

Investment Memo

spring 2017 v2

simplyedit

We believe Freedom and Simplicity create Progress

The Problem

In our many years of working with the web we came to the understanding that the web—and the internet as a whole—is fundamentally flawed. The web and its protocols like HTTP and its languages like HTML were never designed for what they are used today. The web today is an installable and complex tower built upon the never fully implemented philosophy of the world wide web. This is not a theoretical problem, this has real, everyday implications for everyone who ever worked with the web.

Some of the bigger problems of the web right now are link rot and constantly changing information, single points of failure, complexity, security, and ownership of data. Since our expertise is webdevelopment and especially making tools to make websites and webapplications, we run into some very concrete examples of how these flaws influence everyday website building.

- ◆ *Original design.* Nowadays it is impossible to publish a website with a visual editing interface without using a CMS. Using a CMS means that you have to use a template designed for that specific CMS. You can either use an existing template and try to morph it to your wishes, or you need a developer skilled in the toolset of that CMS to make a template. It is impossible to get from a universal HTML template to a website in a CMS, without this conversion.
- ◆ *Cost and lead time.* This also means that web designers (or frontend designers) cannot get a website online without specialized and expensive developers. This means a team of people is needed, and cost and lead time go up. The time it costs to get an original website online has become so high that endless copying of the same template has become the norm.
- ◆ *Interchangeability.* All website templates, webcontent, web-editors or any other plugin to use on your website are only applicable on the domain they were built for. They presuppose so much of their domain that they cannot be transferred (easily) to another domain and have to be rebuilt there. To get the same features in CMS A as in B, the wheel has to be reinvented.
- ◆ *Learning curve.* To be able to publish and edit your content online you need a rather large skill set. As said, content management systems are complex and often require programming skills. What you see now is that (external) developers are asked to edit text in websites, that the whole marketing department has to go on a CMS course, or the company has one CMS expert who is always backlogged. This is expensive and time consuming.

The Solution

As a solution to the macro problems some very smart people are redesigning the web. The future of the web seems to be one of decentralization. Technologies like Blockchain and Bittorent already rely on peer-to-peer protocols. The IPFS protocol is the future proof and peer-to-peer version of HTTP. These ideas are backed by some of the most important people of the internet like Tim Berners-Lee, Brewster Kahle and Vint Cerf.

Another part of the solution is moving the logic from the server (backend system) to the client (browser). Reducing the complexity and the level of 'smartness' of the backend reduces these risks, no logic on the backend is ideal for security. For true decentralization this is a must. The move to CMS-less websites, or static sites, is becoming a trend. Unfortunately this gives new challenges on the editing part. So currently the choice is an editable website with a security risk, or a risk free, non-editable website.

This future also means new challenges for the website building business. The boundaries between what is a website and what is a webapplication are fading. Most content management systems are still grappling to cope with last big change—the move to mobile—and yet already technologies like peer-to-peer, Blockchain and IPFS are the heralds of a new era. We need a new way of building websites and editing webcontent.

Our solution is to keep it simple, and cut out the unneeded complexity. Let designers be able to publish websites without programming. Let anyone be able to edit web content without knowledge of HTML. Let the technology be independent of the platform and the browser, indifferent to the backend and usable on any device. Let website owners be able to host their site anywhere they want. And let it all be future proof.

These are the ingredients of a truly independent, but connectable web content editor that is easy to use. To translate this to a technical solution we need:

- ◆ break down the all-encompassing content management systems and platform approaches into separate micro-services;
- ◆ each service must be simple to connect or replace;
- ◆ the browser is the binding layer to connect all the services, not the server;
- ◆ all logic should reside in the browser layer, not the server;
- ◆ data storage should be distributed, or even better, decentralized.

Product

All the above stated elements can be found in our newest product SimplyEdit. We solved the problem of front-end editing and interaction; a small solution with a big application area.

In the current landscape and with the current concepts it is hard to define what SimplyEdit is. SimplyEdit is not:

- ◆ an inline/HTML/WYSIWYG editor – but can be used as one, even without CMS,
- ◆ a CMS – but works as a CMS in the browser,
- ◆ a pagebuilder – but can be used as a part of one.

SimplyEdit can be defined as Frontend as a Service. In broad terms it is a tool to render any kind of data source in a browser and make it editable in that browser. With SimplyEdit designers can publish websites without programming. Just their design skills and (basic) knowledge of HTML and CSS are enough to get beautiful and original websites online. For editors SimplyEdit is the tool to edit all the content of the website, without having to worry about the design and without needing special skills. Developers can use SimplyEdit to embed it in their own application to save on development time and effort.

SimplyEdit gives you simple and consistent editing directly in the website or webapplication. It is not limited to text, anything that is part of the website can be made editable. Design elements can be added, deleted and reshuffled. It is fully touch and mobile friendly. The context menus, drag-and-drop interface, and clear icons and descriptions makes it easy to work with, without a need for special skills.

SimplyEdit works on any storage layer, it can handle multiple data locations, and renders the website client side (in the browser). This makes SimplyEdit ideally suited for static site generation, the decentralized web and for embedding in webapplications, but it also works very well as an editor on top of a CMS. SimplyEdit is the perfect piece that fits in any puzzle.

Currently SimplyEdit has plugins for a wide range of data storage solutions and various content management systems. It also has plugins for SEO optimizations, form builders, data binding and all different kinds of design elements. The pool of plugins is constantly added upon. On the roadmap are, amongst other things: version control, quality control, user management, A/B-testing

Comparative advantages

- ◆ Ease of use – Edit anything directly in the website, not just text or pictures
- ◆ Brand and style protection – Editor follows design
- ◆ Simple to extend – Plugins, micro-services and storage
- ◆ Works with any design on any device – Responsive, SPA, touch
- ◆ No programming needed – Just HTML for the designers
- ◆ Low infrastructure cost and very scalable – Only CDN and API keys
- ◆ Easy to integrate – Can be applied in many different kind of websites and webapplications
- ◆ Future ready – Works on any storage layer, with multiple and distributed data sources
- ◆ Technologically advanced – Technology based on 20 years of experience with web development, content management systems and HTML editors

Market potential

SimplyEdit is not only future ready, it is also ideally suited for the current market conditions. It can be used as a simple web editor on top of a CMS, but is more powerful stand alone and very useful for static sites. In addition, current innovations made the browser more powerful than ever. The processing power and tools available in the browser today are better than those in web servers just 6 years ago. HTML5 and modern ECMAScript (Javascript) has made it possible to build almost any application in the browser; the border between websites and webapplications diffuses.

SimplyEdit embraces these innovations and looks forward to a more distributed or even decentralized future—where webcontent is delivered using peer-to-peer protocols—where websites and web applications are a mashup of many different services and technologies, all linked together in the browser. This combination of future readiness and current relevance gives SimplyEdit a formidable market potential.

As said, SimplyEdit can be used for both websites which are and are not using a CMS. This is an enormous potential worldwide.

| | |
|----------------------------------|-------|
| Number of active websites on WWW | 290 M |
| Number of websites with CMS | 30 M |
| Number of websites in silos | 3 M |

Sources: <http://www.internetlivestats.com/total-number-of-websites/>, Netcraft

SimplyEdit in its current version is a serious alternative to most sites now using WYSIWYG-editors, CMS's or silos. With this version we see our main market for two kinds of websites. First the websites that run on a CMS or a SaaS solution silo, but don't really need one, for instance most company websites. Second the static sites that have no means of editing them, for instance a lot of marketing campaign sites. We estimate that the first category is about 50-80% of all CMS or silo websites. There are no numbers available about the second, but the static site is gaining ground, because it is cheap, simple and secure.

Although no other party offer the same concept as SimplyEdit, there are competitors who try to solve the same problem for the customer. Applications that can be seen as competitors are WYSIWYG/inline editors (CKEditor, Aloha, Textbox, Simpla, ect), content management systems (Wordpress, Drupal, Sitecore, Joomla, et cetera), and site builder SaaS solutions (Wix, Weebly, Squarespace, Go daddy, et cetera).

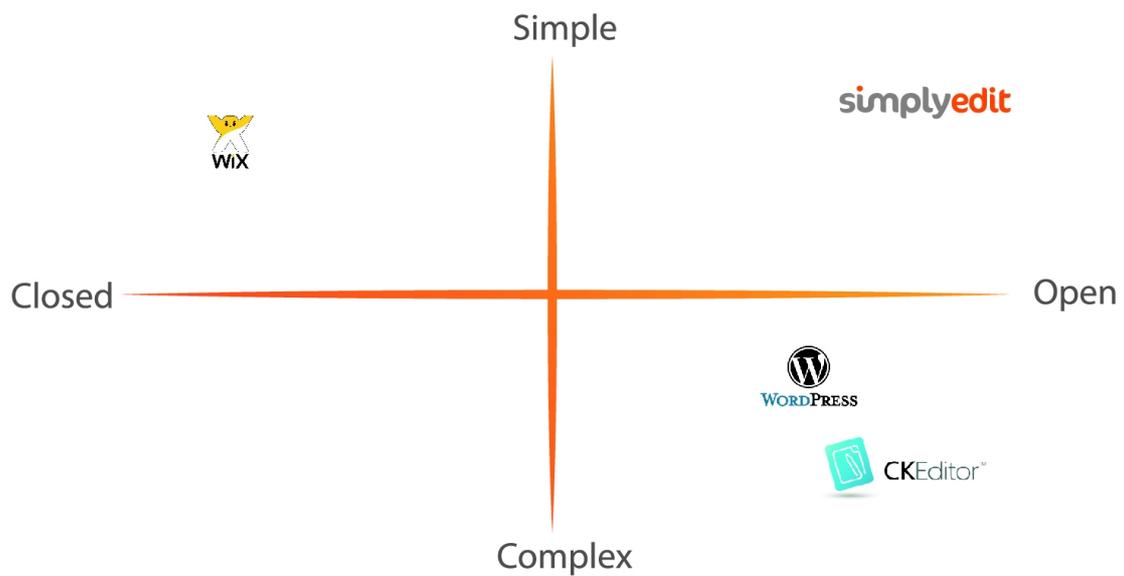
The biggest competitor of each variety are:

| | |
|--------------------------------|--------|
| Number of sites on Wordpress | 17.7 M |
| Number of sites on Wix | 1.7 M |
| Number of sites with CKEditor* | 0,2 M |

*The CKEditor can only be used in combination with a CMS

Our competitors

Unlike its competitors, SimplyEdit is both simple to use and open in its data storage, the user is fully in control. Unlike any other system it can be used for websites and web applications alike. And it has advantages for end users, designers and developers. But the biggest advantage of SimplyEdit over its competitors is that it is future proof. Because SimplyEdit follows the design, is made to connect with other systems and works on any storage layer, it does not matter which way the future goes, SimplyEdit can follow. Based on their openness and complexity, this is how SimplyEdit scores against these competitors:



Our initial geographical focus will be on Western Europe and North America. Western Europe is chosen because that is our home market, and North America because this is still the place where traction must be gained to be able to conquer the rest of the world. And in addition these markets are the two biggest in the world.

| | |
|---------------------------------|-------|
| Number of internet hosts in US* | 505 M |
| Number of internet hosts in EU | 143 M |

Source: Wikipedia

*The U.S. figure includes hosts in the .us, .mil, .gov, .edu, .com, .org, and .net domains.

Business model

We have identified multiple possible customer segments and revenue streams. We are focusing here on the opportunities which we can exploit with our current version of the software. In the future multiple new business models will be possible, but they will also require additional spending.

The current version of SimplyEdit is most suitable for the website design and website editing market. Our initial focus will thus be on webdesigners and frontend developers. These come in multiple flavors, ranging from self-employed designers to international digital agencies. Because of the current market, where mid to low end websites prices are dropping, we can give the small to medium business designer the biggest advantage; they can produce more websites in less time, without needing a developer. An advantage for us is that these designers act as sales partners. If we can contract one

designer, we contract all of his end customers. Often these self-employed designers and small design companies do not have an all-encompassing internal business flow we have to connect with, which saves us on implementation questions.

The business model for this customer segment is that we sell monthly licenses, which will cost about €4 per site per month, including upgrades. These prices include online help; email support can be bought separately. To also include the end user market and designers that do not want to commit as partner, we sell licenses for a one-off fee of about €100 per site for a specific version; upgrades will cost extra and will be released on average after 1.5 years.

Above prices are for sites with up to 100,000 page views per month. For bigger sites the price will be around €40 per month or €1000 for a one-off license. This does include 10 websites and installation support. All monthly licenses can be terminated monthly.

Even in the low end website market, where the price per site ranges from €500 to €1500, webdesigners can still make more profit using SimplyEdit. Because SimplyEdit takes the programmer out and lets the designer create original design, it creates more value for money, less expenses and shorter lead times.

To give our designer partners an easy starting option we are also setting up a SaaS solution in which data storage and hosting is included. The prices for a SaaS solution will be around €20 per site per month, including the SimplyEdit license, depending on usage. We will also offer email, which we will directly resell for a third party.

Besides the above mentioned business model, we also explored other. To gain a bigger market share quicker, an effective business model is the freemium model. With the freemium model we give away SimplyEdit standard licenses for free and make money on plugins, templates and expert features. Competitors like Wix and Wordpress have a free version if you use their domain. An advantage of this business model is the product itself can be used as a marketing tool very effectively. A disadvantage is that the needed investment is larger and the break-even point is pushed further away.

Because SimplyEdit is highly integrable, it can be positioned as a development tool and be a partial solution for web application developers. This is an interesting market, but the earning model must be solid. If we can charge a license fee per user of the web application into which we are integrated we could have an interesting business model. Selling SimplyEdit as a development tool to developers, is not an interesting model, since this is a rather small market.

Another interesting market is the high end customer section—the big digital agencies. The service this market optimally, we need to integrate with their work flow. This will cost development time. The upside of this market is that they are willing to spend money on good solutions. To position one product and brand for both the SME and the high end market can be problematic. A good distinction between the corporate and basic version is necessary, or even the position of different brands.

The company

SimplyEdit is a spinoff of Muze. We decided to start a new company because the kind of product/service provided, the market and the scale of SimplyEdit differ from Muze. What stayed the same is our passion and our mission. Our drive is to create a better web; a web where everyone can contribute in the information exchange. We want to do the hard work to give our users simple tools and take away technological hurdles. We believe all the players in web creation have their own value and programming is not the only way to create content; creativity should be leading. We are always curious to what is new on the web and we prefer to connect to existing solutions. On a higher plain we adhere to the philosophy of an open web and see a future in the decentralized web.

Three of the current six shareholders of Muze—Auke van Slooten, Lizanne Overkamp and Yvo Brevoort, are in the process of founding a new business around SimplyEdit. The IP of SimplyEdit will be acquired by these shareholders and inserted into this new firm. These shareholders participate in SimplyEdit via their own holding; SimplyEdit will thus not be a Muze subsidiary. The founders will have an equal share of 33,3%.

Currently we use the Muze staff for SimplyEdit. The staff consists of two marketers/content creator, a support engineer, an office manager and a financial administrator, all parttime. The role of the founders is as follows: Lizanne Overkamp does management, sales, HR and financial controlling; Auke van Slooten and Yvo Brevoort do product development, programming, sales and support.

Team

The idea of SimplyEdit has sparked within Muze BV (www.muze.nl), a web development company, originated in 1998, with customers in business and government. Muze makes websites, web applications, and tools to make websites and web applications. Some of the previous and current projects of Muze are:

- ◆ Ariadne (2000) – Open source web application platform and CMS and one of the first PHP systems, currently at version 10 – ariadne-cms.org
- ◆ Vedor Editor (2004) – One of the first inline WYSIWYG editors – www.vedor.nl
- ◆ Vedor Designer (2006) – Easy to use page designer – www.vedor.nl
- ◆ Vedor Quickstart (2010) – Site builder – www.vedor.nl
- ◆ ARC (2012) – Simple and decoupled open source PHP components – <https://github.com/Ariadne-CMS/arc-arc/>

The three key members of Muze who invested themselves in SimplyEdit BV are:

- ◆ Auke van Slooten (44, single) – Auke was the founder of Muze. He studied Computer Science at the University of Twente, but gained most of his knowledge in his 20 years in webdevelopment. His role in SimplyEdit is that of evangelist, software architect and developer. <https://github.com/poef>, <https://www.linkedin.com/in/poefke>
- ◆ Yvo Brevoort (37, married, 2 children) – Yvo has 15 years of experience in full stack development and also studied Computer Science at the University of Twente. His specialties are integrations and API's; he can connect anything to everything and always has a prototype. He is SimplyEdit's lead developer. <https://github.com/ylebre>, <https://www.linkedin.com/in/yvobrevoort>
- ◆ Lizanne Overkamp-van Ommeren (35, married, 1 child) – Lizanne is the CEO of SimplyEdit. She has 10 years of experience in entrepreneurship, finance and HR, and has a master degree in Philosophy of Science and Technology and a bachelor degree in Mechanical Engineering, both from the University of Twente. Within SimplyEdit she coordinates everything which is not development. <https://nl.linkedin.com/in/lizannevanommeren>

Current state

Currently we have a finished product including backoffice for the mid to low end market and a webshop selling it at <http://simplyedit.io>; this is SimplyEdit version 1. We already sold the first few hundred licenses, both directly and via our first partners. Our launching costumers are enthusiastic about the product. This spring we contracted a marketing strategy agency to help us with our brand positioning.

Our first partners are Silk Creative Systems, Nubium, Wunderbar Marketing and Nerds&Company. They are actively helping us to fine tune our product. We already have plugins for: IPFS, Yoast, Wordpress, Firebase, S3, Github, static publishing and Ariadne. We have been present at some local fairs and venues and the 2016 Web Summit in Lisbon—which was a big success. In 2017 we will be present at Collision in New Orleans, TWN Conference in Amsterdam, and we will probably attending Web Summit in Lisbon. We help organize I Am Media in Enschede and hope to be present at more events.

Some quotes for happy customers and partners:

"SimplyEdit helps me by making it possible to update my website anywhere and on any device."

Carolien Müller-Genger
Owner Kralalien.nl

"The whole setup of SimplyEdit results in shorter lead times. This makes it easier for customers on a small budget to get a good website."

Martijn Veltmann
Owner Silk Creative Systems

Financial

SimplyEdit has so far been developed and funded by Muze. To get SimplyEdit to market in a short enough time, SimplyEdit needs to get the full focus. Resources have to be fully dedicated to SimplyEdit and further marketing and sales resources need to be added. To move quickly and work efficiently we want the business operation to be as complete as financially justifiable. This requires external funding.

For the first year SimplyEdit needs to concentrate on marketing and sales. Because SimplyEdit does not fit in the regular boxes of known products we need marketing and

evangelism, also the SimplyEdit brand needs a boost. In-house we need to expend our sales and marketing department and externally we need to acquire the services of a marketing agency specialized in international (online) marketing. We need to spend money on online (social media) campaigns, attending international trade shows and organizing our own conference.

Revenue will be generated by selling licenses, both one-offs and subscriptions, and selling SaaS subscriptions and other extra's like support. In the first year we estimate to sell over 1000 licenses in different forms plus extra services, which gives an income of € 100.000. For the second year the expected income is € 1.200.000.

Because SimplyEdit does not use much in terms of hosting requirements our purchases are low; even for the SaaS solutions. Purchases for the first year will be € 5.300 and € 30.000 for the second.

Personnel cost and marketing and sales cost will be the biggest expenses for the first two years. Personnel costs are made up of marketing, development, customer support, office support and management. The first year cost will be € 340.000 and the second year cost will be € 780.000.

| | Revenue | Expenses | Profit |
|---------------|--------------------|------------------|-------------------|
| Q1 | € 8.600 | € 63.000 | € 54.000- |
| Q2 | € 17.000 | € 77.000 | € 61.000- |
| Q3 | € 26.000 | € 85.000 | € 61.000- |
| Q4 | € 47.000 | € 112.000 | € 68.000- |
| Year 1 | € 98.000 | € 337.000 | € 244.000- |
| Q1 | € 87.000 | € 142.000 | € 60.000- |
| Q2 | € 166.000 | € 142.000 | € 18.000 |
| Q3 | € 318.000 | € 197.000 | € 112.000 |
| Q4 | € 618.000 | € 287.000 | € 320.000 |
| Year 2 | € 1.200.000 | € 770.000 | € 390.000 |

At the start of third quarter of the second year SimplyEdit will turn profitable. The lowest point in the cash flow will be around € 350.000 and occur in the second quarter of the second year. At the end of the second year profits will have made up for all the losses.

If we would start with the freemium right away there will be almost no income for the first year. We expect the plugin and template market to start generate money at the start of the second year. This business model would require € 500.000 for the first two years. At the end of the second year profits are predicted. Losses will be compensated in the third year.

Investment proposal

What we need to make SimplyEdit an international success is € 350.000, but we are not just looking for money. We are looking for a partner, preferable with an interest in the web and webdevelopment, and experience in international business and international marketing. Access to the investors network will be of great value to us.

What we want to give in return is a substantial minor share in a new company to be established around SimplyEdit. For the investor to provide part of the funds as a loan is also negotiable.

The funds will be spent in three steps. The first step will be starting up the global marketing campaign. We need to acquire (senior) sales and marketing staff and appoint an international marketing agency. To satisfy our growing customer base we need community managers and support staff. The second step is technological progress. We need to expand the developer and designer team to develop version 2 and further, with more plugins, features, templates and API's. The last step will be further business professionalization.