



# Ham Radio in the 21st Century

## Proposed Publishing Asset Acquisition by The ARRL

SEPTEMBER 14<sup>TH</sup>, 2023

The contents of this presentation are  
**ARRL Confidential**



# An Important Note Before We Begin



- The ARRL has executed a strict NDA limiting the disclosure of information related to this transaction
- ***Discussion of the material shared here in any form with anyone beyond the ARRL board or A&F committee members is strictly prohibited***
  - *Discussions are on a “need to know” basis only*



# Transaction Summary



- ARRL proposes to purchase the content, publication rights, and existing inventory of amateur radio license books, Morse code audio courses, and related materials authored by Gordon West and Eric P. Nichols from Master Publishing (MP).
- Purchase price includes two components:
  - Purchase of the rights and master file assets - \$245,000
  - Purchase of existing current inventory held by Master Publishing at the time the transaction closes at the cost of production and printing – Maximum of \$100,000
- Assets that we are acquiring:
  - Gordon West Technician, General, and Extra License Manuals
  - Gordon West Morse Code Audio Courses
  - Master files, supporting software, audio and instructor support assets distributed with manuals and used with courses
- Transaction helps to accelerate the Ham Development initiative approved by Board in January 2023

# Transaction Business Case



	<u>4Q'23</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Tech Units	1402	5610	5610	5610
General Units	627	2508	2508	2508
Extra Units	344	1376	1376	1376
Total Units	2373	9494	9494	9494
Tech Price	\$ 29.95	\$ 29.95	\$ 29.95	\$ 29.95
General Price	\$ 32.95	\$ 32.95	\$ 32.95	\$ 32.95
Extra Price	\$ 32.95	\$ 32.95	\$ 32.95	\$ 32.95
Total Sales	\$ 73,984.35	\$ 295,997.30	\$ 295,997.30	\$ 295,997.30
Tech Unit Cost	\$ 6.76	\$ 6.76	\$ 4.00	\$ 6.76
General Unit Cost	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
Extra Unit Cost	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13
Total Gross Profit	\$ 57,345.33	\$ 229,427.70	\$ 244,936.55	\$ 229,452.95
Amazon Handling %sales	33%	33%	33%	33%
Amazon Handling Cost	\$ 24,414.84	\$ 97,679.11	\$ 97,679.11	\$ 97,679.11
Royalty/Unit	\$1.70	\$1.70	\$1.70	\$1.70
Royalty Cost	\$ 4,034.10	\$ 16,139.80	\$ 16,139.80	\$ 16,139.80
Travel to Promote	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00
Net Profit/Income	\$ 28,896.40	\$ 107,608.79	\$ 123,117.65	\$ 107,634.05
Cumulative Net Income	\$ 28,896.40	\$ 136,505.19	\$ 259,622.83	\$ 367,256.88

- Transaction begins providing revenue in 2023
- Sales numbers have been confirmed by HQ team
- Payback of purchase price occurs within 32 months



# Licensing Books

## Relative Rankings and Sales



In response to Director Ritz, these are the Amazon RANKINGS, of ALL books on Amazon, BASED ON SALES:

ARRL Ham Radio Licensing Manual	#2,539	(total business = 40,000 books/year)
Gordon West Technician	#28,627	(total business = 10,000 books/year)
Ria Jairam Technician	#154,400	
KB6NU Technician	#842,997	

Both our books and Gordon West books are in all the national retailers (DXE, GigaParts, HRO) – the others are not.

The bottom 2 books exist, but their sales are de minimis as are most of the other licensing manuals.

- Sales of Gordon West License Manuals is about  $\frac{1}{4}$  the volume of ARRL's current License Manual business
- ARRL's enhanced position in Amazon rankings is expected to increase the sales of the acquired assets beyond levels projected in the business case



# Transaction Summary Continued



- Final execution of the transaction is subject to the successful completion of the following steps within 30 days of a binding transaction being accepted by both parties:
  - Execution of an updated agreement with Gordon West and Eric P. Nichols that provides royalty and terms comparable to the current MP agreement (ARRL responsibility)
  - An arrangement that establishes the value and level of the inventory on hand at Amazon.com and allocates post-close sales of this inventory to the ARRL
    - It is also possible that the current inventory at Amazon may be removed from the transaction and retained by MP until sold
  - Establishment of the exact value and level of inventory in Mater Publishing's warehouse that will be transferred at close (ARRL is responsible for shipping)
- The transaction will be financed via a draw from the unrestricted portion of ARRL's investment portfolio



# What Are We Approving?



- Subject to A&F and Board approval, we are authorizing the ARRL CEO to enter into a binding agreement for the asset purchase
  - This will take the form of an approved terms sheet
- Once a binding terms sheet is executed by MP, the steps required to close the transaction (outlined previously) will commence and must be completed in 30 days or less
  - This will trigger negotiation of the required 3<sup>rd</sup> party agreements
  - Per the NDA which remains in effect, only the ARRL CEO or his designee(s) are authorized to conduct 3<sup>rd</sup> party discussions
  - The ARRL Treasurer will also be authorized to initiate the necessary steps to finance the transaction upon closure
  - The CEO will work with ARRL legal council to create a final contract for the sale
- The ARRL CEO is authorized to make non-material changes in the terms sheet and the final contract to complete the transaction
- The expected timeline is –
  - A&F Approval – complete
  - Board Approval – 9/18
  - Transaction closes – before 10/23