**ASSIGNMENT QUESTIONS: “OutReach”**

Quiz:

1. what’s the case?
   1. Take the offer or reject it.
2. What is unusual?
   1. They were profitable right away
3. What did they want to do with the money?
   1. Upgrade infrastructure faster and penetrate new markets.

Equations

P/E; P= Price, E= Equity

Pcomp/Ecomp=$20M/$2M=10

Ptarget/Etarget=Pyr5/$1M=>Pt/Et=10/1=>Ptyr5=$10M

Pv=Pyr0=Pyr5/(1+r)^5 ; r= investors required rate of return=50%

%acq.=I/Pyr0 ; I=investment => 1,000,000/((10/1 x 1,000,000)/(1+.5)^5) = 75.9375%= 6,311,688 new shares given to the investor. Meaning 8,311,688 total

Issue share price= $1,000,000/6,311,688 shares

Recommendation:

Given a range of data, which inputs result in the 30% equity stake for 30 million

Project:

1. What are the challenges of valuing an early-stage company?
2. In what ways is ORN a typical start-up company? In what ways is it atypical?
3. What is the value of the firm under the venture capital method?
4. What is the value of the firm under the discounted cash flow method?
5. Is Everest Partners justified in asking for a 30% equity stake?
6. What should Pete Perez do?