

PinnacleJobs.com: To Sell or Not to Sell

Paul McGurr, Ashland University
Rick Mull, Fort Lewis College

Abstract

PinnacleJobs.com has been an active website providing a focal point for northern California job position postings. Currently affiliated with a major television station in Sacramento, PinnacleJobs.com has developed a significant market exposure and is enjoying stable cash flow from its operations. The business model employed by PinnacleJobs.com provides a single focal point of information regarding positions available in northern California via the internet. Fees are charged only to employers posting positions at the website, individual resume postings are free. Information is then gathered by the website owner concerning the number and geographical distributions of “visitors” at the website. The fee structure charged employers is variable, and based on an assortment of different filtering, information gathering and consolidation, and listing maintenance services provided by PinnacleJobs.com. A radically shifting industry structure has caused the owner of PinnacleJobs.com to seriously contemplate selling the enterprise and to develop a formal set of strategic options. This paper is a case study of this business situation.

Learning Outcomes

In completing this assignment, students should be able to:

1. Identify and describe strategic options for PinnacleJobs.
2. Explain Discounted Cash Flow analysis, capitalization rates and free cash flow.
3. Estimate the cash flows for a business.
4. Use Discounted Cash Flow analysis to estimate the value of a business.
5. Evaluate both financial analysis and strategic options to make a recommendation.

Application

This case is most appropriate for undergraduate advanced finance or entrepreneurial finance classes. Students working on this case should have had a previous background in calculating NPV. Not required, but useful, is an additional background in capital budgeting and free cash flow estimation.

Key Words

valuation, cash flow analysis, capital budgeting, small business

Contact

Rick Mull, School of Business Administration, Fort Lewis College, Durango, CO 81301. Email mull_r@fortlewis.edu. Phone 970-247-7557