Company valuation

E-Consultancy (example)

12-08-2020

Why ValueAid?

To realise your valuation

Valuation

ValueAid DCF
Financial performance

ValueAid Scorecard
Qualitative aspects

ValueAid VC method
Future potential

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 value E-Consultancy

*€5.921.616

*Details in the following sections:

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

evalueaid
worthy solutions

Multiples

E-Consultancy's value of **€5.921.616** represents:

8,65x 2019's net revenue

€684.971,-

42,39x 2019's net profit after tax

€139.699,-

33,72x 2019's EBITDA

€175.596,-

24,28x 2019's bookvalue of equity

€243.899,-

Company info

E-Consultancy

www.econsultancyexample.com

2015

consultancy@examplefirm.com

Examplecity, 1234 AB, Fakestad

Management advisory for online strategy

evalueaid
worthy solutions

Financial forecasts

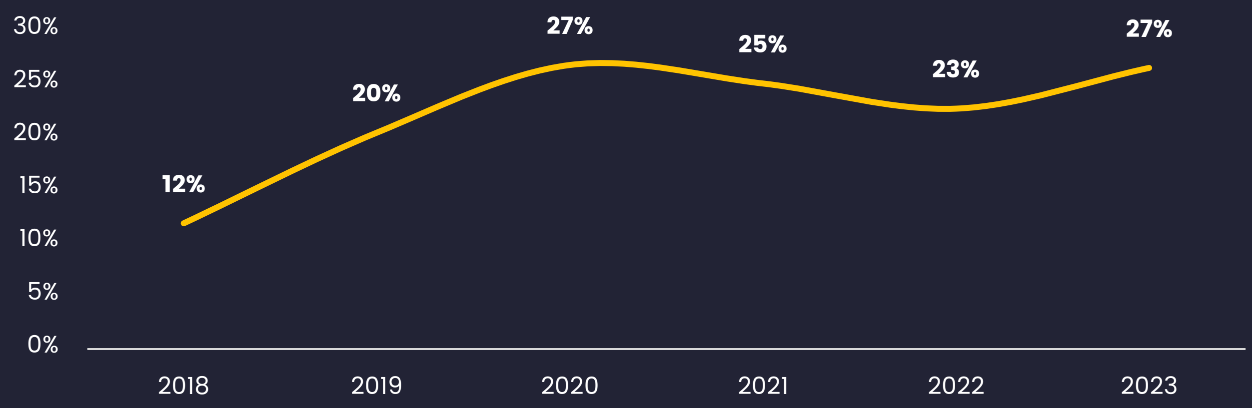
Profit- and loss account						
Year	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**2023E**
Sales	**€289.129**	**€684.971**	**€1.164.451**	**€1.863.121**	**€2.608.370**	**€3.390.880**
Costs of goods sold	€53.636	€253.989	€381.057	€666.850	€1.000.275	€1.250.344
Gross profit	**€235.493**	**€430.982**	**€783.393**	**€1.196.271**	**€1.608.094**	**€2.140.536**
Salaries	€147.714	€163.100	€179.410	€197.351	€217.086	€238.795
Social security	€12.649	€16.255	€17.941	€19.735	€21.709	€23.879
Other costs	€29.204	€76.031	€145.218	€260.120	€381.197	€476.496
EBITDA	**€45.926**	**€175.596**	**€440.825**	**€719.065**	**€988.103**	**€1.401.367**
Depreciation	€2.407	€2.759	€2.583	€2.583	€2.583	€2.583
EBIT	**€43.519**	**€172.837**	**€438.242**	**€716.482**	**€985.520**	**€1.398.784**
Interest	€480	€253	€-	€-	€-	€-
Net profit before tax	**€43.039**	**€172.584**	**€438.242**	**€716.482**	**€985.520**	**€1.398.784**
Tax	€8.796	€32.885	€126.409	€250.115	€394.429	€500.162
Net profit after tax	**€34.243**	**€139.699**	**€311.833**	**€466.367**	**€591.092**	**€898.621**

Balance sheet

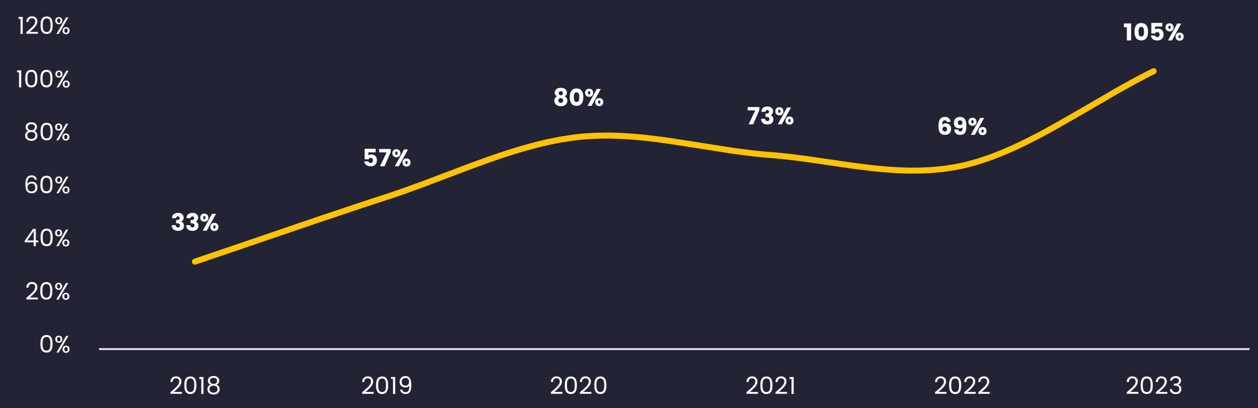
Year	2018	2019	2020E	2021E	2022E	2023E
Current assets						
Cash	€47.473	€89.548	€169.246	€296.180	€444.270	€555.338
Accounts recievable	€16.535	€21.131	€27.048	€34.621	€44.315	€56.723
Reclamation	€46.900	€134.081	€268.162	€469.284	€703.925	€879.907
Accrued assets	€35.417	€68.675	€52.046	€52.046	€52.046	€52.046
Total current assets	**€146.325**	**€313.435**	**€516.501**	**€852.131**	**€1.244.556**	**€1.544.013**
Fixed Assets						
PPE	€1.453	€4.299	€8.598	€17.196	€25.794	€38.691
Cars	€7.025	€5.034	€5.034	€10.068	€10.068	€30.204
Total assets	**€154.803**	**€322.768**	**€530.133**	**€879.395**	**€1.280.418**	**€1.612.908**
Current liabilities						
Accounts payable	€6.636	€16.207	€32.414	€56.725	€85.087	€106.358
Insurance	€35.945	€24.021	€29.983	€29.983	€29.983	€29.983
Accrued liabilities	€8.021	€38.641	€77.282	€154.564	€309.128	€618.256
Total short-term liabilities	**€50.602**	**€78.869**	**€139.679**	**€241.272**	**€424.198**	**€754.597**
Total liabilities	**€50.602**	**€78.869**	**€139.679**	**€241.272**	**€424.198**	**€754.597**
Equity						
Shareholders equity	€120	€120	€120	€ 120	€120	€120
Reserves	€104.080	€243.779	€390.334	€ 638.003	€856.100	€858.191
Total Equity	**€104.200**	**€243.899**	**€390.454**	**€ 638.123**	**€856.220**	**€858.311**
Total equity and liabilities	**154.802**	**€322.768**	**€530.133**	**€ 879.395**	**€1.280.418**	**€1.612.908**

Ratios and graphs

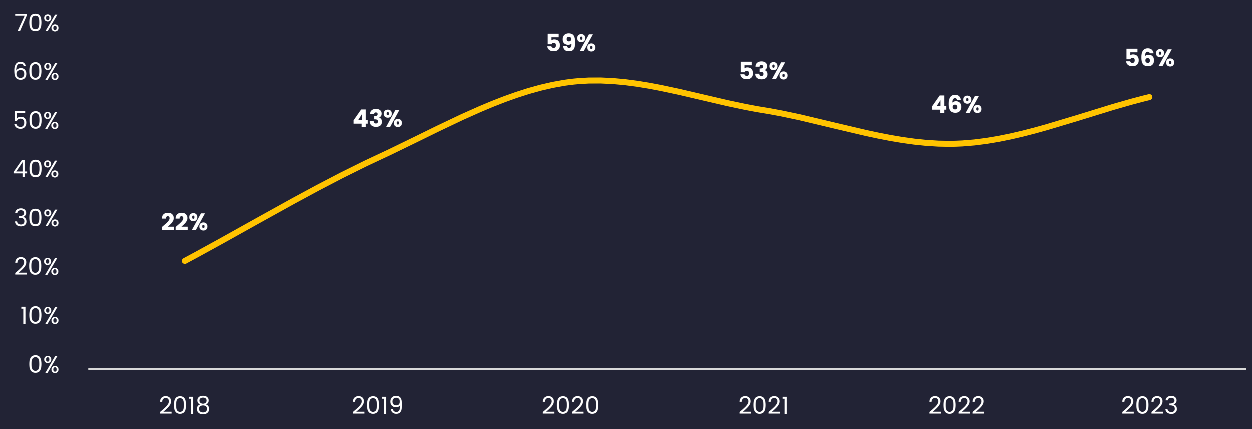
Net profit margin (= net profit/sales)



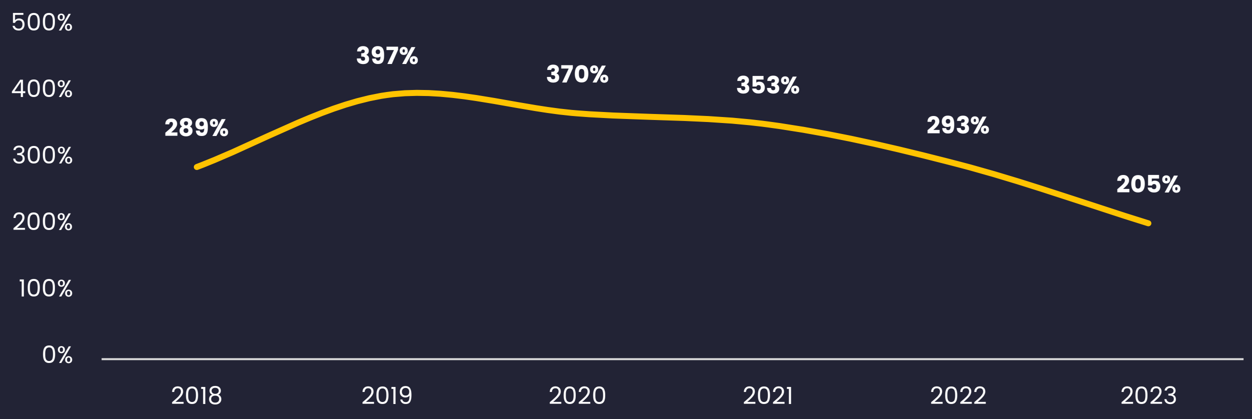
Return on equity (= net profit/total equity)



Return on assets (= net profit/total assets)



Current ratio (= total short-term liabilities/current assets)



evalueaid
worthy solutions

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	0,39	1,39	2,39	3,39	3,39
Year	**2020**	**2021**	**2022**	**2023**	**Terminal year**
Net operating profit after tax (NOPAT)	€ 311.833	€466.367	€591.092	€898.621	
Interest	€-	€-	€-	€-	
+ Depreciation	€2.583	€2.583	€2.583	€2.583	
- Increase in net working capital	€62.559	€107.102	€61.409	€-142.010	
- Capital expenditures	€2.846	€4.299	€8.598	€8.598	
Free cash flow	€249.011	€357.549	€523.667	€1.034.617	€7.059.247
Discounted Free cash flow	**€234.574**	**€288.570**	**€362.098**	**€612.922**	**€4.182.002**
Valueaid DCF Value	**€5.680.167,02**				

Required rate of return	**16,72%**

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	**1,80%**

Why: We assume the company will continue to grow at the same rate as the economy, which is roughly 1,80%.

Required rate of return

Explanation: The required rate of return is comprised of both the cost of equity and the cost of debt. Since E-Consultancy 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.

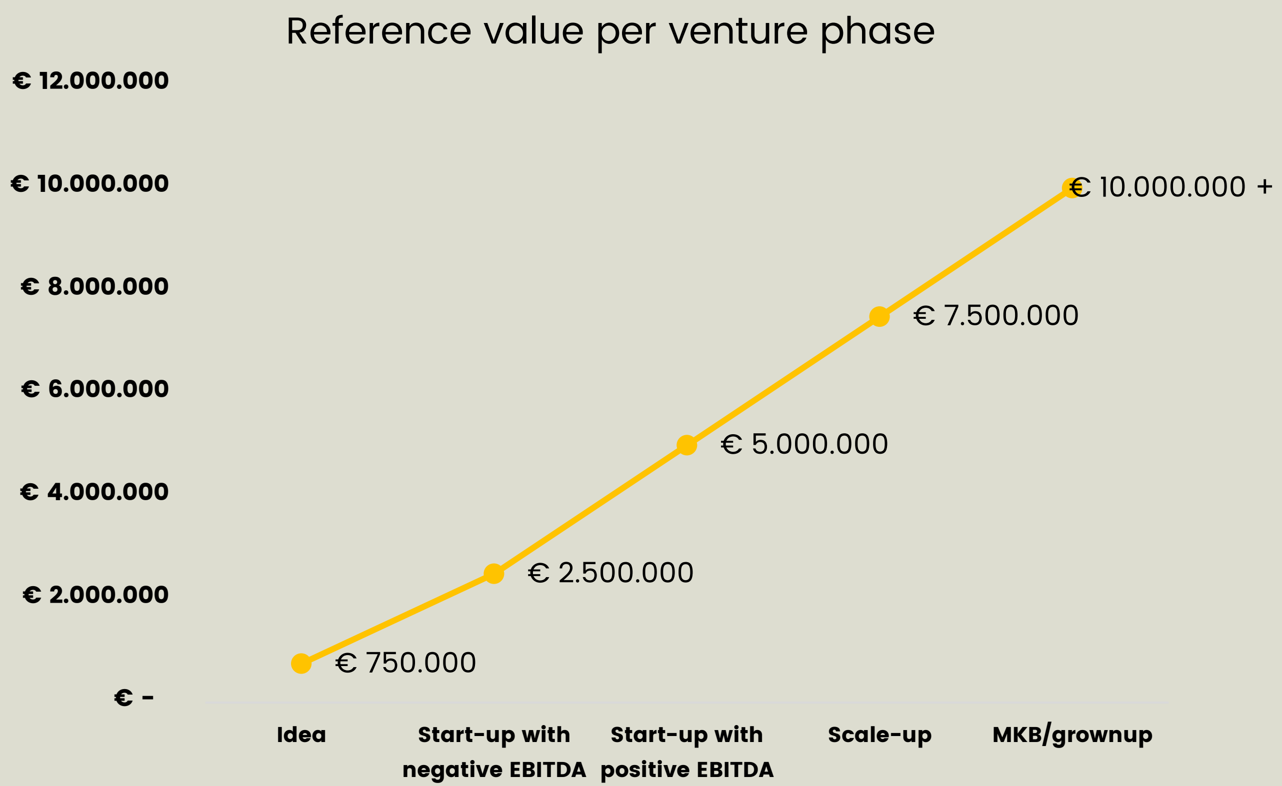
Required rate of return calculation			
Equity	**€243.899**	**Intrest bearing debt**	**€0,-**
E(E+D)-ratio	1	D(E+D)-ratio	0
No shareholder subordination premium	-2%	Tax rate	16,5%
Country specific premium	5,23% (NYU Stern database)	Interest percentage	N/A
Premium for start-up with positive EBITDA	5%		
Premium for illiquidity*	2%		
Firm specific premium	6,49% (BDO SFP model)		
Cost of equity	**16,72%**	**Cost of debt**	**N/A**

Required rate of return	**16,72%**

*Want to create liquidity in shareholder's equity and therefore make your company less risky and increase your valuation? Visit www.eyevestor.com and discover the possibilities.

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	167%	30%
Product & market	107%	20%
Scalability	102%	25%
Financials	147%	15%
Other	144%	10%
Weighted average	**133%**	
Reference value	€5.000.000	
ValueAid Scoreard Value	**€6.657.500,-**	

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.

ValueAid VC method calculation	
Desired annual return on investment for VC	25%
Value driver E-Consultancy	Gross profit
Number of years from now	5
Gross profit 5 years from now	€2.900.000,-
EV/Gross profit multiple	6,3
Exit value 5 years from now	**€18.270.000**
ValueAId VC value	**€5.986.713,60**

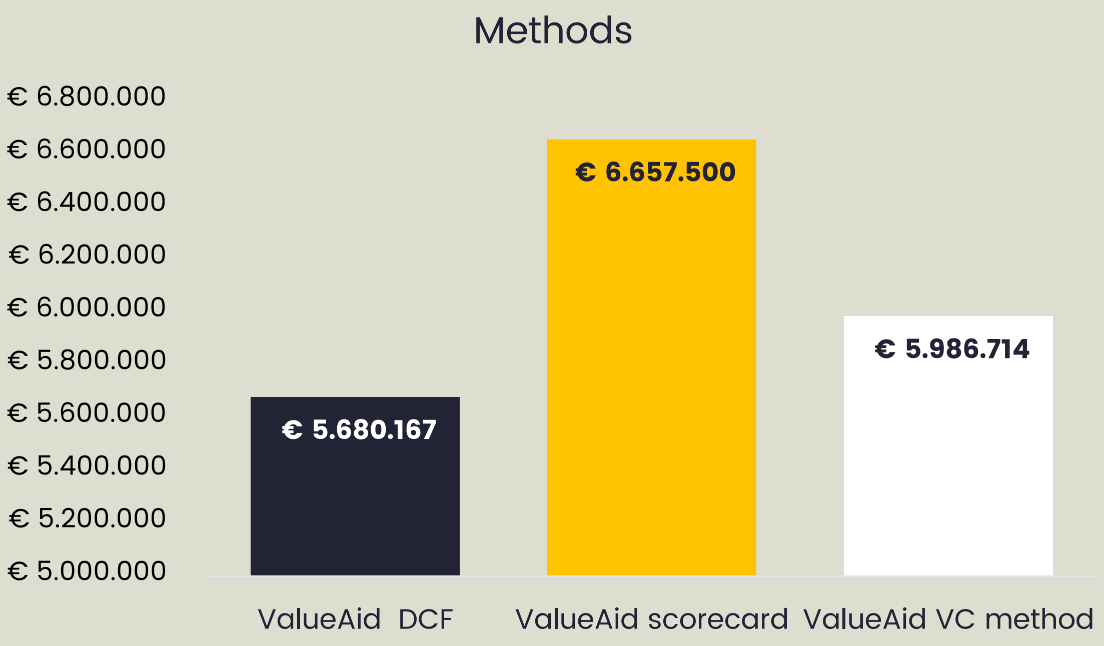
Weighting

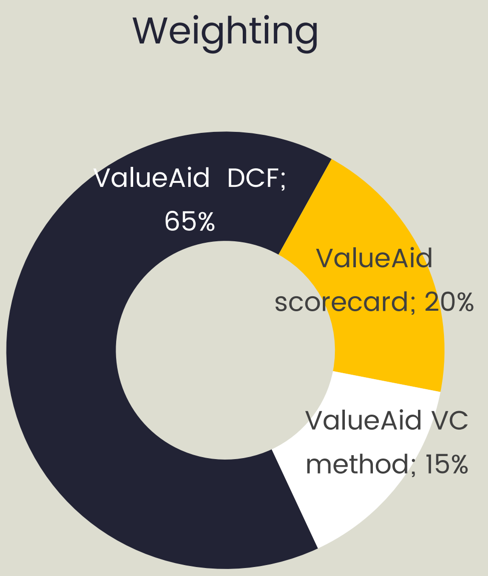
Valuation Pre-Money		
Method	**Weighting**	**Value**
DCF	65%	€5.680.167
Scorecard	20%	€6.657.500
VC	15%	€5.986.714
	Weighted average	**€5.921.616**

Intrest bearing debt	**€0,-**
Funding	**€0,-**
Valuation Post-Money	**€5.921.616**

E-Consultancy's core business is providing management consultancy focussed on online strategy. It's business is mostly cash flow driven and is already in a postive EBITDA state. Therefore, most of the weight is assigned to the DCF method.

However, E-Consultancy has certain qualitative resources that are of considerable value, so a 20% weight is in the scorecard method as well. The lowest weigting is allocated to the VC method, because the core business activities of E-Consultancy are not interesting for venture capitalists.





evalueaid
worthy solutions

Disclaimer: This valuation report was created in evalueaid and uses a variety of different valuation methods. These methods depend solely on the assumptions that an entrepreneur makes about his or her own company, therefore the valuation is as good as the entrepreneur's assumptions. Evalueaid empowers organisations to valuate their business and substantiate their valuation. Evalueaid does not take any responsibility for the valuation nor does it provide any investment advice.

www.evalueaid.com

Europalaan 100, 3526 KS, Utrecht

hello@evalueaid.com

evalueaid is an Eyevestor product

eyevestor
THE SHARE COMPANY

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

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

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

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'

0 5

The company has little to no debt

0 5

The company has low fixed costs

0 5

The costs of acquiring a new costumer are low

0 5

The income of acquiring a new costumer is high

0 5

The profit margin on the product/service is high

0 5

Other

There are no 'red flags' in the company

0 5

The exit-possibilities for investors are high

0 5

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

0 5