



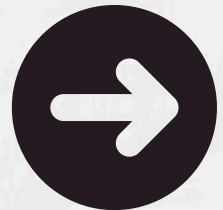
STARTUP-INVESTOR'S
POCKET GUIDE

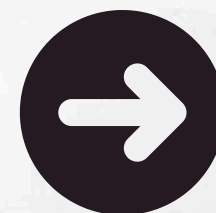


VALUATION'S : HOW INVESTORS DETERMINE YOUR STARTUP'S VALUE?

BRIEF

- **Understanding how investors determine your startup's worth is crucial for securing funding.**
- **Valuation is influenced by various methods and factors, and it impacts how much equity you give up in exchange for capital.**





KEY POINTS:

1. Valuation Methods:

Methods for Pre/Non-Revenue Stage Startups:

- **Berkus Method:**

Assigns value based on qualitative factors like the idea, prototype, and team.

- **Scorecard Method:**

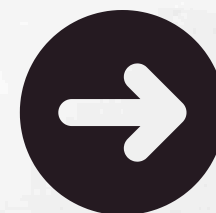
Compares startup: pre-money valuation with other similar startups.

- **Discounted Cash Flow (DCF):**

Projects future cash flows and discounts them to present value.

- **Comparable Company Analysis**

Compares your startup to similar companies that have recently been valued or sold.



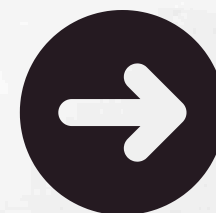
2. Factors Influencing Valuation

- **Market Size:**

Larger market potential often leads to higher valuations.

- **Revenue and Growth Potential**

Strong current revenue and high growth prospects increase valuation.



3. Pre-Money vs. Post-Money Valuation:

- **Pre-Money Valuation**

The value of the company before the new investment.

- **Post-Money Valuation**

Value after adding the new investment amount.

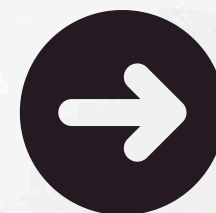
4. Negotiation:

- **Be Prepared**

Have solid data and realistic projections to support your valuation during negotiations.

- **Understand Investor's Perspective**

Investors aim for a return on investment, so show them potential growth and profitability.



5. Example for Early-Stage Startups

- **Scenario**

Your startup is valued at **₹10 crores** pre-money. An investor offers **₹2 crores**. The post-money valuation becomes **₹12 crores**.

- **Impact**

The investor receives a **16.67% equity stake** (₹2 crores / ₹12 crores).

By grasping these fundamentals, early-stage startups can effectively communicate their value to investors and negotiate favorable terms for funding.

Visit: <https://www.linkedin.com/in/pradeep-dhage/>