weeks of May 2009, Beyond Commerce granted to some of its independent sale force and consultants 690,000 options to purchase the company's common stock at a price ranging from \$1.00 to \$1.59 per share. During the same period, the company granted 67,500 options to purchase its common stock to some of its employees at a price equal to the market price on the date of issuance.

## RECENT NEWS

### **Beyond Commerce, Inc. Announces its i-SUPPLY Division Has Successfully Launched over 5,000 Widget Stores – June 2, 2009**

Beyond Commerce announced that its i-SUPPLY division concluded its phased roll-out to more than 5,000 pre-sold licensees. The first 5,000 stores, now on web sites belonging to members of LocalAdLink's independent sales force, have successfully launched on schedule. Beyond Commerce estimates that it will create tens of thousands more storefronts over the next 120 days.

### **Beyond Commerce, Inc. Announces LocalAdLink's Expansion into Asian Markets through a 50-50 Joint Venture – May 14, 2009**

Beyond Commerce announced its first purchased licensing agreement and 50-50 joint venture for LocalAdLink's expansion into the following Asian Markets: Malaysia, Indonesia, Brunei, Thailand, Vietnam, Cambodia, Burma and Laos. Beyond Commerce has licensed the rights to LocalAdLink's technology and brand to Labocus Ultrionics, Pte Ltd., a Singapore corporation.

Labocus Ultrionics has purchased a license to the proprietary technology and brand, LocalAdLink. The joint venture partner Labocus Ultrionics will run the day to day business and will fund the costs of operations within the markets described. LocalAdLink will manage the back office, the technology,

<sup>2</sup> Linlithgow is an entity owned and controlled by the immediate family members of the Company's Chief Executive Officer, Robert McNulty. Robert McNulty is not a member or manager of Linlithgow and he disclaims any beneficial interests in shares held by Linlithgow. Mr. McNulty does not exercise any voting rights in respect of these shares nor does he have any right to dispose of these shares. Linlithgow is the beneficial owner of 41.5% of the issued and outstanding common stock of the Company.



facilitation of all commissions, and provide all marketing strategies. The company's technology is multi-language and currency enabled. Under separate financial agreements Labocus Ultronic will also have an option to operate in the Philippines and in India.

### **Beyond Commerce, Inc. Announces Record Week of Revenues for LocalAdLink – May 6, 2009**

Beyond Commerce announced \$1,195,800 in revenues for the week ending May 2nd. "LocalAdLink advertising sales and the number of professionals joining our sales force are accelerating rapidly," stated Ben Clark, Senior Vice President of LocalAdLink. "Our growth-to-date has been phenomenal. We expect to continue this very healthy growth trend for the rest of 2009."

## INDUSTRY OVERVIEW

Beyond Commerce operates in three segments: baby boomer social networking website, local online advertising, and e-commerce solutions.

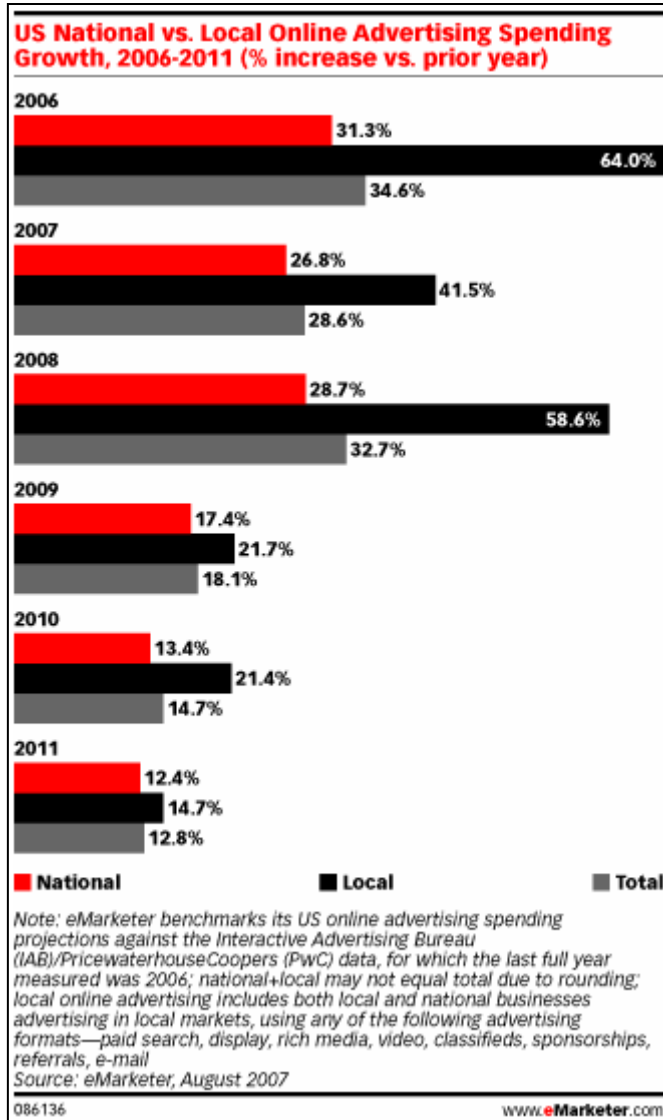
### **Local Online Advertising Market**

Traditionally, the internet was used as a national (or even global) advertising channel, indiscriminately serving the same ads to everyone, regardless of where the user is. According to Borrell Associates Inc.<sup>3</sup>, in 2005, online advertising market was split at around 75:25 percent between national and local ads, whereas the whole advertising industry exhibited an even split. Borrell reports that local advertising is the fastest-growing portion of the online market. According to Borrell, between 2000 and 2005, local online advertising enjoyed a compound annual growth rate of 23.1%. In 2005, growth skyrocketed to 51.5%. Even at \$4.1 billion for 2005, local online advertising represented only 3.1% of the nearly \$130 billion that local businesses were spending on all media advertising. Borrell Associates projected that over the next four years local online advertising would grow to \$8.6 billion - and still be less than 6% of all local ad spending.

eMarketer confirms that there is a significant dollar gap between local online and local total media ad spending<sup>4</sup>, with \$97 billion going to offline media such as yellow pages and print newspapers, while only \$2.9 billion, or 2.9% of all local ad spending, was expected to go online in 2007. eMarketer expects that through 2011, spending for local online advertising will grow at a faster rate than either national advertising or total online advertising, making it a key growth area in a maturing Internet ad space.

<sup>3</sup> Source: [http://www.newsandtech.com/issues/2006/06-06/ot/06-06\\_saxo-onlineadseries-04.htm](http://www.newsandtech.com/issues/2006/06-06/ot/06-06_saxo-onlineadseries-04.htm).

<sup>4</sup> Source: [http://www.iab.net/insights\\_research/530422/1675/113084](http://www.iab.net/insights_research/530422/1675/113084).



Source: [http://www.iab.net/insights\\_research/530422/1675/113084](http://www.iab.net/insights_research/530422/1675/113084).

JupiterResearch expects<sup>5</sup> local online advertising to increase at a 13% compound annual growth rate from 2007 to 2012, faster than online advertising as a whole, for which a 12% growth rate is anticipated during the same period. Although various researchers have different forecasts of the dollar size of the local online advertising industry (due to different definitions and methodologies), without a doubt, all of them expect substantial growth:

US\$ billions	2007	2008	2009	2010	2011	2012
Borrell Associates, <i>December 2007</i>	8.5	12.6				
eMarketer, <i>August 2007</i>	2.9	4.6	5.6	6.8	7.8	
JupiterResearch, <i>December 2007</i>						8.9
The Kelsey Group, <i>February 2006</i>	2.5	3.7	5.0	6.2		
Veronis Suhler Stevenson, <i>August 2007</i>	8.4				19.2	

Sources: <http://searchengineland.com/jupiter-local-online-advertising-will-be-worth-89-billion-in-2012-13164>,  
[http://www.iab.net/insights\\_research/530422/1675/113084](http://www.iab.net/insights_research/530422/1675/113084),  
<http://www.mediapost.com/publications/index.cfm?fuseaction=Articles.san&s=65282&Nid=33013&p=223422>

<sup>5</sup> Source: [http://www.jupiterresearch.com/bin/item.pl/press:press\\_release/2008/id=08.01.28-local-online-advertising.html/](http://www.jupiterresearch.com/bin/item.pl/press:press_release/2008/id=08.01.28-local-online-advertising.html/).

Much of the potential local online ad revenue growth is expected to come from small and medium-size local businesses<sup>6</sup>.

Local search is believed to be the main segment of local online advertising. It is currently one of the most popular web services, second only to e-mail and used by 58% of internet users, according to Piper Jaffray<sup>7</sup>. Marchex quotes different sources<sup>8</sup>, stating that 86% of Internet users search for local products and services, up from 70% in 2006, and more than 90% of the transactions resulting from these searches are completed offline.

## E-commerce Market

According to the US Census Bureau, the US e-commerce is steadily growing both in dollar terms and as percentage of total retail sales, although the current recession has reduced the growth pace and even caused a decline in recent quarters:

Adjusted retail sales, \$ billions	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
E-commerce sales	33.5	33.9	33.5	31.5	31.7
% of total retail	3.3%	3.3%	3.4%	3.4%	3.5%
% change from same quarter a year ago:					
E-commerce	12.9%	8.7%	4.7%	-5.6%	-5.4%
Total retail	2.5%	2.2%	0.1%	-9.1%	-10.2%

Source: <http://www.census.gov/mrts/www/data/html/09Q1.html>.

eMarketer reports that U.S. e-commerce sales totaled \$127.7 billion in 2007<sup>9</sup>. According to eMarketer, online sales account only for about 4% of total U.S. retail sales. Due to the economic crisis, eMarketer lowered its 2008 US retail e-commerce sales (excluding travel) estimate to \$137 billion (down from the initial forecast of \$146 billion), up merely 7% over the previous year<sup>10</sup>.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
						E	F	F	F	F
E-commerce sales, \$ billions	56	70	87	108	128	137	142	154	168	184
Year-over-year growth	27.3%	25.0%	24.3%	24.1%	18.2%	7.2%	4.1%	8.0%	9.5%	9.2%

Sources: <http://www.retail-e-commerce.com/2008/10/good-news-for-online-retailers-economy.html> quoting eMarketer; [http://www.emarketer.com/Reports/All/Emarketer\\_2000545.aspx](http://www.emarketer.com/Reports/All/Emarketer_2000545.aspx)

Even without the recession, future projections envisaged a similar steady decline. "A drop in the number of new online buyers is an inevitable sign of the maturation of the online retail channel," said Grau. But as more people gain Internet access, "Retail e-commerce could get a boost from underserved consumer segments such as seniors and Hispanic-Americans." "Online retail sales are maturing and the lion's share of future growth will primarily come from existing buyers spending more in the online channel," Patti Freeman Evans, senior analyst at JupiterResearch, said. "Assuming growth continues in a similar trajectory over the coming decades, U.S. online retail sales will plateau at 10% to 15% of total U.S. retail sales, barring a dramatic change in the online shopping experience that promotes an inordinate spending shift among buyers."

## Impact of recession

The New York Times reports that according to comScore<sup>11</sup>, during the first 23 days of November 2008 consumers spent \$8.19 billion online, a 4% drop from the same period one year earlier, the first annual decline since e-commerce took off. The impact of recession can also be seen from the US Census Bureau data shown above. Nonetheless, online sales are apparently doing better than brick & mortar retailers during the economic turmoil. Some of the explanations quoted in the media are<sup>12</sup>:

<sup>6</sup> Source: [http://online.wsj.com/article/SB121746776033899393.html?mod=2\\_1571\\_leftbox](http://online.wsj.com/article/SB121746776033899393.html?mod=2_1571_leftbox).

<sup>7</sup> Source: [http://www.iab.net/insights\\_research/530422/1675/113084](http://www.iab.net/insights_research/530422/1675/113084).

<sup>8</sup> Source: [http://www.marchex.com/local-insight/pdf/Perspectives\\_on\\_Local\\_Online\\_Advertising\\_and\\_Content\\_Marchex\\_2008.pdf](http://www.marchex.com/local-insight/pdf/Perspectives_on_Local_Online_Advertising_and_Content_Marchex_2008.pdf).

<sup>9</sup> Source: <http://www.contrarianprofits.com/articles/online-retail-sales-shake-off-weak-us-economy-and-continue-to-grow/2996>.

<sup>10</sup> Source: [http://www.emarketer.com/Reports/All/Emarketer\\_2000545.aspx](http://www.emarketer.com/Reports/All/Emarketer_2000545.aspx).

<sup>11</sup> Source: <http://bits.blogs.nytimes.com/2008/11/25/for-first-time-e-commerce-market-shrinks/>.

<sup>12</sup> Source: <http://www.contrarianprofits.com/articles/online-retail-sales-shake-off-weak-us-economy-and-continue-to-grow/2996>.

- affluent shoppers, who form the core of online buyers, tend to ride out economic downturns better than lower- and middle-income consumers;
- disposable incomes are being squeezed and what is drawing people online is the perception that the internet is cheaper and that they can shop around to get bargains and lower prices;
- Broadband is also cheaper and it has broadened the spectrum of people who can shop online.

## Baby Boomer Market

Beyond Commerce's BOOMj.com segment targets baby boomers and Generation Jonesers. The U.S. Census Bureau considers a baby boomer to be someone of the generation born between 1946 and 1964<sup>13</sup>. The term 'Generation Jones' is applied to people born between 1954 and 1965<sup>14</sup>, and thus can be considered a subset of the baby boomer market, even though they have some cultural differences.

### Key trends

- One of the largest demographic segments in the USA;
- Significant purchasing power (the wealthiest demographic segment);
- Highly diverse group;
- "Young at heart";
- Baby boomers are reaching the retirement age;
- Many baby boomers expect to continue working after reaching retirement age, either because of financial need or out of desire to do so;
- Many baby boomers are facing low retirement wealth due to low savings and the result of economic turmoil (decline in the value of home equity, stock prices).

### Size

The U.S. Census Bureau estimated that there were 78.2 million baby boomers in the USA as of July 1, 2005<sup>15</sup>. The baby boomer generation is considered one of the most important, if not *the* most important, demographic segments of the US consumer market.

According to a report published by Packaged Facts<sup>16</sup>, baby boomers account for one-third of the U.S. population, spend about \$2 trillion annually, and generally expect to stay in the workforce far past the age of 65. According to the report, people age 45-64 will soon become the fastest-growing segment of the U.S. population, as Census Bureau projects their numbers will swell from 77 million in 2006 to upwards of 82 million by 2030.

### Main characteristics

Baby boomers are reported to have driven the American economy for decades<sup>17</sup>. During the 1990s, baby boomers accounted for about half of all consumer spending in the U.S., according to a McKinsey Global Institute study. And when they didn't have much money to spend, they used cheap credit. However, recent trends, such as mass retirement and recession, are defining a new reality. This generation was characterized by high spending and low saving, but now baby boomers think twice before making a significant purchase, while considering retiring later to accumulate enough wealth to provide for longer lifespan than their parents had. In fact, most boomers plan to work past traditional retirement age<sup>18</sup>, not only because they need the money or the health insurance, but because they enjoy being challenged and engaged. Many will shift into part-time work or begin entirely new careers or entrepreneurial ventures. Few imagine that Social Security benefits will outlive them.

Realtor.org writes<sup>19</sup> that a significant portion of baby boomers married later in life and had children at a later age, which means many will continue to work beyond the traditional retirement age. A survey by Harris Interactive® revealed that older boomers are thinking about retirement, but one-third expect to go

<sup>13</sup> Source: [http://en.wikipedia.org/wiki/Baby\\_boomers](http://en.wikipedia.org/wiki/Baby_boomers).

<sup>14</sup> Source: [http://en.wikipedia.org/wiki/Generation\\_Jones](http://en.wikipedia.org/wiki/Generation_Jones).

<sup>15</sup> Source: [http://www.census.gov/Press-Release/www/releases/archives/facts\\_for\\_features\\_special\\_editions/006105.html](http://www.census.gov/Press-Release/www/releases/archives/facts_for_features_special_editions/006105.html).

<sup>16</sup> Source: <http://www.marketresearch.com/map/prod/1634923.html>.

<sup>17</sup> Source: [http://www.presstelegram.com/business/ci\\_10777014](http://www.presstelegram.com/business/ci_10777014).

<sup>18</sup> Source: <http://www.marketresearch.com/map/prod/1634923.html>.

<sup>19</sup> Source: [http://www.realtor.org/press\\_room/news\\_releases/2006/baby\\_boomer\\_study\\_06](http://www.realtor.org/press_room/news_releases/2006/baby_boomer_study_06)

back and forth between periods of work and periods of leisure, and another 35 percent want to work at least part-time or start a business. The median age at which baby boomers expect to stop working is 70, but 27% say they never intend to stop working. Most survey respondents were unsure of their financial future, with three-quarters saying they are not financially prepared for retirement and many expressing anxiety about their ability to retire. Their ideal retirement location characteristics include a lower cost of living, being near family, quality health care, better climate and being near a body of water.

Researchers note<sup>20</sup> that many marketers treat baby boomers as a large, homogenous wealthy target. However, they point out that baby boomers are a very diverse population in terms of tastes, spending priorities, financial concerns, living situations, interests and expectations. Although the shared experiences of the Vietnam War and the civil rights movement may have helped to shape their values and cultural mores, significant disparities in income, educational background, and habitation patterns persist.

According to Mary Furlong, author of the book "Turning Silver into Gold: How to Profit in the New Boomer Marketplace"<sup>21</sup>, the key to success in the baby boomer marketplace is life-stage marketing because the boomers will go through more transitions in their 50s and 60s than any other phase of life. Each life-stage transition triggers business opportunities that revolve around family (empty nests, loss of parents, arrival of grandchildren); health issues (menopause, heart disease, vision and hearing loss, arthritis); housing (downsizing, rightsizing, remodeling, second homes); finances, work, retirement, and daily activities (time for passions and play); and perspective (the search for meaning). She also points out that the boomers are not a homogenous group. Many people who are in their 50s today face retirement, empty nests, grandparenting, and aging parents, but some of them have young children, and some are newlyweds. Millions of Generation Jonesers are still pursuing careers and helping their kids through school. The boomers are also ethnically and economically diverse. For example, in the United States, 12% of older boomers (those born between 1946 and 1955) and 15% of Generation Jonesers are foreign-born. The key to success in reaching baby boomers is tying the business idea to the social issues that surround aging, such as loneliness, empty nests, dating after 50, the death of a loved one, and retirement. We believe the BOOMj.com portal fits well into this model. Mary Furlong writes that surveys reveal that boomers are not brand loyal; they are educated consumers, and if they can find a smarter solution, they will switch brands.

## Internet usage

According to a report published by eMarketer<sup>22</sup>, over the next several years, the number of U.S. baby boomers who use the Internet at least once a month is expected to grow by more than 5 million, rising from 58.2 million in 2006 to 63.7 million in 2011. Over-60s will also be a large and growing segment of the U.S. Internet culture, growing from 17.7 million Internet users in 2006 to 25.3 million by 2011.

## Impact of the economic turmoil

According to a national survey conducted by Bell Investment Advisors in Oakland, California<sup>23</sup>, one in four affluent 60-year-olds are downsizing their lifestyle by contributing less to charity, canceling vacations, reducing retirement saving or postponing retirement altogether. The financial woes have also led to mental anguish, the survey finds, as 30% of those polled say they feel more stressed than they did six months ago. The annual survey also finds that more than a quarter of all respondents have either lost jobs in the last 12 months or know someone 60 or over who has. Such adverse conditions are causing many (21%) to cancel or postpone vacations, and almost as many (18%) to contribute less to retirement savings, the Bell survey says. The short term effects of less spending on the economy will be felt in the months to come, but the long-term effect of this trend is profound: 11% report that they will postpone retirement altogether.

<sup>20</sup> E.g. <http://www.marketresearch.com/map/prod/1466503.html>.

<sup>21</sup> Source: <http://www.ftpress.com/articles/article.aspx?p=693652>.

<sup>22</sup> Source: <http://www.marketresearch.com/map/prod/1635552.html>.

<sup>23</sup> Source: <http://www.marketwatch.com/news/story/baby-boomers-spending-goes-bust/story.aspx?guid={5C845AB5-7FD8-4C3E-9D5F-818990B01806}>

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