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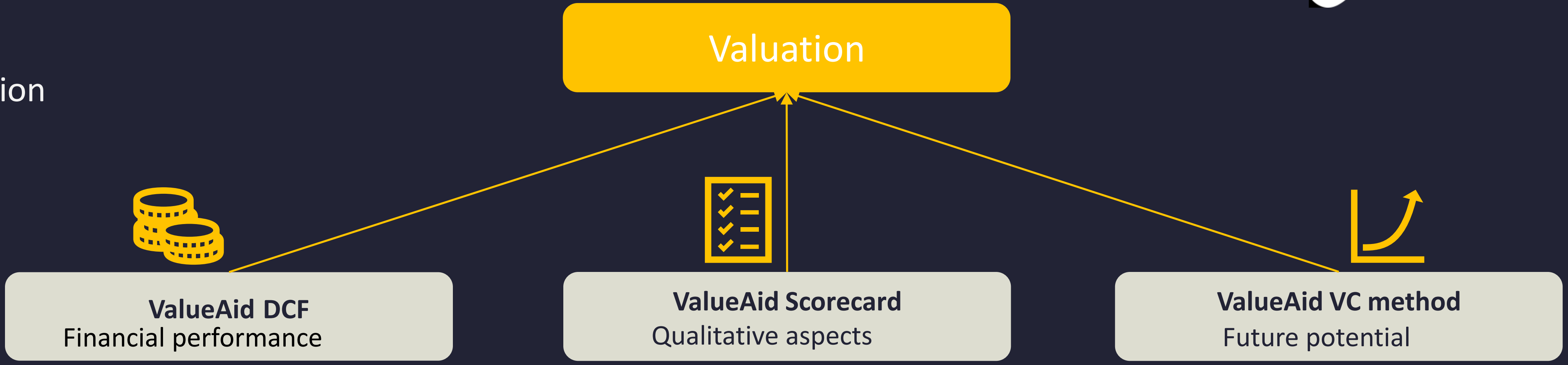
Company valuation

PassiFlora (example)

07-09-2020

Why ValueAid?

To realise your valuation



Value is subject to more than numbers. Valuation is the result of qualitative and quantitative substance. It is always more subjective than objective. Turning it into rocket science does not make the difference.

‘Value is in the eye of the beholder’

With ValueAid we provide the solution to apply weighting where it matters and to substantiate matters. ValueAid empowers entrepreneurs and their organisations to valuate their business and substantiate their valuation by using three different valuation methods with a healthy balance between the quantitative and qualitative arguments, achievements and prognoses.

One method for financial performance, one method for the qualitative aspects and one for future potential. ValueAid let’s entrepreneurs then allocate weighting to the methods to achieve the valuation they are comfortable with towards investors and other evaluating the company.

Post-money Equity value PassiFlora

€3.289.419,-

*Details in the following sections:

1. Company info
2. Financial Forecast
3. Ratio’s and graphs
4. ValueAid DCF
5. Required rate of return
6. ValueAid Scorecard
7. ValueAid VC method
8. Weighting

Company info

PassiFlora Ltd.

2020 (launch app: 01-08-2020)

Example@PassiFlora.com

Some company discription

Financial forecast

Profit- and loss account - Forecast					
Year	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Sales	**€111.260**	**€1.780.165**	**€4.005.372**	**€7.120.661**	**€11.126.033**
Costs of goods sold	€61.126	€478.017	€1.000.537	€1.492.066	€2.312.603
Operating profit	**€50.134**	**€1.302.148**	**€3.004.835**	**€5.628.595**	**€8.813.430**
Cost of sales	€111.500	€253.000	€359.000	€668.000	€1.336.000
Salaries	€19.000	€205.000	€430.000	€620.000	€940.000
Housing costs	€-	€-	€4.000	€33.000	€66.000
General costs	€1.500	€23.500	€70.500	€137.000	€282.000
Other/unforseen	€13.313	€95.952	€187.404	€295.007	€493.660
EBITDA	**€-95.179**	**€724.696**	**€1.943.931**	**€3.875.588**	**€5.695.769,42**
Depreciation	€2.000	€2.000	€2.000	€2.000	€2.000
EBIT	**€-97.179**	**€722.696**	**€1.941.931**	**€3.873.588**	**€5.693.769**
Interest	€-	€-	€-	€-	€-
Net profit before tax	**€-97.179**	**€722.696**	**€1.941.931**	**€3.873.588**	**€5.693.769**
Tax	€-	€180.674	€485.483	€968.397	€1.423.442
Net profit after tax	**€-97.179**	**€542.022**	**€1.456.448**	**€2.905.191**	**€4.270.327**

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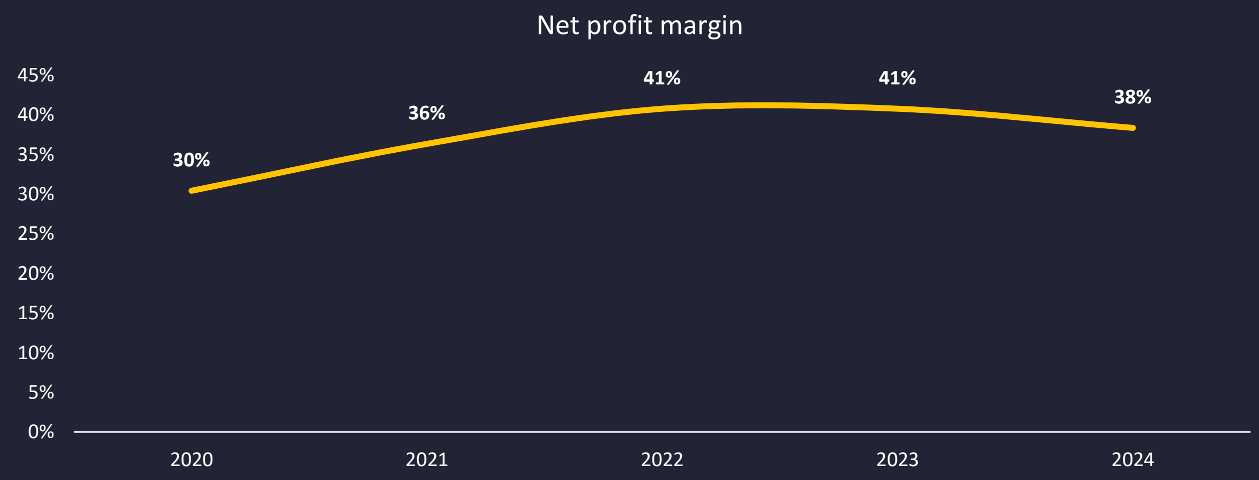
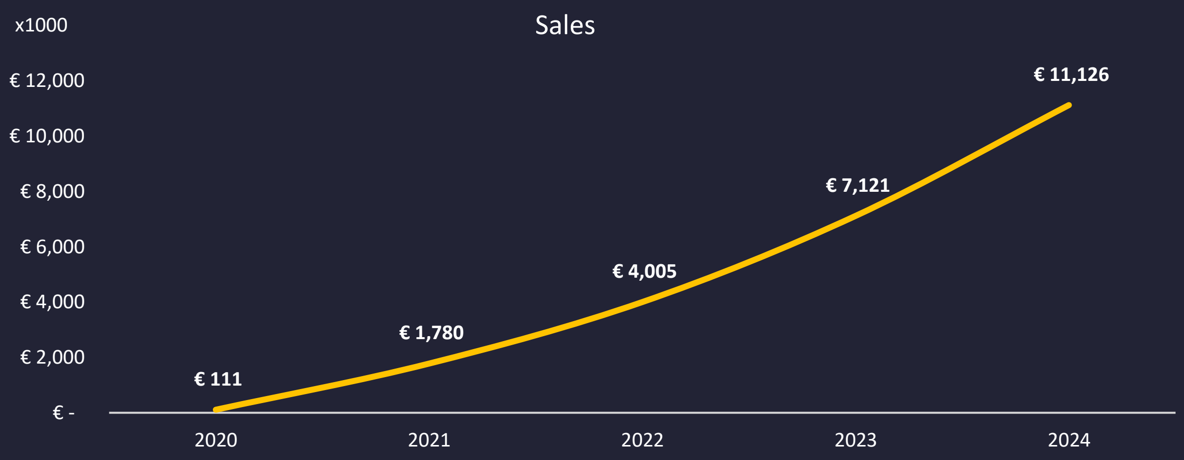
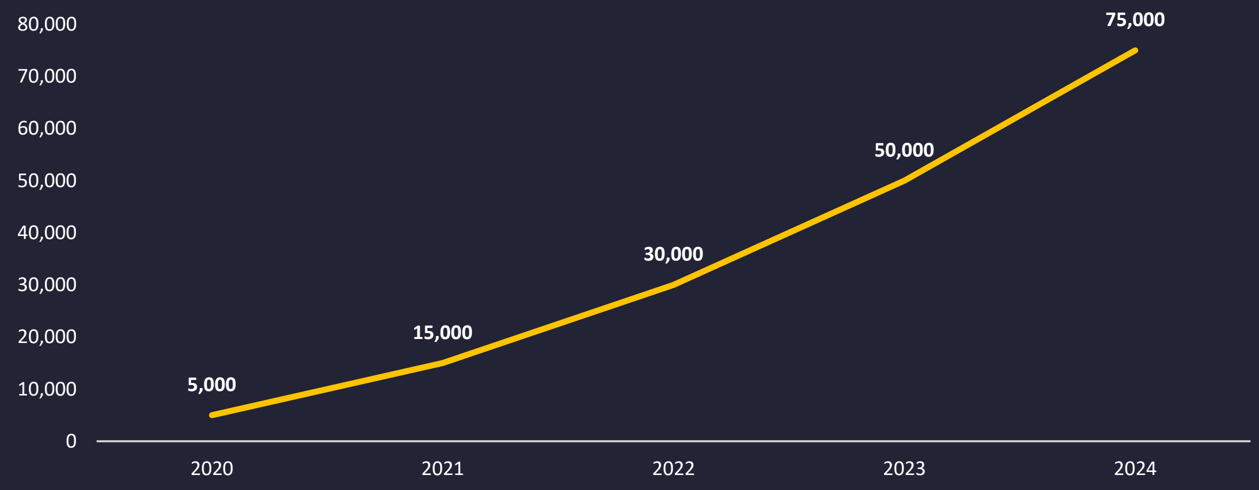
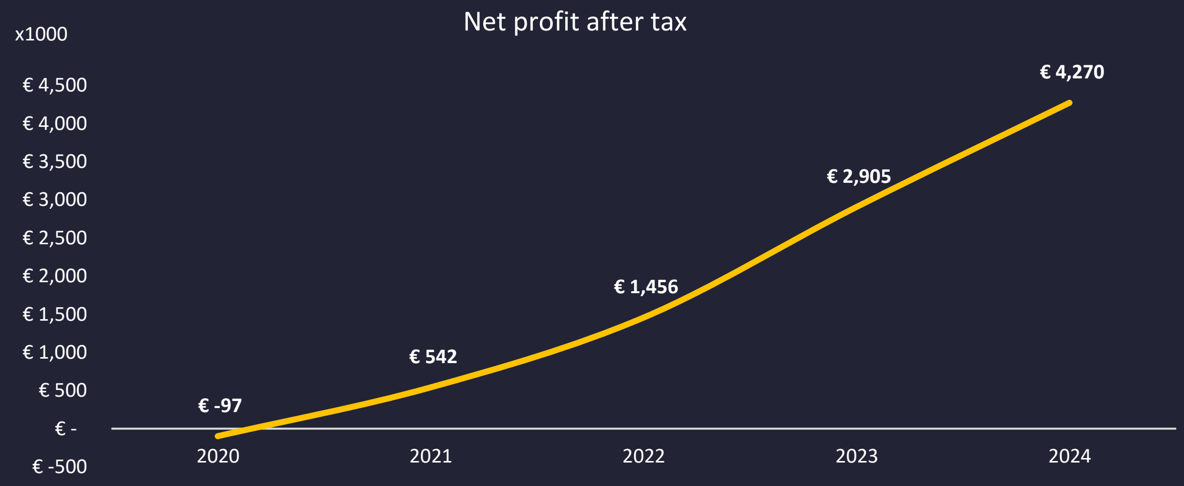
Ratios and graphs









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ValueAid DCF

Method explanation: The ValueAid DCF method resembles a traditional DCF method valuation where the value of the firm is calculated by accumulating discounted future cash flows. However, the ValueAid DCF method gives the entrepreneur the empowerment to choose and substantiate a required rate of return as well as a long term growth rate fit for their own company. For more information on the traditional DCF method, click here.

ValueAid DCF Calculation						
T	0,32	1,32	2,32	3,32	4,32	4,32
Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Terminal year**
Net operating profit after tax (NOPAT)	€-97.179	€542.022	€1.456.448	€2.905.191	€4.270.327	
Interest	€-	€-	€-	€-	€-	
+ Depreciation	€2.000	€2.000	€2.000	€2.000	€2.000	
- Increase in net working capital	€-8.317	€ 178.429	€462.006	€925.239	€1.342.189	
- Capital expenditures	€-	€-	€-	€-	€-	
Free cash flow	€-86.862	€365.593	€996.442	€1.981.952	€2.930.138	€13.858.762
Discounted Free cash flow	**€-81.385**	**€278.582**	**€617.508**	**€998.895**	**€1.201.022**	**€5.680.509**
Valueaid DCF Value	**€8.695.131**					

Required rate of return	**22,96%**

Why: The required rate of return is calculated by taking the standard “WACC”-calculation and increase it with various risk premia. The detailed calculation is on the next page.

Long term growth rate	**1,50%**

Why: We assume that, in the long run, the cash flows will grow with 1.50% anually on average for eternity.

Required rate of return

Explanation: The required rate of return is comprised of both the cost of equity and the cost of debt. Since PassiFlora has no interest bearing debt, only the cost of equity is taken into account to establish a required rate of return. This cost of equity is the standard equity risk premium in The Netherlands increased with a start-up premium and a firm specific premium.

Required rate of return calculation			
Equity		**Intrest bearing debt**	
E(E+D)-ratio	1	D(E+D)-ratio	0
No shareholder subordination premium	-2,00%	Tax rate	N/A
Country specific premium	5,23%	Interest percentage	N/A
Premium for pre-revenue start-up	15%		
Firm specific premium	4,73%		
Cost of equity	**22,96%**	**Cost of debt**	**N/A**

Required rate of return	**22,96%**

ValueAid Scorecard

Method explanation: The ValueAid Scorecard method quantifies the qualitative value. Based on an editable and therefore unique questionnaire a qualitative aspect (or category) receives a score. This score represents the value of the qualitative resource with respect to the average valuation. The average is 100%, so scores > 100% are above average and vice versa. The entrepreneur is empowered to change the category's weight and to add or remove categories. The weighted average score is multiplied with a reference value. This value represents the average value of a similar company in the same venture-phase. See the appendix for the scorecard response.

ValueAid Scorecard calculation		
Category	**Score**	**Assigned weight**
Team	125%	35%
Product & market	147%	20%
Scalability	156%	15%
Financials	156%	15%
Other	133%	5%
Weighted average	**140%**	
Reference value	€1.000.000,-	
ValueAid Scoreard Value	**€1.404.333,-**	

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ValueAid VC method

Method explanation: The ValueAid VC method tries to capture a company's value driver and the potential value of that value driver in a distant future. That value is discounted back to today against a desired annual return, similar to the required rate of return. This method is based on the Venter Capital-method. However, the empowerment lies with the entrepreneurs which can identify the companies value driver and its potential him/her self. More information on the traditional venture capital method, click here.

Why: The desired annual return is 50%, we believe that the the value of the investment in PassiFlora will double in 2 years from now, (c.q. 100%) this makes the desired/expected ROI 50%.

If we extrapolate our current forecast we have reasons to believe that we can realise €5M in net profit 5 years from now. For which an enterprise-value/net profit multiple of 10 is considered realistic in our beliefs.

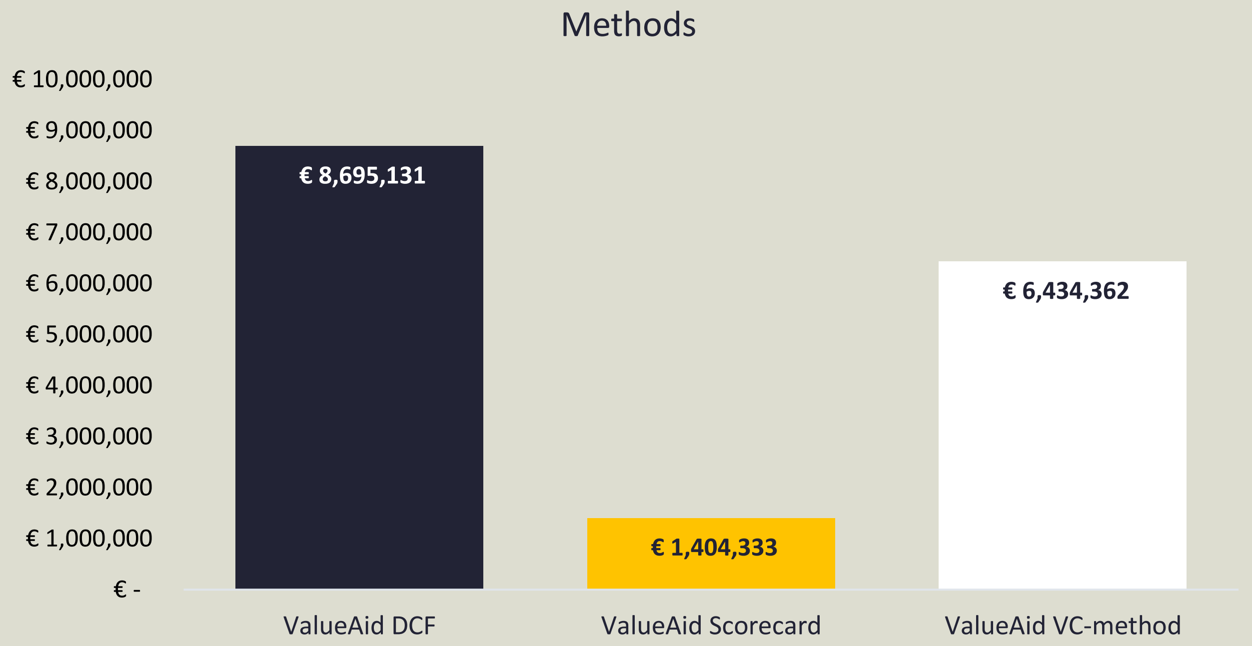
ValueAid VC method calculation	
Desired annual return on investment for VC	50%
Value driver PassiFlora	Net profit
Number of years from now	5
Net profit 5 years from now	€5.000.000,-
EV/net profit-multiple	10
Exit value 5 years from now	**€50.000.000,-**
ValueAId VC value	**€6.434.362,-**

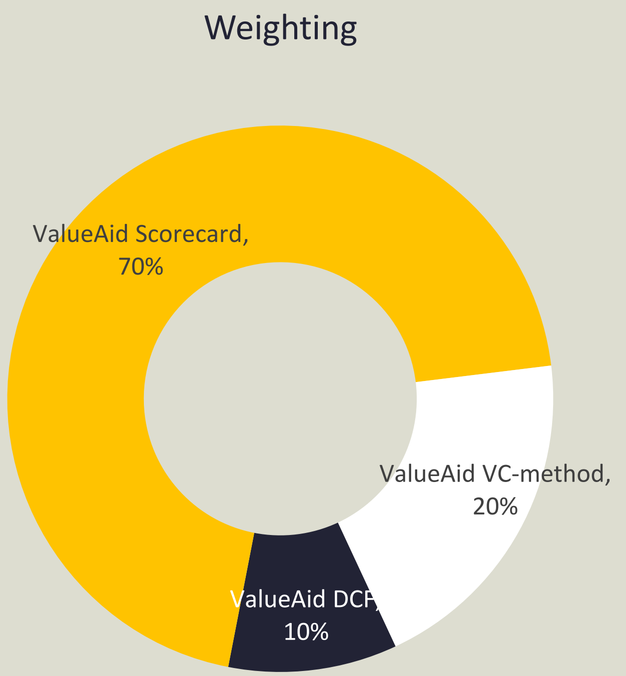
Weighting

Enterprise valuation Pre-Money		
Method	**Weighting**	**Value**
DCF	10%	€8.695.131,-
Scorecard	70%	€1.404.333,-
VC	20%	€6.434.362,-
	Weighted average	**€3.139.419,-**

- Intrest bearing debt	**€0,-**
+ Cash	**€0,-**
+ Funding	**€150.000,-**
Equity valuation Post-Money	**€3.289.419,-**

Least of the weighting is in the DCF method, because at this moment there are no customers or sales, so the forecast is made upon potential. The scorecard, which reprensents qualitative aspects, is more important because PassiFlora has an unique AI-algorithm which is developped by University X and University Y. However, a 20% weight is in the VC method as well, this is because of the huge market potential. The dating-market in the Netherlands around 3M+, so there is lots of scaling oppertunity.





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Appendix

Scorecard response (1/2)

Team

The team has worked together many times before

0 5

Team members have founded start-ups in the past

0 5

Team members are experienced in the firm's sector

No answer

0 5

Team members are fulltime committed to the firm

0 5

All team members have invested in the company

0 5

The team has a large and relevant network

No answer

0 5

Product/market

Supplier's power is low

0 5

Customer's power is low

0 5

The threat of new entrants is low

0 5

There are little to no substitutes for the product

0 5

The product is not subject to government regulations

0 5

The product is capable of changing someone's life

No answer

0 5

Scalability

The market for the product is of substantial size

0 5

The direct assessible market is of substantial size

0 5

There are no relevant competitors

0 5

The product/service is scalebale to other countries

0 5

Appendix

Scorecard response (2/2)

Financials

The company has a low ‘burn rate’

The company has little to no debt

The company has low fixed costs

The costs of acquiring a new costumer are low

The income of acquiring a new costumer is high

The profit margin on the product/service is high

Other

There are no ‘red flags’ in the company

The exit-possibilities for investors are high

There is a substantial chance that the firms still exists 10 years from now.