Unicorn/Startups Valuation – Perspective of a Venture Capital

VC BUSINESS MODEL

Our ”clients” are tech startups which have unique characteristics

Digital Business

(No Asset)

Problem/Solution Driven

(No clear demand, business model)

Scaling Potential

through Technology

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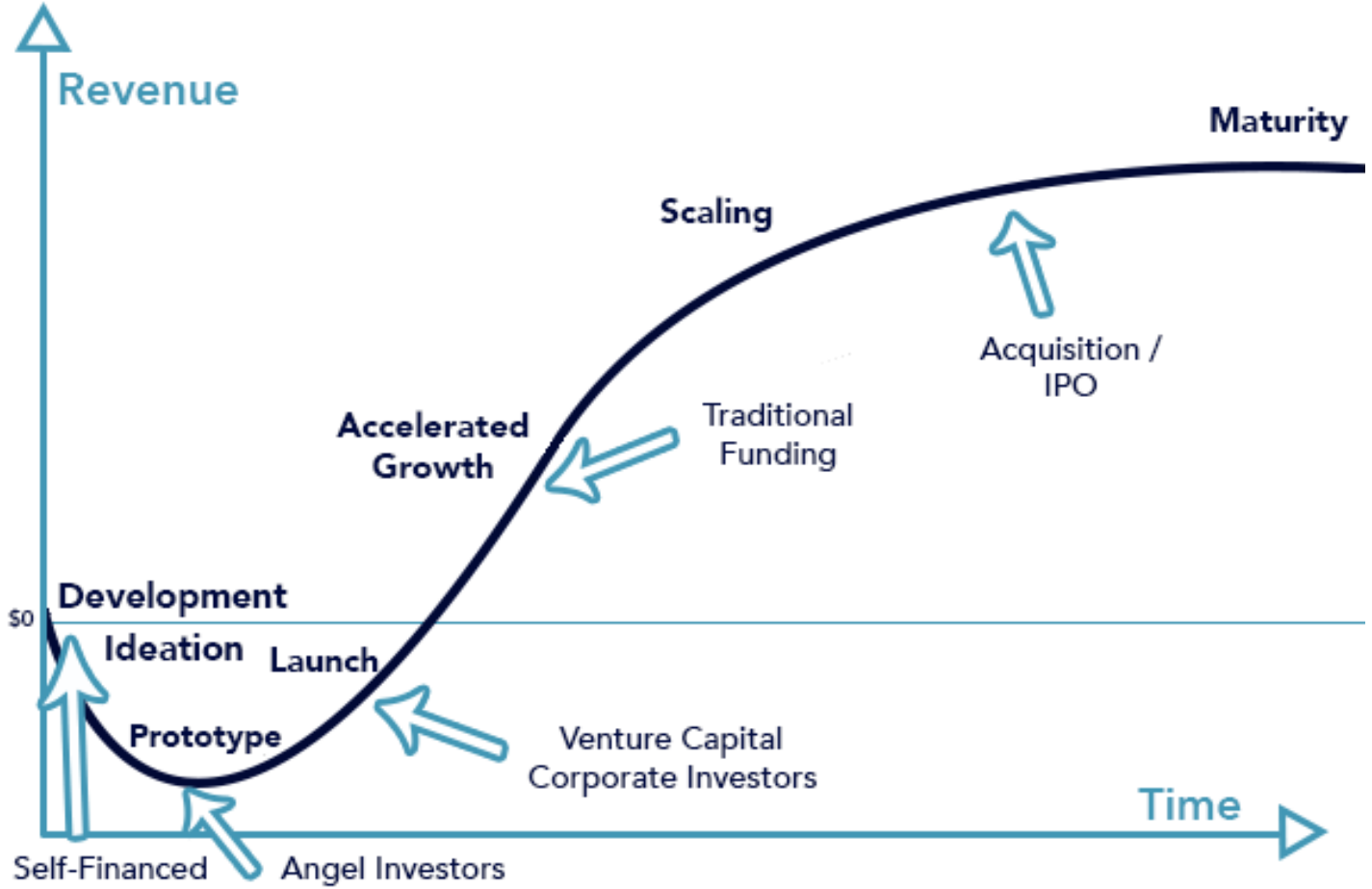
Many startups may need continuous funding before they can be profitable – investment in startup is risky



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VC could make serious money only from a few of their investments (*hits driven business*)

USD 1M X 20 startups
= USD 20 M investment

70% Fail	x	$ 0 M
20% Break even	x	$ 1 M
10% Hits!	x	$ 30 M
		+
		$ 64 M

Assuming deployment of $5m per year for 4 years, and full exit happens at year 8th, ***overall 3.2x Return in 8 years gives 23% IRR***

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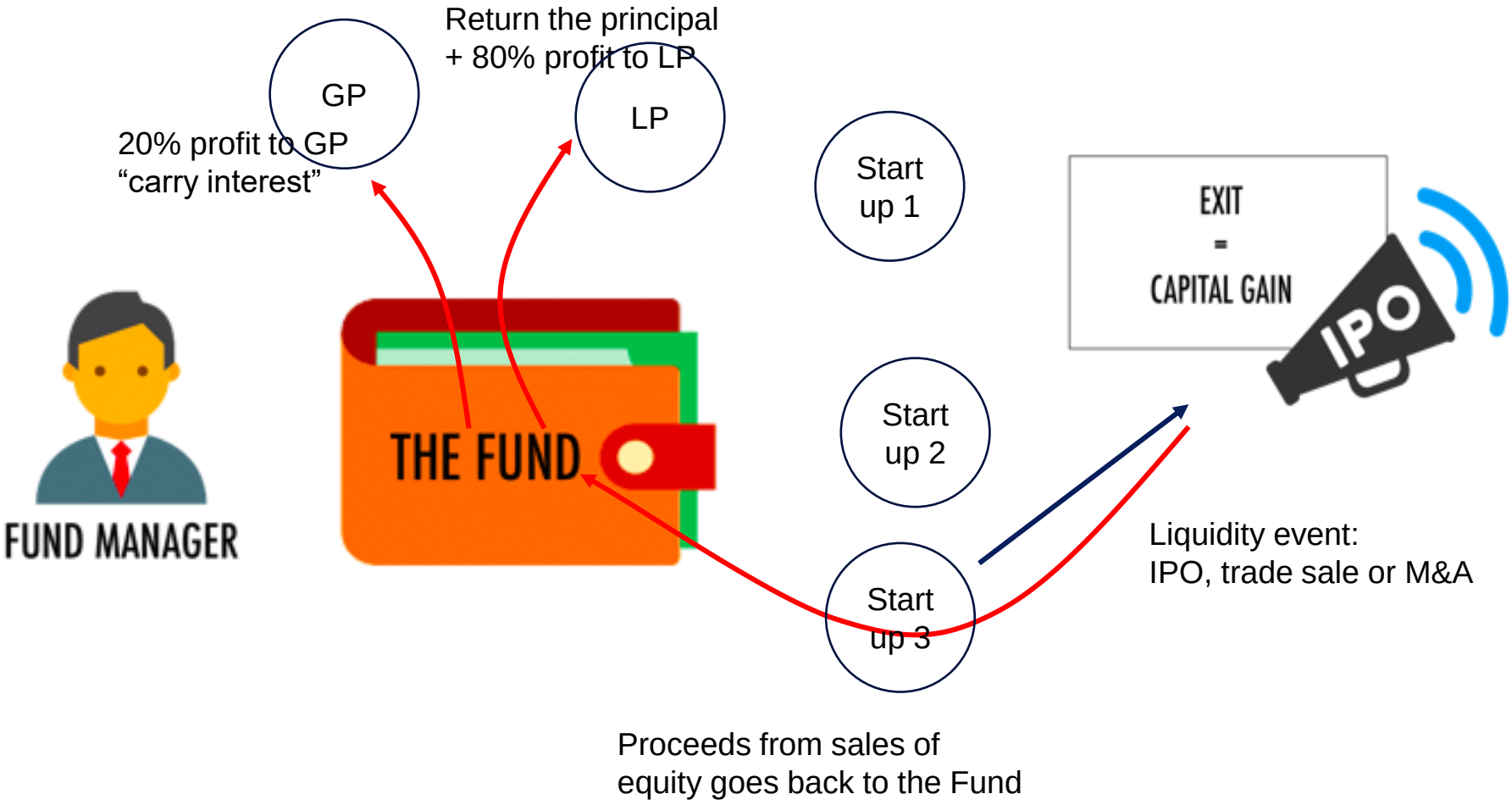
Typical VC invests in startups as minority shareholders and expects return through capital gain



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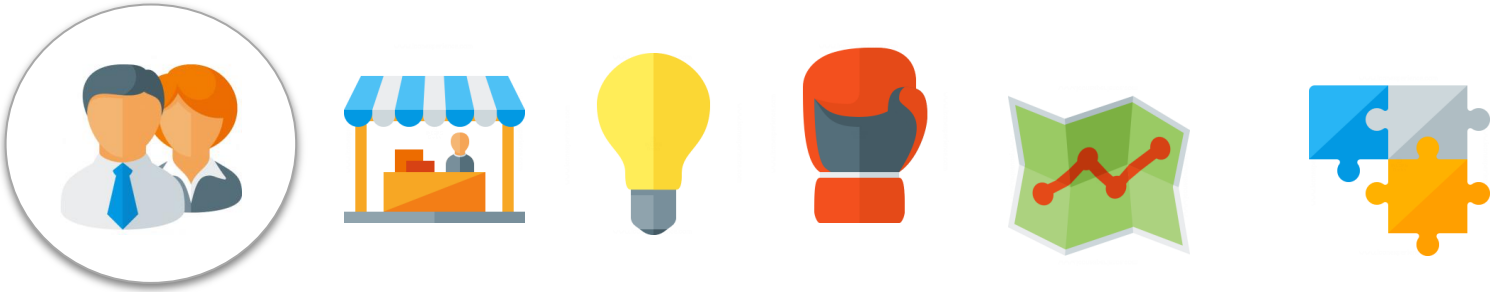
HOW WE INVEST

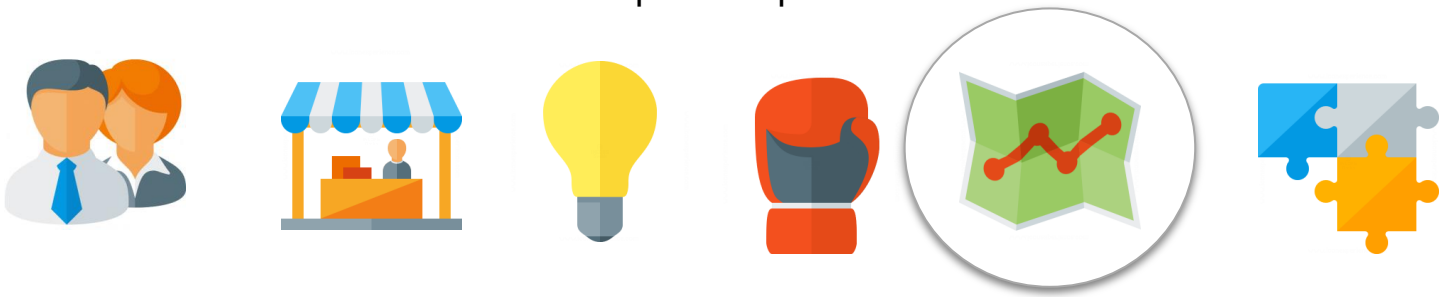
Criteria to evaluate startup investments

Seed/
early stage



Founder Team | Market Potential | Business Concept | Market Competition | Traction | Strategic Fit

Growth Stage



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Valuation Method

Research comparable companies and their performance indicator: revenue, EBITDA, or GMV

Determine the ratio of their performance indicator and market value (usually market price)

Adjust the multiple up or down depending on the development of start-up or other factors

Most technology startups have little revenue or profits, uncertain future prospects, and limited tangible assets. Therefore, DCF valuation is challenging. Instead, VCs use relative valuation or the market multiple approach to estimate their value.

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Other Valuation Methods

1) Berkus method
2) Risk Factor Summation method
3) Scorecard Valuation Method
4) Book Value Method
5) Liquidation Value Method
6) Discounted Cash Flow method
7) First Chicago Method
8) And many others...

The big part of the job starts after we invest – value creation activities

Sales &
Partnership

Hiring
Team Members

Growth
Hacking

Government
Relations

Mentorship

Finance &
Fund Raising

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