

WORKDONE INC

BUSINESS PLAN SCANNER + COMPANY PROFILE

Contacts

Company full name: **WorkDone Inc**
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Valuation set on: **09.04.2018**
Report date: **26.04.2018**

The idea



Not scalable business
Demand still under testing
Local focus, international opportunity
IP protected with barriers

The Team



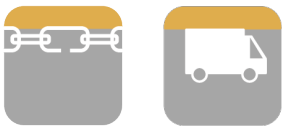
Team committed full time
Business background with managerial experience
Technical background with expertise
Previous company experience

The Company



No legal entity
No advisory board
Startup stage

Marketing



Few partners contacted
Planned distribution channels

Finance



Pre-revenue company
Business angel investor
Parties interested in buying the company

Scan business plan in a glance

The Business Plan Scanner displays the main features of the company 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 company. Green stands for positive impact while red for negative. The purpose of this page is to give the reader an immediate overview of the company 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 company investing activity.

COMPANY PROFILE

WorkDone Inc

Legally constituted: **No**

Year of constitution: **2017**

Country: **The Netherlands**

Scalability: **No**

Industry: **Computer Software**

Committed resources

Capital: **\$ 12,000**

Time (Months): **8**

Time commitment: **Full time**

Stage of development:

Stage of development: **Startup stage**

Product roll-out: **Planning**

Profitability: **Pre-revenues**

Investment proposal

Capital needed: **\$ 650,000**

Equity offered: **5.0%**

Core Business

Not Provided

Team

Founders: **1**

FTE employees: **7**

Management team composition: **Founders and employees**

Experience

In the industry(years): **40**

Previous company: **Yes**

Dedication to the project

Founders: **All founders committed full time**

Staff members: **Still part-time, ready for full-time**

Skills and capabilities

Business and managerial: **Top-tier management experience**

Position reached: **CEO**

Technical: **Both technical background and expertise**

Competition

Target market: **Estimated from related markets**

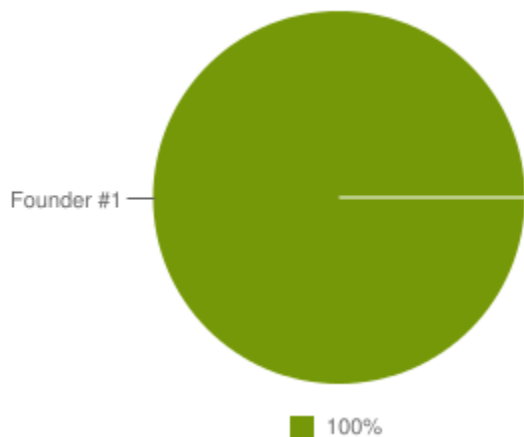
Level of competition: **Some small players**

Competitive products are: **Still not comparable and substantially less innovative**

Marketing approach: **Beta users and Not applicable since B2B focus**

COMPANY PROFILE

Shareholders



Letters of intent

Annual Recurring Revenues (ARR) as % of Turnover

Year 1	Year 2	Year 3
\$ 37,552	\$ 3,487,535	\$ 13,480,010

Key figures

Latest operating performance

Revenues	\$ 0
Cost of Goods Sold (COGS)	\$ 0
Salaries	\$ 0
Operating expenses (SGA)	\$ 0
EBITDA	\$ 0
EBIT	\$ 0
Net Profit	\$ 0

Ratios

Profit as % of revenues	0%
COGS as % of revenues	0%
EBITDA as % of revenues	0%

Assets

Cash and Equivalents	\$ 100,000
Accounts Receivables	\$ 0
Inventory	\$ 0
Tangible assets	\$ 0
Intangible assets	\$ 0
Financial assets	\$ 0

Liabilities

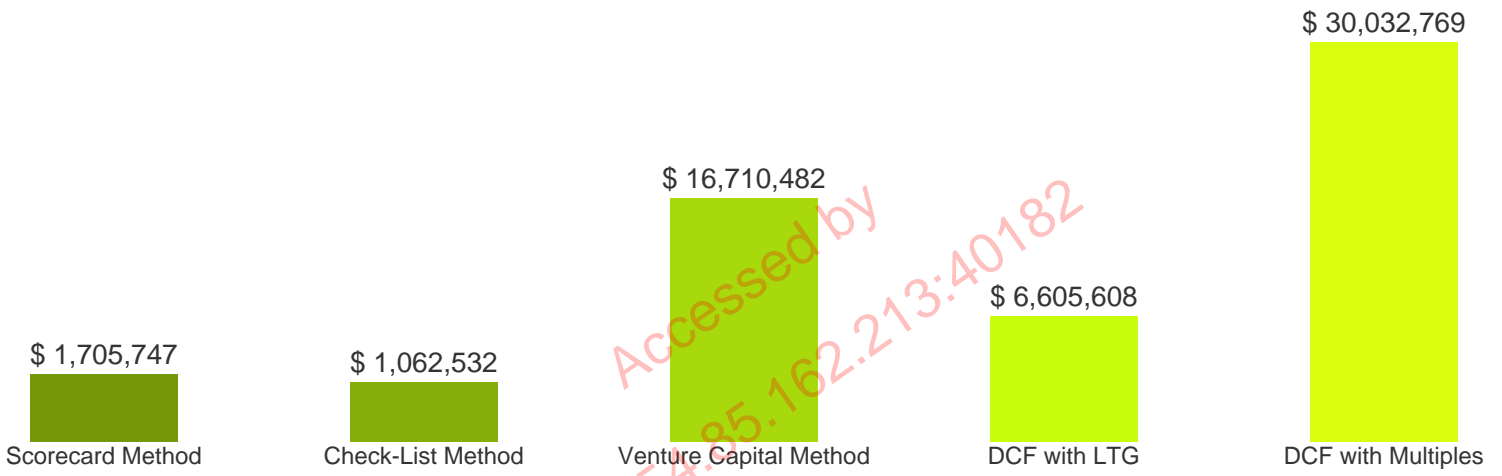
Accounts Payables	\$ 15,000
Other current liabilities	\$ 0
Long term liabilities (Debt)	\$ 0
Equity	\$ 85,000

Elevator pitch

Not Provided

VALUATION

The 5 Methods Used



Valuation Average Weights

Weights of the 5 methods



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:

\$ 9,255,570

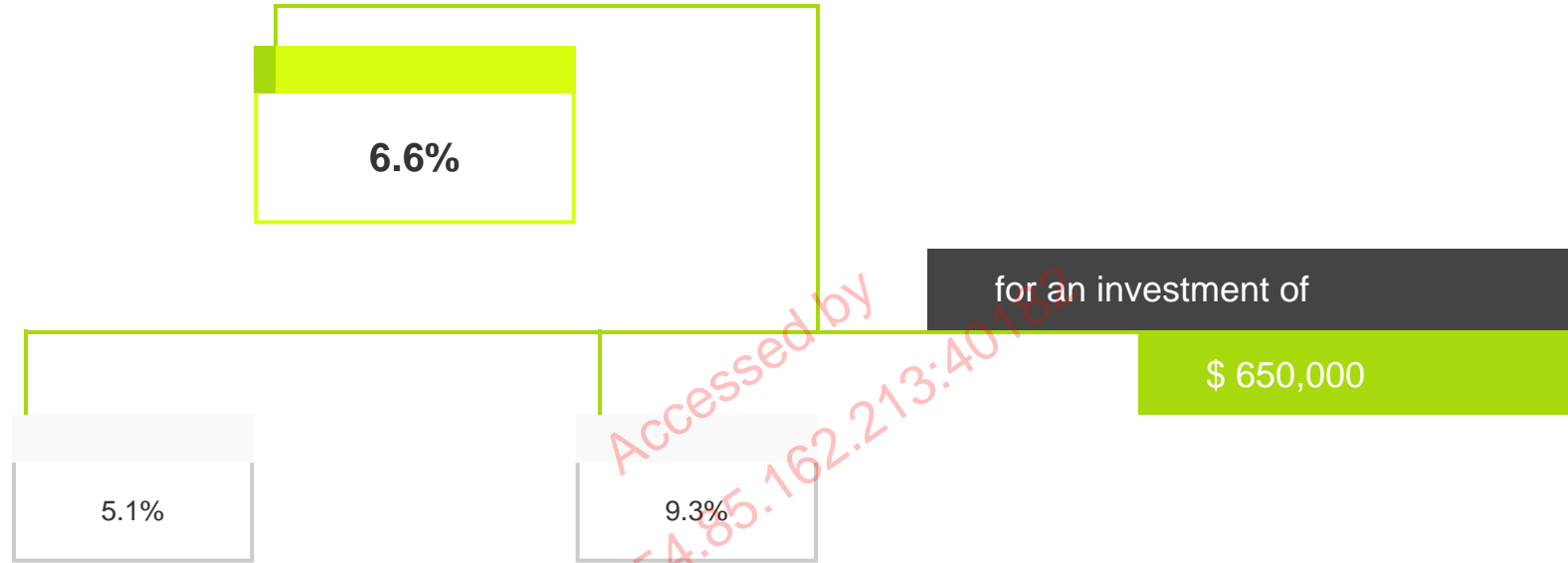
Lower Bound

\$ 6,308,000

Higher Bound

\$ 12,203,000

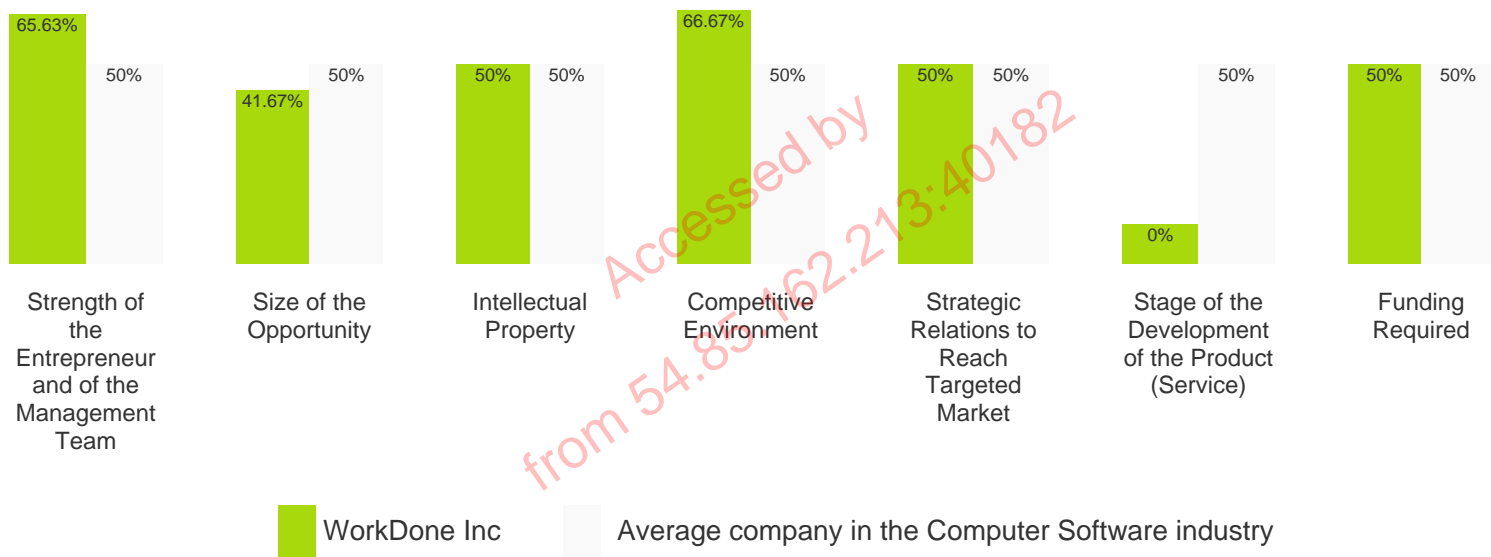
This determines a percentage of



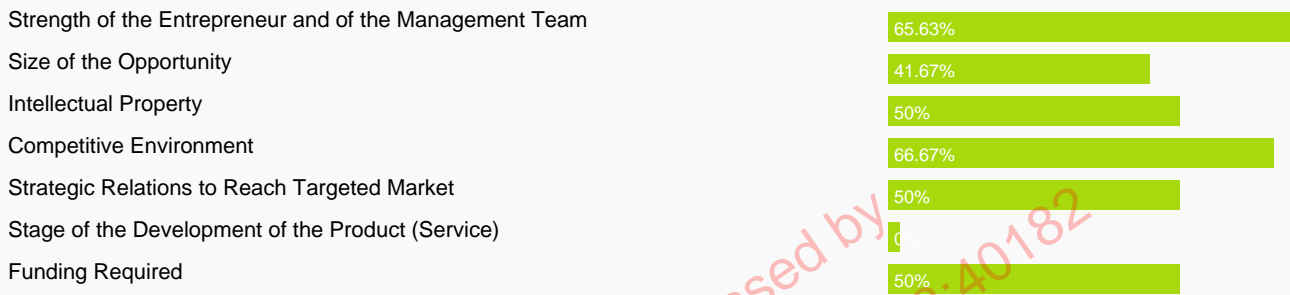
HIGH-LEVEL VALUATION

SCORECARD METHOD

\$ 1,705,747



CRITERIA



ASSUMPTIONS

Starting value of this method (Average Company Valuation) \$ 1,299,617

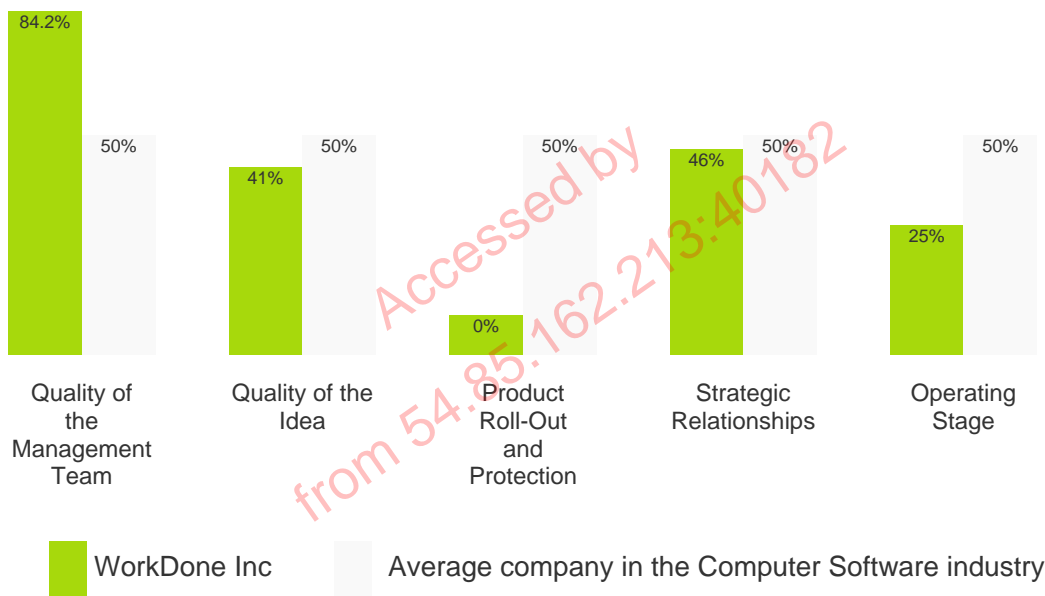
Explanation

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 to 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

\$ 1,062,532



CRITERIA



ASSUMPTIONS

Maximum value for this method \$ 2,437,000

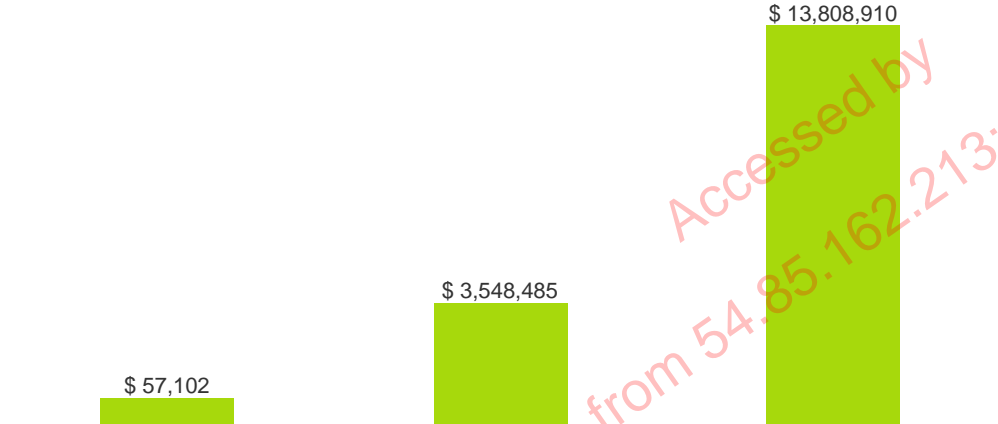
Explanation

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 companies, 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 company valuation across the U.S.. The lower value for EU market is given by the lower level of development and sophistication of this region compared to the U.S..

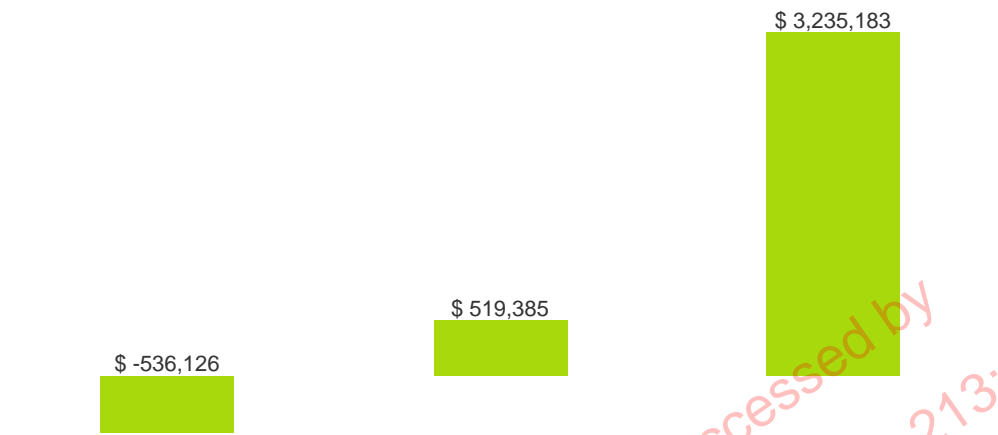
FINANCIAL FORECASTS

Revenues		
Year 1	Year 2	Year 3

Average estimate
 The stage of development of the company allows for the estimation of expected performance. The risk involved is however very high since there is no track_record.



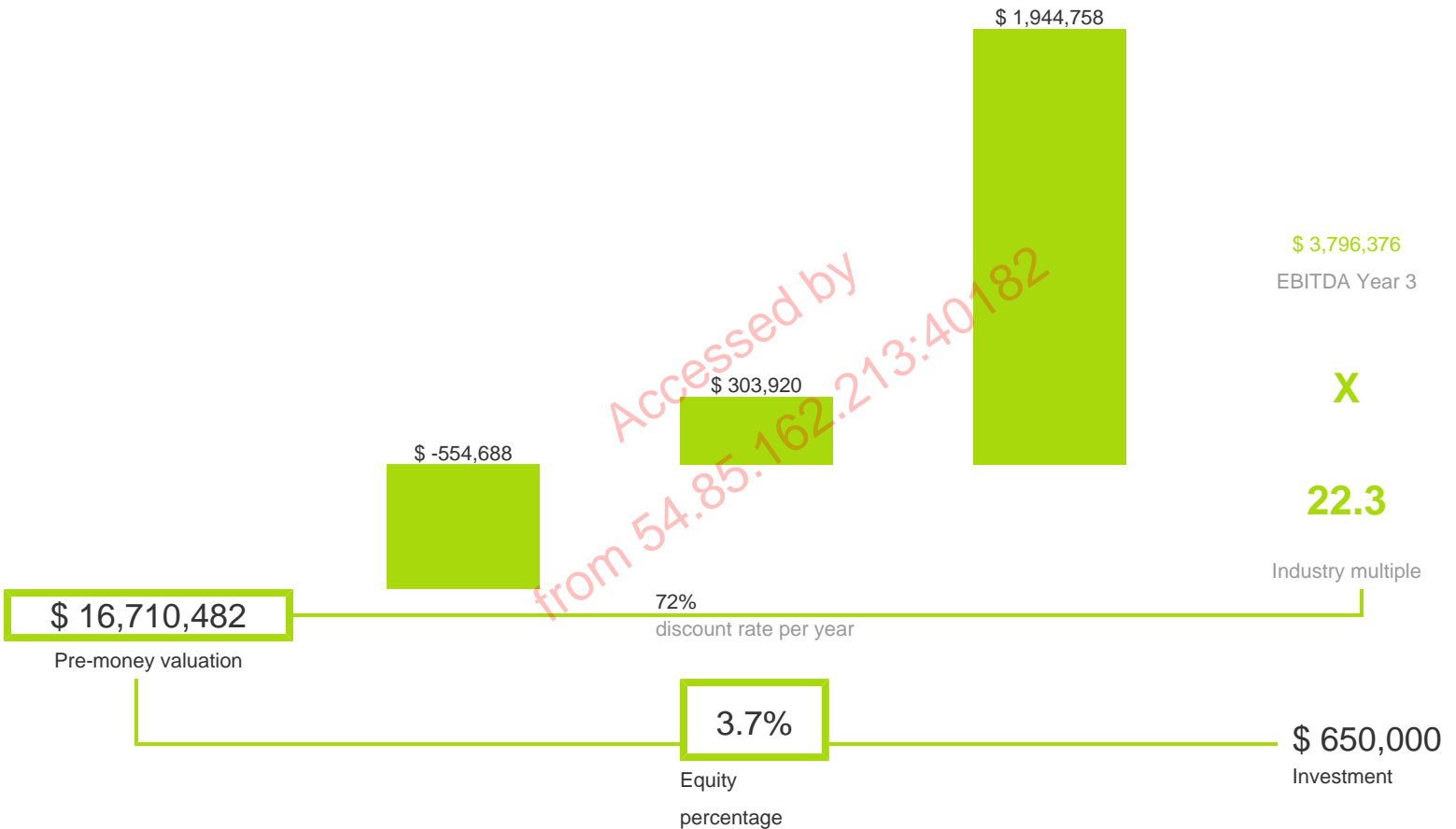
EBIT



The uncertainty featuring financial projections

The projections about the expected performance of the company 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.

Cash Flow to Equity for the next three years



CRITERIA

Exit value in year 3

\$ 84,848,416

ASSUMPTIONS

Annual discount rate applied

71.88%

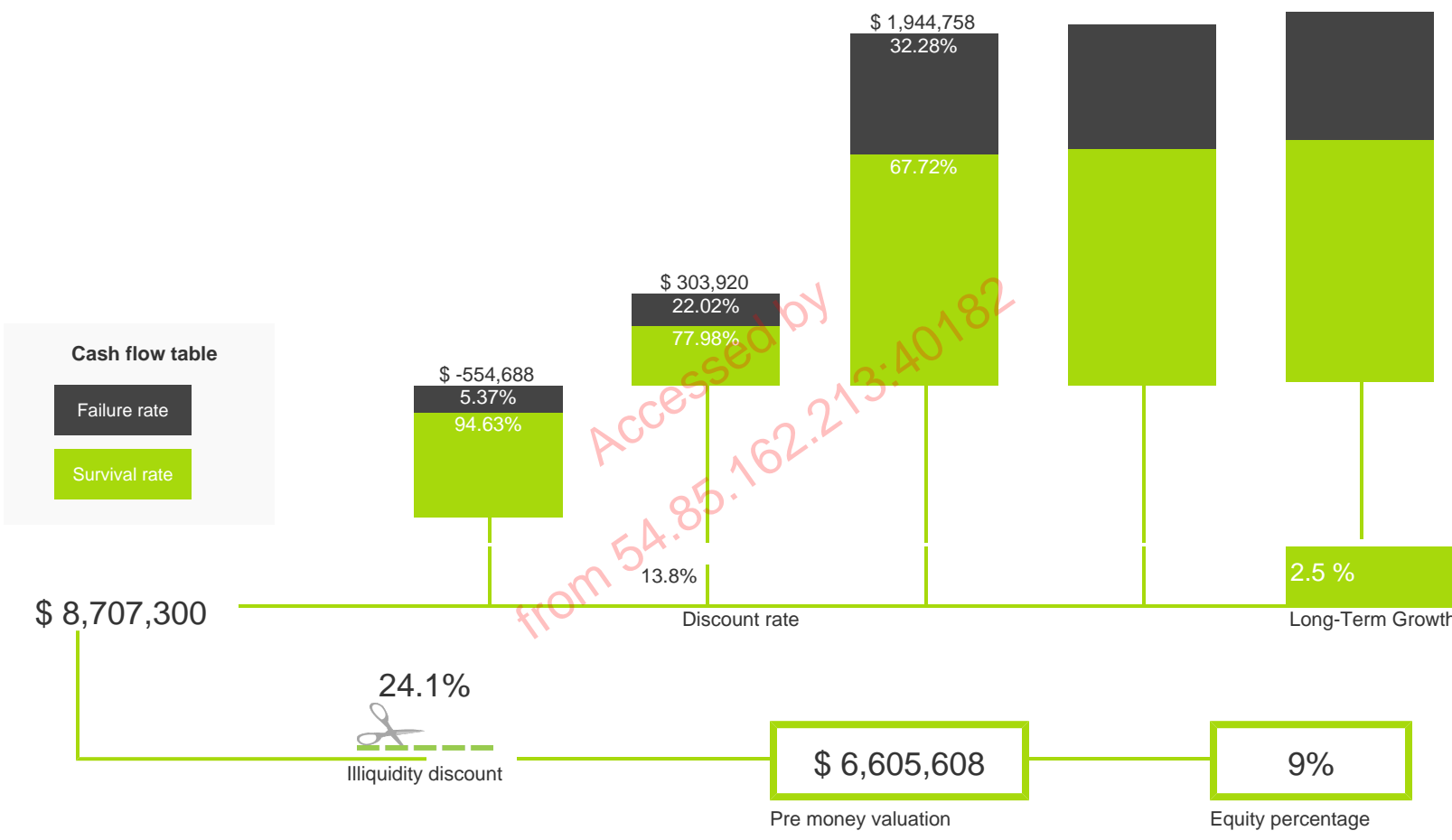
The quick approach used by Venture Capital Funds

The venture capital method is a quick approach to the valuation of companies. It comprises in estimating the exit value of the company 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 EBITDA multiple. This value is then discounted at a high rate to get the present value. The discount rate is determined 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

EBITDA Year 3	\$ 3,796,376
Long Term Growth Winsorized*	2.5%
Value of the company in the last Year (Terminal Value)	\$ 11,930,654

*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.

ASSUMPTIONS

Industry Beta	2.21
Market Risk Premium	5.5%
Weighted Average Cost of Capital	13.81%

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 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

EBITDA Year 3	\$ 3,796,376
EBITDA multiple Year 3	22.35
Value of the company in the last Year (Terminal Value)	\$ 57,459,347
Implied Annual Return if sale value realized (ROI)	123%

ASSUMPTIONS









Industry Beta	2.21
Market Risk Premium	5.5%
Weighted Average Cost of Capital	13.81%

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 EBITDA multiple 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 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







	Year 1	Year 2	Year 3
 Revenues	\$ 57,102	\$ 3,548,485	\$ 13,808,910
sales quantity	0	0	0
 Cost of goods sold	\$ 8,257	\$ 1,362,823	\$ 5,132,473
Average individual price	\$ 0	\$ 0	\$ 0
Average individual cost	\$ 0	\$ 0	\$ 0
 Salaries	\$ 535,796	\$ 1,073,446	\$ 3,479,504
Gross margin	85.5%	61.6%	62.8%
 Selling, General and Administrative	\$ 46,854	\$ 448,621	\$ 1,400,557
EBITDA	\$ -533,805	\$ 663,595	\$ 3,796,376
 Depreciation and Amortization	\$ 2,321	\$ 144,210	\$ 561,193
as % of revenues	4.1%	4.1%	4.1%
EBIT	\$ -536,126	\$ 519,385	\$ 3,235,183
 Financial Gain-Loss	\$ 0	\$ 0	\$ 0
Debt interest payment	\$ 0	\$ 0	\$ 0
Interest rate on debt	13.65%	13.65%	13.65%
Cash interest gain	\$ 0	\$ 0	\$ 0
 Taxes	\$ 0	\$ 0	\$ 794,611
Deferred tax assets	\$ 124,032	\$ 4,185	\$ 0
Effective tax payable	\$ -124,032	\$ 119,846	\$ 798,796
Nominal tax rate	25%	25%	25%
 Profit	\$ -536,126	\$ 519,385	\$ 2,440,573

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 PAID) 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	\$ -536,126	\$ 519,385	\$ 2,440,573
 Change in Working Capital	\$ 20,883	\$ 359,675	\$ 1,057,007
Account payables	\$ 2,170	\$ 134,862	\$ 524,815
Account receivables	\$ 7,436	\$ 462,091	\$ 1,798,224
Inventory	\$ 617	\$ 38,329	\$ 149,156
 Depreciation and Amortization	\$ 2,321	\$ 144,210	\$ 561,193
OPERATING CASH FLOW	\$ -554,688	\$ 303,920	\$ 1,944,758
 Financing activity	\$ 650,000	\$ 2,000,000	\$ 0
Change in outstanding debt	\$ 0	\$ 0	\$ 0
Raise or repayment of equity	\$ 650,000	\$ 2,000,000	\$ 0
 Investments	\$ 24,586	\$ 49,369	\$ 81,458
 Cash Flows	\$ 70,726	\$ 2,254,551	\$ 1,863,300
Beginning of the year cash	\$ 750,000	\$ 820,726	\$ 3,075,278
End of the year cash	\$ 820,726	\$ 3,075,278	\$ 4,938,578
CASH FLOW TO EQUITY	\$ -554,688	\$ 303,920	\$ 1,944,758

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.

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 companies seeking larger amounts.

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 company 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 company 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.

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