

# Venture Capital Method with Sensitivity Analysis

		Switch Case	Base case	Scenario 1	Scenario 2
(at exit date) (at exit date)	Company Value at Exit	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
	Annual Earnings(Projected NI)	\$2,500,000.00	\$2,500,000.00	\$2,250,000.00	\$2,500,000.00
	In Year	5	5	5	5.5
	PE(multiple)	15	15	15	15
	Required Rate of Return		50%	50%	50%
<b>Value of firm</b>			<b>\$4,938,271.60</b>	<b>\$4,444,444.44</b>	<b>\$4,032,081.88</b>
Initial Investment			\$3,000,000.00	\$3,000,000.00	\$3,000,000.00
<b>Equity Stake</b>			<b>60.75%</b>	<b>67.50%</b>	<b>74.40%</b>
(pre) (post)	Current Outstanding Shares	2,000,000	1,000,000	1,000,000	1,000,000
	Total Outstanding Shares		2,547,771	3,076,923	3,906,746
	VC Owns # Shares		1,547,771	2,076,923	2,906,746
	<b>Share Price</b>		<b>\$1.94</b>	<b>\$1.44</b>	<b>\$1.03</b>
Pre-Money Valuation			\$1,938,271.60	\$1,444,444.44	\$1,032,081.88
Post-Money Valuation			\$4,938,271.60	\$4,444,444.44	\$4,032,081.88

Scenario 3

Scenario 4

Scenario 5

\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
\$2,500,000.00	\$2,500,000.00	\$2,500,000.00
5	5	5
15	15	15
60%	50%	50%
\$3,576,278.69	\$4,938,271.60	\$4,938,271.60
\$3,000,000.00	\$3,250,000.00	\$3,000,000.00
83.89%	65.81%	60.75%
1,000,000	1,000,000	2,000,000
6,205,815	2,925,046	5,095,541
5,205,815	1,925,046	3,095,541
\$0.58	\$1.69	\$0.97
\$576,278.69	\$1,688,271.60	\$1,938,271.60
\$3,576,278.69	\$4,938,271.60	\$4,938,271.60

Venture Capital Method with Dilution(with Sensitivity Analysis)

Switch	6
Net Income at Exit Year	\$2,500,000 (at exit date)
Term	5 (at exit date)
PE(multiple)	15
Shares Outstanding Before Investment	2,000,000
Company Value at Exit	\$37,500,000
Shares Outstanding After Final Round	2,693,623
Terminal Share Price	\$13.92

	Investment Amount	Investment Year	Required Return	Future Value	Required Ownership
8	9	10	11	12	13
Investor/Round A	\$833,333	0	50%	\$6,328,125.00	16.88%
Investor/Round B	\$833,333	2	40%	\$2,286,666.67	6.10%
Investor/Round C	\$833,333	4	25%	\$1,041,666.67	2.78%
TOTAL	\$2,500,000				

Outstanding Shares (Pre)	Outstanding Shares (Post)	Investor Owns No. Shares	Share Price	Pre-Money Valuation	Post-Money Valuation	Retention %	
14	15		16	17	18	19	
2,000,000	2,406,015	406,015	\$2.05	\$4,104,938.27	\$4,938,271.60	91.12%	
2,406,015	2,562,256	156,241	\$5.33	\$12,832,847.42	\$13,666,180.76	97.22%	
2,562,256	2,635,463	73,207	\$11.38	\$29,166,666.67	\$30,000,000.00	100.00%	

Dilution Calculation						
Required Ownership p 20	Outstanding Shares (Pre)	Outstanding Shares (Post)	Investor Owns No. Shares 21	Share Price	Pre-Money Valuation	Post-Money Valuation
18.52%	2,000,000	2,454,549	454,549	\$1.83	\$3,666,639.23	\$4,499,972.57
6.27%	2,454,549	2,618,800	164,251	\$5.07	\$12,453,231.29	\$13,286,564.63
2.78%	2,618,800	2,693,623	74,823	\$11.14	\$29,166,666.67	\$30,000,000.00



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\$13.92  
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## Venture Capital Method with Dilution(with Sensitivity Analysis)

	Switch Case	Base case	Scenario 1
Company Value at Exit	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
(at exit date) Annual Earnings(Projected NI)	\$2,500,000.00	\$2,500,000.00	\$2,250,000.00
(at exit date) In Year	5	5	5
PE(multiple)	15	15	15
Required Rate of Return		50%	50%
<b>Value of firm</b>		<b>\$4,938,271.60</b>	<b>\$4,444,444.44</b>
Initial Investment		\$3,000,000.00	\$3,000,000.00
<b>Equity Stake</b>		<b>60.75%</b>	<b>67.50%</b>
(pre)			
(post)			
Current Outstanding Shares	1,000,000	1,000,000	1,000,000
Total Outstanding Shares		2,547,771	3,076,923
VC Owns # Shares		1,547,771	2,076,923
<b>Share Price</b>		<b>\$1.94</b>	<b>\$1.44</b>
Pre-Money Valuation		\$1,938,271.60	\$1,444,444.44
Post-Money Valuation		\$4,938,271.60	\$4,444,444.44

## Scenario 2

## Scenario 3

## Scenario 4

## Scenario 5

\$25,000,000.00	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
\$2,500,000.00	\$2,500,000.00	\$2,500,000.00	\$2,500,000.00
5.5	5	5	5
15	15	15	15
50%	60%	50%	50%
<b>\$4,032,081.88</b>	<b>\$3,576,278.69</b>	<b>\$4,938,271.60</b>	<b>\$4,938,271.60</b>
\$3,000,000.00	\$3,000,000.00	\$3,250,000.00	\$3,000,000.00
<b>74.40%</b>	<b>83.89%</b>	<b>65.81%</b>	<b>60.75%</b>
1,000,000	1,000,000	1,000,000	2,000,000
3,906,746	6,205,815	2,925,046	5,095,541
2,906,746	5,205,815	1,925,046	3,095,541
<b>\$1.03</b>	<b>\$0.58</b>	<b>\$1.69</b>	<b>\$0.97</b>
\$1,032,081.88	\$576,278.69	\$1,688,271.60	\$1,938,271.60
\$4,032,081.88	\$3,576,278.69	\$4,938,271.60	\$4,938,271.60



## Venture Capital Method with Multiple Financing Rounds (with Sensitivity Analysis)

Switch	1		
Investment amount	\$2,500,000		
Exit Value	\$25,000,000		
Number of existing shares (founders)	1,000,000		
	<b>Round 1</b>	<b>Round 2</b>	<b>Time of Exit</b>
Valuation at exit			\$25,000,000
Compound discount rate	3.60	1.40	
Investment amount	\$1,666,667	\$833,333	
Number of existing shares	1,000,000	1,544,276	
Post-Money	\$4,728,836	\$17,857,143	
Pre-Money	\$3,062,169	\$17,023,810	
Ownership fraction of investors	35.24%	4.67%	
Ownership fraction of previous round	64.76%	95.33%	
Number of new shares	544,276	75,594	
Total shares issued	1,544,276	1,619,870	1,619,870
Price per share	\$3.06	\$11.02	\$15.43
<b>Entrepreneurs:</b>			
Ownership shares	1,000,000	1,000,000	1,000,000
Ownership percentage	64.76%	61.73%	61.73%
Wealth	\$3,062,169	\$11,023,810	\$15,433,333
<b>First Round:</b>			
Ownership shares	544,276	544,276	544,276
Ownership percentage	35.24%	33.60%	33.60%
Wealth	\$1,666,667	\$6,000,000	\$8,400,000
<b>Second Round:</b>			
Ownership shares		75,594	75,594
Ownership percentage		4.67%	4.67%
Wealth		\$833,333	\$1,166,667

Disc Rate:

Year	1	2	3	4
$r$	60%	50%	50%	40%
$(1+r)$	1.60	1.50	1.50	1.40

**Venture Capital Method with Sensitivity Analysis**

Switch	Total Outstanding Shares	Pre-Money Valuation	Post-Money Valuation
1	2,547,771	\$1,938,271.60	\$4,938,271.60
2	3,076,923	\$1,444,444.44	\$4,444,444.44
3	3,906,746	\$1,032,081.88	\$4,032,081.88
4	6,205,815	\$576,278.69	\$3,576,278.69
5	2,925,046	\$1,688,271.60	\$4,938,271.60
6	5,095,541	\$1,938,271.60	\$4,938,271.60

**Venture Capital Method with Dilution(with Sensitivity Analysis)**

Switch	Shares Outstanding After Final Round	Terminal Share Price
1	1,346,811	\$27.84
2	1,346,811	\$25.06
3	1,449,028	\$25.88
4	1,346,811	\$27.84
5	1,346,811	\$27.84
6	2,693,623	\$13.92