SAMPLE COMPANY

BUSINESS PLAN SCANNER + COMPANY PROFILE

Contacts

Company full name: **Sample Company**
Contact email: **sample_report@equidam.com**

Report date: **06.03.2015**

The idea

Scalable business
Demand validated by competitors
Internationalization planned or active
IP protected with barriers

The Team

Team committed part time
Business background with experience
Technical experience
Previous startup experience with successful exit(s)

The Company

Legal entity
Advisory board in place
Expansion stage

Marketing

Few partners contacted
Secured distribution channels
Systemic marketing started

Finance

Post-revenues company
Venture capital investor
Some exit opportunities

Scan business plan in a glance

The Business Plan Scanner displays the main features of the startup project in the form of icons. The color at the top of the icon indicates the impact of that specific feature on the overall quality of the startup. Green stands for positive impact while red for negative. The purpose of this page is to give the reader an immediate overview of the startup quality and to make different projects comparable with each other based upon the same criteria. The parameters analyzed are those identified as of the highest importance to angel investors according to the researches over historical startup investing activity.

COMPANY PROFILE

Sample Company

Legally constituted: **Yes**

Year of constitution: **2013**

Country: **The Netherlands**

Scalability: **Yes**

Selling approach: **B2B and B2C**

Committed resources

Capital: **€ 50,000**

Time (Months): **12**

Time commmitment: **Part time**

Stage of development:

Stage of development: **Expansion stage**

Product roll-out: **Minimum Viable Product**

Profitability: **Revenues, negative profits**

Investment proposal

Capital needed: **€ 200,000**

Equity offered: **20.0%**

Core Business

This is a sample company made by the Equidam team. The figures and facts in here are totally fictional and are not referred to Equidam or any of Equidam's users

Team

Founders: **3**

FTE employees: **13**

Management team composition: **Only founders**

Experience

In the industry(years): **15**

Previous startup: **Yes, successful exit(s)**

Dedication to the project

Founders: **All founders committed full time**

Staff members: **Majority full-time**

Skills and capabilities

Business and managerial: **Business background and/or experience**

Position reached:

Technical: **Technical experience but no background**

Competition

Target market: **Estimated from related markets**

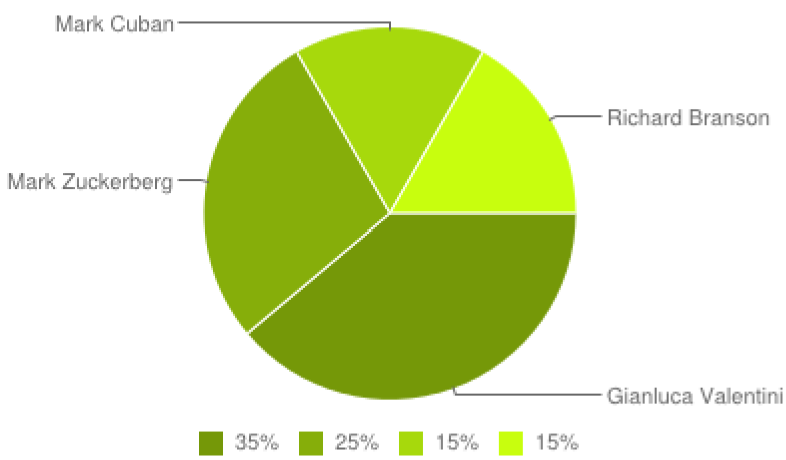
Level of competition: **Some small players**

Competitive products are: **On the same level and substantially less innovative**

Marketing approach: **B2B partnership or sales and Selling agents**

COMPANY PROFILE

Shareholders



Letters of intent

This space could be used by early-stage companies to describe letter of intents with customers

Annual Recurring Revenues (ARR) as % of Turnover

Year 1	Year 2	Year 3
€ 659,000	€ 1,345,000	€ 3,700,000

Key figures

Latest operating performance

Revenues	€ 495,000
Cost of Goods Sold (COGS)	€ 426,000
Operating expenses (SGA)	€ 80,000
EBITDA	€ -11,000
EBIT	€ -11,000
Net Profit	€ -371,000

Ratios

Profit as % of revenues	-74.9%
COGS as % of revenues	86.1%
EBITDA as % of revenues	-2.2%

Assets

Cash and Equivalents	€ 200,000
Accounts Receivables	€ 18,000
Inventory	€ 0
Tangible assets	€ 0
Intangible assets	€ 0
Financial assets	€ 0

Liabilities

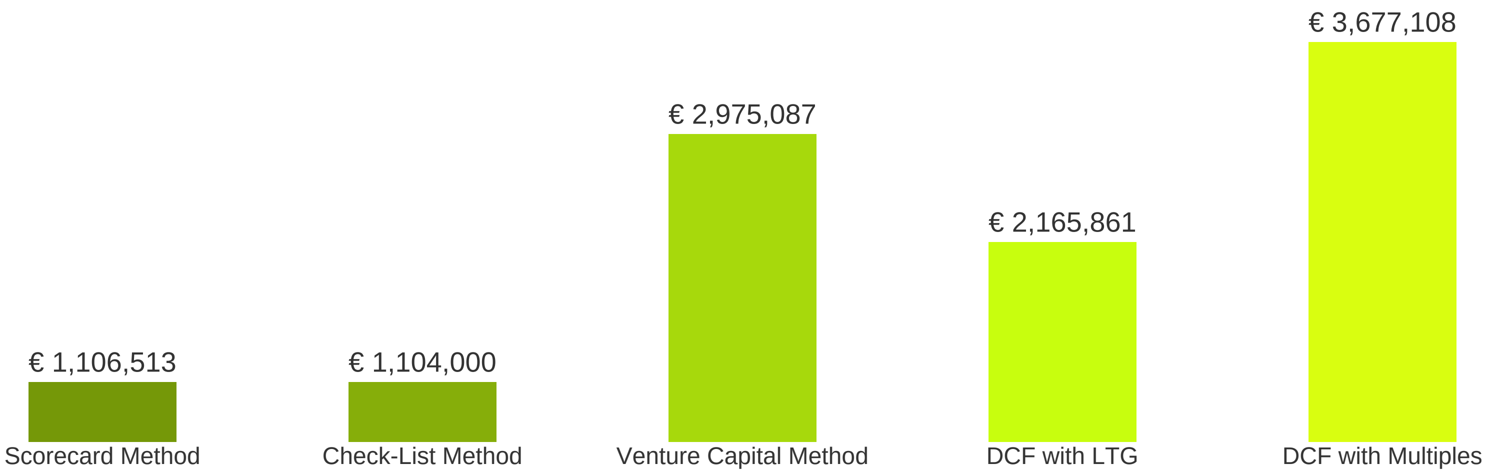
Accounts Payables	€ 5,000
Other current liabilities	€ 12,000
Long term liabilities (Debt)	€ 60,000
Equity	€ 141,000

Elevator pitch

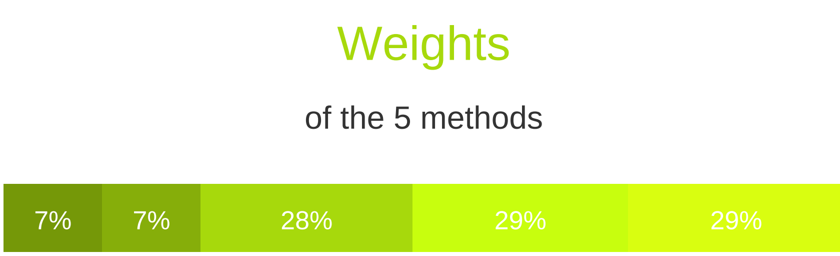
This is a great company with a great product and and even greater team of industry professionals with several years of experience in the field.

VALUATION

The 5 Methods Used



Valuation Average Weights



Valuation weights

The weights displayed in the chart are those used to average the outcomes of the 5 valuation methodologies implemented in this analysis. The weights are set according to the stage of development of the start-up: the later the stage and the higher the influence of analytical models given the higher reliability of the financial projections. Users may however prefer one method over another in determining their valuation estimate.

VALUATION

The Average Pre-Money valuation is: € 2,682,221

Lower Bound € 2,482,221

Higher Bound € 2,882,221

This determines a percentage of

6.9%

for an investment of

€ 200,000

6.5%

7.5%

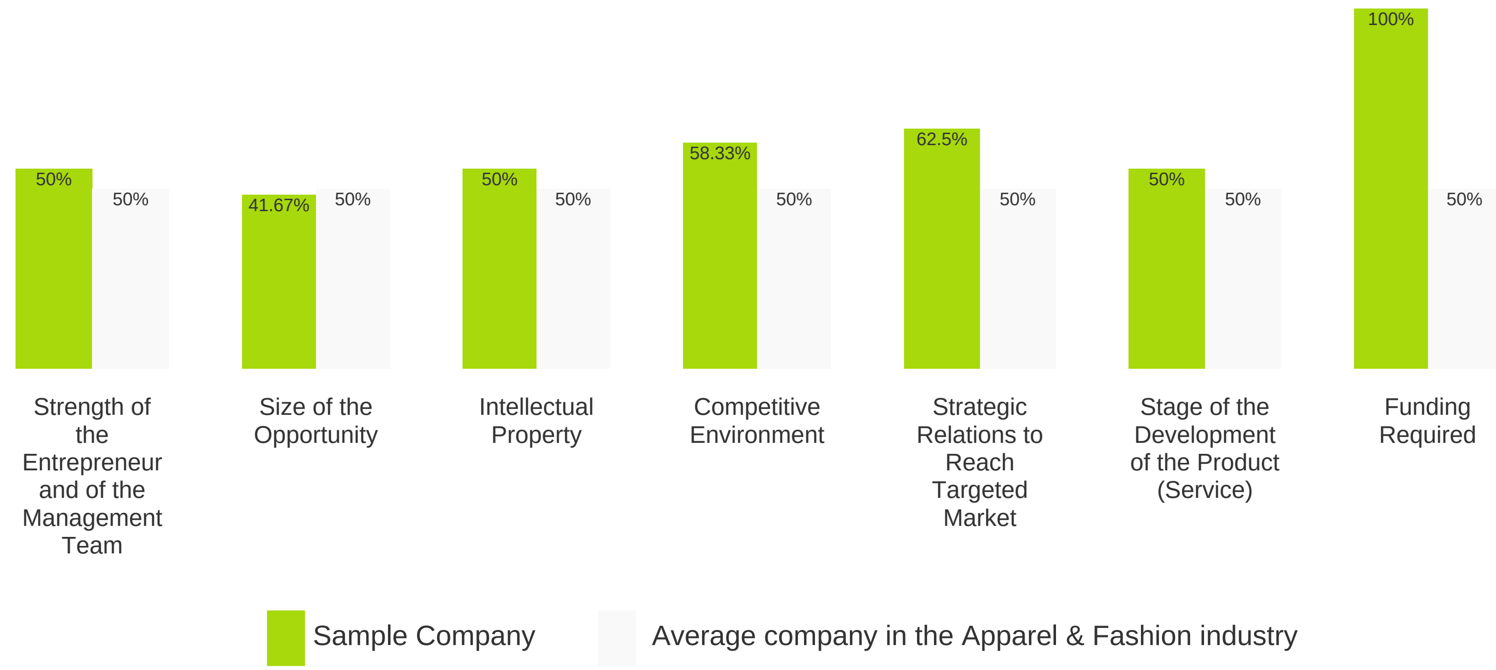
Range Interpretation

The above valuation bounds are determined according to the variance of the valuation estimates provided by the 5 methodologies implemented. The larger the spread between the smallest and biggest estimate, the larger the interval range.

HIGH-LEVEL VALUATION

SCORECARD METHOD

€ 1,106,513



CRITERIA	
Strength of the Entrepreneur and of the Management Team	50%
Size of the Opportunity	41.67%
Intellectual Property	50%
Competitive Environment	58.33%
Strategic Relations to Reach Targeted Market	62.5%
Stage of the Development of the Product (Service)	50%
Funding Required	100%

ASSUMPTIONS	
Starting value of this method (Average Startup Valuation)	€ 1,066,570

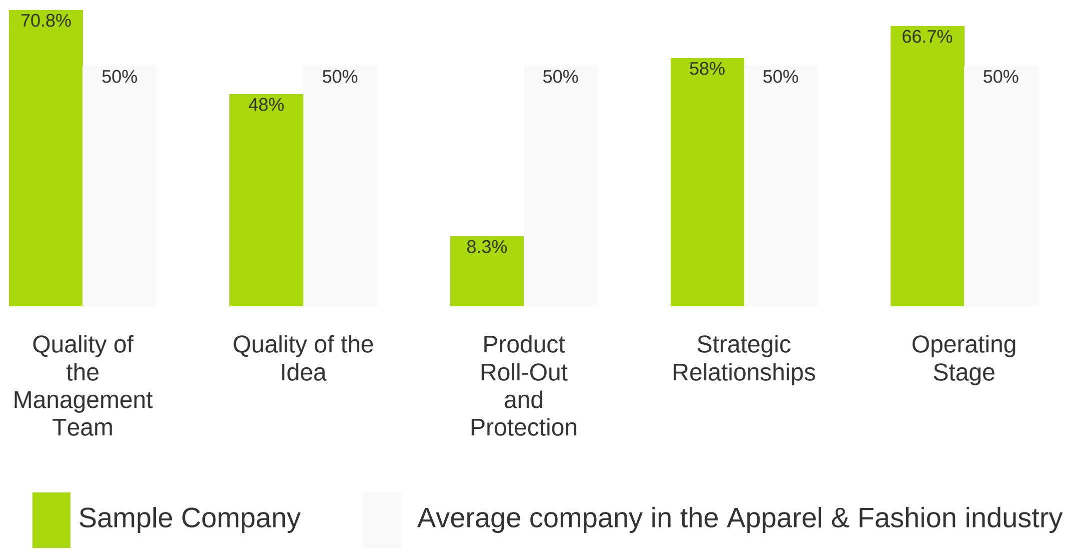
Explanation

This valuation approach is based on the technique of benchmarking. Starting from the average valuation of comparable transactions, the value can increase or decrease according to analysis of those aspects that matter the most to investors. This model applies the same approach and structure theorized by the researches carried out by the Ewing Marion Kauffman Foundation in 2007 as well as by Bill Payne in its book "The Definitive Guide to Raising Money from Angels" (2006). Equidam created the questions and answers and, more importantly, the scores be applied. In addition, some elements were added to the model following the empirical researches carried out by the Equidam team.

HIGH-LEVEL VALUATION

CHECK-LIST METHOD

€ 1,104,000



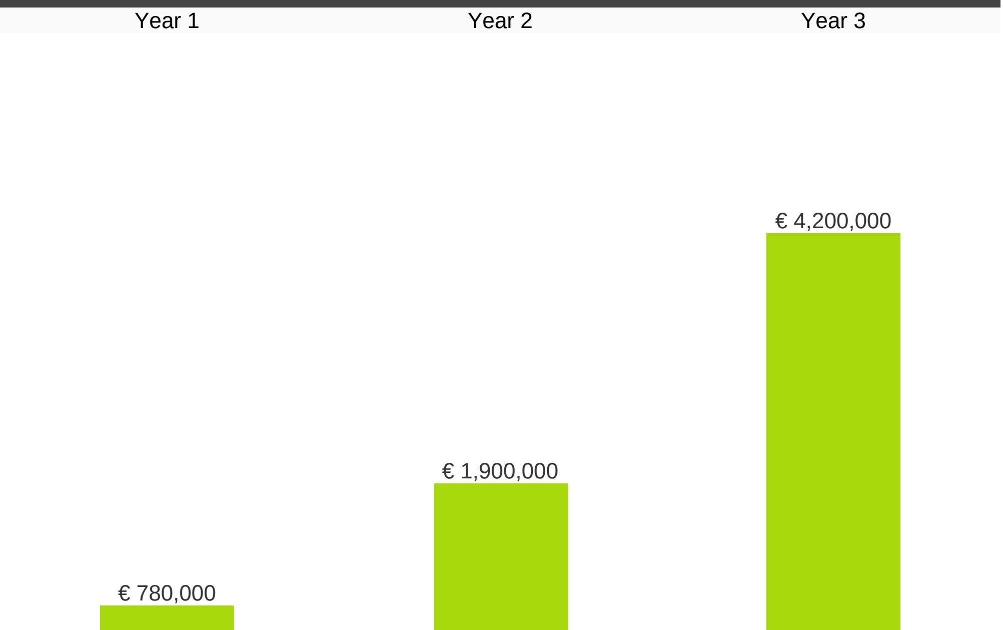
CRITERIA	
Quality of the Management Team	71%
Quality of the Idea	48%
Product Roll-Out and Protection	8%
Strategic Relationships	58%
Operating Stage	67%
ASSUMPTIONS	
Maximum value for this method	€ 2,000,000

Explanation

This valuation model is based on a rating approach: a higher value is generated according to the presence or not of key value-drivers. These factors are included in the five categories reported above. This method was originally proposed by Dave Berkus, a full-time Angel and founder of Berkus Technology Ventures LLC in Los Angeles. It has been modified several times since then. This version is based upon the empirical researches carried out by the Equidam team. For European startups, the maximum valuation attainable is 2 MLN, while for U.S. companies this value is $ 2.5 MLN as indicated by Dave Berkus and in line with the historical analysis by Bill Payne of average startup valuation across the U.S.. The lower value fo EU market is given by the lower level of development and sophistication of this region compared to the U.S..

FINANCIAL FORECASTS

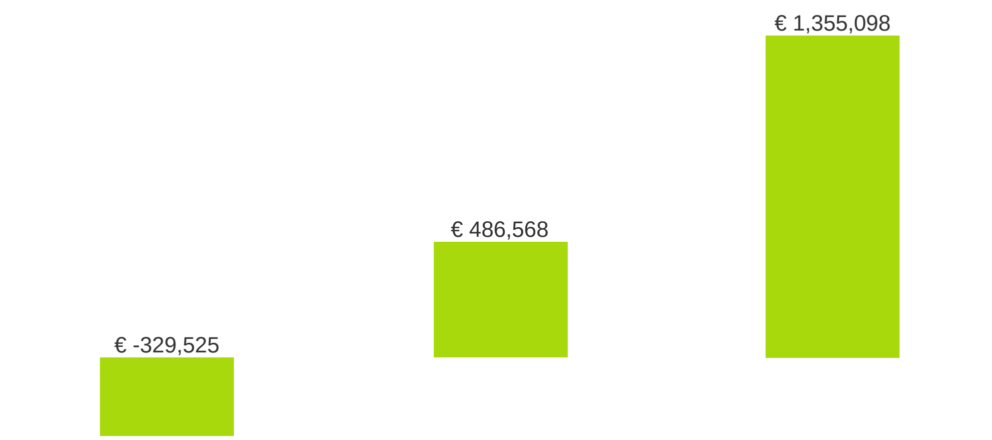
Revenues



Best estimate

The stage of development of the company allows for a reliable estimation of the expected performance. The projections are based on the analysis of the track-record.

EBIT



The uncertainty featuring financial projections

The projections about the expected performance of the startup are provided by the users and are not, by any means, subject to the previous check by Equidam. The users are required to indicate the projected values regarding revenues and costs (fixed and variables), while other items as Working Capital, Depreciation and Amortization and the interest expenses are estimated by Equidam according to industry-specific databases. The Cash Flows are also estimated by the Equidam algorithm combining users' inputs and the Equidam data. Equidam provides an indication of the level of reliability of the users' projections based upon the stage of development of the business. Another way to check the reliability of the projections is offered by the revenues from contracts in place, displayed in the second page of the Company Profile.

CRITERIA

Exit value in year 3	€ 12,195,883

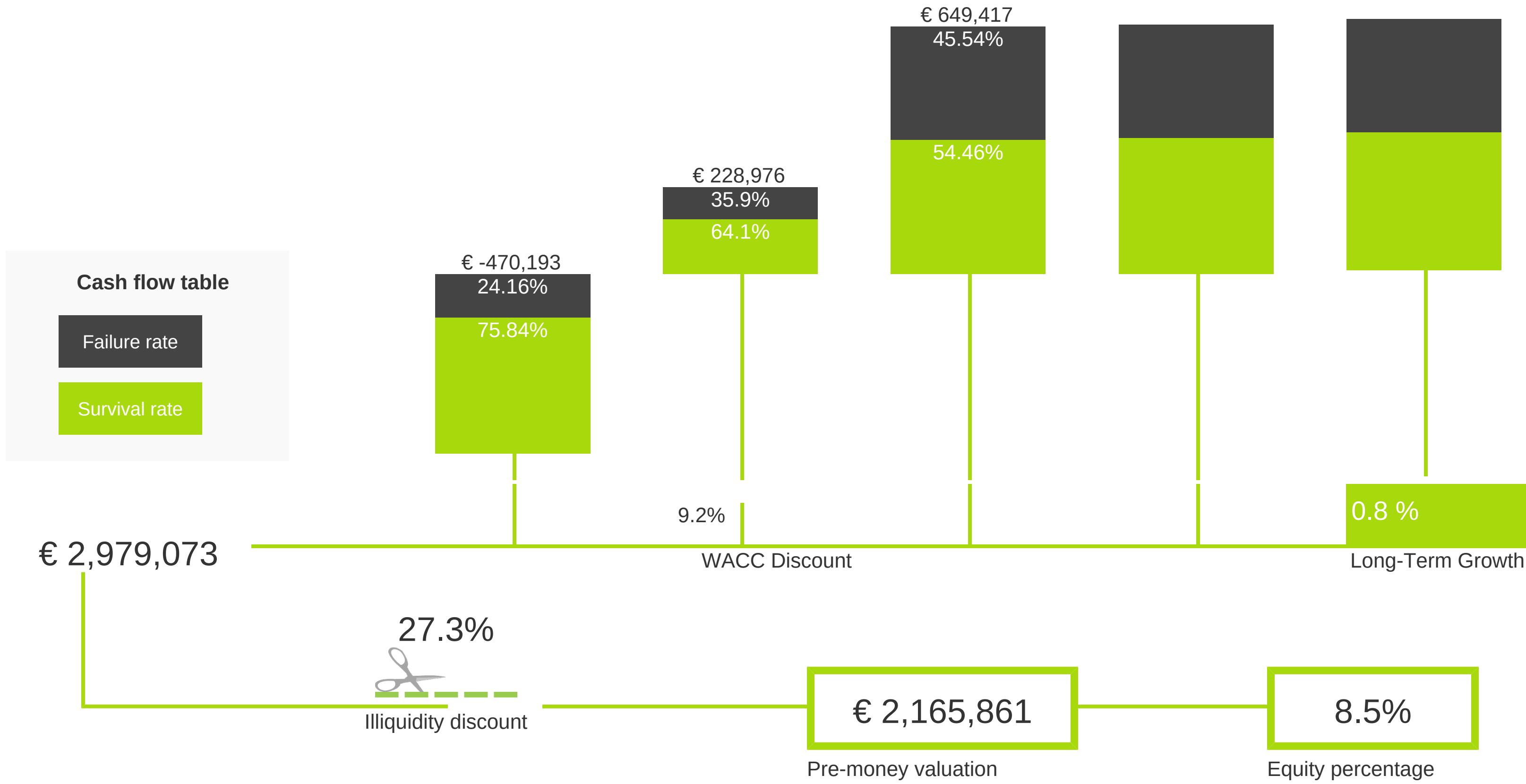
ASSUMPTIONS

Annual discount rate applied	60.04%

The quick approach used by Venture Capital Funds

The venture capital method is a quick approach to the valuation of startup companies. It comprises in estimating the exit value of the startup at the end of the forecast horizon and ignoring the intermediate cash flows. The exit value is calculated by taking the final financial result of the company and applying the earning multiple (Price/Earnings ratio). This value is then discounted at a high rate to get the present value. The discount rate is determined by Equidam according to the stage of development and is reported in the table above. Given its simplistic approach, this model does not apply illiquidity or survival discount as the following to methods do. The annual discount rate applied already accounts for these issues.

VC METHOD | **DCF WITH LTG** | DCF WITH MULTIPLES



CRITERIA

Year 3 EBIT	€ 1,355,098
Long Term Growth Windsorized*	0.8%
Value of the company in Year 3 (Terminal Value)	€ 7,115,354

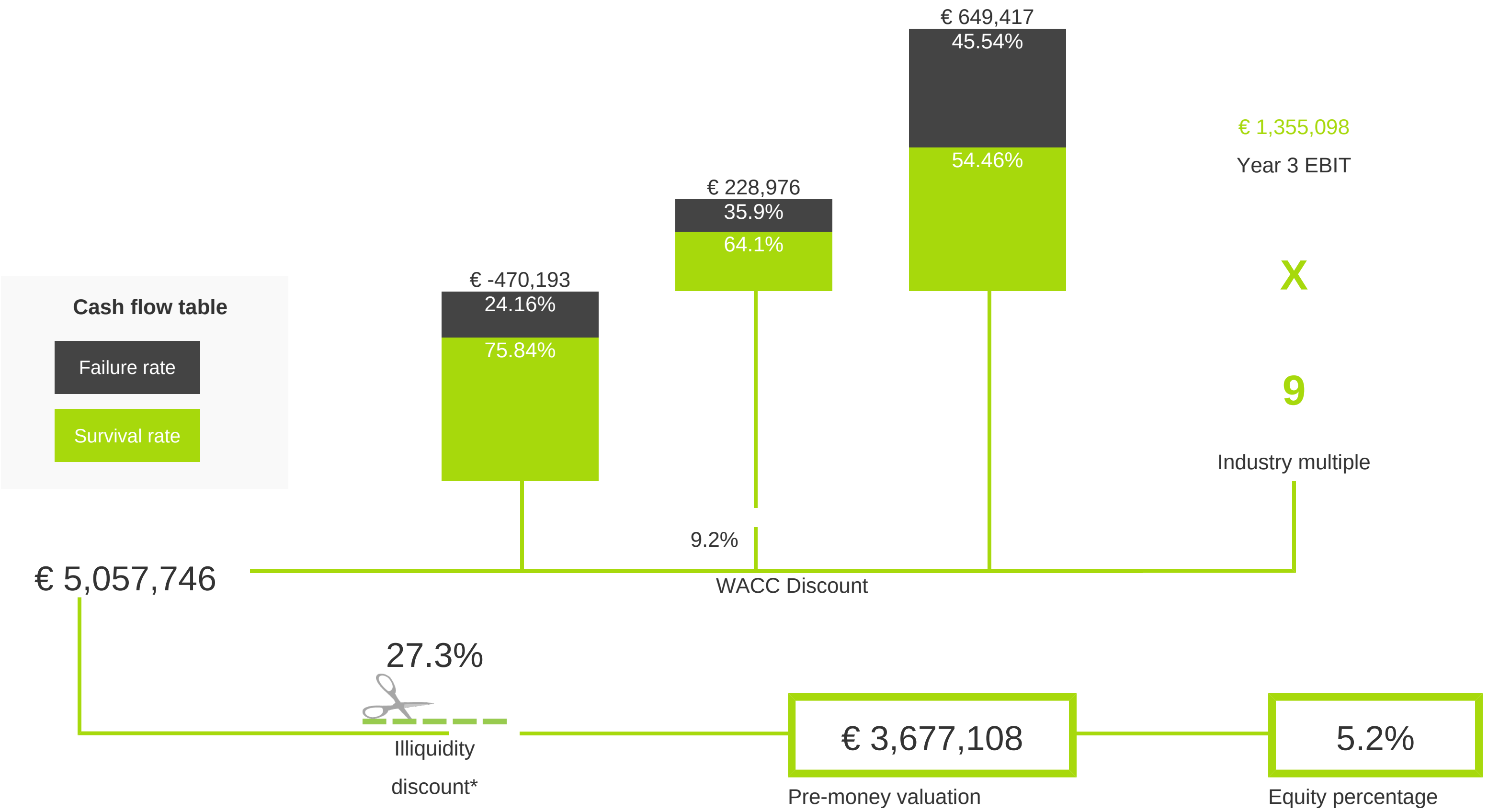
*The winsorization is a statistic approach that eliminates the outliers from a dataset by applying a lower and higher bound. In this case is necessary since some of the industries in the Equidam database have a negative historical growth. However this cannot be assumed for startup companies. :

ASSUMPTIONS

Industry Beta	1.38
Market Risk Premium	5.5%
Weighted Average Cost of Capital	9.24%

The innovative approach to Discounted Cash Flows (DCF)

The DCF with terminal growth model is one of the most used models to value public companies. This method assumes that the company is going to survive at a steady and constant growth rate. The growth rate applied is based on the industry of belonging. The Equidam methodology however applies two important additional features: 1. The annual cash flows are estimated by the Equidam algorithm and are weighted according to the country-specific survival rate for startup companies. 2. The calculated present value is further discounted by applying an illiquidity discount to account for the fact that the sale of the equity stake is likely to happen on the private market. As a consequence, investors need a higher return. The illiquidity discount is estimated according to the work of academic researches.



CRITERIA

Year 3 EBIT	€ 1,355,098
EBIT multiple Year 3	9
Value of the company in Year 3 (Terminal Value)	€ 12,195,883
Implied Annual Return if sale value realized	145.96%

ASSUMPTIONS

Industry Beta	1.38
Market Risk Premium	5.5%
Weighted Average Cost of Capital	9.24%

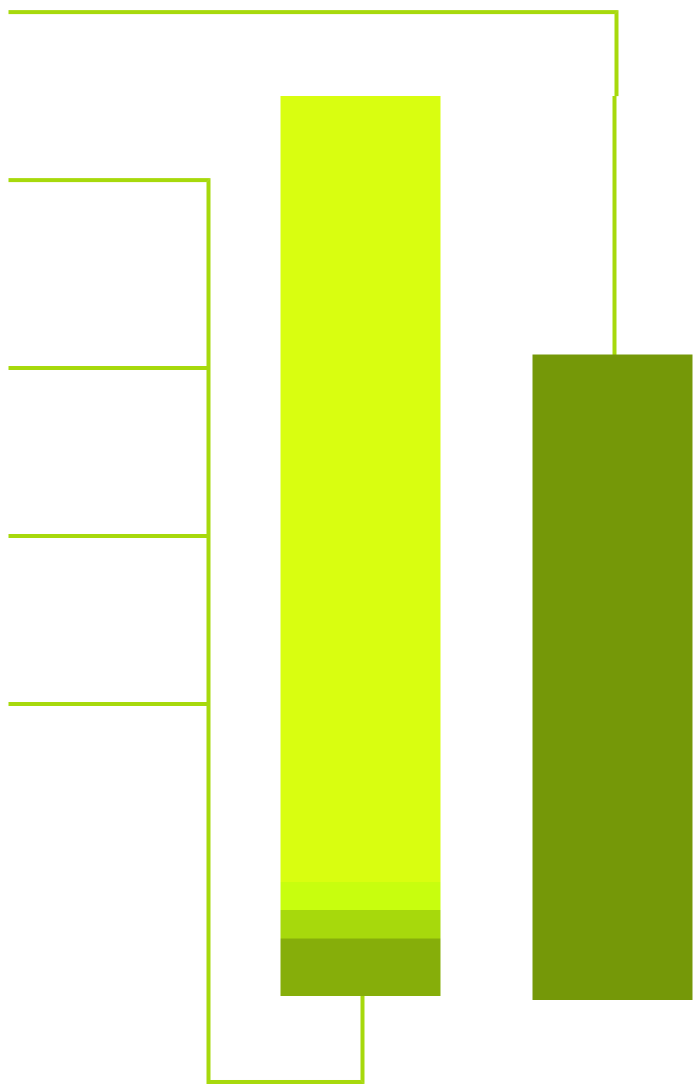
Industry peers' comparison

The DCF with exit multiple is the other most used valuation approach. It is based on the assumption that the exit value of the company is determined by the average of industry peers. The most commonly used multiple is the Price/Earnings (P/E) since the generated estimate is less susceptible to differences in the operating margin among industry peers. The Equidam methodology also applies: 1. The annual cash flows are estimated by the Equidam algorithm and are weighted according to the country-specific survival rate for startup companies. 2. The calculated present value is further discounted by applying an illiquidity discount to account for the fact that the sale of the equity stake is likely to happen on the private market. As a consequence, investors need a higher return. The illiquidity discount is estimated according to the work of academic researches

PROFIT AND LOSS	CASH FLOW

Average Monthly Profit and Loss First Year

Revenues	€ 65,000
Cost of goods sold	€ 79,167
Marketing expenses	€ 2,875
Salaries	€ 2,875
Other operating expenses	€ 5,750
Profit	€ -25,667



Monthly average burn rate

The analysis of the monthly prospect of revenues and costs is useful in order to get an overview of the monthly break-even point for the startup. In addition, it also gives the measure of the burn rate, provided the initial investment by external investors. The monthly prospect of revenues and costs only refers to the first year of projections and is based on the estimates provided by the user.

PROFIT AND LOSS

CASH FLOW

	Year 1	Year 2	Year 3
Revenues	€ 780,000	€ 1,900,000	€ 4,200,000
sales quantity	0	0	0
Cost of goods sold	€ 950,000	€ 1,150,000	€ 2,400,000
Average individual price	€ 0	€ 0	€ 0
Average individual cost	€ 0	€ 0	€ 0
Gross margin	-21.8%	39.5%	42.9%
Selling, General and Administrative	€ 138,000	€ 211,000	€ 329,000
EBITDA	**€ -308,000**	**€ 539,000**	**€ 1,471,000**
Depreciation and Amortization	€ 21,525	€ 52,432	€ 115,902
as % of revenues	2.8%	2.8%	2.8%
EBIT	**€ -329,525**	**€ 486,568**	**€ 1,355,098**
Financial Gain-Loss	€ -5,508	€ -22,440	€ -2,624
Debt interest payment	€ 7,508	€ 22,440	€ 2,624
Interest rate on debt	13.65%	2.05%	2.05%
Cash interest gain	€ 2,000	€ 0	€ 0
Taxes	€ 0	€ 32,274	€ 338,119
Deferred tax assets	€ 83,758	€ 0	€ 0
Effective tax payable	€ -83,758	€ 116,032	€ 338,119
Effective tax rate	0%	7%	25%
Profit	€ -335,032	€ 431,854	€ 1,014,356

Good understanding of numbers is good understanding of business

Revenues, Cost of Goods Sold and Selling, General and Administrative are provided by the user, while the D and A and Financial expenses are estimated by Equidam. The former is based upon the average D and A as % of Revenues of the industry peers and the latter upon the COVERAGE RATIO (EBIT/INTEREST PAYED) and then adding the related risk premium to the Risk Free rate. The risk premia related to the COVERAGE RATIO are fixed as determined by academic researches. The Risk Free rate is assumed to equal the 10-year maturity German Bund. The tax outlays are determined by applying the country-specific tax rate for companies, as reported in the Equidam databases.

PROFIT AND LOSS

CASH FLOW

	Year 1	Year 2	Year 3
Profit	€ -335,032	€ 431,854	€ 1,014,356
Change in Working Capital	€ 149,178	€ 232,870	€ 478,216
Account payables	€ 63,698	€ 155,162	€ 342,989
Account receivables	€ 95,961	€ 233,751	€ 516,713
Inventory	€ 129,915	€ 316,459	€ 699,540
Depreciation and Amortization	€ 21,525	€ 52,432	€ 115,902
OPERATING CASH FLOW	**€ -462,685**	**€ 251,416**	**€ 652,041**
Financing activity	€ 55,000	€ -5,000	€ -5,000
Change in outstanding debt	€ -5,000	€ -5,000	€ -5,000
Raise or repayment of equity	€ 0	€ 0	€ 0
Investments	€ 0	€ 0	€ 0
Cash Flows	€ -467,685	€ 246,416	€ 647,041
Beginning of the year cash	€ 200,000	€ 0	€ 0
End of the year cash	€ -267,685	€ 246,416	€ 647,041

Cash is the king

The cash flows are estimated by Equidam starting from the user's data. This is to provide the reader with a more reliable estimation based upon industry peers benchmarks rather than leaving the user the freedom to guess the estimates.
Both Depreciation and Amortization and Working Capital are based on the Equidam industry databases, while the change in Debt and in Equity and the investment outlays are based upon the user's projections.

APPENDIX

DESCRIPTION SCORECARD METHOD

The Strength of the Entrepreneur and of the Management Team includes:

- The years of industry experience of the managers
- The managerial and business skills achieved by the managers academically and professionally
- The technical skills and capabilities achieved by the managers academically and professionally
- The level of managerial responsibility achieved in the past working experiences
- The team spirit and comradeship
- The size of the staff
- The time and economic commitment by the founders and any other member of the staff

The Size the Opportunity includes:

- The estimated potential size of the market (if provided)
- The estimated revenues in the third year according to the stage of the development (if provided)
- The geographical scope of the business
- The scalability of the business

The Competitive Environment includes:

- The analysis of the number of active market players
- The quality of competitive products/services
- The competitive advantage over competitive products/services
- The threat of international competition (if any)

The Intellectual Property includes:

- The presence of IP
- The type of IP protection applicable
- The IP protection in place (if any)
- Barriers to entry determined by IP-related aspects

The Strategic Relations to Reach the Targeted Market includes:

- The partnership with vendors and other selling channels
- The partnership with strategic market agent to achieve the commercialization

The Stage of the Development of the Product/Service includes:

- The roll-out of the product/service

The Funding Required includes:

- The capital need required according to stage of development. Later-stage businesses raising limited budgets are showing higher quality compared to similar startups seeking larger amounts.

APPENDIX

DESCRIPTION CHECK-LIST METHOD

The Quality of the Management Team analyzes:

- The managerial and business skills achieved by the managers academically and professionally
- The technical skills and capabilities achieved by the managers academically and professionally
- The level of managerial responsibility achieved in the past working experiences
- The positive interaction of the previous features to the overall startup success
- The team historical relationship (if any)
- The years of industry experience of the managers
- The average age of the founders: entrepreneurs of 35-45 are statically the most likely to succeed
- The presence in the team of serial, successful entrepreneurs

In addition, the score of this section is weighted by the time commitment of the founders and managers. A full-time commitment determines a 100% weight and so on. This is necessary in order to reflect the relative waste of skills due to reduced working hours dedicated to the business and the related opportunity cost.

Product Roll-Out and IP Protection

- The presence of IP and the stage of the protections in place
- The type of IP protection applicable
- The positive interaction of the previous features to the overall startup success
- The roll-out of the product/service

Strategic Relationships

- The presence of external investors among the shareholders
- The presence of the advisory board and their number
- The partnership with vendors and other selling channels
- The partnership with strategic market agents to achieve the commercialization
- The partnership with legal counselors

Operating Stage

- The stage of development of the business: revenues/pre-revenues/profitable etc.

Important legal notes