



Valuation Report of
ABCD Company

Valuation Date: 07 Feb 2024

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SUMMARY OF FINDINGS

 ABCD Company

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 2020

Company Summary

Pre-money Valuation: **\$1,141,234**

Employees: **10**

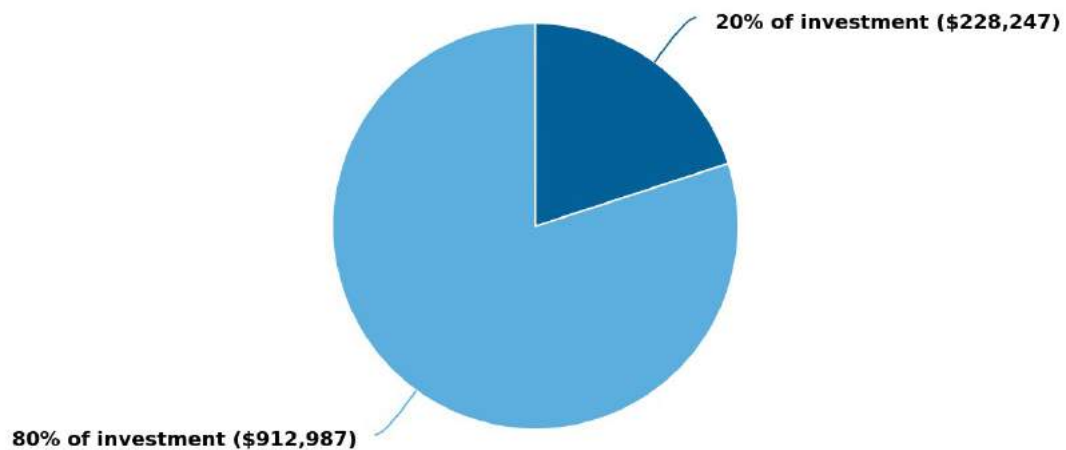
Funding: **Seed Investment**

Company Products: **Development stage**

Expected Market Share: **15%**

Years to Exit: **4**

Exit Value: **\$800,000**

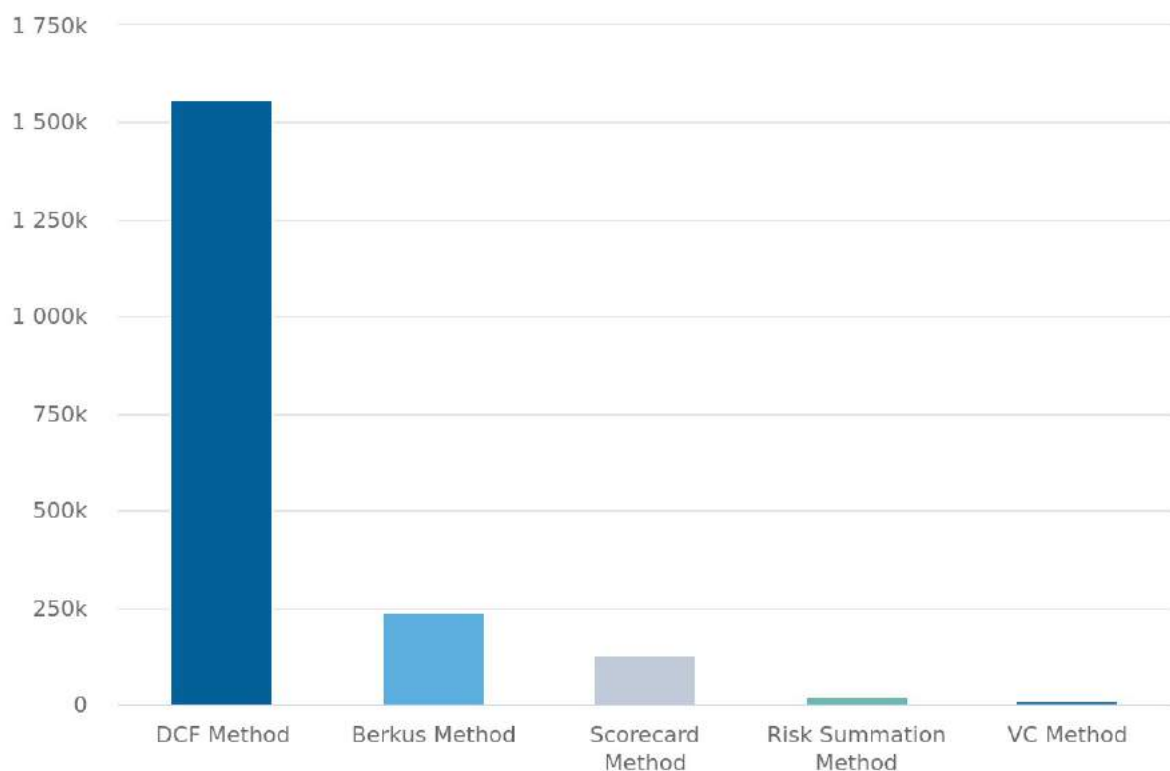


COMPANY VALUATION

Pre-money Valuation: **\$1,141,234**

The pre-money valuation of the company is defined as the value of the company prior to any funding. The company valuation is displayed as a weighted average of the different methods. The weighting for these is based on the company stage, product development, and exit strategy and timing.

The methods used in determining the pre-money valuation of the company are: Scorecard Method, Risk Summation Method, Berkus Method, VC Method and the Discounted cash flow. The results of these are:



Total Valuation: **\$1,141,234**

Scorecard Method: **\$222,600 (15.00%)**

Risk Summation Method: **\$25,000 (10.00%)**

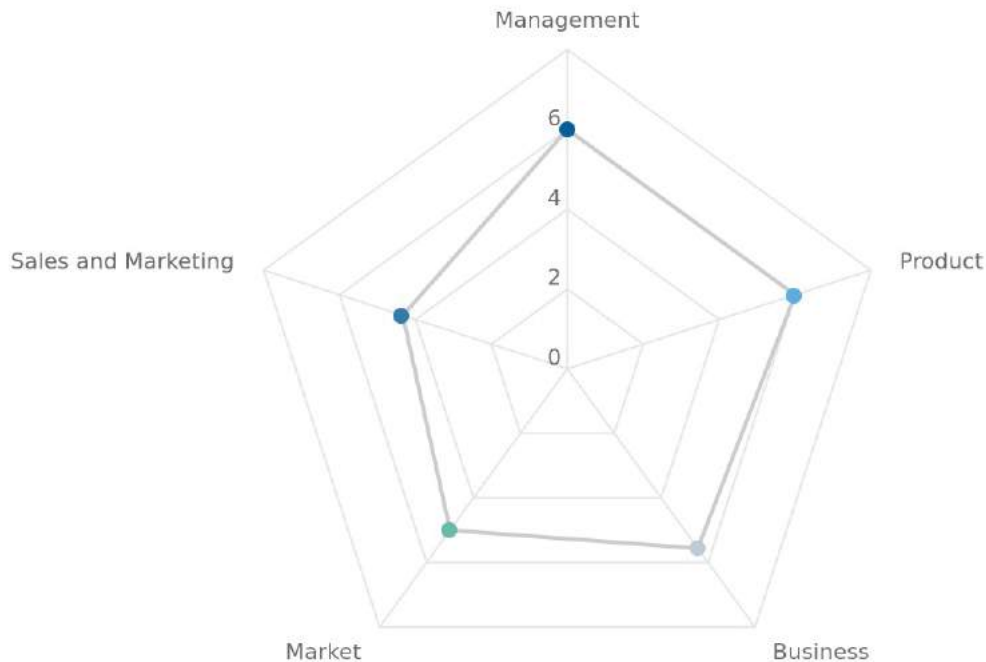
Berkus Method: **\$160,000 (20.00%)**

VC Method: **\$31,629 (10.00%)**

DCF Method: **\$702,005 (45.00%)**

COMPANY OVERVIEW

In determining the metrics of the company, analysis is conducted in five major areas of any startup:



Management: Management team of the company ranks **6.0 out of 10**.

This consists of Experience of founders, Previous working experience together, Permanent staff count & previous managerial experience.

Business: Business of the company ranks **5.6 out of 10**.

This consists of Scalability, Stage of Development, Company Funding, Burnout Rate, Exit Potential, Exit Value, Years to Exit, Accounting & Financial Controls and Legal Risk.

Product: The product of the company ranks **6.0 out of 10**.

This consists of Uniqueness of Idea, Company Product Stage, Disruption risk of network, Disruption risk of IT and Ease of Duplication.

Market: The market of the company ranks **5.0 out of 10**.

This consists of Total TAM, SAM, SOM, Expected Market Share, Market Competition, Product Competitiveness, International Expansion plans and Political Risk.

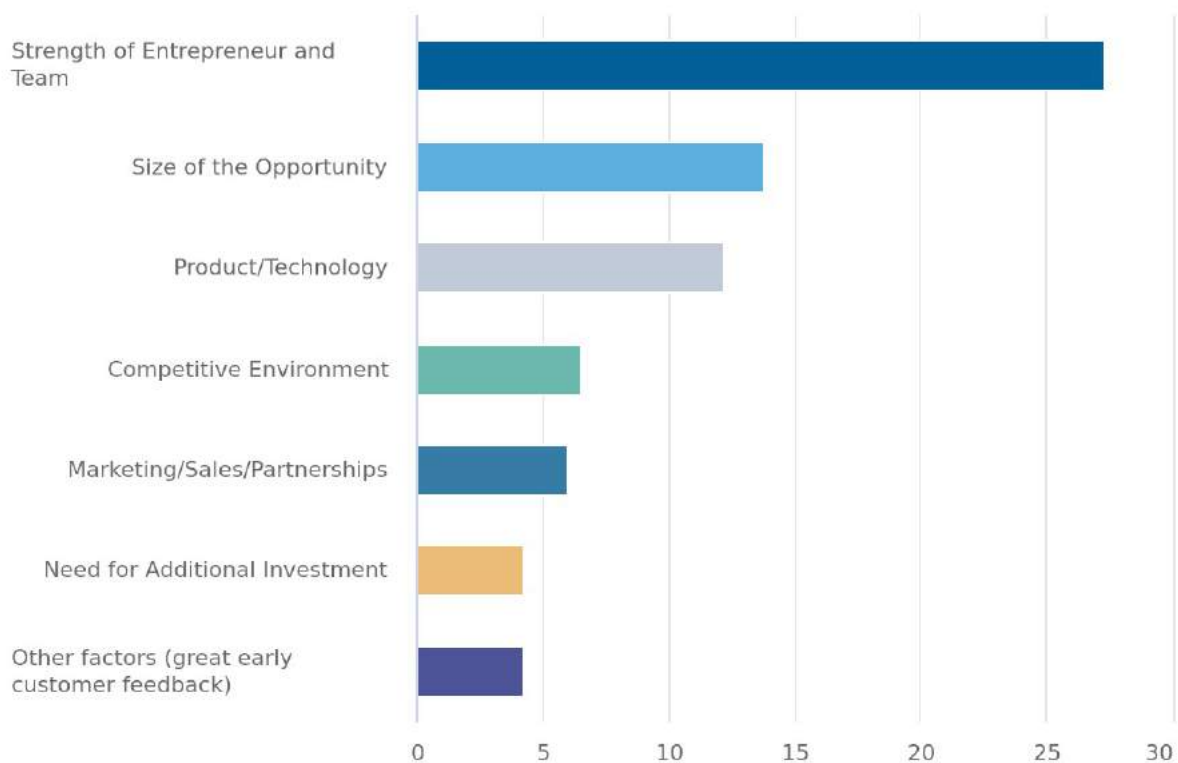
Sales & Marketing: The sales & marketing of the company ranks **4.3 out of 10**.

This consists of Strength of Brand, Customer diversity, Strength of Partnerships, Strength of Suppliers, Marketing Plan Development and Marketing Resources.

SCORECARD METHOD

Scorecard Method Valuation: **\$1,484,000**

Otherwise known as the Bill Payne valuation method, this is a common valuation model for startups used by Angel investors for pre-revenue startups. The idea is to find the average valuation of all pre-revenue startups in the target company's market and compare it to the pre-revenue valuation score of the target company. The scorecard method analyses seven different factors for the company and multiples this by a score factor to the industry average valuation for the overall valuation of the company



Industry Pre-Money Average: **\$2,000,000**

Factor: **2,000,000.00**

Parameters of each factor:

Strength of the Management Team: **27 (30%)**

Size of the Opportunity: **14 (25%)**

Strength of the Product and Intellectual

Property: **12 (15%)**

Competitive Environment: **7 (10%)**

Marketing/Sales/Partners: **6 (10%)**

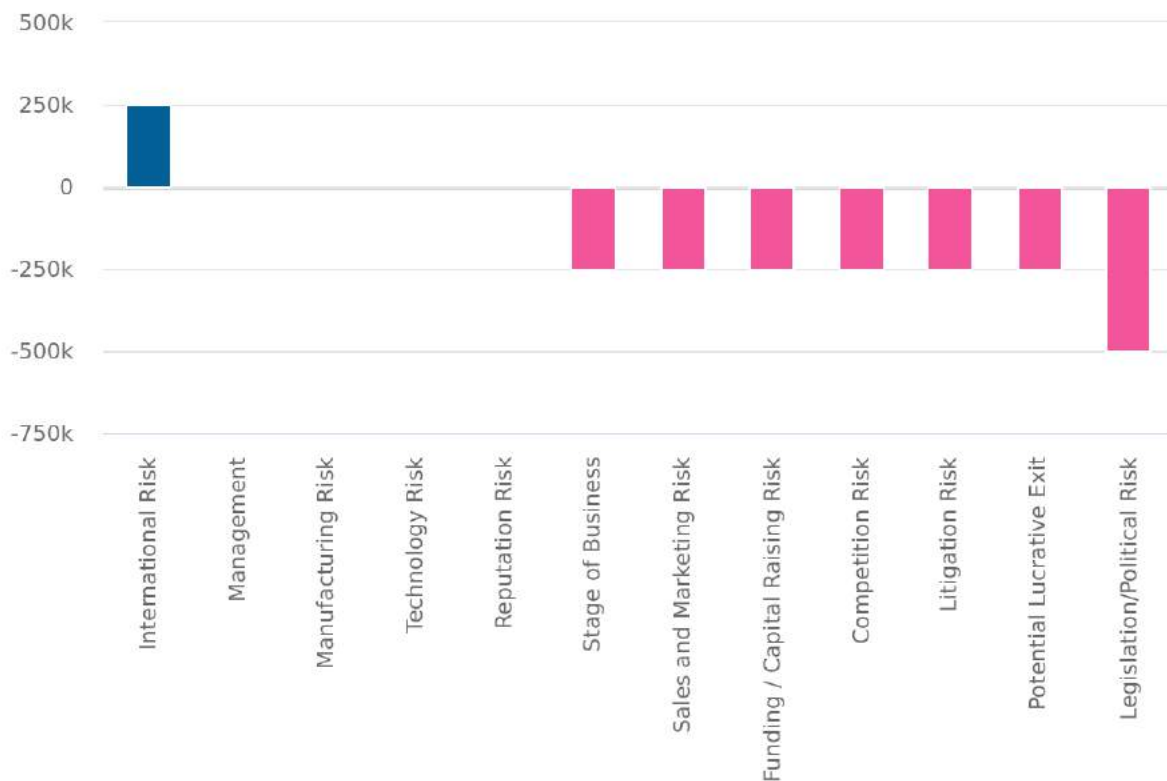
Need for additional rounds of funding: **4 (5%)**

Other: **4 (5%)**

RISK SUMMATION METHOD

Risk Summation Valuation: **\$250,000**

This valuation model for startups aims at risk assessment of the target pre-revenue, early-stage startup. The Risk Summation method analyses twelve different risk factors for the company with a score for each, and adds this to the average valuation within the industry and company stage. It is similar to the scorecard method and uses the following 12 elements to evaluate its risk status:



Industrial Pre-Money Average: **\$2,000,000**

Total amount per Criteria:

Management: **0**

Stage of business: **-250,000**

Funding/capital risk: **-500,000**

Manufacturing risk: **0**

Technology risk: **-250,000**

Sales and Marketing risk: **-250,000**

Competition risk: **-250,000**

Legislation/political risk: **0**

Litigation risk: **-250,000**

International risk: **250,000**

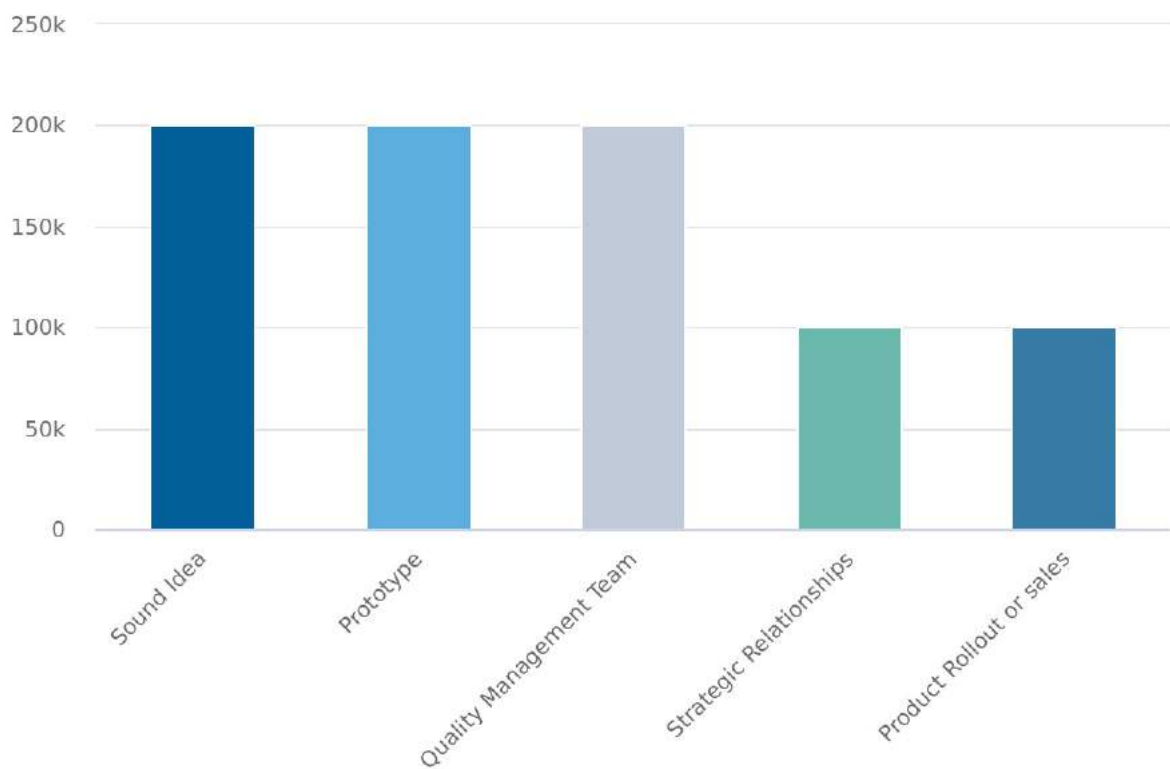
Reputation risk: **0**

Potential lucrative exit: **-250,000**

BERKUS METHOD

Berkus Method Valuation: **\$800,000**

Berkus Method of Valuation is an early-stage valuation method that was explicitly created to find a starting point without relying upon the founder's financial forecasts. The Berkus Method studies five crucial areas of a startup and indicates a value ranging from zero to \$500,000 for each area. These areas are:



Total amount per Criteria:

Sound Idea: **200,000**

Prototype: **200,000**

Quality Management Team: **200,000**

Strategic Relationships: **100,000**

Product Rollout or Sales: **100,000**

VENTURE CAPITAL (VC) METHOD

VC Method Valuation: **\$316,295**

This is one of the methods to arrive at the pre-money valuation of a pre-revenue startup. In this startup valuation method, first the terminal value is estimated. Terminal value is the expected value of the startup during the harvest year, the year when the investor plans to exit. From this point, the pre-money valuation is calculated using the following formula:

VC METHOD FORMULA

$$\text{VC Valuation} = \frac{\text{Terminal Value}}{(1 + \text{Discount Rate})^{\text{Years}}}$$

Exit Value: **\$800,000**

Years to Exit: **4**

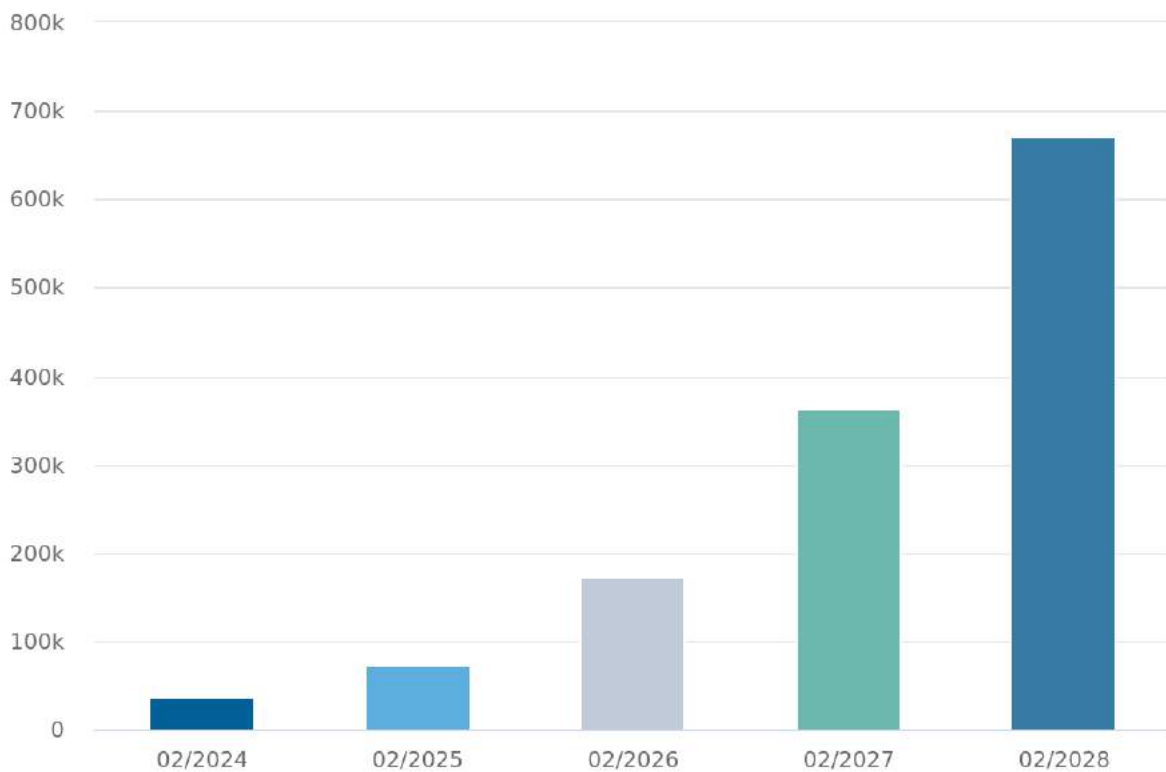
Discount Rate: **26.1%**

DISCOUNTED CASH FLOW (DCF) METHOD

DCF Valuation: **\$1,560,011**

Discounted Cash Flow (DCF) Method: A widely respected valuation approach, the Discounted Cash Flow (DCF) method calculates the value of an investment based on its projected future cash flows, taking into account the time value of money. This method requires estimating the investment's expected return, which is typically the weighted average cost of capital.

The DCF method serves as a powerful tool in determining a company's intrinsic value, providing an estimate of a Company's value through a systematic valuation process. By evaluating a company in light of all future cash flows, the DCF approach offers a comprehensive understanding of a company's worth. This valuation method involves constructing a forecast based on financial statements, and subsequently calculating the terminal and present values to arrive at a final valuation.



Exit Value: **\$800,000**

Discount Rate: **26.1%**

Long Term Growth Rate: **5.0%**

FINANCIAL PROJECTIONS

The financial projections page provides a detailed breakdown of the company's expected financial performance over the next five years. This includes key metrics such as revenue, cost of goods sold (COGS), gross profit, operating expenses (OPEX), and other expenses. Additionally, it outlines the total cost of running the business, including OPEX, depreciation and amortization, interest, tax, and capital expenditures.

By analyzing these projections, stakeholders can gain valuable insights into the financial health of the company and make informed decisions about its potential for growth and profitability. This can help stakeholders to understand the company's financial position and make strategic decisions about investments, partnerships, and other opportunities.

	02/2024	02/2025	02/2026	02/2027	02/2028
Revenue	\$117,241	\$242,993	\$576,641	\$1,210,204	\$2,236,264
COGS	\$0	\$0	\$0	\$0	\$0
Gross Profit	\$117,241	\$242,993	\$576,641	\$1,210,204	\$2,236,264
OPEX					
General & Admin	\$21,924	\$45,440	\$107,832	\$226,308	\$418,181
R & D	\$11,724	\$24,299	\$57,664	\$121,020	\$223,626
Sales & Marketing	\$10,903	\$22,598	\$53,628	\$112,549	\$207,973
Other Expenses	\$37,517	\$77,758	\$184,525	\$387,265	\$715,605
Operating Expenses	\$82,068	\$170,095	\$403,649	\$847,143	\$1,565,385
Other					
Depr & Amort					
Interest					
Tax					
Capital Expenditures					
Profit	\$35,172	\$72,898	\$172,992	\$363,061	\$670,879
EBITDA	\$35,172	\$72,898	\$172,992	\$363,061	\$670,879
EBIT	\$35,172	\$72,898	\$172,992	\$363,061	\$670,879
Cash Flow	\$35,172	\$72,898	\$172,992	\$363,061	\$670,879
DCF	\$27,890	\$45,837	\$86,254	\$143,543	\$210,328
Terminal Value	\$800,000				
DCF Valuation	\$1,560,011				

WEIGHTS OF METHODOLOGY

Company Stage: Startup

The default weighting for the company valuation by the stage of development. The calculations for each is as below:

Method Weighting

Stage of Company	Scorecard Method	Risk Summation Method	Berkus Method	VC Method	DCF Method
Idea Stage	6.25%	6.25%	35.00%	2.50%	50.00%
Development Stage, Non-Funded	7.50%	7.50%	30.00%	5.00%	50.00%
Development Stage, Funded	8.75%	8.75%	30.00%	2.50%	50.00%
Product Development Stage, Non-Funded, No Exit Plans	8.75%	8.75%	27.50%	5.00%	50.00%
Product Development Stage, Non-Funded, Exit Plans	7.50%	7.50%	27.50%	7.50%	50.00%
Product Development Stage, Funded, No Exit Plans	10.00%	10.00%	25.00%	5.00%	50.00%
Product Development Stage, Funded, Exit Plans	8.75%	8.75%	25.00%	7.50%	50.00%
Startup Stage, No Exit Plans	11.25%	11.25%	20.00%	7.50%	50.00%
Startup Stage, Exit Plans	10.00%	10.00%	20.00%	10.00%	50.00%
Expansion Stage, No Exit Plans	12.50%	12.50%	15.00%	10.00%	50.00%
Expansion Stage, Exit Plans	10.00%	10.00%	15.00%	15.00%	50.00%
Custom Weighting	15.00%	10.00%	20.00%	10.00%	45.00%

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