Combination Start Up Valuation Work Sheet

Combo Platter Method Valuation Check Sheet and Project Document

Introduction - Objective: Provide an overview of the project and its purpose.

Scope: Define the boundaries and limitations of the valuation process.

- **Financial Data Limitations:** This involves constraints related to the availability and reliability of financial data. For start-ups, historical financial data may be limited or non-existent, which can affect the accuracy of the valuation.

- **Market and Industry Constraints:** Boundaries may be set by the current state of the market and industry trends. The valuation should consider the volatility and unpredictability of the market, especially for start-ups in rapidly evolving industries.

- **Methodology Restrictions:** The valuation might be limited by the methodologies used. For instance, the Combo Platter Method may rely on a combination of different valuation approaches (like market-based, income-based, and asset-based approaches), each with its own limitations.

- **Future Projections and Assumptions**: Projections about future performance are inherently uncertain. The valuation process may have boundaries related to the assumptions made about future revenues, growth rates, and market conditions.

- **Regulatory and Legal Constraints:** The valuation should consider any legal or regulatory limitations specific to the industry or region in which the start-up operates.

- **Technological and Operational Risks:** For technology-based start-ups, the valuation might be constrained by the uncertainties related to technology development, operational scalability, and intellectual property rights.

- **Stakeholder Interests and Expectations:** The interests of various stakeholders (like investors, founders, employees) may set boundaries for the valuation process, particularly in terms of expected returns and risk tolerance.

Time Frame: The valuation might be limited by the time frame under consideration. For instance, a short-term valuation might not fully capture the long-term potential of a start-up.

Methodology Overview

Description of Combo Platter Method: Explain the mixed approach and its advantages.

Advantages of the Combo Platter Method

- Comprehensive Analysis: By combining multiple methods, the Combo Platter approach offers a more holistic and nuanced view of a startup's value.
- Flexibility: This method can be tailored to suit the specific needs and characteristics of a startup, especially when traditional metrics like cash flow might not be applicable.
- Balanced Approach: It balances qualitative assessments (like the quality of the management team) with quantitative analyses (like DCF), leading to a more rounded valuation.
- Risk Mitigation: By considering various factors and methods, it helps in better understanding and mitigating risks associated with the startup.
- Market Relevance: Including market-based approaches ensures that the valuation is in line with current industry standards and investor expectations.

In summary, the Combo Platter Method in startup valuation is a versatile and comprehensive approach that combines various valuation techniques to offer a more balanced and detailed understanding of a startup's value. This method is particularly beneficial in situations where traditional valuation methods may not be entirely appropriate or sufficient.

Scorecard Valuation

The Scorecard Method is a popular approach used by angel investors to value early-stage companies, especially in the absence of substantial financial history or existing revenue.

This method involves comparing the target company to other similar startups and adjusting its valuation based on several key factors. Here's an overview of the process:

- Starting Valuation Benchmarks: The first step is to establish a baseline valuation for startups in the same sector and at a similar stage of development. This benchmark is typically derived from market data on recent deals.
- Assessing Key Factors: The company is then evaluated based on several qualitative and quantitative factors. Each factor is assigned a weight based on its perceived importance. Common factors include:
- Management Team (20-30% Weight): The experience, skills, and track record of the founders and key team members.
- Size of the Opportunity (25-30%): The potential market size and growth prospects of the industry in which the company operates.
- Product/Technology (10-15%): The uniqueness, defensibility, and stage of development of the product or technology.
- Competitive Environment (10-20%): The level of competition and the company's potential to secure a competitive advantage.
- Marketing/Sales Channels (10-20%): The effectiveness of the company's marketing strategies and sales channels.
- Need for Additional Investment (5-10%): How much more funding the company will need to reach profitability.
- Other Factors (0-10%): Any other relevant factors such as strategic relationships, sector trends, etc.

Adjusting the Valuation: For each factor, the company is rated against the average for comparable startups. If the company is above average, the valuation is adjusted upwards, and if below average, it's adjusted downwards. The weight of each factor plays a critical role in this adjustment.

Final Valuation: The adjustments are totalled to modify the initial benchmark valuation, resulting in the final estimated value of the startup.

This method offers a structured approach to startup valuation, combining industry data with subjective assessments of the company's strengths and weaknesses. However, it's important to note that such valuations are inherently speculative, especially for early-stage companies with limited operational history.

Comparable Company Analysis (CCA)

Industry Classification:

- Identify the industry and sub-industry of the startup.
- Ensure comparable operate in the same or similar industries.

Business Model Similarity:

- Assess the similarity in business models between the startup and comparables.
- Consider factors like customer segments, value proposition, and distribution channels.

Growth Potential:

- Evaluate the growth potential of the startup and comparables.
- Look at market size, scalability, and innovation potential.

Stage of Development:

- Determine the development stage (e.g., seed, early, growth) of the startup and comparables.
- Compare based on product development stage, market penetration, and user base growth.

Funding and Capital Structure:

- Analyze past funding rounds and investors.
- Compare capital structure, including equity, debt, and convertible instruments.

Management and Founding Team:

- Assess the experience and track record of the management and founding team.
- Compare with the leadership teams of comparable companies.

Intellectual Property and Technology:

- Evaluate the strength and uniqueness of the startup's intellectual property.
- Compare technological advancements and proprietary tech.

Market Trends and Conditions:

- Analyze current market trends affecting the industry.

- Consider economic, regulatory, and technological factors.

Geographical Presence and Expansion Plans:
- Consider the geographical markets where the startup and comparables operate.
- Assess expansion plans and potential market reach.

Customer and User Metrics:
- Evaluate customer/user engagement metrics (e.g., MAUs, DAUs).
- Compare customer acquisition costs and lifetime value.

Strategic Partnerships and Alliances:
- Review existing and potential strategic partnerships.
- Compare the impact of these partnerships on growth and market positioning.

Exit Strategy and Historical Exit Multiples:
- Consider potential exit strategies (IPO, acquisition).
- Analyze historical exit multiples for similar companies.

Regulatory and Legal Environment:
- Understand the regulatory landscape of the industry.
- Assess any ongoing or potential legal issues.

Risk Factors:
- Identify key risk factors affecting the startup and comparables.
- Include market risks, operational risks, and technology risks.

Valuation Metrics:
- For startups with no revenue, focus on non-revenue-based metrics like price-to-user or price-to-download.
- Compare with market valuations of similar-stage companies.

Discounted Cash Flow (DCF) Analysis

Venture Capital Method

Berkus Method

Risk Factor Summation Method

Scorecard Method

Data Collection

- Quantitative Data:
- Financial projections
- Historical financials (if available)

- Market size and growth rate

Qualitative Data:

- Management team experience and background
- Product or service uniqueness
- Competitive landscape analysis
- Technological innovation and IP status

Application of Valuation Techniques

For each method, provide a detailed process on how to apply it to the collected data.

Weightage of Each Method: Determine the importance of each method based on the startup stage and industry.

Balancing Quantitative and Qualitative Factors

Integration Approach: Describe how to combine quantitative financial metrics with qualitative insights.

Weighting Factors: Define how different factors will be weighted in the final valuation.

Investor Perspective Analysis

Investor Preferences: Identify and integrate different investor valuation perspectives.

Impact Analysis: Assess how investor preferences might affect the valuation.

Scenario Analysis and Sensitivity Testing

- Scenario Development: Create best-case, worst-case, and most-likely-case scenarios.
- Sensitivity Analysis: Test how changes in key assumptions (market growth, competition, etc.) impact valuation.

Iterative Process and Refinement

- Update Mechanism: Outline how and when the valuation will be updated.
- Feedback Integration: Plan for incorporating feedback from stakeholders.

Conclusion and Valuation Range

Summary of Findings: Conclude with a summary of the valuation range.

Recommendations: Provide recommendations based on the valuation.

X. Appendices

Supporting Data and Analysis: Include detailed financial models, market analysis, etc.

References: List all sources of information and data.

XI. Approval and Review

Sign-Off: Include sections for key stakeholders to approve the valuation.

Review Schedule: Set dates for regular review and updates of the valuation.