



# truffenet

# CONTENTS

 1	Introduction:	3 - 6
 2	Corporate Structure & Team:	7 - 9
 3	Our Vision:	10 - 16
 4	Building a Sustainable, Competitive Advantage – The Acquisition of ReplIndex:	17 - 18
 5	How we work:	19 - 21
 6	Financial Overview:	22 - 27
 7	Appendix:	28 - 30

# INTRODUCTION

1



*“If I had asked what my customers*

*wanted, they would have said ‘a faster*

*horse’ ”*

# Executive Summary

TruffleNet is a business focused on the delivery of social media intelligence products that can replace traditional, less effective research and insight tools and methodologies. Using TruffleNet, clients can understand how their companies, brands and markets are being talked about online and changes in the volume and sentiment of this comment over time.

What sets TruffleNet apart in a busy market, is very high quality human analysis, combined with market-leading linguistic analysis software, developed by one of the world's leading authorities in discourse stream analysis.

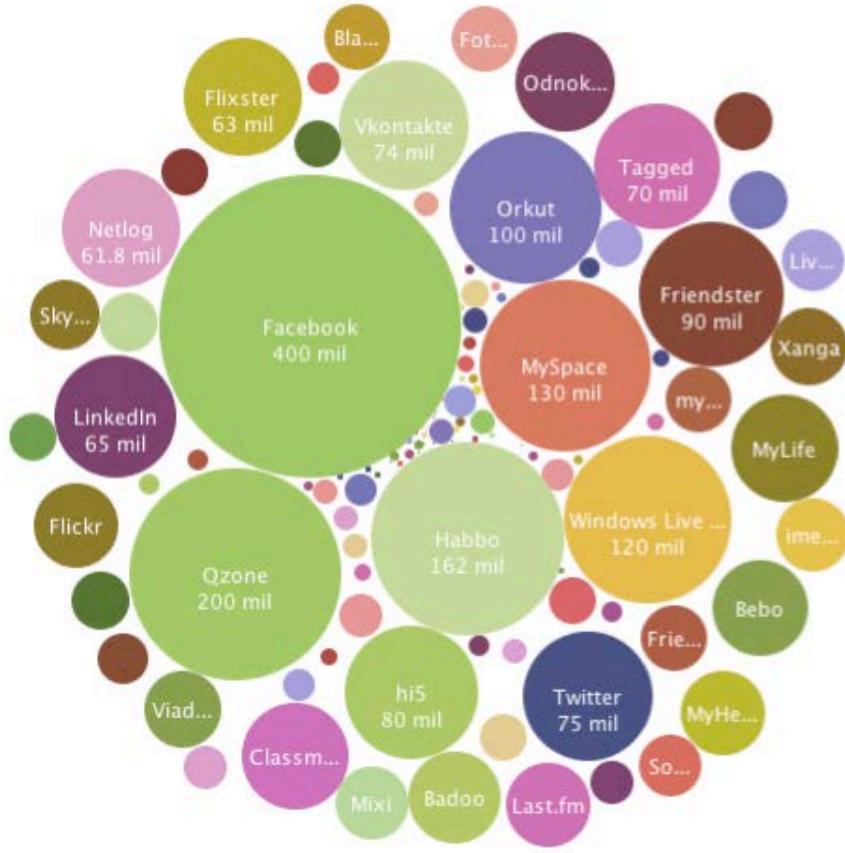
TruffleNet's clients to date include McLaren F1, GSK, Novartis, Colgate Palmolive, TomTom, HM Treasury and AB InBev.

## The Market

Social media activity is expanding globally at a remarkable rate. New communities are constantly emerging, offering environments where conversations can take place and opinions and information can be exchanged on a massive scale. This represents a huge challenge for organisations trying to keep ahead of customer and public opinion and to tune their strategy and communications to best effect.

## Use of Proceeds

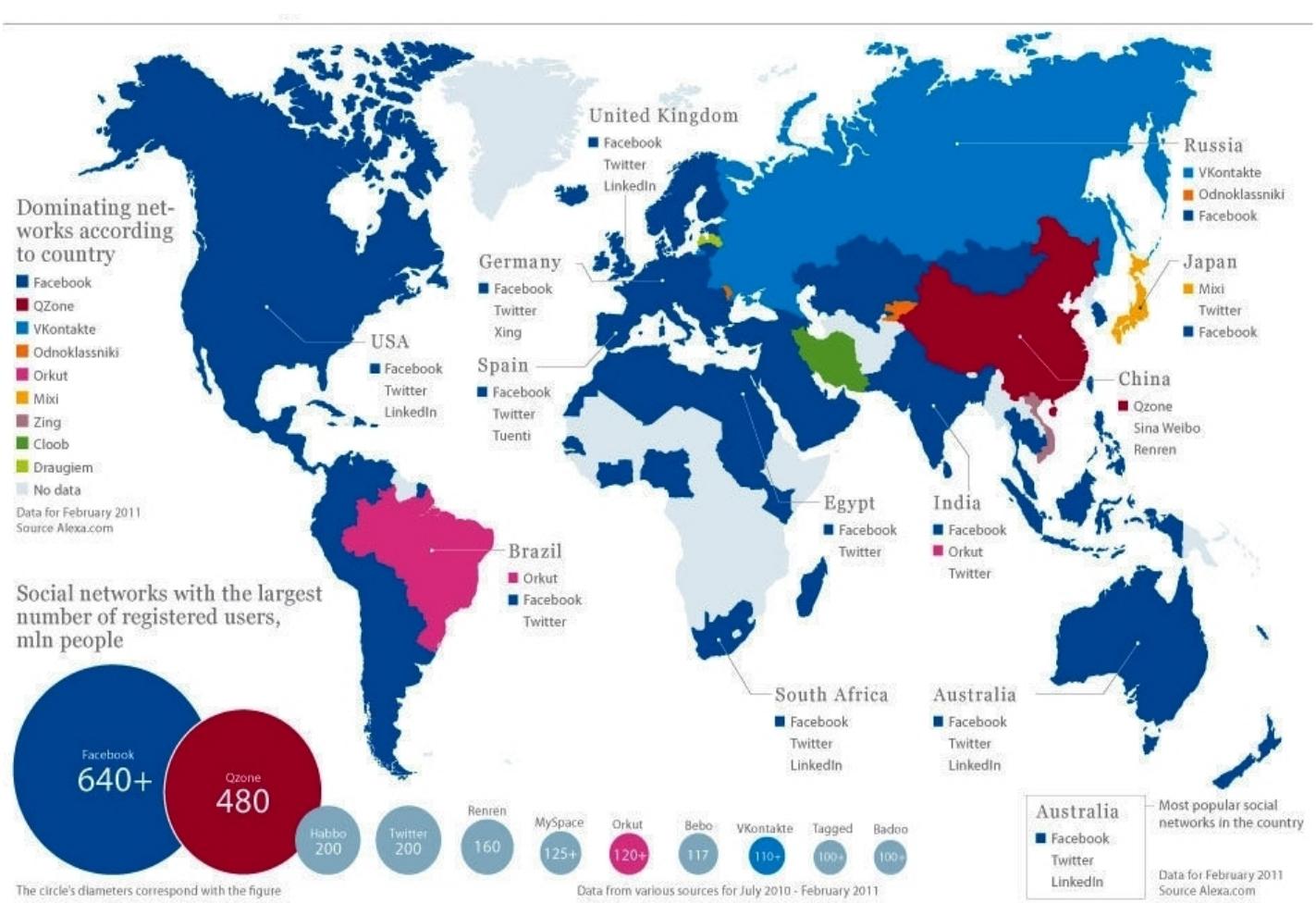
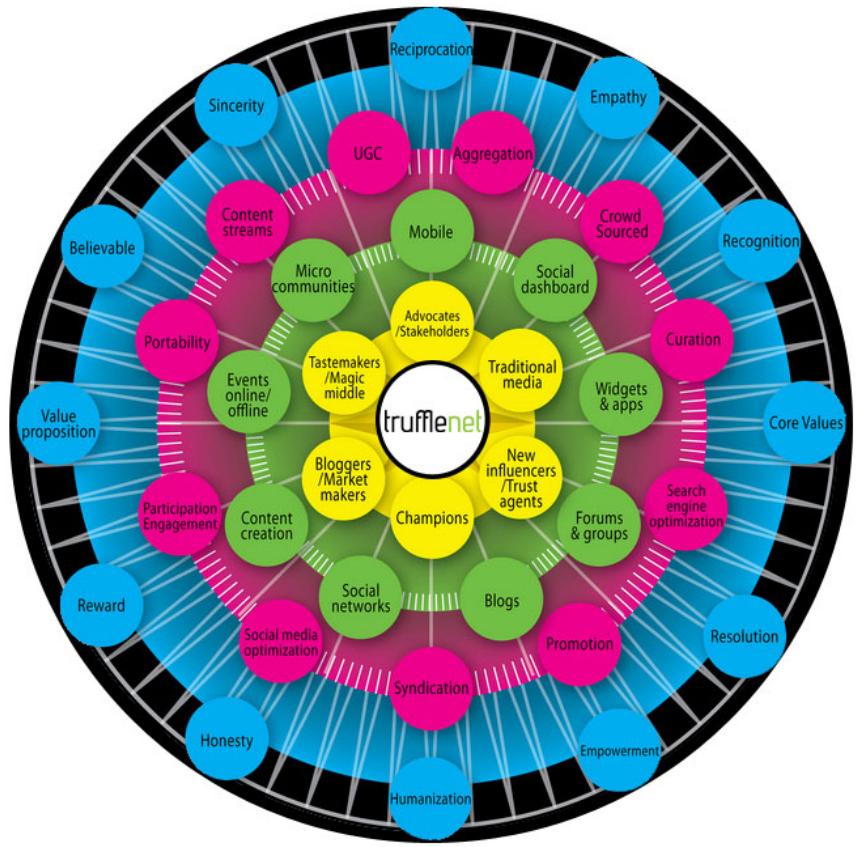
In addition to the acquisition of our partner, ReplIndex, funds will be used primarily to enhance our multiple language capabilities. We have identified a clear opportunity to service clients with interests outside of English language commentary, in particular in Asian and Latin American territories where there is a rapidly growing body of comment in markets that are critical to multi-national brands. We believe this represents the single biggest opportunity for TruffleNet to grow its revenues and margins and have already demonstrated our capabilities in assessing comment in China (Mandarin), three Gulf States (Arabic) and four Latin American countries (Portuguese and Spanish).



## **Required Funding**

Having developed organically over the past 2 years, the company now wishes to scale up its operations to be able to take full advantage of the exponential growth in the market for social media analysis and insight.

The business is therefore seeking £1.5m GBP of further investment to complete the purchase of its partner ReplIndex, to expand its marketing and sales capability and also to continue to build out its analytical capacity. The proceeds will also be used to enable the business to expand into a range of geographies outside of W.Europe, building on recently completed work in Asia (China) and Latin America.





Pinterest 1090 VISITORS

foursquare 2000 CHECKINS

flickr 3125 PHOTOS  
UPLOADED

TAGGED 3500 NEW FRIEND  
CONNECTIONS

LinkedIn 7,610 SEARCHES

StumbleUpon 7,630 STUMBLES

twitter 175K TWEETS

facebook 700K MESSAGES SENT

YouTube 2MM VIDEOS VIEWED

# CORPORATE STRUCTURE & TEAM

2



## Corporate Structure

TruffleNet has been established as a UK limited company. The share capital is split between Ordinary and Preference Shares as below:

Ordinary Shares 2,071,387

Preferences Share 730, 274

With respect to shareholders owning more than 5% of issued shares, the figures are as below. The remaining ordinary shares are held between 12 shareholders.

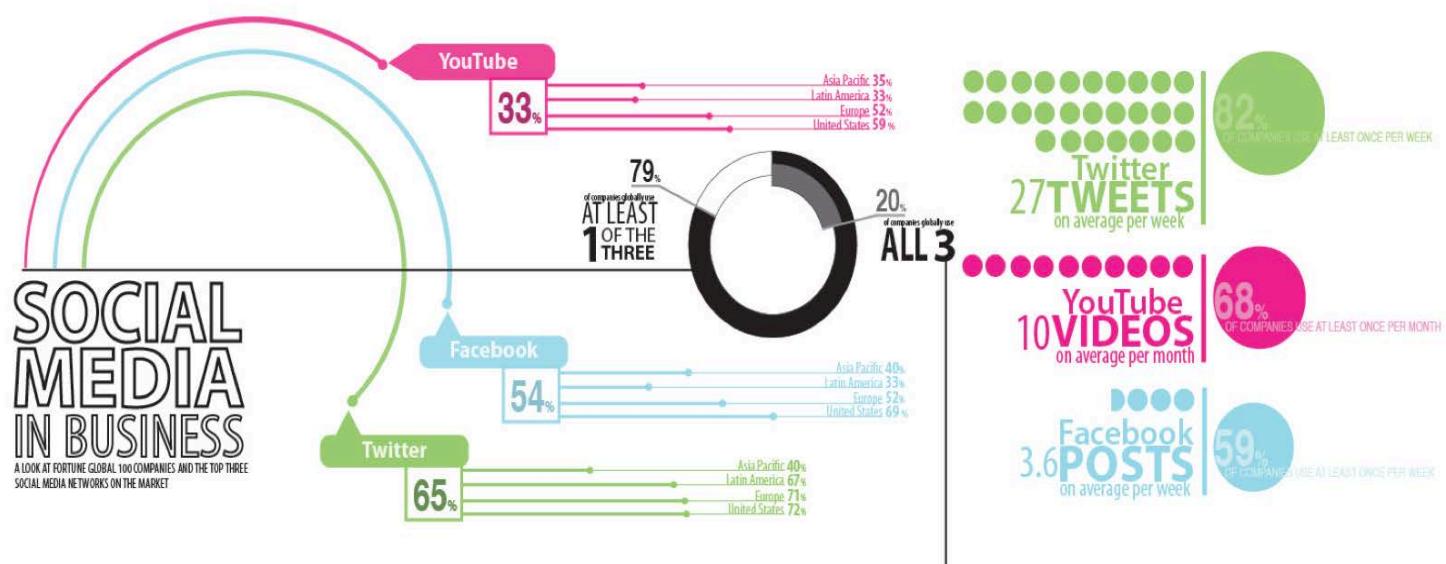
Westleigh Investments 64%

Nigel Clarke 18%

Reva Capital 7%

In order to incentivise senior team members, an options scheme will be put in place, with key principles as below:

- The size of the options pool grows in line with the exit valuation realised
- All options are granted at the point of a liquidity event
- Options pool has cap on its total size
- At exit of £2.5m, total option pool consists of 3.6% of the current share capital prior to this funding round
- At exit of £15.5m+, the pool would consist of 10.8% of the current share capital prior to this funding round, the maximum possible



# Management Team



## Nigel Clarke, Executive Chairman and Founder

Nigel has over 30 years' experience in political lobbying and broader communications work, having been one of the three principal partners of GJW, Europe's leading government relations company. Nigel now heads Learned Lion Partner, which specialises in advising start-up businesses across a wide range of market sectors and operating territories. Nigel was an early investor and non-executive director of ULTRA Global in the transport field, and in 2010 set up and served as Chairman of SureCalm Healthcare Ltd, raising £9m to acquire, integrate and expand 3 home healthcare businesses. In Q1 2012 SureCalm was sold to Amcare Limited for a consideration of £21.5m.



## Ed Chatham, Managing Director

Ed has been at the cutting edge of new media and online research over the past 10 years, having successfully launched businesses in the fields of internet audience measurement, mobile content measurement and web analytics. Ed has also held senior management roles at Nielsen Online, the British Market Research Bureau and Harris Interactive. As a consequence, Ed has a strong understanding of how social media can offer businesses actionable insights into consumer behaviour and attitudes.



## Dr Mark Perkins, Founder Repindex

Mark is an expert in the field of free text analysis, specifically the use of linguistic principles to identify and classify concepts in text. Mark has a PhD in Applied Linguistics and specialises in the identification of concepts in free text flows in real time (such as web and opinion data text). Repindex builds on his academic work to provide a systematic representation to what is being said about a brand or issue, and of related trends over time. Mark has written over 30 research papers, which include new product ideas and viewpoints, and has worked with an extensive blue chip client base over the years including Ford, GM, BMW, Hyundai, Dell, Panasonic, Samsung, Intercontinental Hotel Group, and Best Western.



## Kevin Savage, Client Services Director

As Client Services Director, Kevin is responsible for delivering growth within Trufflenet's core blue chip markets. In 2010 Kevin joined Communispace, the world's leading provider of market research online communities, extending its presence in Europe, working with clients such as Air France KLM, Unilever and ASDA. Prior to this, Kevin spent four years at Jupiter Research and Forrester Research, focusing on growth within the retail, FMCG, media and pharmaceutical sectors. Kevin also led the expansion of Yankee Group in Europe, bringing their telecoms and IT research expertise to telcos, equipment vendors, software and financial services companies.



## Matthew Cain, Director of Intelligence

Matthew Cain is a PR professional with a strong track record in new media. His particular strength is in devising crisis communications campaigns and he has built up an unparalleled understanding of the development of social media. This experience has underpinned his allowed him to guide the development of the Trufflenet platform to best meet market needs.



## Mark Donohue, Production Manager

Mark Donohue is a research and communications specialist with an almost unhealthy obsession for social media and new technologies. Prior to joining Trufflenet, Mark was an advisor to government ministers in Australia and also worked at the United Nations University in Tokyo as a research assistant.

# OUR VISION

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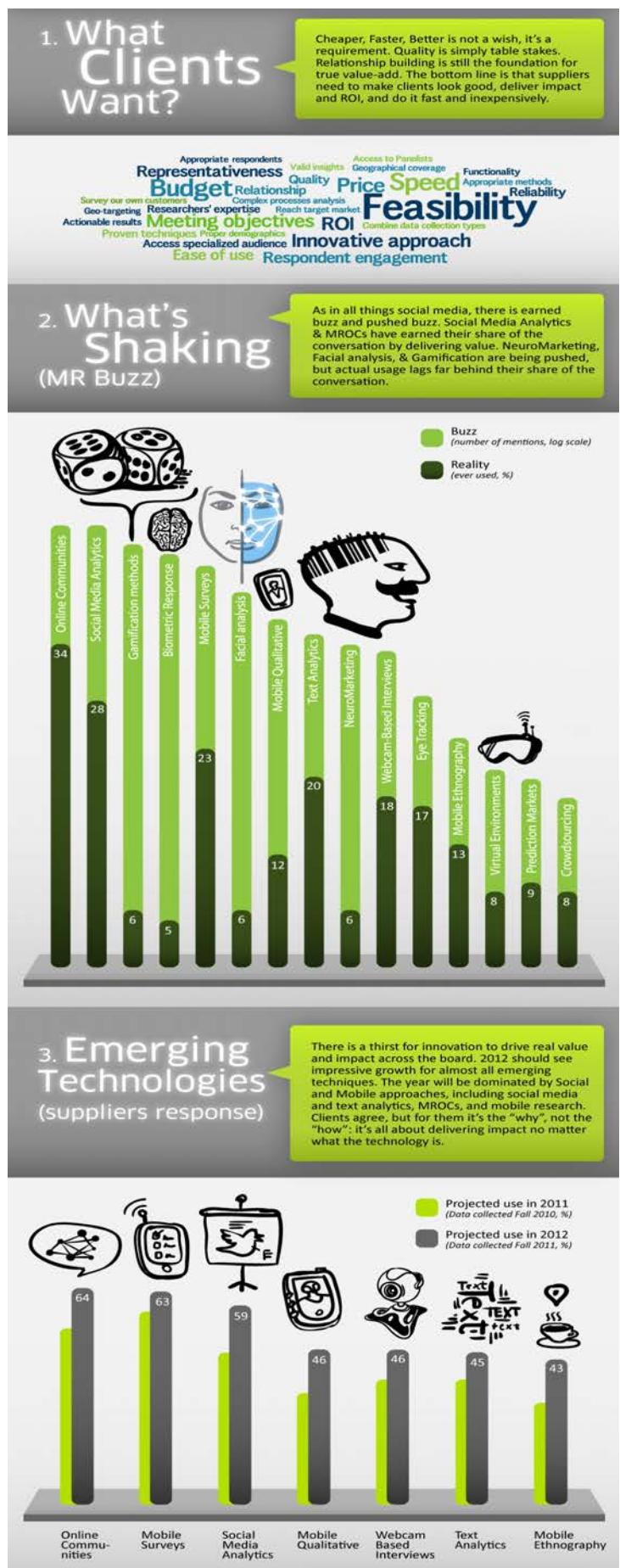
# Our Vision

No company can afford to ignore their customers' opinions, wherever they may be expressed. However, understanding the exact nature of customer opinion has proved difficult for many brands when it is expressed in such a complex and ever changing entity as the Social Web.

What is equally clear, is that data collection without insight has little value, and in itself is an increasingly commoditised business. TruffleNet can interpret social media commentary, identifying sentiment, profile and complex multiple themes. This capability gives TruffleNet access to mainstream market research budgets, where far larger sums are spent on Insight (as opposed to just monitoring social media activity). Moreover, TruffleNet can provide insight significantly faster, and at lower cost/with higher margins than traditional research.

## Market Potential

The majority of social media services are limited to simply monitoring and reporting. TruffleNet provides a unique, empirical service that enables it to participate in the much larger research market. Although the size of the global social media marketing industry is forecast to grow rapidly from just \$716m in 2009 up to \$4.8bn in 2014, according to Forrester Research, TruffleNet's services are well positioned to address the needs of the larger market research industry, worth \$29bn globally, and \$2bn in the UK alone in 2009.



# The Opportunity to Address Emerging Markets and Non English Language Commentary

In the course of Q1 2012, Trufflenet has undertaken a number of pieces of work to support clients in a range of emerging markets, including China, the Middle East (Saudi Arabia, UAE, Bahrain) and Latin America (Brazil, Mexico, Argentina, Colombia, Venezuela, Guatemala). In the course of conducting this work, the business has become aware of the absolute paucity of suppliers who can deliver against such requirements. To be clear, whilst coverage of English language commentary in N.America and W.Europe is commonplace, there are no suppliers of whom we are aware that can provide the data, let alone the analysis, to service clients operating outside of these markets. There are a number of reasons to explain this situation, the most important of which are summarised below:

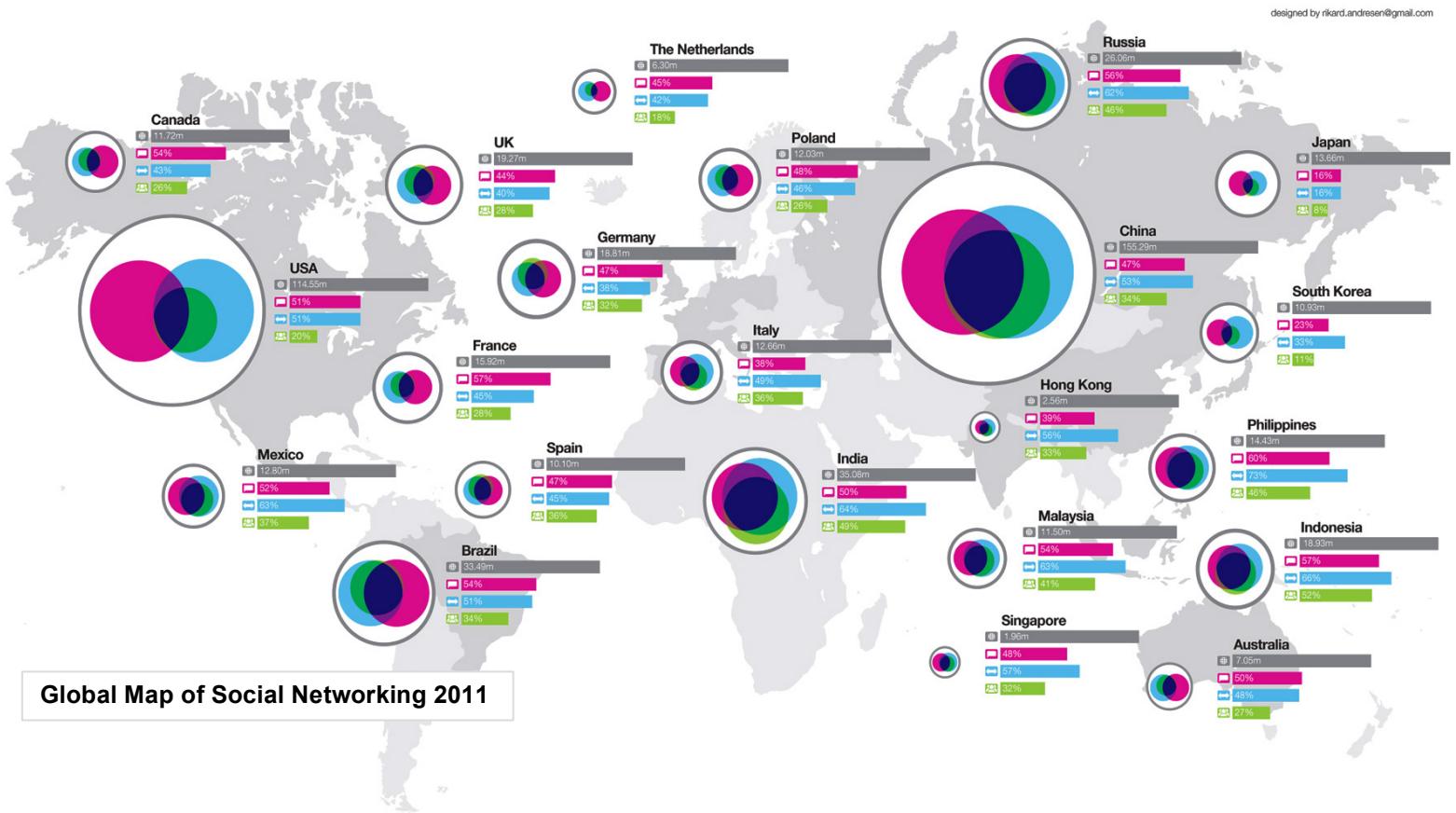
- The vast majority of Trufflenet's competitors are based in N.America and hence have focused largely on this very sizeable market when building up their capabilities
- In most instances, competitors rely on the major social media channels in Western markets for their data. However, Facebook, Google and Twitter will often yield little data when seeking comment generated within emerging markets. See graphic below for overview of China:

Due to the blocking of popular Western social networking sites such as Facebook and YouTube, China has developed domestic sites that display similar functionality to their foreign counterparts.

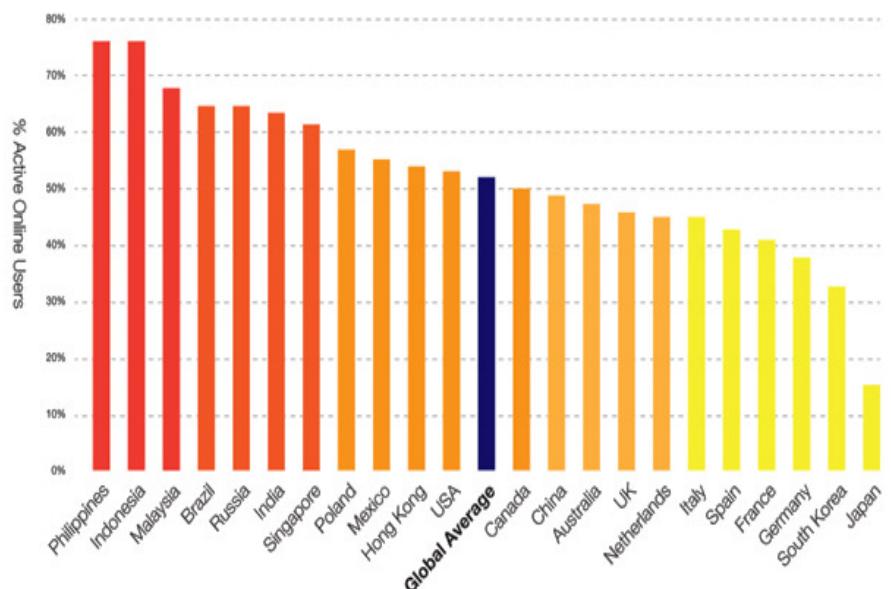
 Renren Launched: 2005 Famous equivalent: Facebook	Like Facebook, Renren.com started as a social networking platform available exclusively to college students and—although now open to the general public—it still remains most popular with those attending university. In April 2011, the company announced it had reached 31 million active monthly users and filed to raise \$584 million in a U.S. IPO.
 kaixin001.com Launched: 2008 Famous equivalent: Facebook	Kaixin001 allows users to upload photos, write blogs, and download Farmville-esque apps such as Happy Farm and Friends for Sale. More so than Renren, it appeals to a broader member base of young urban professionals.
 新浪微博 SINA WEIBO Launched: 2008 Famous equivalent: Twitter	Since its launch, Sina Weibo has emerged as the most popular microblogging service in China, claiming nearly 60 percent of the microblogging market and reeling in 250 million registered users as of October 2011. Each day, 25 million messages are sent on the platform. By comparison, Twitter has more than 200 million users and 50 million messages sent per day.
 YOUKU 优酷 .com Launched: 2006 Famous equivalent: YouTube	Youku not only allows users to upload videos of any length, it also offers a video library of popular films, TV shows, and clips. Because copyright laws in China are only loosely enforced, <sup>3</sup> the site can display unlicensed content that YouTube may not be able to.
 街旁 Jiepang.com Launched: 2010 Famous equivalent: Foursquare	Jiepang offers a location-based social mobile app for the Chinese Internet population. Like its American equivalent, Foursquare, users can "check in" at various locations throughout the country and earn rewards and discounts.

- Where competitors have invested large sums of money in automated processing of data, the investment to manage non English language content and scripts is a highly significant barrier to adaptation, particularly for the more complex items such as sentiment analysis (where even in English they typically are not less than 30% inaccurate).

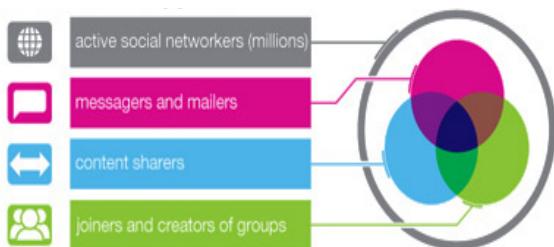
As a consequence of the above, the business now believes there is a very significant window of opportunity in which it can build a very compelling reputation and revenue base through servicing clients with a need to understand the dynamics of such markets. It should also be noted that in addition to representing very sizeable populations and economies, such markets are also highly active users of social media. As an example, China, which might traditionally have been considered a market where personal expression is highly limited, has shown itself to be a far more enthusiastic adopter and user of social media even than N.America.



Global Social Network Penetration



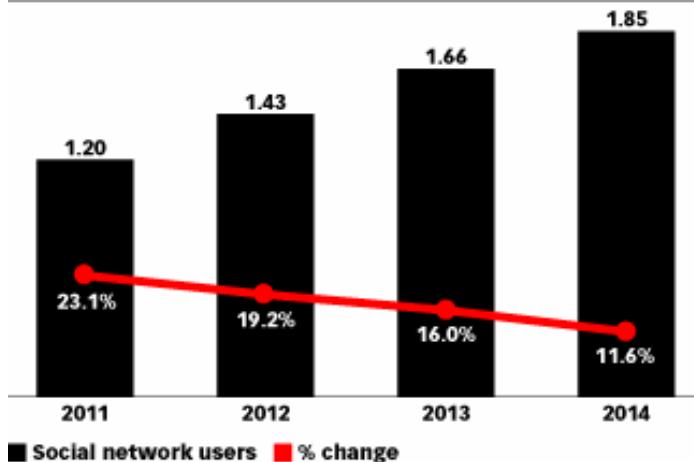
### Behaviour Types



Moreover, if one extrapolates the growth of social media users by country out beyond 2012 to 2014 (as per the forecast below), it can be seen that emerging markets will make up approx. 80% of all social media users at this time. Clearly this represents an enormous target market, and one where Trufflenet has an unrivalled opportunity to establish itself as a market leader.

#### Social Network Users Worldwide, 2011-2014

billions and % change



■ Social network users ■ % change

Note: internet users who use a social network site via any device at least once per month

Source: eMarketer, Feb 2012

136999

[www.eMarketer.com](http://www.eMarketer.com)

#### Social Network Users Worldwide, by Region and Country, 2011-2014

millions

	2011	2012	2013	2014
<b>Asia-Pacific</b>	<b>493.5</b>	<b>615.9</b>	<b>745.6</b>	<b>853.7</b>
—China*	256.5	307.5	366.2	414.5
—India	50.2	76.1	105.0	129.3
—Indonesia	34.4	52.1	67.1	79.2
—Japan	39.5	44.7	47.8	50.7
—South Korea	20.7	22.7	24.6	25.9
—Australia	8.8	9.8	10.7	11.6
—Other	83.4	102.9	124.1	142.4
<b>Latin America</b>	<b>164.9</b>	<b>191.8</b>	<b>215.9</b>	<b>236.9</b>
—Brazil	66.2	75.7	84.0	90.7
—Mexico	23.7	27.9	32.6	37.2
—Argentina	14.1	15.9	17.0	17.9
—Other	60.9	72.3	82.4	91.1
<b>North America</b>	<b>163.9</b>	<b>174.7</b>	<b>181.9</b>	<b>189.2</b>
—US	147.8	157.8	164.2	170.7
—Canada	16.1	16.9	17.7	18.5
<b>Eastern Europe</b>	<b>139.0</b>	<b>157.4</b>	<b>176.5</b>	<b>192.7</b>
—Russia	52.1	57.9	64.2	69.3
—Other	87.0	99.5	112.3	123.4
<b>Middle East &amp; Africa</b>	<b>111.1</b>	<b>148.5</b>	<b>183.0</b>	<b>211.6</b>
<b>Western Europe</b>	<b>129.8</b>	<b>145.3</b>	<b>159.4</b>	<b>170.8</b>
—Germany	25.7	29.2	32.4	34.7
—UK	23.9	25.9	27.7	29.4
—France	19.9	21.9	23.6	25.0
—Italy	15.8	17.8	19.7	21.3
—Spain	15.5	17.5	19.5	21.2
—Other	29.0	32.9	36.5	39.3
<b>Worldwide</b>	<b>1,202.2</b>	<b>1,433.5</b>	<b>1,662.4</b>	<b>1,854.7</b>

Note: internet users who use a social network site via any device at least once per month; numbers may not add up to total due to rounding;

\*excludes Hong Kong

Source: eMarketer, Feb 2012

137001

[www.eMarketer.com](http://www.eMarketer.com)

The key steps for Trufflenet to take now in order to realise this opportunity are:

- Establish a process for tracking key social media sites in emerging markets and monitoring this list for significant changes on a regular basis
- Establish process for identifying key niche social media sites in emerging markets as they relate to areas of particular interest to Trufflenet and its clients (e.g. healthcare)
- Create a range of bespoke spiders/scrapers to extract content from the key sites identified
- Continue to enhance the ability of the Trufflenet platform to process non English language scripts
- Establish team of analysts with range of language capabilities (initially on a temp basis)
- Establish network of local agents to support business development and account management in the most cost effective manner possible

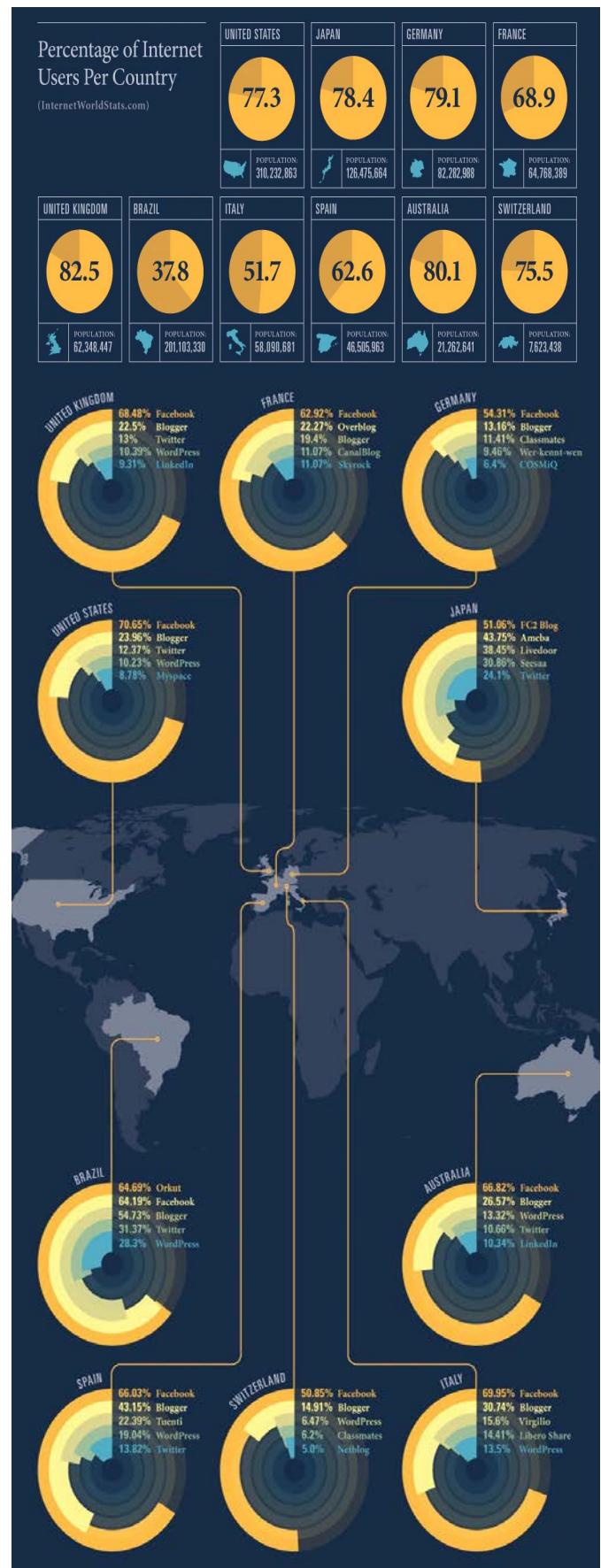
# The Trufflenet Proposition

At the current time, the market for social media insight is dominated by simple (automated) monitoring companies such as Radian6 and Crimson Hexagon and hence they are an obvious point of comparison for clients.

## Trufflenet compared to Automated Services

Based upon conversations with clients and prospects, Trufflenet determined early on that there are a number of limitations to a fully automated service, the most important of which are summarised below:

- There is a critical distinction between data and insight. The former is a commodity, whereas the latter requires the ability to contextualise data through the use of external knowledge. Trufflenet analysts reach beyond the data in order to explain what is happening in the external environment; this enables clients to understand the extent to which the data being found is of importance. This process simply cannot be automated.
- Automated sentiment analysis remains stubbornly inaccurate (typically achieves maximum accuracy rate in the region of 60-70%). Regional inflections, abbreviations, sarcasm and sentences with multiple sentiments are beyond the reach of even the most sophisticated natural language processing tools.
- The ability to search for data using concepts rather than just keywords produces far deeper results to analyse. With the ReplIndex IP built into our platform, we can deliver far more sophisticated analysis to our clients.
- Generic dashboards identify only the shifts in topline numbers and typically focus on form (charting and graphing of data) over function (analysis). As a consequence, clients tend to stop using desktop access dashboards relatively quickly and the perceived value of an automated service diminishes rapidly. Moreover, the cost to a client of employing staff member to assess and monitor streams is relatively high, and nullifies the low cost of the data stream itself.

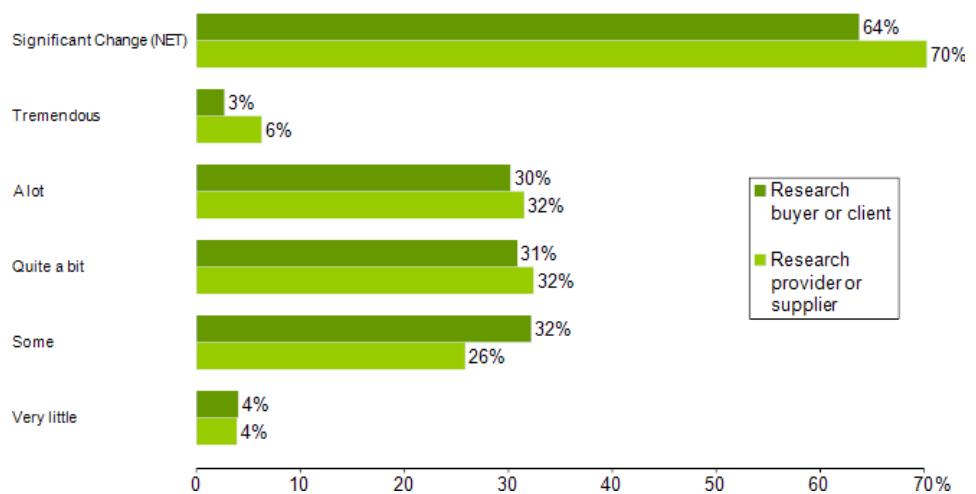


# Trufflenet compared to Traditional Research Methodologies

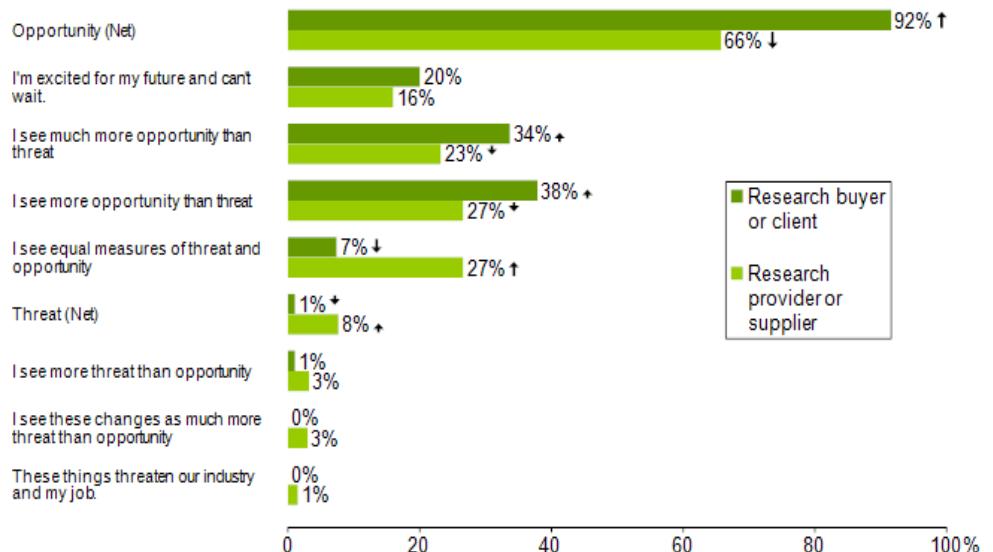
Notwithstanding the above, the company believes that the principal competition lies with the traditional market research businesses who have been slow to adjust to the new information channels.

- Insight from the web is unstructured, natural, realistic commentary. It is free of the bias of professional online panellists, who frequently participate solely to receive coupons or voucher payments.
- Response rates in the online research business have fallen to critically low rates, particularly in niche demographic groups, such as under 25 year olds, and users of specific products or services. However, these groups are posting their true opinions online in significant volumes.
- Ethnographic data (the study of what people have actually done, as opposed to have claimed to have done in a sample based survey), is gathering increasing prominence in insight circles
- Trufflenet can provide data at a fraction of the cost of traditional research because we do not need to pay our sample to give their opinions. Currently, the cost of acquiring the sample runs at an average of 60% of any market research project: and in some areas, such as healthcare or specialist studies, samples costs can run at up to 80% of the overall cost.

## Amount of change you expect you the next five years



## Reaction to industry change



<http://www.grit2012dashboard.com/>

- As commentary on the web is a live resource, we can provide results of our searches and analysis far more quickly than sample based research. We typically estimate that we are able to provide a final response to clients 2 - 5 times faster than traditional research companies.

# BUILDING A SUSTAINABLE, COMPETITIVE ADVANTAGE – THE ACQUISITION OF REPINDEX



# **Building a Sustainable Competitive Advantage – The Acquisition of ReplIndex**

In order to further differentiate our proposition, Trufflenet has signed binding Heads of Terms with the shareholders of ReplIndex to acquire this business. ReplIndex is a Cambridge (UK) based business which is based on the work of Dr Mark Perkins, an academic linguist who has written over 30 white papers, building on his original PhD at Cambridge University on Discourse Stream Analysis. Through the acquisition of ReplIndex, Trufflenet is able to develop a far more scaleable proposition than would otherwise be possible, with significant margin enhancement. Moreover, ReplIndex has amassed a significant dataset of historic comment over the past ten years, allowing for historic trending data, and ultimately forecasting of consumer trends and opinions. We believe this forecasting capability will have a significant commercial value as we continue to develop and refine it, working with Dr Mark Perkins and his team.

There are 3 main elements to the ReplIndex business as summarised below:

## **1. Concept Libraries**

ReplIndex have a library of approx. 100,000 proprietary ‘Concept Libraries<sup>1</sup> built by Mark Perkins over a number of years. These Concept Libraries can be used as advanced search

<sup>1</sup> collections of all words linked to a given concept

terms to get far better quality data than would be found using simple keyword searches alone. These concept libraries are in English and major European languages. The use of ReplIndex’s Concept Libraries not only dramatically improves the results we are able to generate, but also materially enhances our multi-lingual capabilities.

## **2. Data Library**

ReplIndex has a historic library of 4,800 daily RSS feeds going back up to 10 years. This has generated a database of several billion words, which can facilitate trend analysis, an important new development for the business. With trend analysis capabilities, the business is in a position to develop a suite of new products and address a far broader spread of market needs.

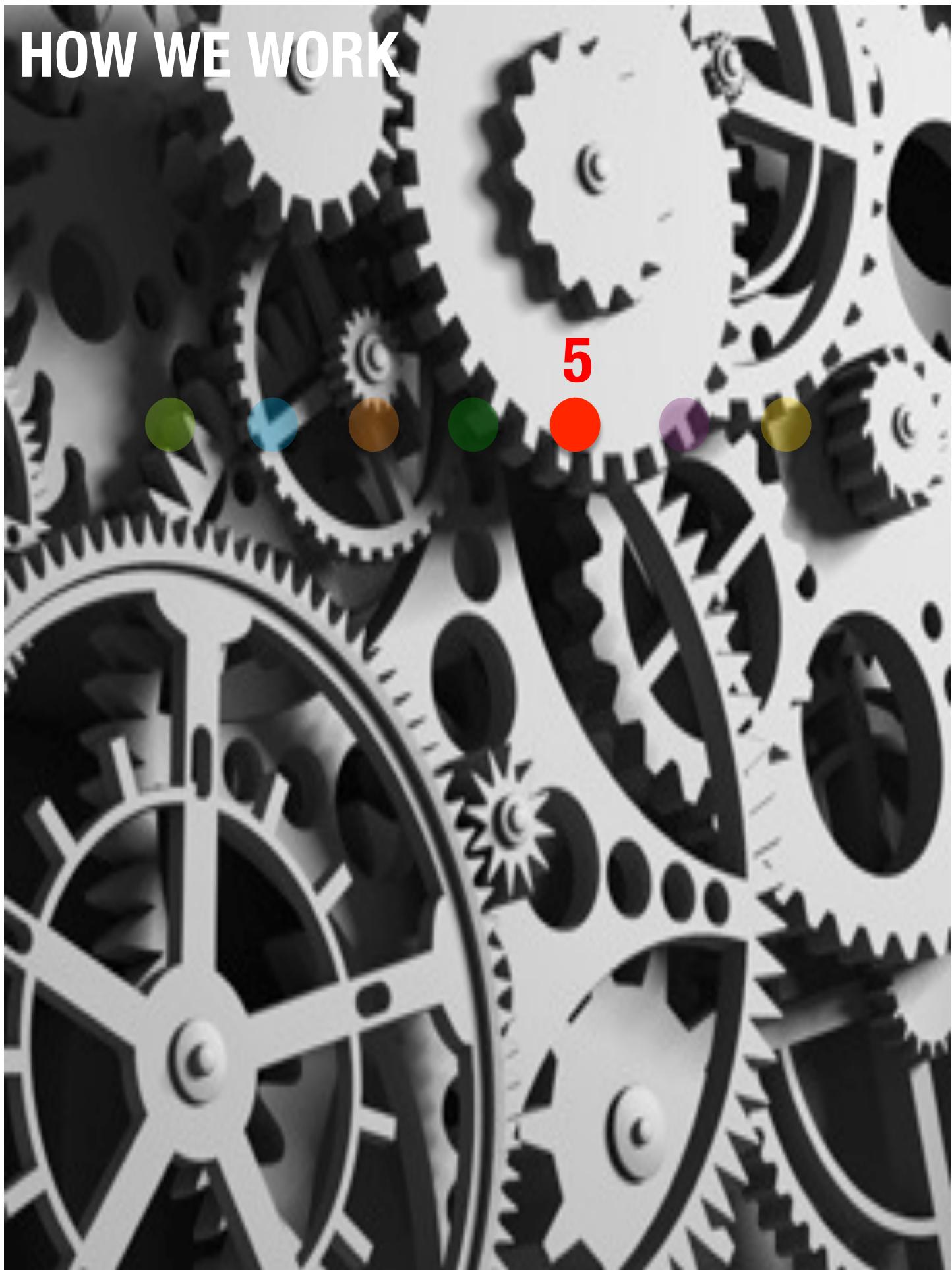
## **3. Desktop Application**

ReplIndex have an application that allows them to search and pick out themes and topics from large databases of unstructured free text, which we have already integrated into our platform and workflow. As a result, we are now able to process searches containing significant volumes of text in a matter of minutes. The ability to provide very quick turnaround services allows Trufflenet to expand its product range and therefore its potential client base.

## **The key terms of the agreement to purchase Replindex:**

- Agreement with ReplIndex to be pegged to closing of fundraising
- Upon signature, a payment of £335,000 to be made to the shareholders of ReplIndex
- Upon completion of the fundraising, the ReplIndex shareholders to be granted shares to the value of £1,157,500 in Trufflenet Ltd, subject to a maximum of 9.5% of the pre money equity in the merged entity
- ReplIndex to be entitled subsequently to a maximum of £1,157,500 in additional payments related to Trufflenet product sales, calculated as 4% of topline income generated

# HOW WE WORK



# How we work

TruffleNet marries sophisticated computer algorithms, academic linguistic research and human analysis to create a near real-time intelligent system.

## Our Services – Defined Products

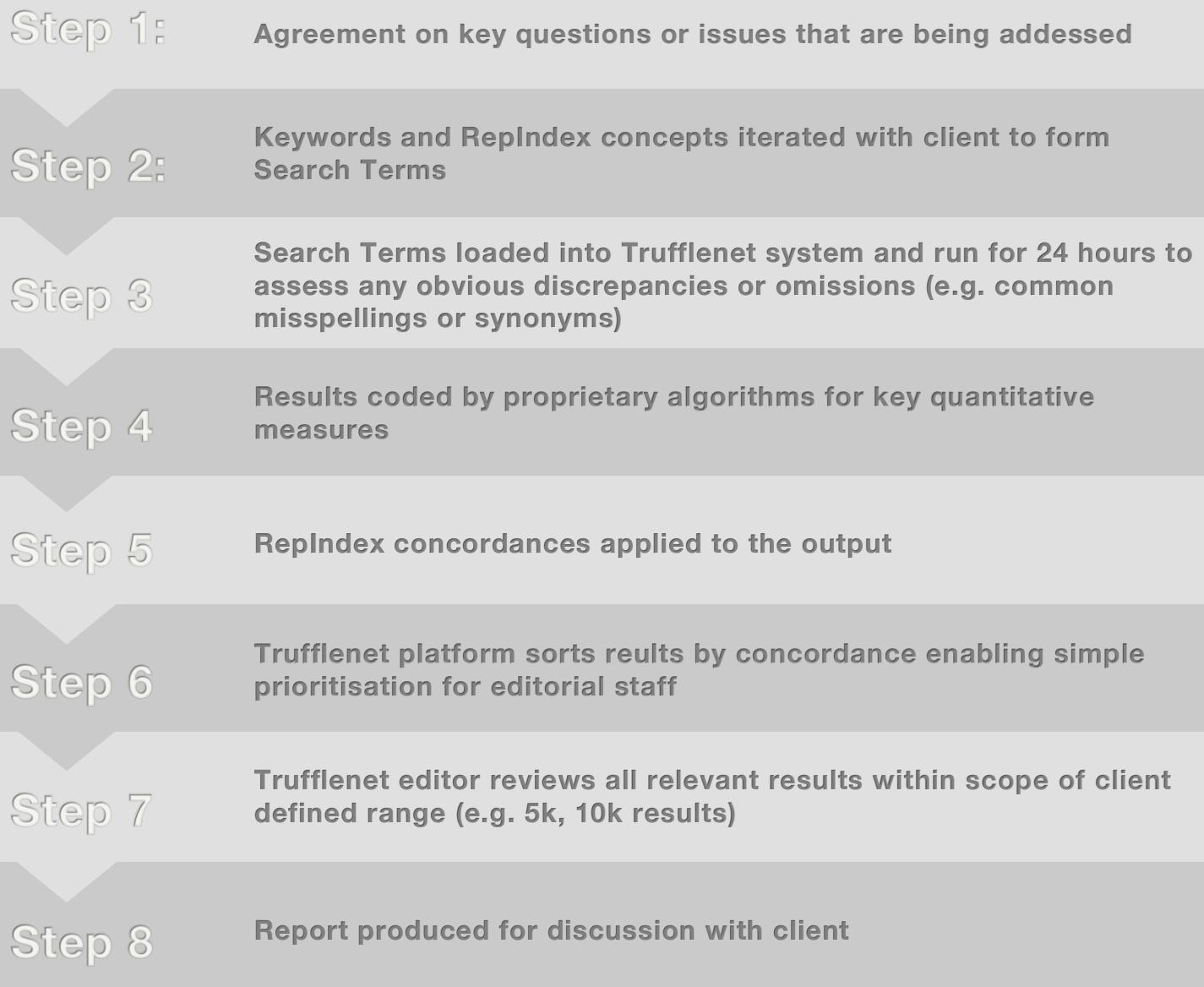
In addition to bespoke reports (a process for which is outlined below), TruffleNet can provide clients with a range of defined ‘products’ that include:

- Brand and Communications Audits
- Advertising Effectiveness
- Competitor analysis
- Market Snapshots
- Customer Satisfaction



## **Our Services – Bespoke Reports**

Based on keywords or conceptual themes determined by the client, Trufflenet assesses historic data and additionally monitors websites, blogs, forums, Twitter and social networks for a given period of time/until the agreed number of relevant results are found. Sample sizes vary greatly from client to client and may be constrained where the topic of interest is unlikely to generate mass comment (e.g. effectiveness of a very specialised drug therapy). Each automated search result is automatically coded for a range of quantitative attributes according to a number of proprietary algorithms. An editorial analyst subsequently assesses the qualitative features of the relevant results. The quantitative and qualitative output is then synthesised to provide a bespoke assessment to the client.

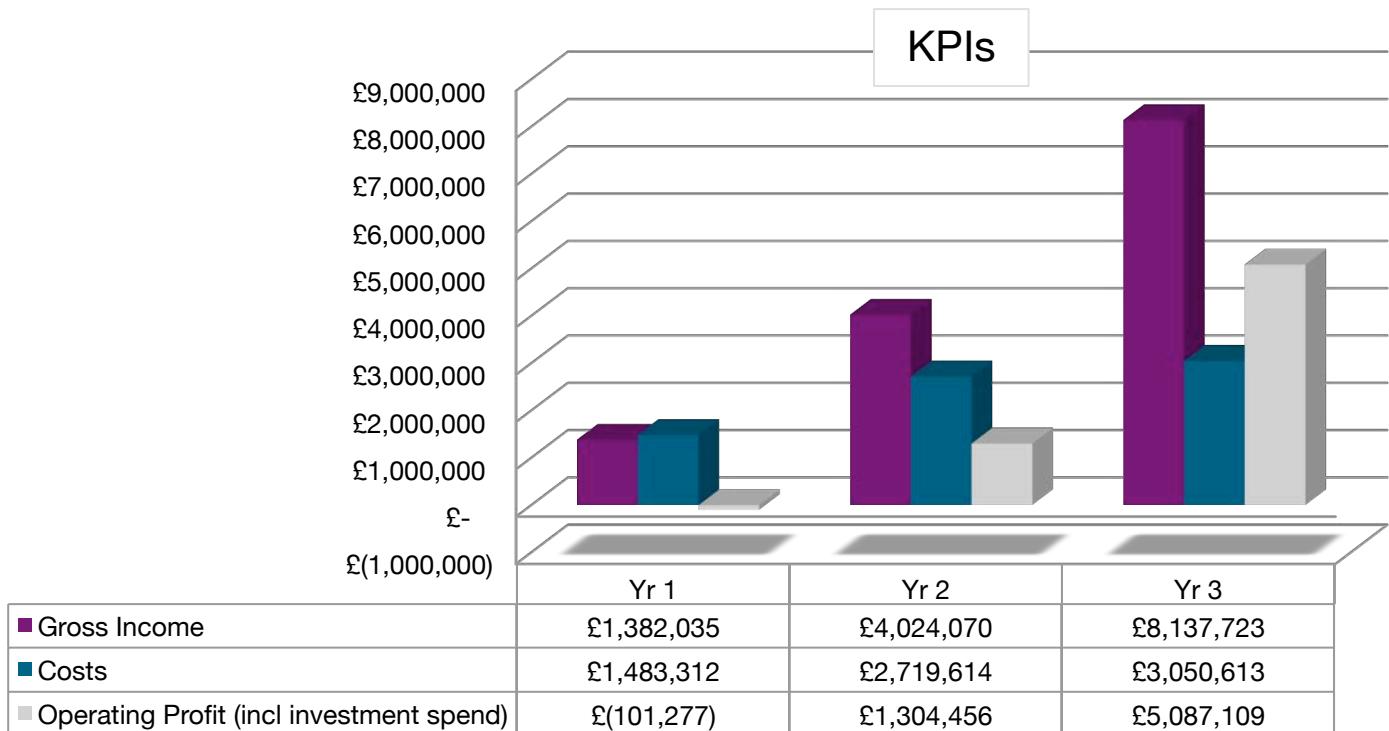


# FINANCIAL OVERVIEW



## Financial Overview

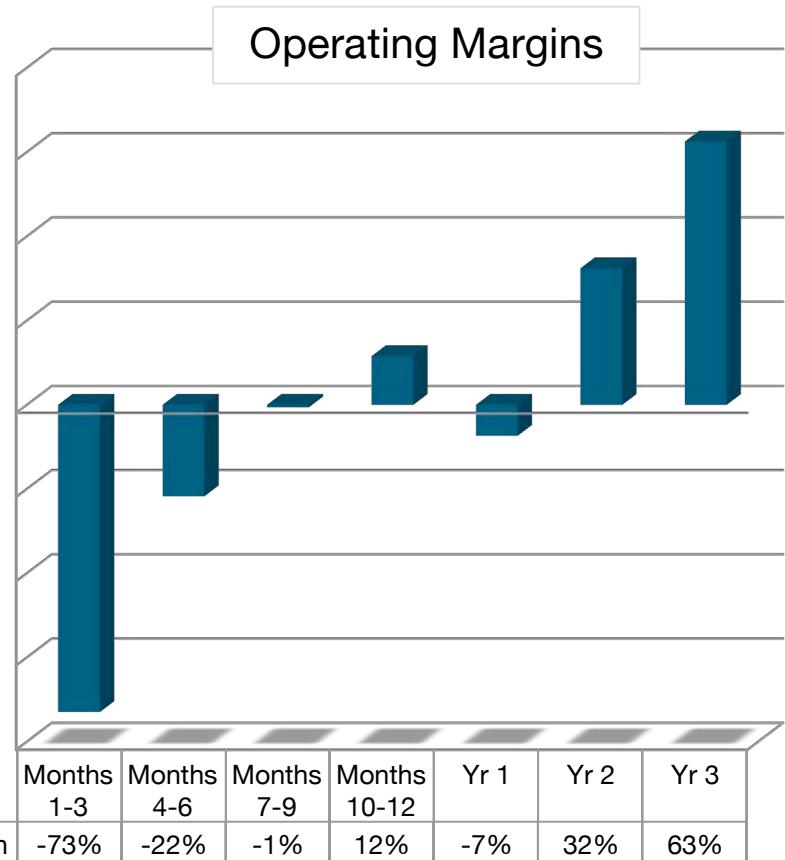
The performance of the business at EBIT level post investment is forecast to be as below.



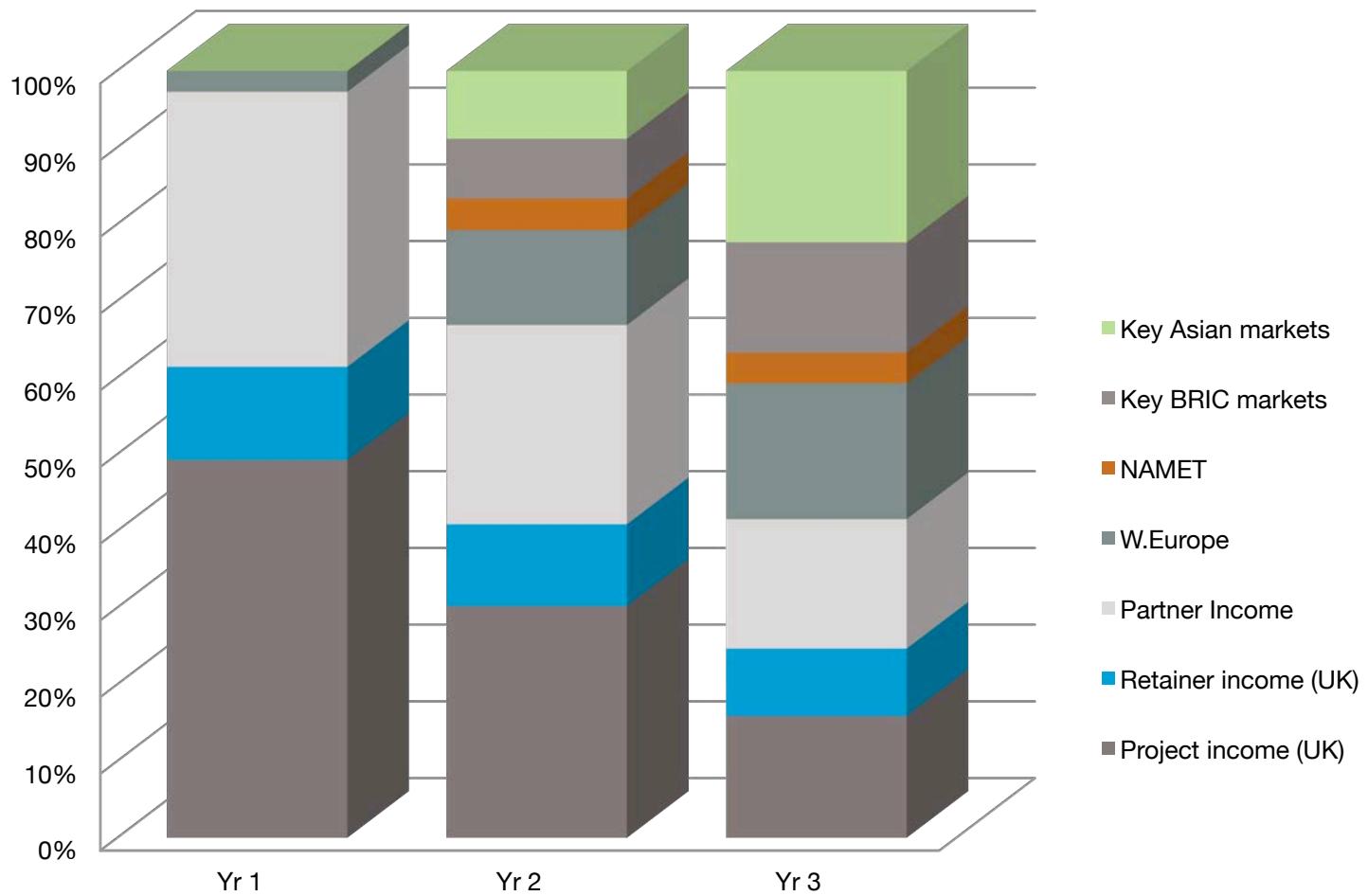
## Margins

Operating margins within Trufflenet are expected to improve significantly over the 36 months following investment as a result of a number of factors that are summarised below:

- Impact of marketing spend
- Effect of spend on IT development focused on enhancements to/automation of the production process wherever possible
- Continued Repindex integration to create further process efficiencies, whilst simultaneously increasing the value we can offer to clients (and hence the prices we can charge)



## Revenues



## Project Income

This revenue line is expected to grow significantly as a result of a number of factors, most importantly of which is investment into sales and marketing of Trufflenet's service. To date there has been little or no investment into business development and revenues have grown more slowly than might otherwise have been possible. In the first instance, funds will be channelled into both internal sales and marketing staff, as well as a communications budget to support the raising of awareness among key customer groups.

## Retainer Income

Currently, the preponderance of Trufflenet revenues are generated from project based assignments that typically have a duration of 4-6 weeks. Whilst gross margins are attractive (approx. 40%), nonetheless such a situation makes it problematic to forecast revenues and plan resource requirements beyond the short term. In order to address this issue, the management team are working to develop Trufflenet's proposition such that it can will be easier to conclude retainer relationships with its clients. Examples of recent developments include:

- A range of 'tracker' products
- Regular dipsticks against pre-agreed KPIs (key performance indicators)
- Monthly/quarterly market updates

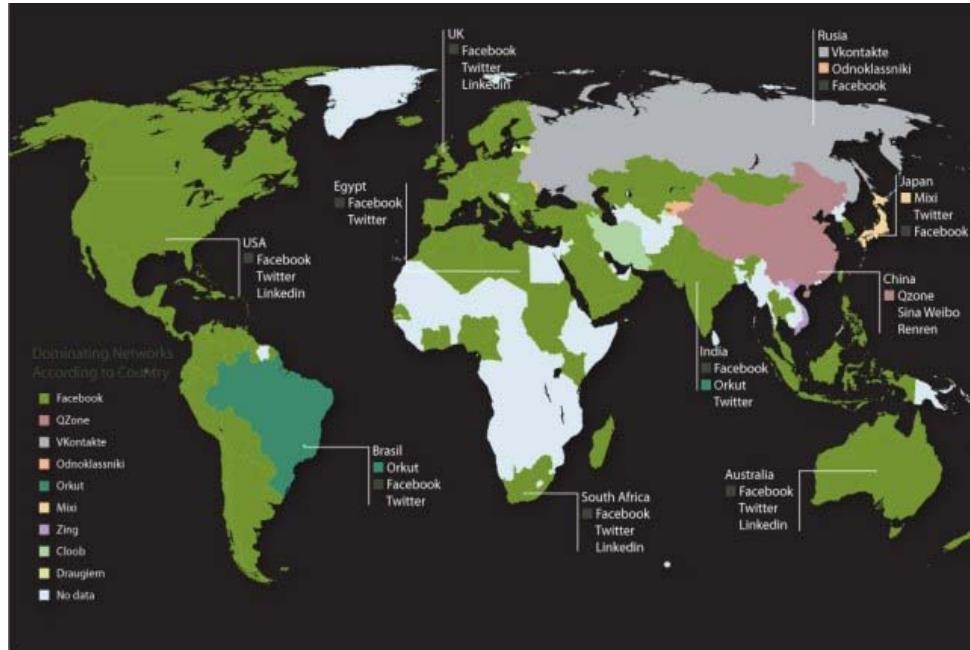
## Partnerships

Trufflenet has worked with great success in partnership with a range of agencies (Porter Novelli, Hard Hat) and intermediaries (Fujitsu Business Systems, Storm Models). More importantly, the business has recently received a number of approaches from a wide range of businesses that have either had relationships with competitors that have not met their needs, or alternatively have

recognised a gap in their offering that Trufflenet is well placed to meet. Particular validation of Trufflenet's offering is evidenced by the fact that subsidiaries of two global marketing services groups have approached Trufflenet to fill urgent client requirements. In most cases the attraction of Trufflenet is its ability to offer a bespoke service that can be tailored on a project by project basis. Particularly, the human element of the service is highly valued by those intermediaries servicing major blue chip brands with very demanding requirements.

In October 2011, Trufflenet successfully concluded discussions with PPR, a leading Australian PR agency that is part of the WPP network. As a result, PPR has agreed to become an exclusive re-seller of Trufflenet in its markets.

In November 2011, Trufflenet signed an agreement with Chandler Chicco, a leading provider of PR services to the healthcare sector worldwide. To date Trufflenet has completed a number of projects on behalf of their clients, across Europe and more recently in mainland China and Latin America.



## International Income

Whilst it is expected that the London team will be able to access global budgets, the business is committed to establishing a presence in key markets in Europe, Asia as well as in a number of BRIC territories through the use of agents. Such an approach will not only enable the business to capture a proportionate share of research and marketing budgets, but it will also provide the foundation for servicing global accounts and global work. It is also believed that a physical presence in key markets will provide the credibility and authority to sell to the large multinationals who are likely to represent a significant proportion of our client base moving forwards.

Our current 3 year plan assumes that Western Europe is the initial focus for expansion, with investment into BRIC and Asian markets subsequently. Asia is assessed as a key geography due to a number of factors including

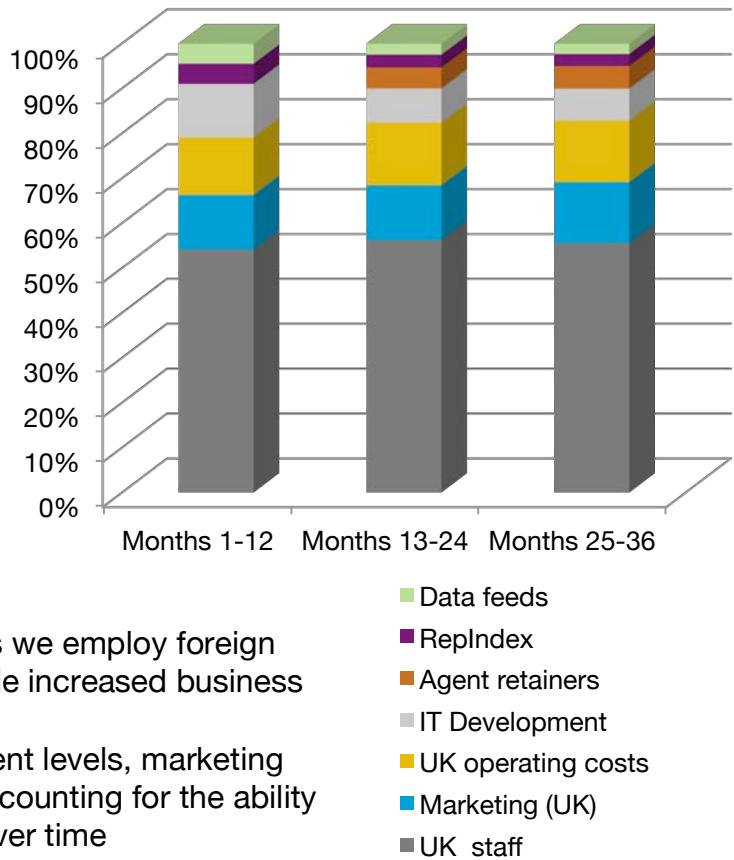
- Relatively low levels of competition
- Relatively high barriers to entry for technology focused competitors
- Increasing importance of Asian markets to global brands
- Increasing ability of Asian markets to support significant domestic focused brands

## Costs

The summary below details a number of the key central and operating costs that will be incurred over the course of the next 3 full operating years.

- Use of agents will increase gradually over 3 years, enabling the business sufficient time to recruit, train and manage them effectively
- IT spend is not forecast to increase significantly as a result of the very low cost base achieved through situating this function in S.E.Asia
- Data feed costs are assumed to stabilise based upon the assumption that the trend of the commoditisation of data will
- Spend on UK staff will increase, not least as we employ foreign language speakers in the UK office alongside increased business development capability
- Following an initial 'jump' from pre-investment levels, marketing spend is assumed to be relatively stable, accounting for the ability of the brand to generate referral business over time

Comparison of some key cost lines



## Key Risks

There are a number of risks facing the business with respect to achieving the forecasted performance targets. The most significant of these are summarised below:



- Move to take the service in-house: the directors are confident that the core Trufflenet service will become ubiquitous for large scale brands. As this becomes the case, there is a danger that large corporates will buy in low cost automated feeds and employ in-house resource to monitor these feeds and recommend actions arising. However, they will lack the 3 way combination of linguistics, technology and human analysts that Trufflenet uses to produce our insights.

## Key Risks (contd)

- Competition from professional services firms: currently PR agencies, management consultancies and auditing firms typically do not offer a TruffleNet-type service within their portfolio. As clients increasingly demand this service, it is possible that they will seek to deliver it in-house in order to provide an end to end service – however to replicate the TruffleNet platform would require a significant investment for any agency.
- Margin erosion: at the current time, there are relatively few direct competitors to TruffleNet, as most other companies are focused on automation. As automation increasingly falls out of favour (something that anecdotally appears to be the dominant market trend at the current time), it is likely that TruffleNet will face increased competition. However we have mitigated this concern to a large extent through our relationship with ReplIndex, which provides TruffleNet with a high level of differentiation that cannot easily be replicated.
- Technology: TruffleNet is clearly positioned as a provider of high quality analysis and recommendations. There is a risk that a failure to match the spend of competitors on front end technology (i.e. creation of sophisticated real-time client dashboards) as opposed to bespoke reports, impedes sales growth.

## Exit Strategy

The Board of TruffleNet has agreed a four year strategy for the company leading to exit. The Directors believe there are two likely routes to an exit. These are summarised briefly below:

**Trade sale** – this represents the most likely route to an exit, with potential acquirers coming from a range of related markets including

- Research: traditional research and intelligence services are increasingly seeking to buy in the expertise in social media, which they lack. Examples include Gorkana Group, which recently acquired an interest in Brandwatch via Durrants, a long established press clippings business that they control.
- CRM: Salesforce recently acquired Radian6 in order to enrich the data stream that it is able to provide to its user base
- Marketing and Communication Services: large marketing services groups are increasingly buying in businesses in a similar space to TruffleNet in order to be able to provide a full service to clients.

**Listing** – the market for technology stocks is buoyant at the current time. This creates the potential for a listing of TruffleNet, either in UK or possibly on an overseas market, most likely where TruffleNet is active (via a partner). Examples of possible markets include Middle East and Asia.



# APPENDIX



## Some of our Clients



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## Appendix 1 – Examples of Market / Service Developments since 2011

- **Actionly** has updated its Twitter reach analysis so its clients track can the reach of their tweets by looking at how many users retweeted the post, number of followers, reach over time, and the best day and week to tweet. (*Trufflenet does this already*)
- **Synthesio** has created a new monitoring and engagement platform called *Unity* that monitors conversations in any language with influence rankings, and allows customers to manage content from the dashboard
- **Alterian** has released a new version of its business intelligence product, including multi-language monitoring, improved interfaces, a Search API to filter and export results by user-defined categories including popularity and media source, a tool to develop engagement strategy
- **Alterian** has partnered with Greek business intelligence company Business as a Service (BaaS) to track conversation sentiment in Greek. It's the 60<sup>th</sup> language that its tool detects, and the 24<sup>th</sup> language for which it offers sentiment analysis
- **Slurp140**, a Twitter-only monitoring tool, has redesigned itself to include Klout Score
- **Ubervu** redesigned its interface to show gender distribution, top countries and top languages immediately through its dashboard
- **Sysomos** has updated its *Heartbeat* software's filter system. It has always allowed users to stack filters on top of each other to refine data (age, gender, location, source, authority etc.). It now allows for combining these filters in any possible combination and slicing/dicing data
- **Basis Technology's** Rosette Chat Translator converts Arabic chat alphabet, which uses English characters and numbers to represent the Arabic language, into standard written Arabic. It can be used by intelligence services like Trufflenet

## Appendix 2 – Examples of Recent Corporate Activity

Several social media analysis (SMA) firms have been acquired since January 2011, most notably Radian6. The company itself bought UK-based social media firm 6Consulting in March, and Salesforce subsequently bought Radian6 weeks later for \$326 million in cash and stock. (6Consulting had been working with Radian6 since 2009.) Not only does this deal validate the SMA space, but it also helps to highlight how acquisitions are segmented—tying themselves to CRM as per Radian6 deal, PR/media (e.g. Sysomos/Marketwire), market research (e.g. Cymfony/TNS) and marketing management (e.g. Techrigy/Alterian).

Target	Acquirer	Date
Attentio	365Research	January 2011
Media Monitors	Brandtology	February 2011
Vocus	Engine 140	February 2011
Meltwater	JitterJam	March 2011
Salesforce	Radian6	March 2011
KANA Software	Overtone	April 2011
Avos	Tap11	May 2011
e-Rewards	Conversion	May 2011

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