

Case Internet Securities, Inc.

Path to Sustainability

Preparation

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1 Internet Securities' performance and why the firm's management team has trouble achieving forecasts

ISI had a strong customer base, as their customer retention rates were 85%. The problem was the revenue generated from these customers. They had, since the start, mostly invested in increasing the available content for their clients, which is why retention is so high. This did mean that there was barely any investment into growing their customer base.

Secondly, most of their customers were smaller local offices or units of bigger companies. Since they didn't have many big corporate accounts, payouts per company were low.

2 Amount of capital needed to reach sustainability

Management estimated that the company would need \$12.5 million to employ a multi-pronged strategy that would expand the core business to a point where it could grow as a mature company.

3 How Mueller should evaluate the IPO versus the Euromoney offer

The first and most obvious factor that Mueller should evaluate is the valuation of both options. He already knows that Euromoney slightly undervalued his company.

Secondly, he should think about the risks that both options carry. An IPO has much less certainty than the Euromoney option, as he can't predict the stock price and doesn't know if ISI will be able to grow its customer base in the future. The Euromoney offer is

much more predictable and offers a concrete (possible) payout.

Another factor that Mueller should take into account is the amount of control he retains and whether or not he prefers control.

Finally, he should think about the expected returns of both options.

Taking these four factors into account will allow Mueller to make a decision that weighs all the important aspects of the two options.

4 Which terms I would focus on during negotiations of the Euromoney offer

Knowing the critical factors of the decision mentioned in section 3, these are the terms I would focus on when negotiating with Euromoney:

- Pricing of Muellers' shares
- Date when the IPO Demand right is active for Mueller
- IPO demand right window
- Board composition