Startup valuation methodology

3 approaches to estimate startup value (EV)

Cost-based approach (Asset-based approach)

- EV = value of assets less the value of liabilities
- Valuation of assets is often found with a recovery method: calculation of all expired resources (labor, capital), which has been consumed for the creation of all tangible and intangible assets of the project

Income approach (DCF approach)

- EV = Forecasted value of the net present value (NPV) of the business
- NPV is defined as the sum of discounted net cash flows (DCF) for a fixed period and a Terminal Value taking into account the amount of consumed investment

Market approach

- EV = <Business indicator> x <Multiplier>
- Examples of multipliers:
- <EV / EBITDA> coefficient "value of the company / profit before income tax, depreciation and amortization"
- <EV / Sales> coefficient "value of the company / sales"
- <EV / Net Income> coefficient "value of the company / net income"

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Startup valuation

Cost-based approach (Asset-based approach)	Income approach (DCF approach)	Market approach

Cost-based approach (Asset-based approach)

EV = Sum of resources consumed for the creation of assets - Liabilities

EV = ???

Income approach (DCF approach)

$$EV = \sum_{i=0}^{N} \frac{CF_i}{(1+r)^i} + TV$$

CF_i – free cash flows
r – discount rate
N – number of periods
TV –Terminal Value

EV = ???

Market approach

Indicators		Multipliers		EV
Sales	S	EV/Sales	M1	S*M1
EBITDA	E	EV/EBITDA	M2	E*M2
Net Income	NI	EV/Net Income	M3	NI*M3

EV = ???

Integral estimation

EV = ???