

## Company Report

# YELLOW7, INC.

## Diverse, Up-and-Coming Media Play

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**YELLOW7, INC. (OTC:QB – YLLC - \$0.008)**

Price Target: \$0.05

Rating: Speculative Buy

### COMPANY SNAPSHOT

Yellow7 is a rapidly evolving internet media company bringing over thirteen years of innovation, technology, and creativity to the online industry, having developed memorable media and technologies for brand leaders such as DATCU Credit Union, MetlSpan, TIGI and more. The Company's multiple divisions help them take full advantage of customized, and effective, online technologies. Key divisions include VacationList.com, Yellow Interactive, HitsLocal.com, and iMediForms.com.

### KEY STATISTICS

Price as of 11/5/12	\$0.008
52 Wk High – Low	\$0.695 – 0.0075
Est. Shares Outstanding	186.5M
Market Capitalization	\$1.5M
3 Mo Avg Vol	12,147,000
Exchange	OTC:QB

### COMPANY INFORMATION

Yellow7, Inc.  
104 Hardwicke Lane.  
Little Elm, TX 75068  
972.731.6720  
[www.yellowseven.com](http://www.yellowseven.com)  
[ir@yellowseven.com](mailto:ir@yellowseven.com)

### INVESTMENT HIGHLIGHTS

**With a diverse set of media properties targeting key verticals, Yellow7 is an undervalued media company poised to substantially grow revenue over the next few years.**

**The Company's primary revenue-generating division, Yellow Interactive, is a well-regarded full-service interactive marketing agency with 12 years of experience in the industry.** Key clients have included Travelocity, DATCU Credit Union, MetlSpan, and others.

**The most exciting division, VacationList.com, offers huge upside for the Company.** VacationList.com targets the \$85 billion vacation rental market by offering an online space for homeowners to list vacation rental properties for travelers seeking properties in the U.S. and abroad.

**The stock has been unjustly punished which provides investors with an opportunity to take advantage of a uniquely undervalued stock that owns diverse, revenue-generating properties.** At current levels, the stock is only trading roughly 1.5x twelve months trailing reported revenue and should substantially increase total sales in the coming quarters.

**In our view, YLLC's valuation** reflects only the Yellow Interactive division alone, thereby providing investors with the other divisions for "free". As progress and milestones are reached with VacationList.com and other segments in the coming months, we believe the stock could reach our 12-month \$0.05 price target, which still represents a market cap below \$10 million. We rate these shares Speculative Buy.

## COMPANY OVERVIEW

Tracing its roots to 1998, Yellow7 is a rapidly evolving internet media company bringing over thirteen years of innovation, technology, and creativity to the online industry, having developed memorable media and technologies for brand leaders such as DATCU Credit Union, MetlSpan, TIGI and more. The Company's multiple divisions help them take full advantage of customized, and effective, online technologies. Key divisions include VacationList.com, Yellow Interactive, HitsLocal.com, and iMediForms.com.

### Yellow Interactive



Yellow Interactive has an extensive client list of household names and services encompass marketing strategy, website design, development and deployment to reporting metric gathering and analysis. The Company provides web design and development, search engine optimization (SEO), paid search, social media services, mobile app development, web application development, along with analysis and metrics reporting. The table below provides a summary of the company's services and examples of customers.

**Table 1: Yellow7 Services and Customers**

Source: Yellow7, Inc. Filings, [www.yellow7.com](http://www.yellow7.com)

Service	Description	Customer(s) Examples
Website Design	Layout, conceptualization, and graphical representation of website.	E. Magrath
Website Development	Converting the website design to a working website using technologies that include PHP, ASP, JavaScript, ColdFusion, Flash, CSS, HTML, XHTML and XML to name a few	TIGI IncCrowd
Mobile Design/Development	Website design and development applied to mobile devices	Alliance Data
Website Application Development	An application used over internet or intranet, including webmail, online retail sales, online auctions, wikis and many other functions.	PAGO, Ziosk, TableTop Media
Paid Search Marketing	Optimizing search engine results pages	Plano Aesthetics
Media Planning/Buying	The company consults on optimization of marketing campaigns from options like display banner ads, sponsor email newsletters, paid search marketing, video distribution, online public relations, social media, and podcasts as examples	The Vacation List
Banner Advertising/Rich Media Advertising	Online advertising of streaming audio and video usually changing with mouse pass overs	Land Rover
Social Media Marketing	Advertising on sites like Face Book	Plano Aesthetics
Search Engine Optimization	Developing ranking and results on a website to allow users optimal to access information	Plano Aesthetics
Email Marketing	Online direct email	The Diffusion Group
Reputation Management	Online brand management and perception tracking	Entrenomics
Mobile Marketing	Distribution of promotional and advertising messages using SMS (short message service), MMS (multimedia message service), MWM (mobile web marketing), Mobile Marketing via Bluetooth, In-Game Mobile Marketing, or LBS (Location-based Services).	Ziering Medical
Flash Design/Development	Used in Adobe Flash to build interactive elements on websites, kiosks, in-store signage and more.	Travelocity Business

## Company Report

Internet marketing and Yellow Interactive's service offerings in particular are critical in today's economy. Given its broad offerings, the Company essentially serves as a one stop shop for all internet services which has enabled it to expand its customer base, and generate a growing, diverse revenue stream from a multitude of customers, with none representing a high concentration of revenue.

VacationList.com

VacationList.com provides an online space for homeowners and property managers to advertise their vacation rental properties to travelers seeking more than just “hotel accommodations”.

According to studies from such highly regarded sources as including PhoCusWright, Radius Global Market Research, Travel Insured International, TripAdvisor, RCI, and Vacation Rental Managers Association, the vacation rental market continues to experience solid growth. In fact, an \$85B vacation rental market in U.S. and European vacation rentals was reported by Radius Global Market Research in 2010, with continued growth in 2011.

A significant number of prime vacation destinations have seen increases in both overall tourism and the use of vacation rentals, with the vacation rental industry seeing the most growth of any accommodation type. Direct and online marketing as well as economic factors have played a large role in this continuing growth.

Interestingly, studies illustrate that more than 5 million vacation properties in the U.S. and Europe were rented to travelers for a fee at least two weeks per year and nearly 40% of travelers stayed in a vacation rental in 2011. While the Europeans dominate the vacation rental market, the concept appears to be taking off in the U.S. as well.

Studies confirm that consumers recognize the value of more space, the convenience of kitchen facilities, enhanced privacy, and amenities like pools, laundry and hot tubs. Professionally-managed companies have the opportunity to grow the vacation rental market by taking advantage of their knowledge of the market, and that can help build occupancy for homeowners who put their properties in the hand of the company.

Industry experts agree that the vacation rental industry is still a highly fragmented and inefficient market, which presents a tremendous opportunity for the Company. Plus, with the recent expansion of VacationList.com to the Caribbean, Europe and South America, the Company's footprint is expanding. VacationList.com has a strong brand that allows the company to branch out to not only the current vacation property rental market but into all aspects on online travel – including mobile versions, real-time bookings, travel-related insurance plans and segmenting into other areas of the vacation industry.

We expect substantive progress in this segment in the coming months.

## iMediForms

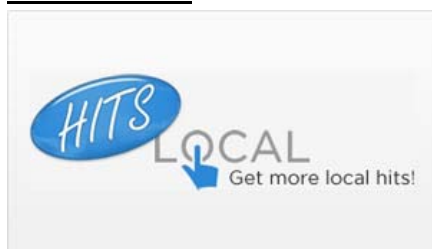


One of the Company's latest ventures developed by YELLOW7 Medical, iMediForms is "digitizing healthcare" by providing healthcare professionals with methods to improve efficiencies and profitability through technological advancements.



By utilizing technologies such as tablets, iMediForms enables patients to check-in and complete forms in half of the time required by traditional means. All medical and billing information is stored and can be secured and encrypted and can be accessed within seconds without the need to transfer information to and from multiple locations.

## HitsLocal.com



HitsLocal.com helps businesses increase their local visibility on sites including Google (NASDAQ – GOOG), Yahoo! (NASDAQ – YHOO), Bing, and over 100 local search and directory sites. The platform also allows for a single point-of-entry for maintaining local listing accuracy and consistency.

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Retweettrader.com and LeaseEm.com.

Other divisions and properties include *Retweettrader.com* and *LeaseEm.com*. ReTweetTrader.com is a social community of Twitter users. The popular site provides a "Tweet Exchange" model whereby users reTweet Twitter messages to earn credits redeemable for future retweets allowing for the rapid spread of information and potential increase in Twitter followers.

Yellow7's innovative Leaseem.com property was built to provide a domain marketplace for owners who would like to lease domain names while retaining ownership rights.

## **RISK FACTORS**

In our view, YLLC's biggest risk near term risk is from competition in the highly fragmented website design and development market, or if business slows. Given the steady quarterly revenue run-rate (around \$200,000), deem this unlikely. Execution risks in its new platforms could impair meaningful revenue generation and profitability out to a later date, or result in a smaller initial ramp, thus impacting revenue and income goals. Slower sales penetration as a result of competition from larger firms, the time required for market education, branding, or even competition from newer firms with higher payouts to publishers are all typical concerns and consistent with firms of YLLC's size and standing.

## **VALUATION AND CONCLUSION**

In our view, YLLC's current valuation reflects only the Yellow Interactive division alone, thereby providing investors with the other divisions for "free". At current levels, the stock is only trading roughly 1.5x twelve months trailing reported revenue and should substantially increase total sales in the coming quarters.

As progress and milestones are reached with VacationList.com and other segments in the coming months, we believe the stock could reach our 12-month \$0.05 price target, which still represents a market cap below \$10 million. The stock has been unjustly punished which provides investors with an opportunity to take advantage of a uniquely undervalued stock that owns diverse, revenue-generating properties.

We rate these shares Speculative Buy.



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## Recent Trading History For YLLC

(Source: Stockta.com)



**Company Report****Analyst: Robert Goldman**

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

**Analyst Certification**

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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