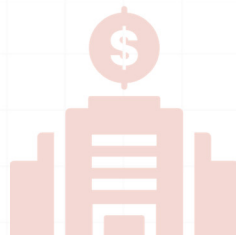
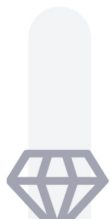




## Venture Capital: VC Valuation Methodologies

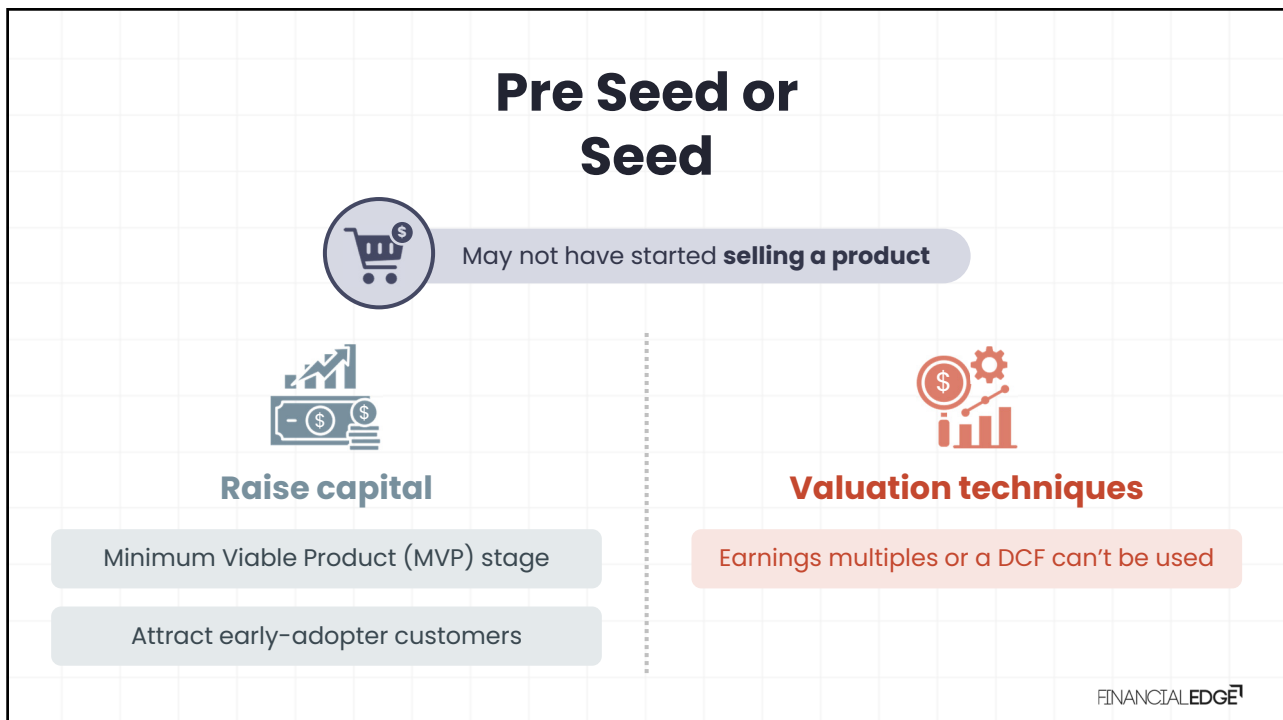
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## Startup Valuation Methods



	Pre Seed or Seed	Series A	Series B & Beyond
	Minimum Viable Product (MVP) Stage	Product Market Fit (PMF) Stage	Scaling Stage
<b>Factors Considered</b>	Qualitative	Qualitative and Quantitative (estimated)	Qualitative and Quantitative
<b>Key Valuation Methodology</b>	The Berkus Method	VC Method	DCF Comparable Company
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# Pre Seed and Seed Valuation Methods

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# The Berkus Method

Used by **seed stage investors**

The **five key areas** evaluated are:

1



Does the startup have a **sound idea** or a compelling **business plan**?

2



Has the startup assembled a **quality management team**?

3



Does the startup have a **product or prototype** that has been tested or used by the end user?

4



Does the startup have **strong strategic relationships**, alliances, partners or a burgeoning customer base?

5



Has the startup begun to execute on its **revenue plan** or product rollout, and demonstrated a **pathway to profitability**?

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# The Berkus Method

Used by **seed stage investors**

Maximum \$500k value

Pre-money valuation (theoretical maximum)

\$2.5 million



Startup sectors



Geographic location



Average seed stage valuations

## EXAMPLE

**Average valuation for a startup in the B2B SaaS sector = \$4m**  
**Each of the five areas max value = \$800k**

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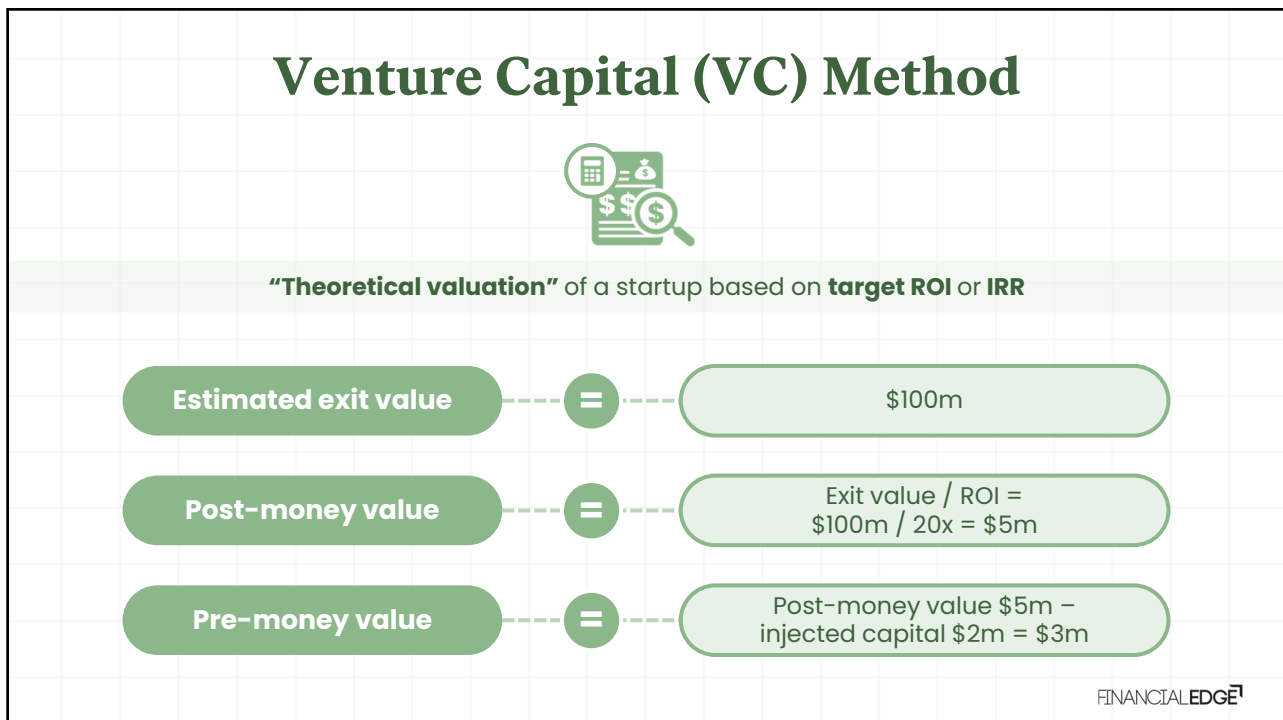
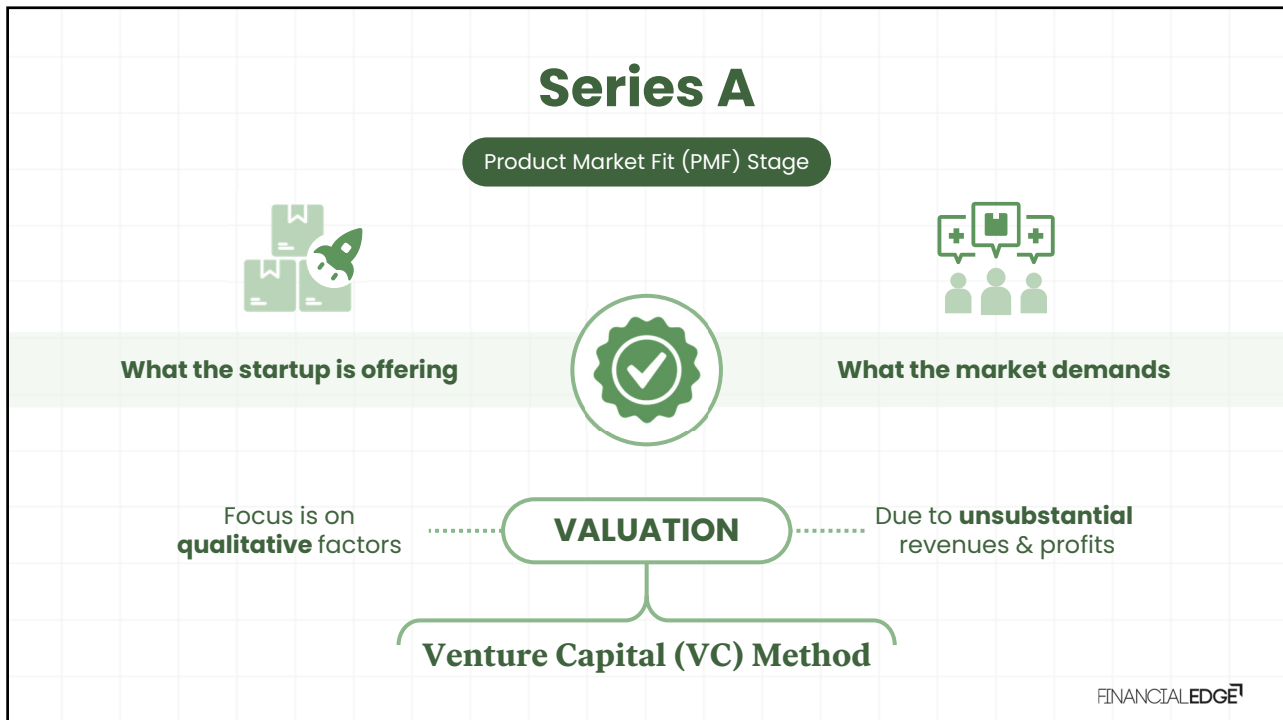
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# Series A Valuation Methods – The VC Method

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## Series A Valuation Methods – The VC Method Case Study Pt.1

### VC Method Steps

1

2

3

4

5

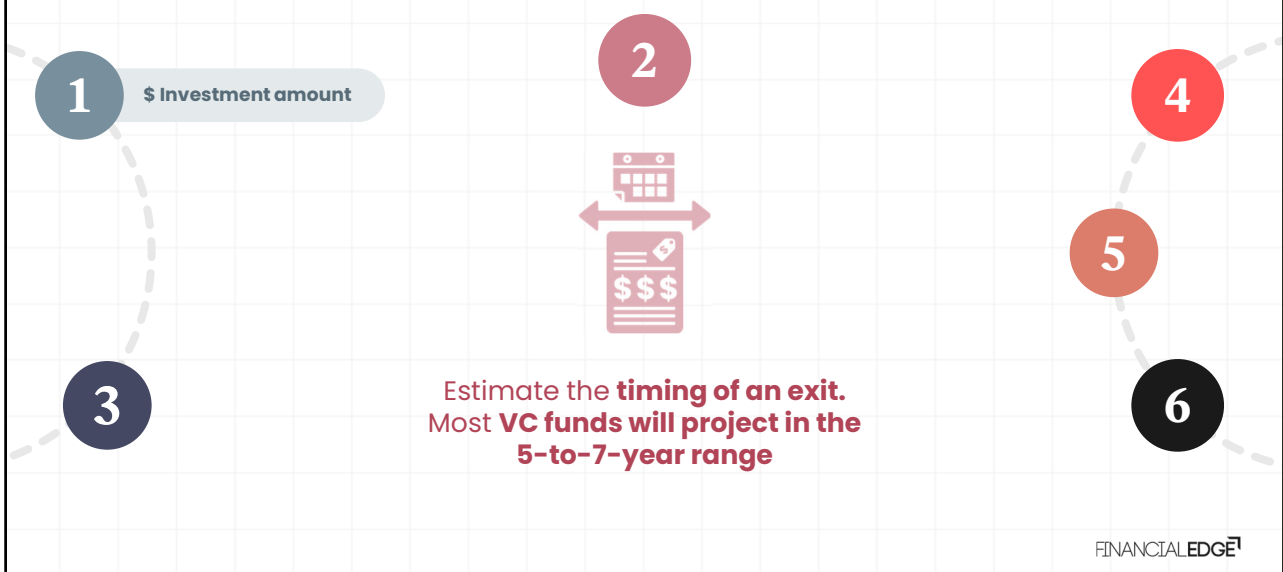
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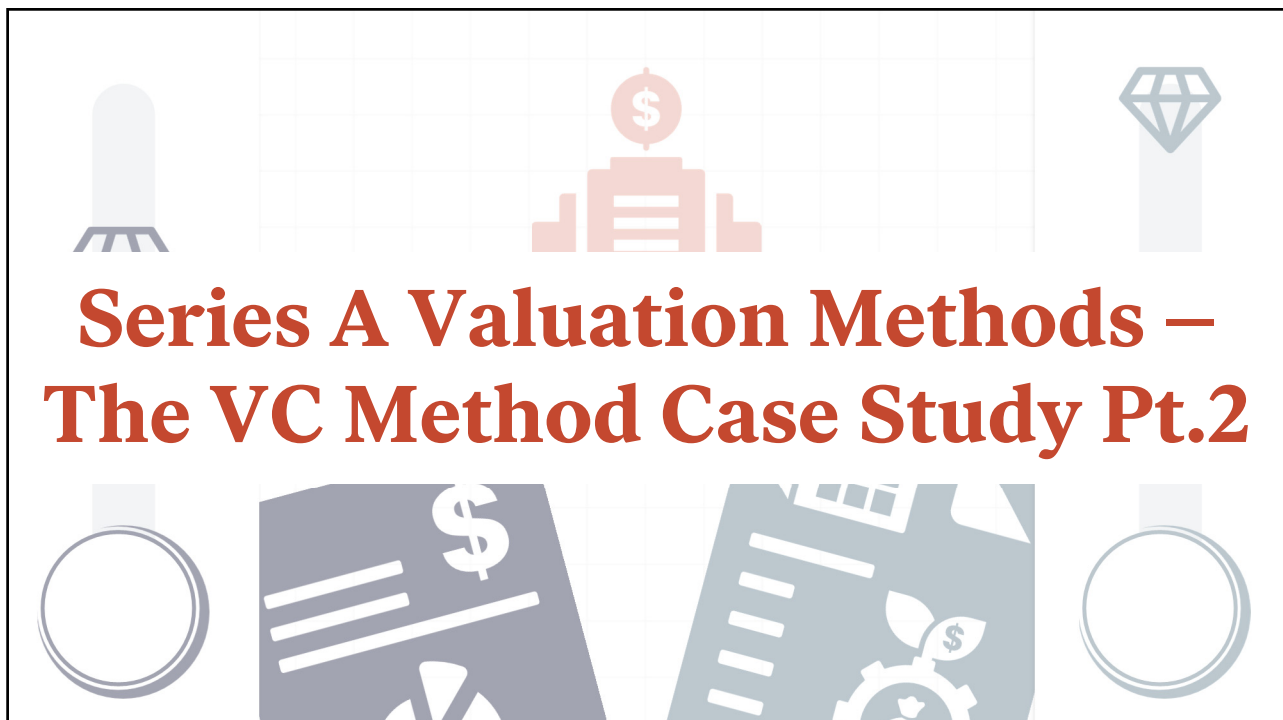
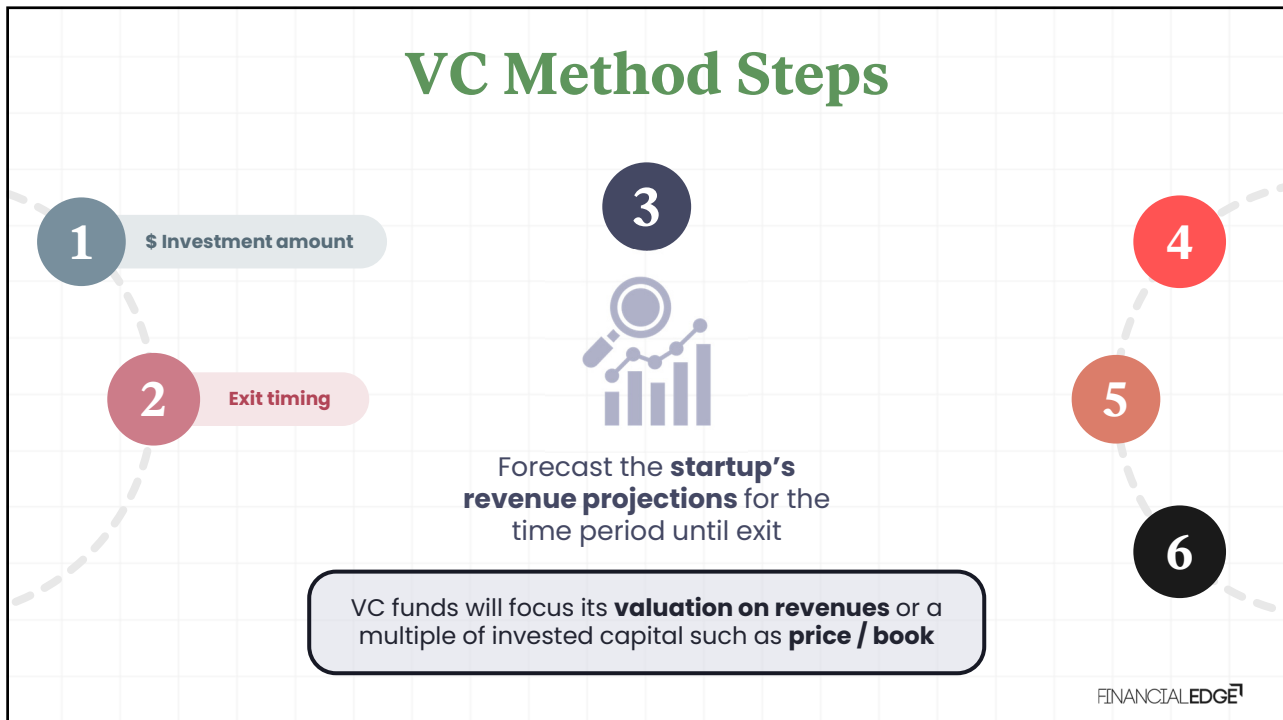


## VC Method Steps



## VC Method Steps





## VC Method Steps

1

\$ Investment amount

2

Exit timing

3

Forecast revenues

4

5

6

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## VC Method Steps

1

\$ Investment amount

2

Exit timing

3

Forecast revenues

4



Determine the **projected multiple** in the **exit year** and calculate the **exit value**

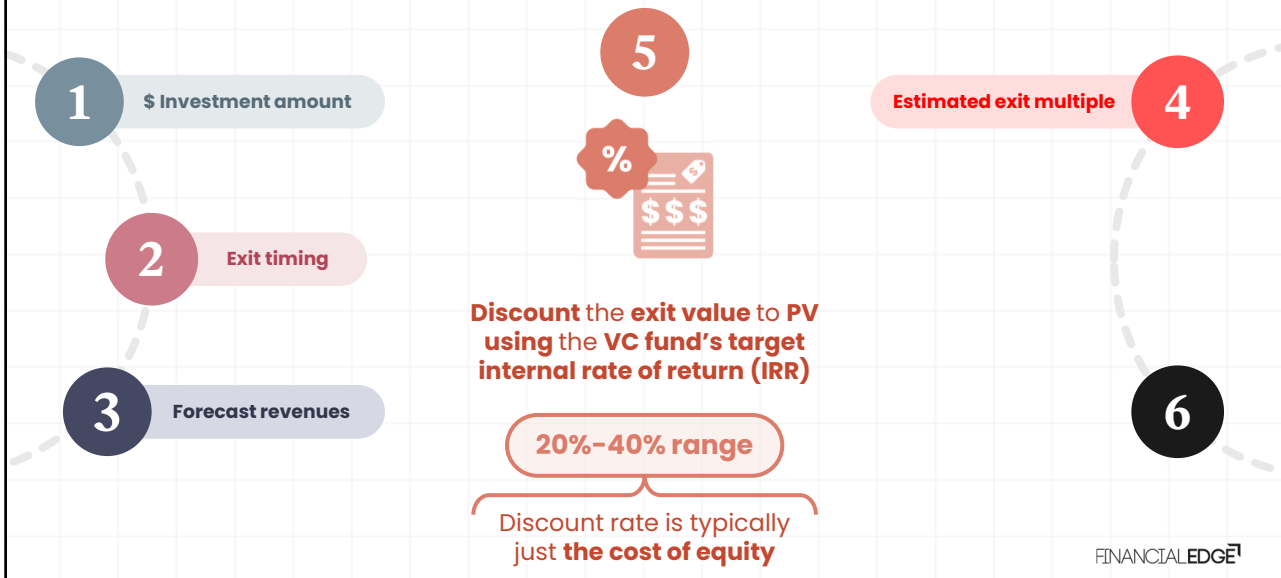
Exit multiple - Revenue or EBITDA

5

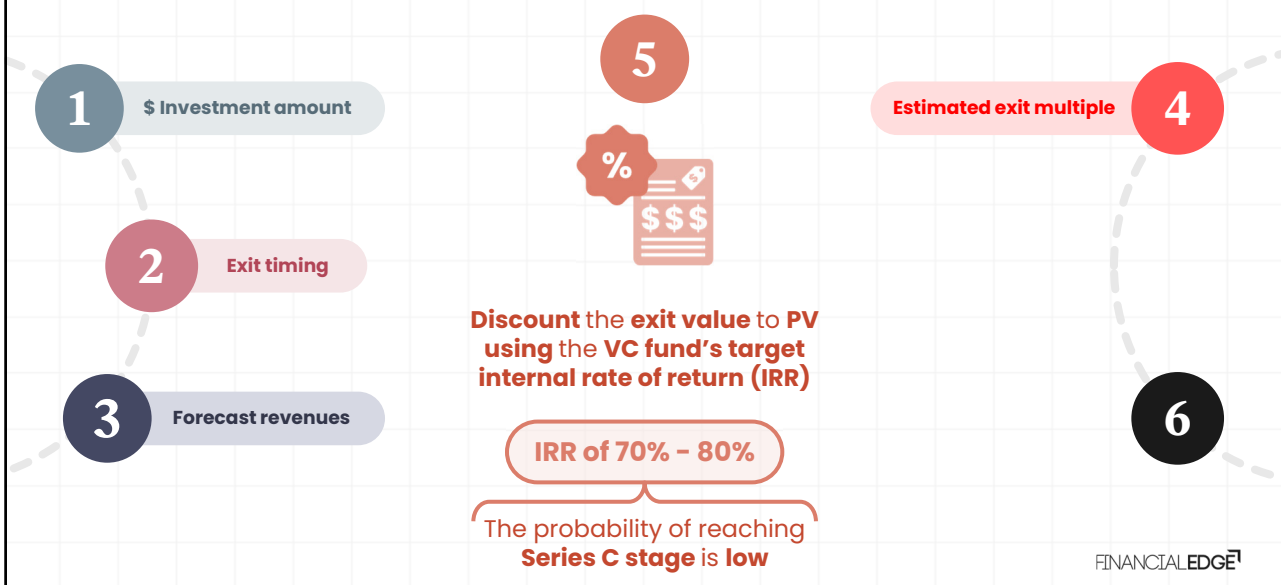
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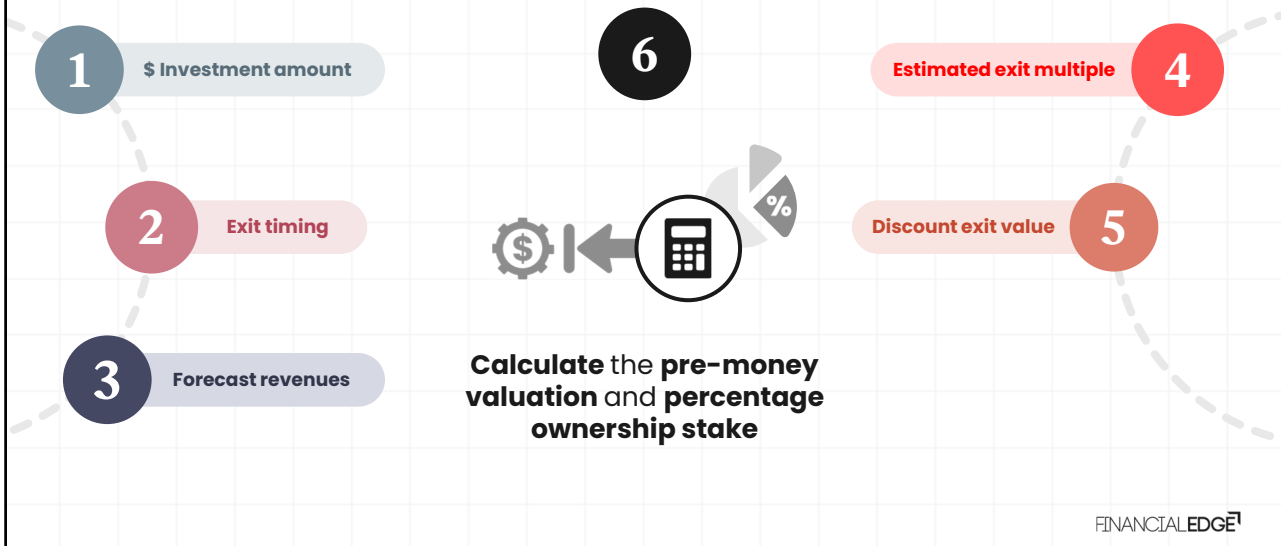
## VC Method Steps



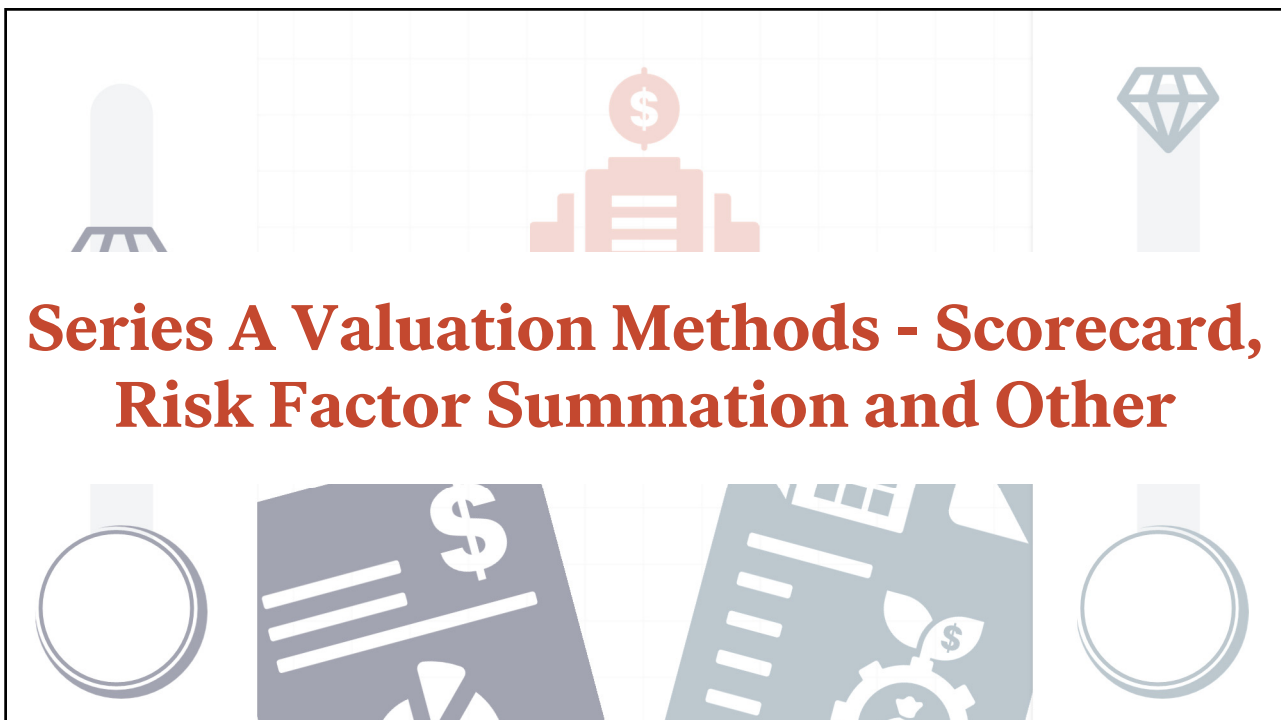
## VC Method Steps



## VC Method Steps



## Series A Valuation Methods - Scorecard, Risk Factor Summation and Other



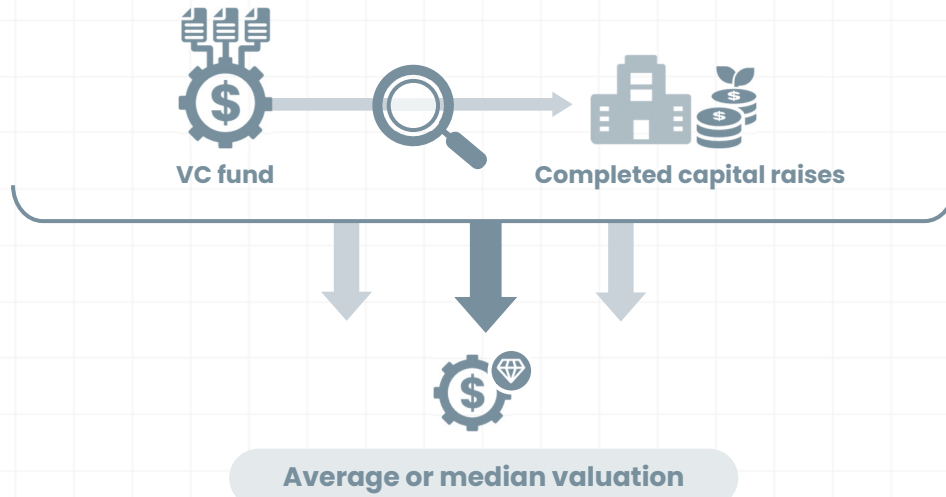
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### Scorecard Valuation Model

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### Scorecard Valuation Model



Useful in:

Crowded sector

Active sector

**Startups**



Raising rounds of capital



Receiving valuations

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## Risk Factor Summation

**Deducts** or **adds** to the initial value based on the assessment of risks to the return



Market competition risk



Tech risk



Management risk



Sales & marketing risk

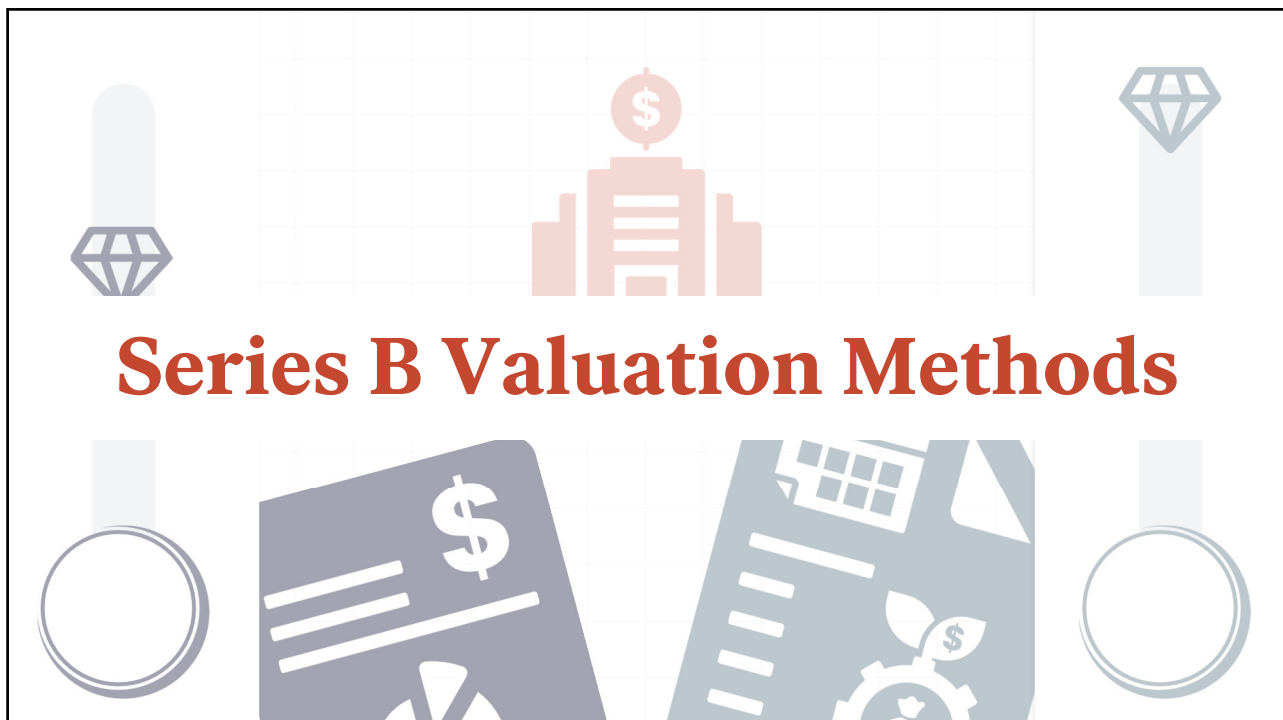
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# Qualitative Factors



## Qualitative factors that **VC funds** consider **before investing**



### Health of the market sector

Operating in a sector with **sluggish returns**

**Negatively impacts the valuation** they place on the **business**

The startup is operating in a **"hot" sector**

They will likely **benefit from** a **higher valuation**

**Successful founding teams**

**Fragmented sector with high growth**

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