Valuation Report of Unicorn Inc.

As of 2024-01-01

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Company summary
Unicorn Inc.

9120 Sand Hill Road, Suite 101, Menlo Park, CA, USA

United States

Currency: **United States dollar $**

Industry: **Financial & Commodity Market Operators & Service Providers**
Business Activity: **Financial Technology & Infrastructure**

Unicorn Inc produces the best quality single horn for horses. Our mission is to transform the world and make it a better place.

www.unicorninc.com

Founders: **2**
Employees: **8**
Started in: **2020**
Incorporated: **Yes**
Year of incorporation: **2021**
Founders' committed capital: **$650000**

Opportunity

Business model: **B2B**
Scalable Product: **Yes**
Exit strategy: **Multiple exit opportunities**

Current Operations

Stage of development: **Development stage**
Employees (excluding founders, interns and freelancers): **8**
Profitability: **Yes**

Competitors

Pony Inc | ponyinc.com
Hippo Inc | hippoinc.com

Latest operating performance

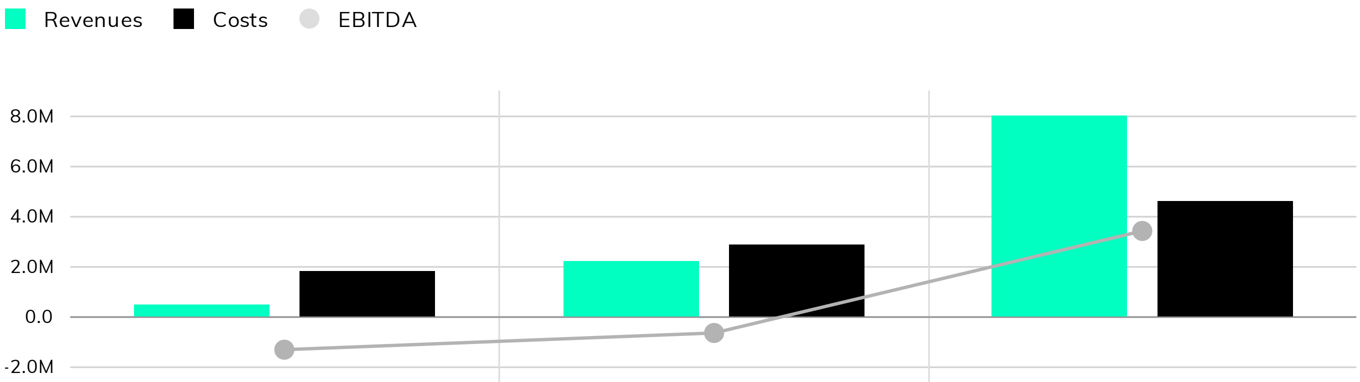
	01/2023 - 12/2023
Revenue	**134,000**
EBITDA	**-216,850**
Ebitda margin	-200 %
EBIT	**-217,944**
Ebit margin	-200 %
Cash in hand	**350,000**

All numbers in USD

/// More information on the history, milestones, team, etc., (e.g. pitchdeck) can be requested by the company

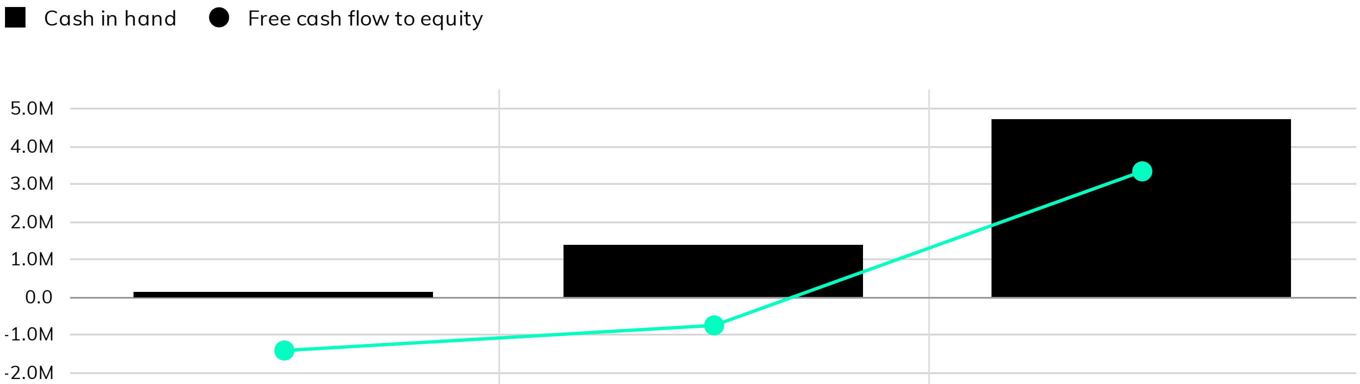
Forecasts summary

Future profitability



$ 440,000	$ 2,200,000	$ 8,000,000
$ 1,782,450	**$ 2,848,000**	**$ 4,578,000**
-$ 1,342,450	-$ 648,000	$ 3,422,000
01/2024 - 12/2024	01/2025 - 12/2025	01/2026 - 12/2026

Cash forecast



$ 134,971	**$ 1,377,038**	**$ 4,699,873**
-$ 1,415,029	-$ 757,933	$ 3,322,835
01/2024 - 12/2024	01/2025 - 12/2025	01/2026 - 12/2026

/// Full profit and loss and cash flow forecast at page 16.

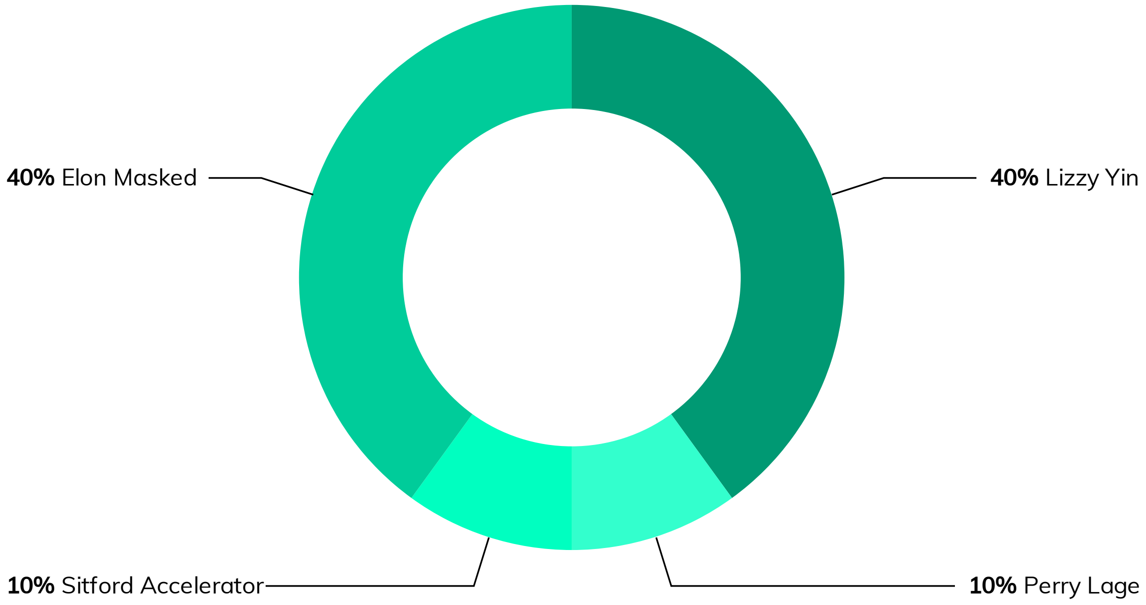
Past funding rounds

Here is an overview of the past funding rounds and valuations of the company.

Type	Date	Post-Money/Valuation Cap	Investment	Equity %
Convertible	**10-10-2022**	**$** 8,000,000	**$ 250,000**	-

Current ownership

Here is an overview of the current shareholders in the company. More information on type of shares, unassigned shares, and in general a detailed cap table can be requested to the company in question.



Valuation

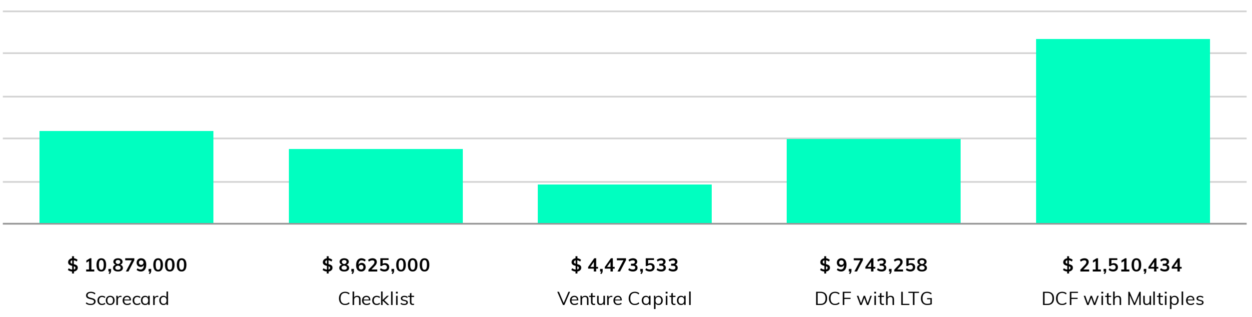
The valuation displayed below is the result of the weighted average of different methods. The use of several methods is a best practice in company valuation, as looking at the business from different perspectives results in a more comprehensive and reliable view.
These methods are compliant with IPEV (International Private Equity Valuation) Guidelines and each of them will be explained in more detail in the following pages of the report.
More information on the weights can be found in the Appendix.

Low Bound
$ 9,089,000

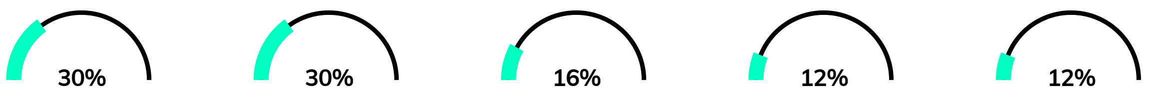
Pre-money Valuation
$ 10,317,408

High Bound
$ 11,546,000

5 Valuation Methods



Method weights



Current funding round

Please find below the amount of capital currently needed and the consequent percentage of equity based on the valuation of previous page as a starting point for the negotiations.

Low Bound
$ 9,089,000

Pre-money valuation
$ 10,317,408

High Bound
$ 11,546,000

11.66%

Capital needed
$ 1,200,000

10.42%

9.41%

Low Bound
$ 10,289,000

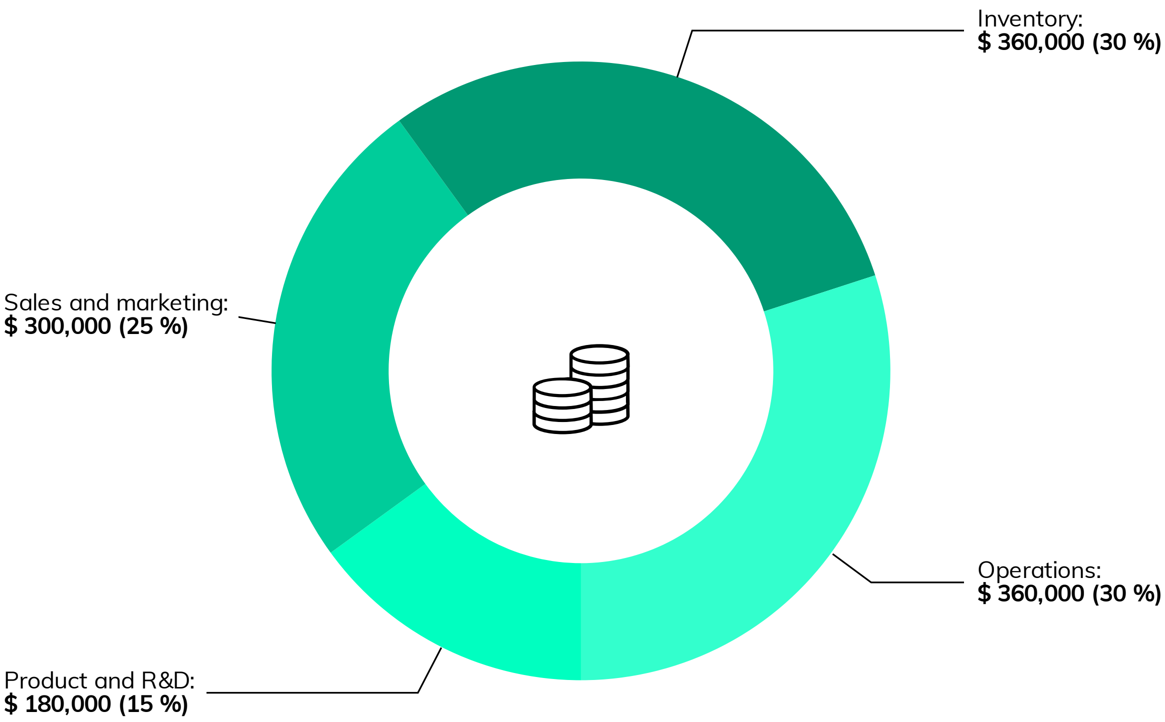
Post-money valuation
$ 11,517,408

High Bound
$ 12,746,000

Starting from the post-money valuation of the company, the equity percentage that relates to the investment is calculated as investment/post-money valuation. Keeping the investment amount fixed, the lower the pre-money valuation, the higher the equity stake, and vice versa.

Use of funds

Here is a breakdown on how the company will use the capital raised.



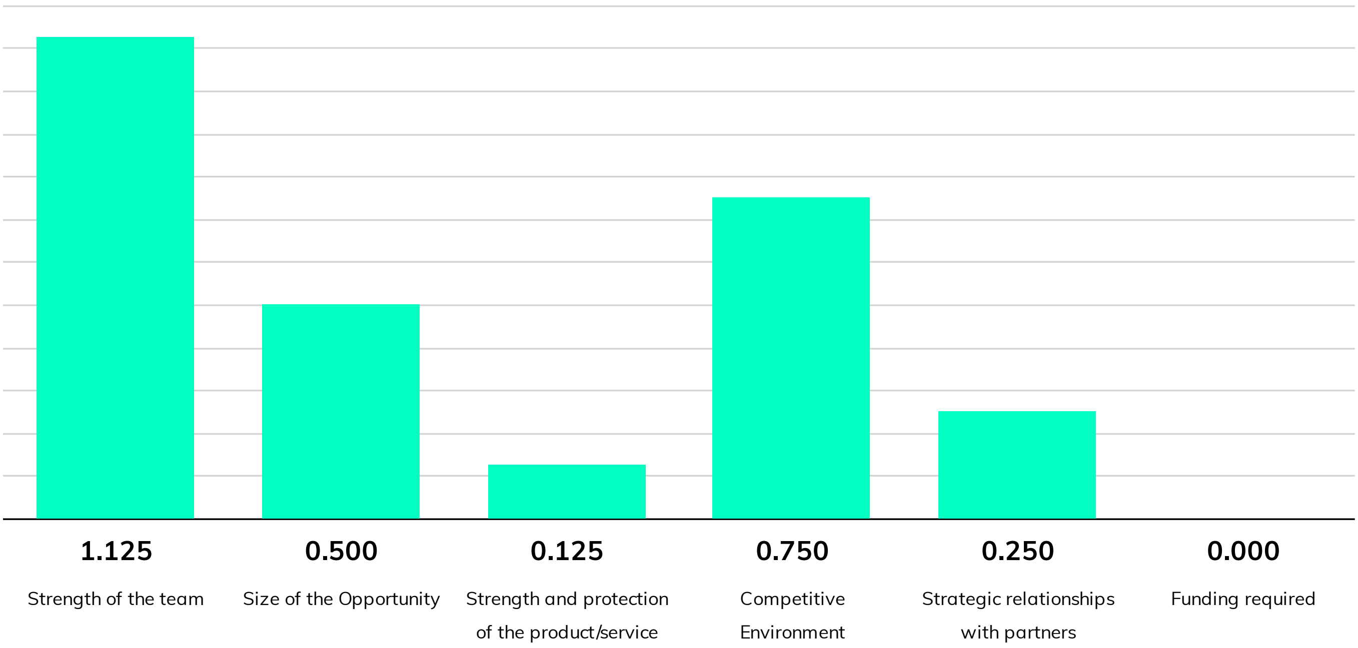
Qualitative methods

Scorecard Method: $ 10,879,000

This method was conceived by William H. Payne of Ohio TechAngels group and endorsed by the Ewing Marion Kauffman Foundation. The valuation of the startup depends on how different this is from the assumed average of a set of comparable companies from the same region.

Startups' qualitative traits are divided in 6 criteria, compared with the assumed traits of the average company, and given a score according to whether it over- or under-performs the assumed average company. These scores are multiplied by weights that represent the impact of the criteria on the valuation. The sum of these weighted scores multiplied by the average valuation leads to the company's valuation.

Normalized scores of the company for each criteria



Parameters

Average valuation (United States): **$ 6,880,000**

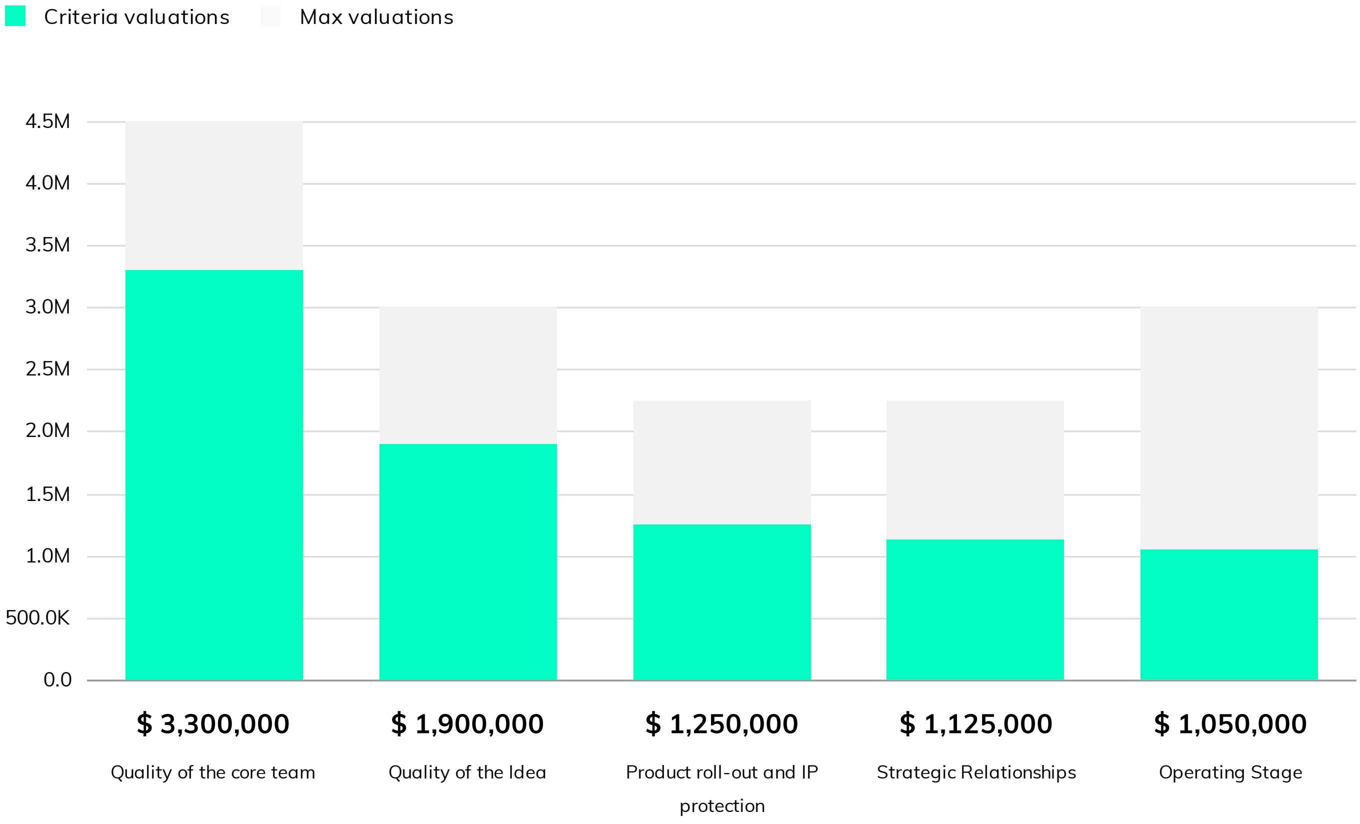
Weights of the criteria

Strength of the team: **30%**
Size of the Opportunity: **25%**
Strength and protection of the product/service: **15%**
Competitive Environment: **10%**
Strategic relationships with partners: **10%**
Funding required: **10%**

/// Please see appendix for data sources, defaults, and breakdown of the traits

Checklist Method: $ 8,625,000

The creator of the method is Dave Berkus, one of the most prominent Californian angel investors. The valuation of the startup consists of intangible building blocks that sum up to the assumed maximum valuation.
The maximum valuation is split in 5 criteria according to their weight. The startup obtains portions of these maximum criteria valuations according to how close its qualitative traits are to the most desirable ones. Their sum is the startup valuation.



Parameters

Maximum valuation (United States): **$ 15,000,000**

Criteria maximum valuations

Quality of the core team: **$ 4,500,000 (30%)**
Quality of the Idea: **$ 3,000,000 (20%)**
Product roll-out and IP protection: **$ 2,250,000 (15%)**
Strategic Relationships: **$ 2,250,000 (15%)**
Operating Stage: **$ 3,000,000 (20%)**

/// Please see appendix for data sources, defaults, and breakdown of the traits

Qualitative traits summary

Below a summary of the traits at the basis of the scores for the two qualitative methods. Please see appendix for detailed breakdown of which trait is used in which method.

Team

Founders

Time commitment: **Planning to commit full time**

Average age: **Between 35 and 45**

Founded other companies before: **Yes**

Core team skills and expertise

Working together for: **3 to 5 years**

Years of experience in the industry: **20**

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

Technical skills: **All technical skills inhouse**

Network

Board of advisors: **Yes**

Legal consultants: **Yes**

Current shareholders: **Crowdfunding, Incubator / accelerator**

Market

Total Addressable Market (TAM): **$2,100,000,000**

Annual growth rate of the market: **5.00 %**

Demand validated: **Demand validated by competitors**

Internationalization: **Local focus now, international expansion planned**

Product

Product roll-out: **Planning**

Feedback received: **All positive**

Loyalty to the product/service: **Average retention**

Partners: **Informal agreements with key strategic partners**

Competition

Level of competition: **Many small players**

Competitive products are: **Weak**

Differentiation from current solutions: **Not comparable solutions**

International competition: **Not yet developed**

Protection

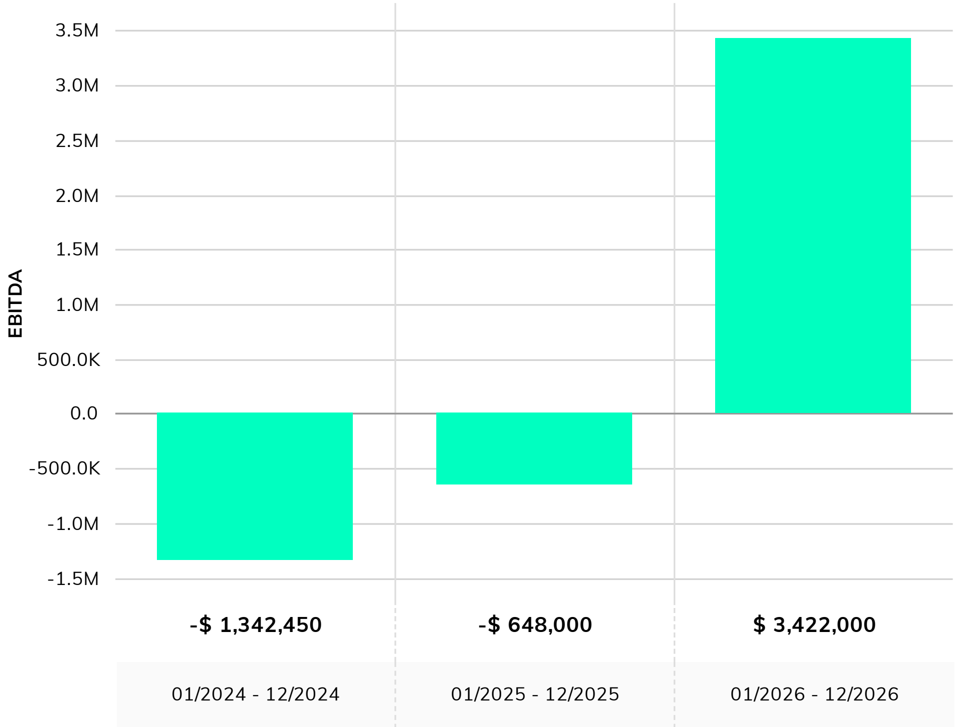
Barriers to entry of the market: **Modest**

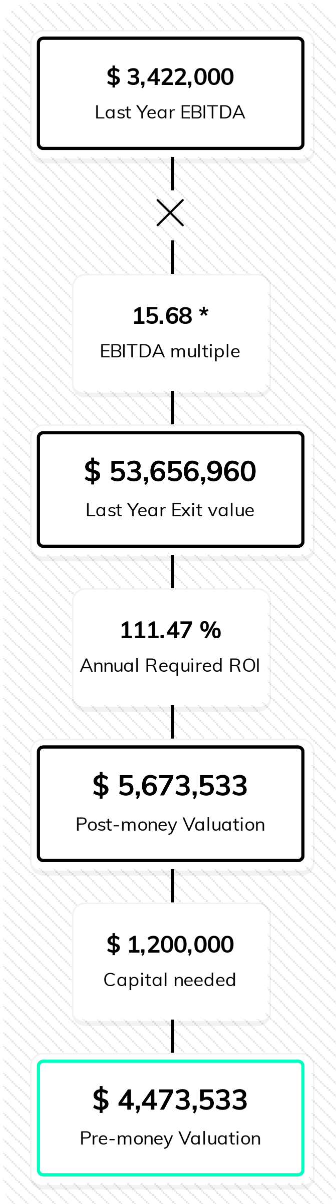
Applicable IP: **Patent**

Current IP protection: **IP protection secured at regional level**

VC Method
Pre-money Valuation: $ 4,473,533

The VC (Venture Capital) method is one of most common approaches among financial practitioners in the private company market. The startup is given the valuation that will grant investors a predetermined return at the exit.
The potential exit value of the company is computed with an industry-based EBITDA multiple. The valuation is equal to this value discounted by a required ROI (Return On Investment). This depends on the startup's stage of development, higher for early stage riskier companies, lower for more mature ones. It is the minimum rate that will allow investors to have positive returns from portfolios where most companies fail and gains come from a selected few.





Parameters

Industry Multiple: **15.68 ***

Annual Required ROI: **111.47 %**

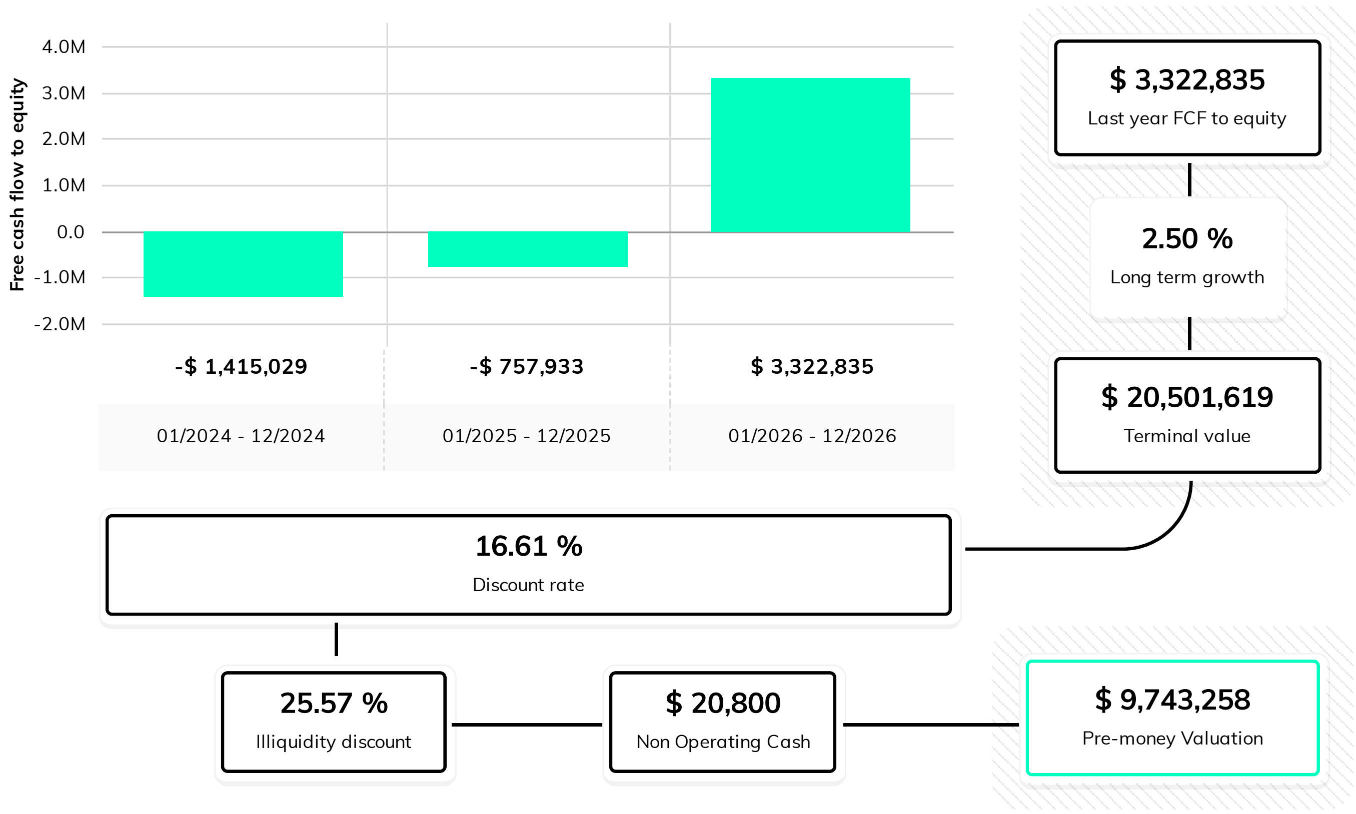
*The Equidam defaults have been changed by the company. A full list of these new assumptions can be found on page 16.

DCF Methods

The DCF (Discounted Cash Flow) methods represent the most renown approach to company valuation, recommended by academics and a daily tool for financial analysts. The valuation is the present value of all the free cash flows to equity the startup is going to generate in the future, discounted by its risk.
These methods weight the projected free cash flow to equity by the probability the startup will survive. Then, the flows are discounted to present by a rate that represents risks related to industry, size, development stage and profitability. Lastly, an illiquidity discount is applied to the sum of the discounted cash flows to compute the valuation.
The value of cash flows beyond the projected ones is represented by the TV (Terminal Value) and the way it is calculated is the difference between the following two methods.

DCF with LTG: $ 9,743,258

The DCF with LTG (Long Term Growth) assumes the cash flows beyond the projected ones will grow forever at a constant rate based on the industry and computes the TV accordingly.



Parameters

Long term growth: **2.50 %**
Illiquidity discount: **25.57 %**

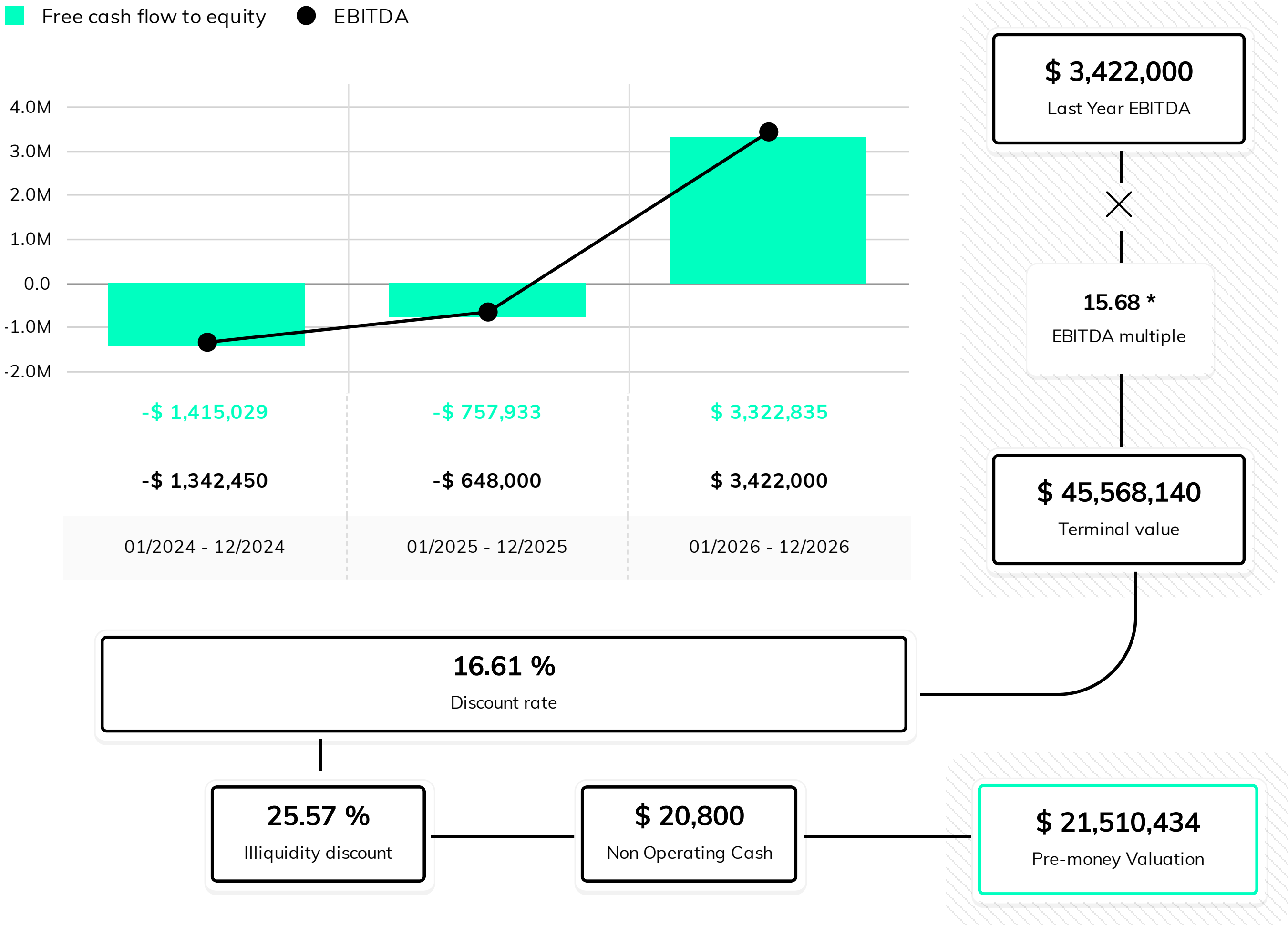
Discount rate
Risk free rate: **4.24 %**
Beta: **2.47**
Market Risk Premium: **5.00 %**

Survival rates
Year 1: **94.94 %**
Year 2: **88.93 %**
Year 3: **84.92 %**

/// Please see appendix for data sources and defaults

DCF with Multiples: $ 21,510,434

The DCF with Multiple assumes the TV (Terminal Value) is equal to the exit value of the company computed with an industry-based EBITDA multiple.



Parameters

EBITDA multiple: **15.68 ***
Illiquidity discount: **25.57** %

Discount rate
Risk free rate: **4.24** %
Beta: **2.47**
Market Risk Premium: **5.00 %**

Survival rates
Year 1: **94.94 %**
Year 2: **88.93 %**
Year 3: **84.92 %**

/// Please see appendix for data sources and defaults

*The Equidam defaults have been changed by the company. A full list of these new assumptions can be found on page 16.

Advanced Multiples

The valuation of a company depends on a crucial variable called the multiple. This multiple is calculated based on certain chosen companies, which are used as a basis. Users have the option to select comparable companies themselves or use Equidam's verified multiples from reputable online services. If users decide to add their own multiples, the "Gathered By" column will display the name of the company. If they choose to use Equidam's sources, the "Gathered By" column will simply state "Equidam".

Company Name	Ebitda Multiple	Latest Update	Data Source	Gathered By
Fiserv, Inc.	15.68	Oct 6, 2024	-	Equidam
PayPal Holdings, Inc.	12.75	Oct 6, 2024	-	Equidam
Global Payments Inc.	10.04	Oct 6, 2024	-	Equidam
Visa Inc.	23.16	Oct 6, 2024	-	Equidam
Mastercard Incorporated	28.85	Oct 6, 2024	-	Equidam
Wise plc	13.15	Oct 6, 2024	-	Equidam
Adyen N.V.	23.33	Oct 6, 2024	-	Equidam

15.68

Median EBITDA Multiple

Updated Default Values

User updates to the default values used by Equidam are documented in this section.

DCF With Multiple

Weights of the criteria	Default	Updated
Multiple	28.48 (EBITDA)	15.68 (EBITDA)

VC Method

Weights of the criteria	Default	Updated
Multiple	28.48 (EBITDA)	15.68 (EBITDA)

Advanced Multiple

Advanced Multiple	Calculated
Multiple	15.68 (EBITDA)

*Instead of using the default EBITDA multiple provided by Equidam, the user has opted for a customized multiple. For more information check page 15.

Financial Projections
Profit & Loss

The profit & loss projections are displayed below. Data about revenue and operating costs are provided by the company. Depreciation and amortization, interest, and taxes are either provided by the company or estimated by Equidam. Please consult our methodology document for more details.

	01-2023 - 12-2023	01-2024 - 12-2024		01-2025 - 12-2025		01-2026 - 12-2026	
Revenue	134,000	440,000	+3X	2,200,000	+5X	8,000,000	+4X
Cost of Goods Sold	150,200	1,200,020	+8X	1,550,000	+29%	2,230,000	+44%
Salaries	176,650	400,430	+2X	956,000	+2X	1,594,000	+67%
Operating Expenses	24,000	182,000	+8X	342,000	+88%	754,000	+2X
EBITDA	-216,850	-1,342,450	-519%	-648,000	+52%	3,422,000	-
Ebitda margin	-	-		-		43 %	
D&A	1,094	-		-		-	
EBIT	-217,944	-1,342,450	-516%	-648,000	+52%	3,422,000	-
Ebit margin	-	-		-		43 %	
Interest	-	-		-		-	
EBT	-	-1,342,450		-648,000	+52%	3,422,000	-
Taxes	-	-		-		-	
Nominal tax rate	-		-		-		-
Effective tax payable	-	-362,462		-174,960		923,940	
Deferred tax assets	-	411,222		586,182		-337,759	
Net profit	-247,263	-1,342,450	-443%	-648,000	+52%	3,422,000	-
Net profit margin	-	-		-		43 %	

All numbers in USD

Cash Flow

The cash flow projections are displayed below. Capital expenditure, debt at the end of the year, and equity fundraising are provided by the company. Account payables, account receivables, inventory and D&A are either provided by the company or estimated by Equidam based on the average percentage of revenue for public companies in the company's industry.

	01/2023 - 12/2023	01/2024 - 12/2024		01/2025 - 12/2025		01/2026 - 12/2026	
Net profit	-247,263	-1,342,450	-443%	-648,000	+52%	3,422,000	-
Change in Working Capital	-	-7,406		-		-	
Working capital	-	-		-		-	
Account Payables	633	-		-		-	
Account Receivables	2,087	-		-		-	
Inventory	5,952	-		-		-	
D&A	1,094	-		-		-	
Capital expenditures	110,031	79,985	-27%	109,933	+37%	99,165	-10%
Change in outstanding debt	-	-		-		-	
Debt at the end of the year	-	-		-		-	
Free cash flow to equity	-	-1,415,029		-757,933	+46%	3,322,835	-
Equity fundraising	-	-		2,000,000		-	
Free cash flow	-	-1,415,029		1,242,067	-	3,322,835	+3X
Beginning of the year cash	-	1,550,000		134,971	-91%	1,377,038	+10X
End of the year cash	-	134,971		1,377,038		4,699,873	

All numbers in USD

Addendum

Legal Notes

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Appendix
Weights of the methods

The default weight of each method is determined by Equidam based on the stage of development, and they are shown below. They can be manually adjusted by the company.

Default weights of the 5 methods

Stage of development	Checklist Method	Scorecard Method	VC Method	DCF with LTG	DCF with Multiples
Idea stage	38%	38%	16%	4%	4%
Development stage	30%	30%	16%	12%*	12%
Startup stage	15%	15%	16%	27%	27%
Expansion stage	6%	6%	16%	36%	36%
Growth stage	0%	0%	20%	40%	40%
Maturity stage	0%	0%	0%	50%	50%

Unicorn Inc. stage of development: **Development stage**

These are determined according to the following principles:

- Qualitative information is more important in early stage companies, where performance uncertainty is extremely high, so qualitative methods are weighted in more
- The investors' view is equally important across all stages, so the weight of the VC method does not change
- Quantitative information is more reliable in later stages, when a company already has a proven financial track record. Therefore, it is possible to use the DCF methods more extensively as projected results get founded in past performance

Qualitative methods

Default average and maximum valuations data sources

Dataset: Market valuations from transactions in the last 30 months of company in all industries, all countries, and at seed funding stage

Datasource: Crunchbase

Usage: Computation of average and maximum (net of outliers) valuations in given geographic areas for the qualitative methods (Scorecard and Checklist respectively)

Update: Biannual

Average valuation (Scorecard Method) in United States: **$ 6,880,000**

Maximum valuation (Checklist Method) in United States: **$ 15,000,000**

Scorecard Method

Default weights of the criteria and breakdown in their traits

Strength of the team **30%**

Time commitment of the founders
Number of employees
Team spirit and comradeship
Years of industry experience of the core team
Business and managerial background of the core team

Size of the Opportunity **25%**

Estimated revenue in the third year according to the stage of the development
Estimated size of the market in three years
Geographical scope of the business

Competitive Environment **10%**

Level of competition in the market
Quality of competitive products/services
Competitive advantage over other products/services
Barriers to entry of the market
Threat of international competition

Strength and protection of the product/service **15%**

Stage of the product/service roll-out
Degree of loyalty of customers
Type of IP protection applicable
IP protection in place (if any)

Strategic relationships with partners **10%**

Strength of the relationships with key strategic partners

Funding required **10%**

Capital required according to the stage of development

Checklist Method

Default weights of the criteria and breakdown in their traits

Quality of the core team analyzes: Average age of the founders Presence in the team of serial, successful entrepreneurs Time commitment of the founders Team spirit and comradeship Years of industry experience of the core team Business and managerial background of the core team Technical skills of the core team	**30%**
Quality of the idea analyzes: Validation of the demand for the product/service Feedback received by early adopters/industry experts Level of competition in the market Competitive advantage over other products/services Geographical scope of the business Threat of international competition Degree of loyalty of customers	**20%**
Product roll-out and IP protection analyzes: Stage of the product/service roll-out Type of IP protection applicable IP protection in place (if any)	**15%**
Strategic relationships analyzes: Presence of an advisory board and number of advisors Presence and type of current shareholders Relationship with legal counselors Strength of the relationships with key strategic partners	**15%**
Operating stage Stage of development Current profitability	**20%**

VC method

Below the sources of the valuation parameters used in the VC Method: EBITDA Multiple and Annual Required ROI, and their default values provided by Equidam

EBITDA multiple

Description: Enterprise value on EBITDA multiples computed over a dataset of global, publicly listed firms organized by industry

Datasource: Prof. A. Damodaran, NYU Stern School of Busines

Update: Annual

Notes: We favor the use of EBITDA multiple, as we believe revenue multiples fail to capture the ability of startups to generate cash flow, i.e. the ultimate determinant of value.

Unicorn Inc. industry: **Financial Technology & Infrastructure**

Financial Technology & Infrastructure EBITDA multiple: **15.68***

Annual Required ROI

The default annual required ROI rates are determined by Equidam based on the returns investors require for companies at different stage of development, and are shown below. They can be manually adjusted by the company.

Stage of development	Discount/Required ROI
Idea stage	135.93%
Development stage	111.47%
Startup stage	89.12%
Expansion stage	48.60%
Growth stage	36.20%
Maturity stage	26.10%

Unicorn Inc. stage of development: **Development stage**

*The Equidam defaults have been changed by the company. A full list of these new assumptions can be found on page 16.

DCF Methods

Below the sources of the valuation parameters used in the DCF Methods: Discount Rate, Survival Rates and Illiquidity Discounts, and their default values provided by Equidam.

Discount rate

Risk Free Rate

Description: 10Y government rates

Datasource: Trading Economics (tradingeconomics.com), various public databases

Update: Bi-annual (but more frequent if macroeconomic conditions are more volatile)

Notes: For the Eurozone we apply the German 10Y Bond rate

Unicorn Inc. country: **United States**

United States risk free rate: **4.24%**

Industry betas

Description: Industry beta computed over industry specific portfolios of global, public listed companies (same as in EBITDA multiple)

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

Unicorn Inc. industry: **Financial Technology & Infrastructure**

Financial Technology & Infrastructure default beta: **2.47%**

Market Risk Premium

Description: Country based total equity risk premium as implied in the previous 12 trailing months.

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Biannual

Unicorn Inc. country: **United States**

United States default market risk premium: **5.00%**

Survival Rate

Dataset: Country-level survival probabilities of the latest cohort of companies with three years of data available.

Datasource: European Office of Statistics (http://ec.europa.eu/eurostat), U.S. Bureau of Labor Statistics (https://www.bls.gov/), specific academic research and public offices of statistics for different countries.

Update: Annual

Unicorn Inc. year of incorporation: **2021**

Default survival rate Year 1: **94.94%**

Default survival rate Year 2: **88.93%**

Default survival rate Year 3: **84.92%**

Default survival rate Year 4: **81.66%**

Default survival rate Year 5: **78.89%**

Default survival rate Year 6: **76.50%**

Default survival rate Year 7: **74.38%**

Default survival rate Year 8: **72.50%**

Illiquidity discount

The default illiquidity discount is assigned based on current profitability and projected revenue, according to the approach suggested by William L. Silber.

Unicorn Inc. illiquidity discount: **25.57%**

DCF with LTG

Long term growth

Dataset: Global, publicly listed companies organized by industry (same as in EBITDA multiple)

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

Notes: The value is winsorized over a 0% - 2.5% range. We do not want the long term growth to be above world GDP growth expectations, as it would mean the company is going to overgrow world economy at some point in time

Unicorn Inc. industry: **Financial Technology & Infrastructure**

Financial Technology & Infrastructure default long term growth: **2.50**

DCF with Multiples

EBITDA multiple

Dataset: Global, publicly listed companies organized by industry

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

Notes: We favor the use of EBITDA multiple, as we believe revenue multiples fail to capture the ability of startups to generate cash flow, the ultimate determinant of value.

Unicorn Inc. industry: **Financial Technology & Infrastructure**

Financial Technology & Infrastructure default EBITDA multiple: **15.68***

*The Equidam defaults have been changed by the company. A full list of these new assumptions can be found on page 16.

Last Available Balance Sheet

Below the simplified, last available balance sheet of the company.

	01/2023 - 12/2023
Cash and equivalents	350,000
Of Which: Non Operating Cash	20,800
Tangible assets	388,400
Intangible assets	586,500
Financial assets	40,735
Deferred tax assets	48,760
Total Assets	1,414,395
Debts due within one year time	35,060
Debt due beyond one year time	-
Equity	110,120
Total Liabilities and Shareholder's Equity	145,180

All numbers in USD