

CREATAINMENT B.V. IO. (UITVOERING DNKL)

BUSINESS PLAN SCANNER + EXECUTIVE SUMMARY

Contacts

Company full name: **Creatainment B.V. io. (Uitvoering DNKL)**

Contact email: **creatainment@dnkl.nl**

Report date: **11.11.2013**

The idea



Scalable business

Demand validated by competitors

Local focus, international opportunity

IP protected with barriers

The Team



Team committed part time

Business background with experience

Technical background with expertise

Previous startup experience with successful exit(s)

The Company



Legal entity

Pre-revenue stage

Advisory board in place

Marketing



Few partners contacted

Planned distribution channels

Systemic marketing not started

Finance



Pre-revenue company

Parties interested in buying the company

Scan business plan in a glance

The Business Plan Scanner displays the main features of the startup project in the form of icons. The color at the top of the icon indicates the impact of that specific feature on the overall quality of the startup. Green stands for positive impact while red for negative. The purpose of this page is to give the reader an immediate overview of the startup quality and to make different projects comparable with each other based upon the same criteria. The parameters analyzed are those identified as of the highest importance to angel investors according to the researches over historical startup investing activity.

EXECUTIVE SUMMARY

Creatainment B.V. io. (Uitvoering DNKL)

Legally constituted: **Yes**

Year of constitution: **2013**

Country: **The Netherlands**

Scalability: **Yes**

Selling approach: **B2B and B2C**

Committed resources

Capital: **€ 50,000**

Time (Months): **36**

Time commitment: **Part time**

Stage of development

Stage of development: **Pre-rev stage**

Product roll-out: **Already to Market**

Profitability: **Pre-revenues**

Investment proposal

Capital needed: **€ 240,000**

Equity offered: **24.0%**

Core Business

Organization agency dedicated to organizing events, promotional activities and the implementation of gambling. (Dutch: Organisatiebureau gericht op promotionele acties en de uitvoering van kansspelen)

Team

Founders: **2**

FTE employees: **0**

Management team composition: **Founders and employees**

Experience

In the industry(years): **30**

Previous startup: **Yes, successful exit(s)**

Dedication to the project

Founders: **Planning to commit full time**

Staff members: **Still part-time, ready for full-time**

Skills and capabilities

Business and managerial: **Business background and/or experience**

Position reached: **Department/Division Manager**

Technical: **Both technical background and expertise**

Competition

Target market: **Estimated from related markets**

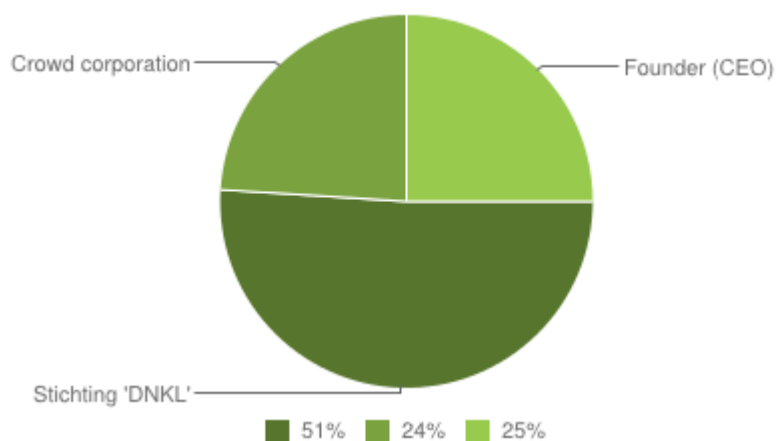
Level of competition: **Dominated by several players**

Competitive products are: **Good and**

Marketing approach: **B2B partnership or sales and Selling agents**

EXECUTIVE SUMMARY

Shareholders



Letters of intent

210 persons with a signed subscription for about 500 lots and 1.000 persons with a sold lot in try out lottery of 2012

Revenues from contracts in place

Year 1	Year 2	Year 3
€ 15,000	€ 120,000	€ 250,000

Key figures

Latest operating performance

Revenues	€ 0
Cost of Goods Sold (COGS)	€ 0
Operating expenses (SGA)	€ 0
EBITDA	€ 0
EBIT	€ 0
Net Profit	€ 0

Ratios

Profit as % of revenues	0%
COGS as % of revenues	0%
EBITDA as % of revenues	0%

Assets

Cash and Equivalents	€ 0
Accounts Receivables	€ 0
Inventory	€ 0
Tangible assets	€ 0
Intangible assets	€ 0
Financial assets	€ 0

Liabilities

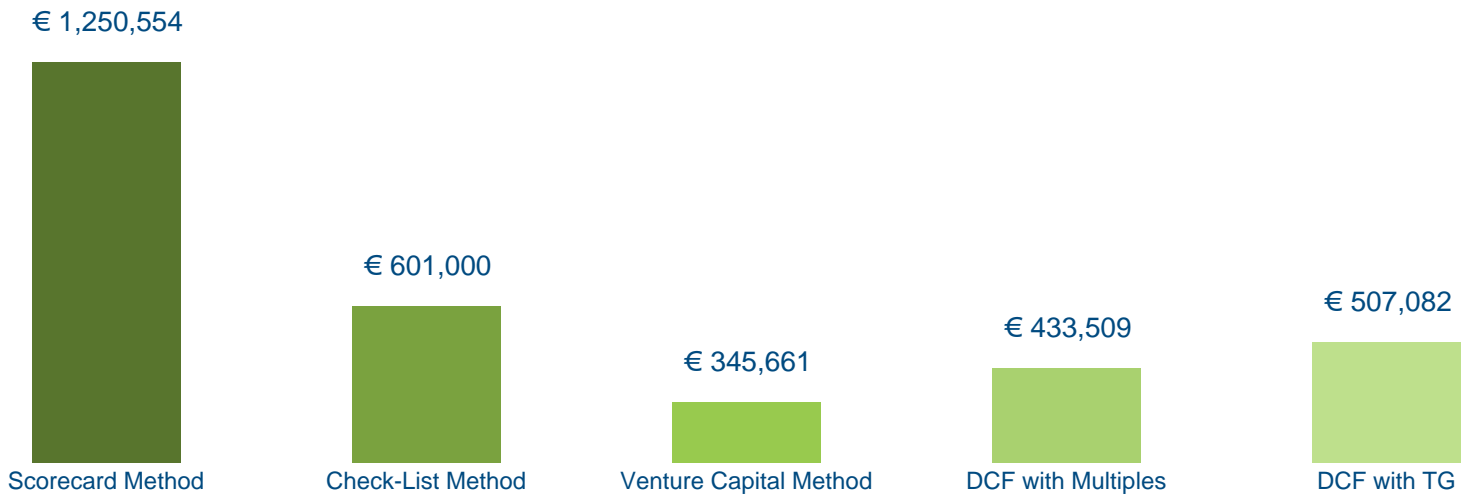
Accounts Payables	€ 0
Other current liabilities	€ 0
Long term liabilities (Debt)	€ 0
Equity	€ 0

Elevator pitch

In addition to a high return, social commitment; Supports Arts & Culture. Highest paying out charity raffle by extra sponsored art prizes. Proven certified lottery and auction system available.

VALUATION

The 5 Methods Used



Valuation Average Weights

Weights

of the 5 methods



Valuation weights

The weights displayed in the chart are those used to average the outcomes of the 5 valuation methodologies implemented in this analysis. The weights are set according to the stage of development of the start-up: the later the stage and the higher the influence of analytical models given the higher reliability of the financial projections. Users may however prefer one method over another in determining their valuation estimate.

VALUATION

The Average Pre-Money valuation is:

€ 627,561

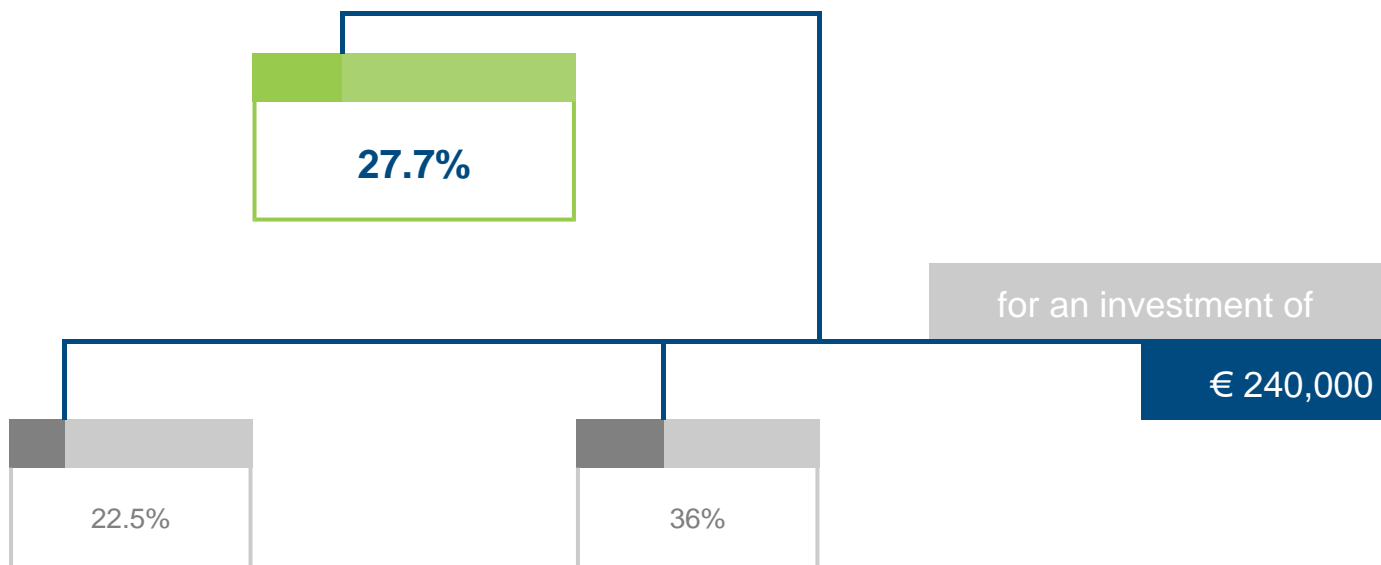
Lower Bound

€ 427,561

Higher Bound

€ 827,561

This determines a percentage of



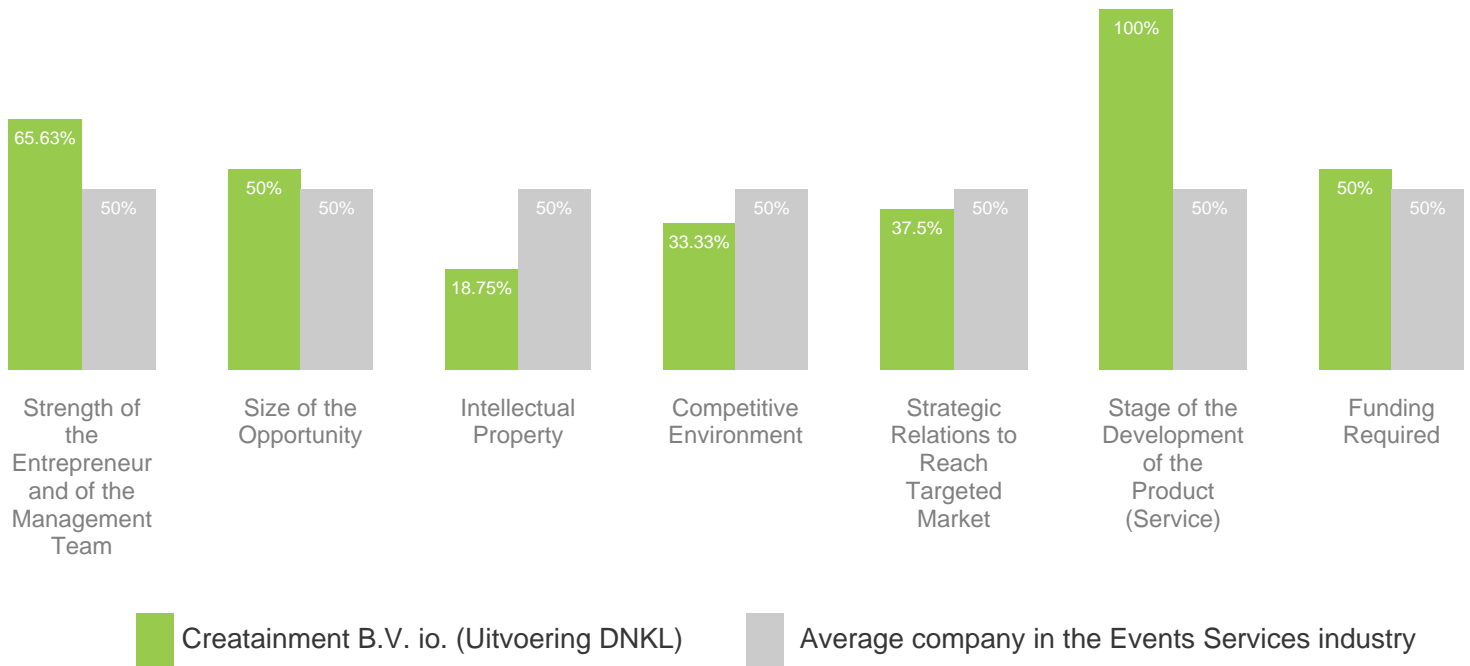
Range Interpretation

The above valuation bounds are determined according to the variance of the valuation estimates provided by the 5 methodologies implemented. The larger the spread between the smallest and biggest estimate, the larger the interval range.

HIGH-LEVEL VALUATION

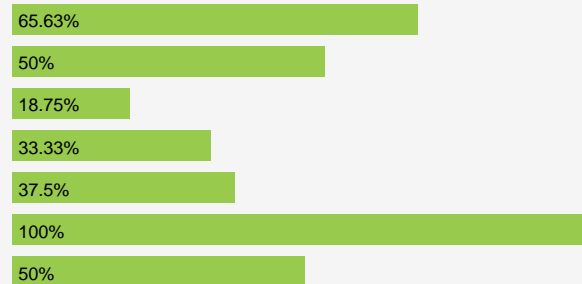
SCORECARD METHOD

€ 1,250,554



CRITERIA

Strength of the Entrepreneur and of the Management Team
 Size of the Opportunity
 Intellectual Property
 Competitive Environment
 Strategic Relations to Reach Targeted Market
 Stage of the Development of the Product/Service
 Funding Required



ASSUMPTIONS

Starting value of this method (Average Startup Valuation)

€ 1,066,571

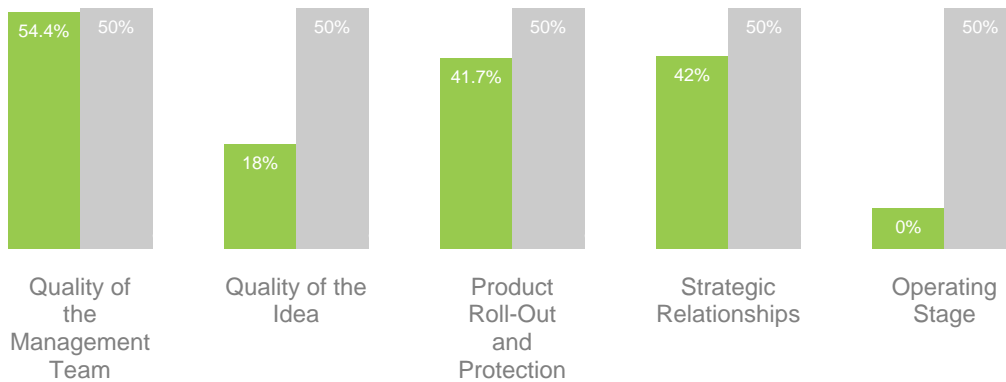
Explanation

This valuation approach is based on the technique of benchmarking. Starting from the average valuation of comparable transactions, the value can increase or decrease according to analysis of those aspects that matter the most to investors. This model applies the same approach and structure theorized by the researches carried out by the Ewing Marion Kauffman Foundation in 2007 as well as by Bill Payne in its book "The Definitive Guide to Raising Money from Angels" (2006). Equidam created the questions and answers and, more importantly, the scores be applied. In addition, some elements were added to the model following the empirical researches carried out by the Equidam team.

HIGH-LEVEL VALUATION

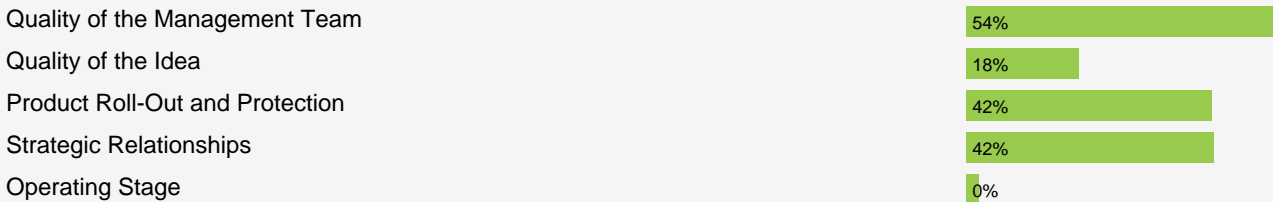
CHECK-LIST METHOD

€ 601,000



Cretainment B.V. io. (Uitvoering DNKL)
 Average company in the Events Services industry

CRITERIA



ASSUMPTIONS

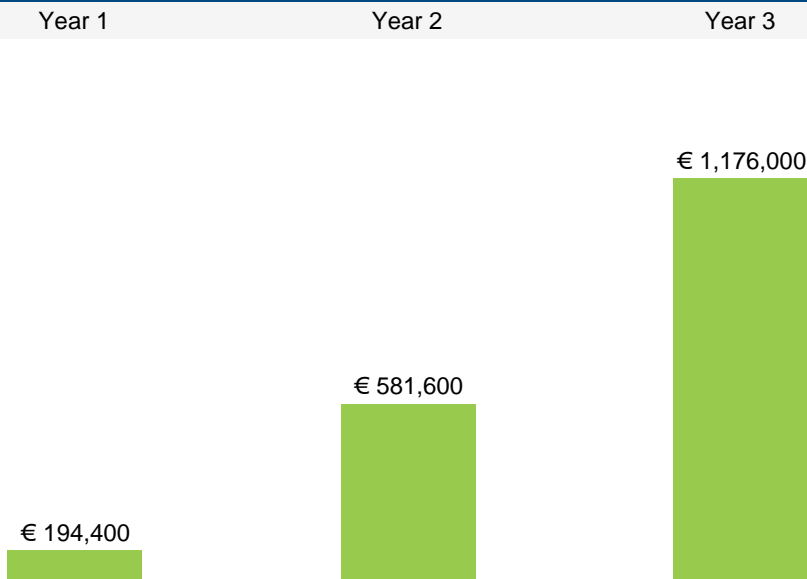
Maximum value for this method € 2,000,000

Explanation

This valuation model is based on a rating approach: a higher value is generated according to the presence or not of key value-drivers. These factors are included in the five categories reported above. This method was originally proposed by Dave Berkus, a full-time Angel and founder of Berkus Technology Ventures LLC in Los Angeles. It has been modified several times since then. This version is based upon the empirical researches carried out by the Equidam team. For European startups, the maximum valuation attainable is 2 MLN, while for U.S. companies this value is \$ 2.5 MLN as indicated by Dave Berkus and in line with the historical analysis by Bill Payne of average startup valuation across the U.S.. The lower value for EU market is given by the lower level of development and sophistication of this region compared to the U.S..

FINANCIAL FORECASTS

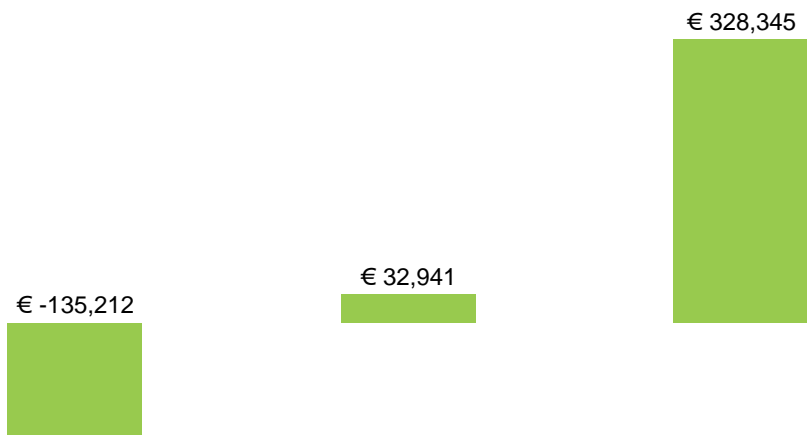
Revenues



Average estimate

The stage of development of the company allows for the estimation of expected performance. The risk involved is however very high since there is no track-record.

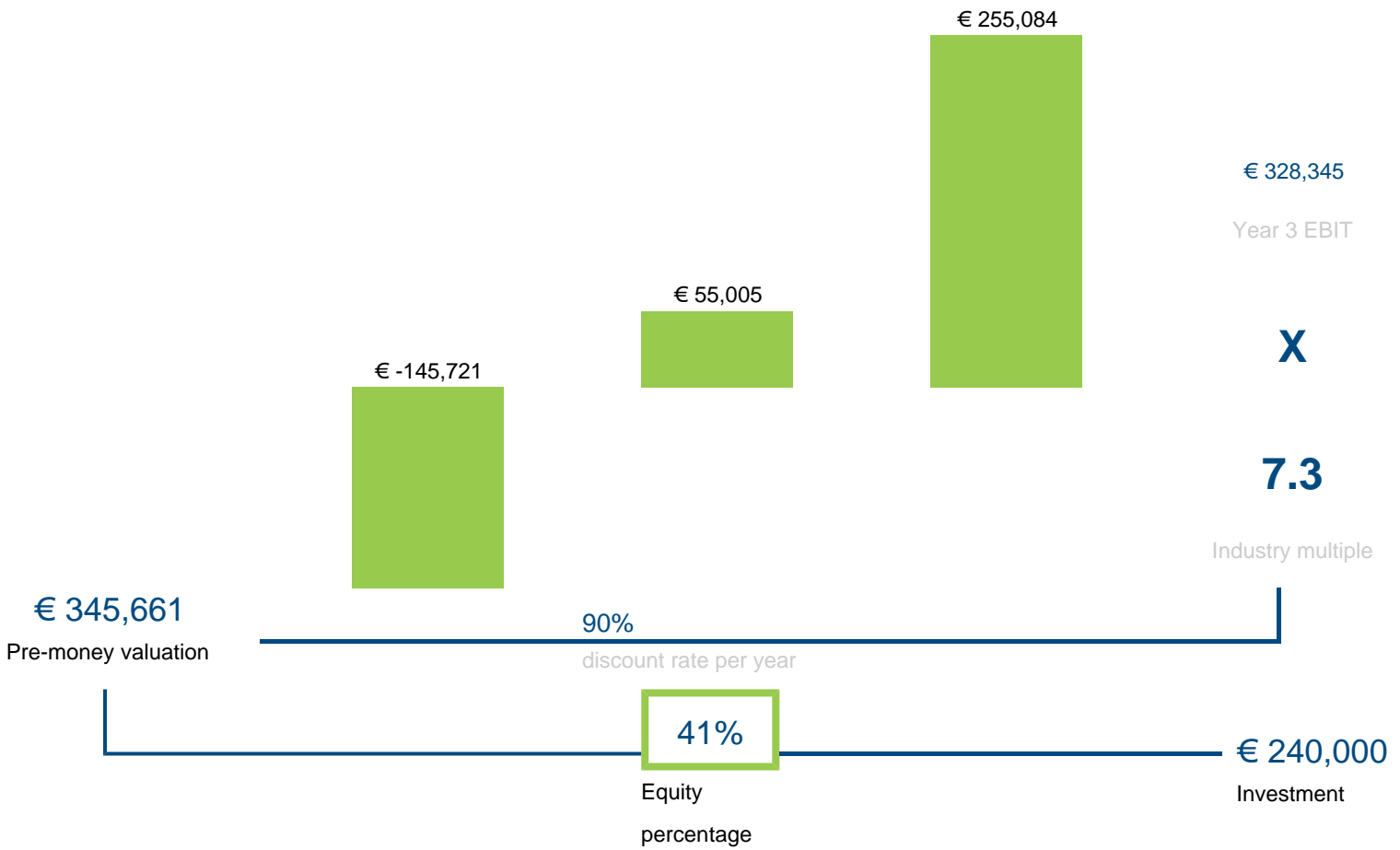
EBIT



The uncertainty featuring financial projections

The projections about the expected performance of the startup are provided by the users and are not, by any means, subject to the previous check by Equidam. The users are required to indicate the projected values regarding revenues and costs (fixed and variables), while other items as Working Capital, Depreciation and Amortization and the interest expenses are estimated by Equidam according to industry-specific databases. The Cash Flows are also estimated by the Equidam algorithm combining users' inputs and the Equidam data. Equidam provides an indication of the level of reliability of the users' projections based upon the stage of development of the business. Another way to check the reliability of the projections is offered by the revenues from contracts in place, displayed in the second page of the Executive Summary.

Cash flow of the next three years



CRITERIA

Exit value in year 3 € 2,384,592

ASSUMPTIONS

Annual discount rate applied 90.37%

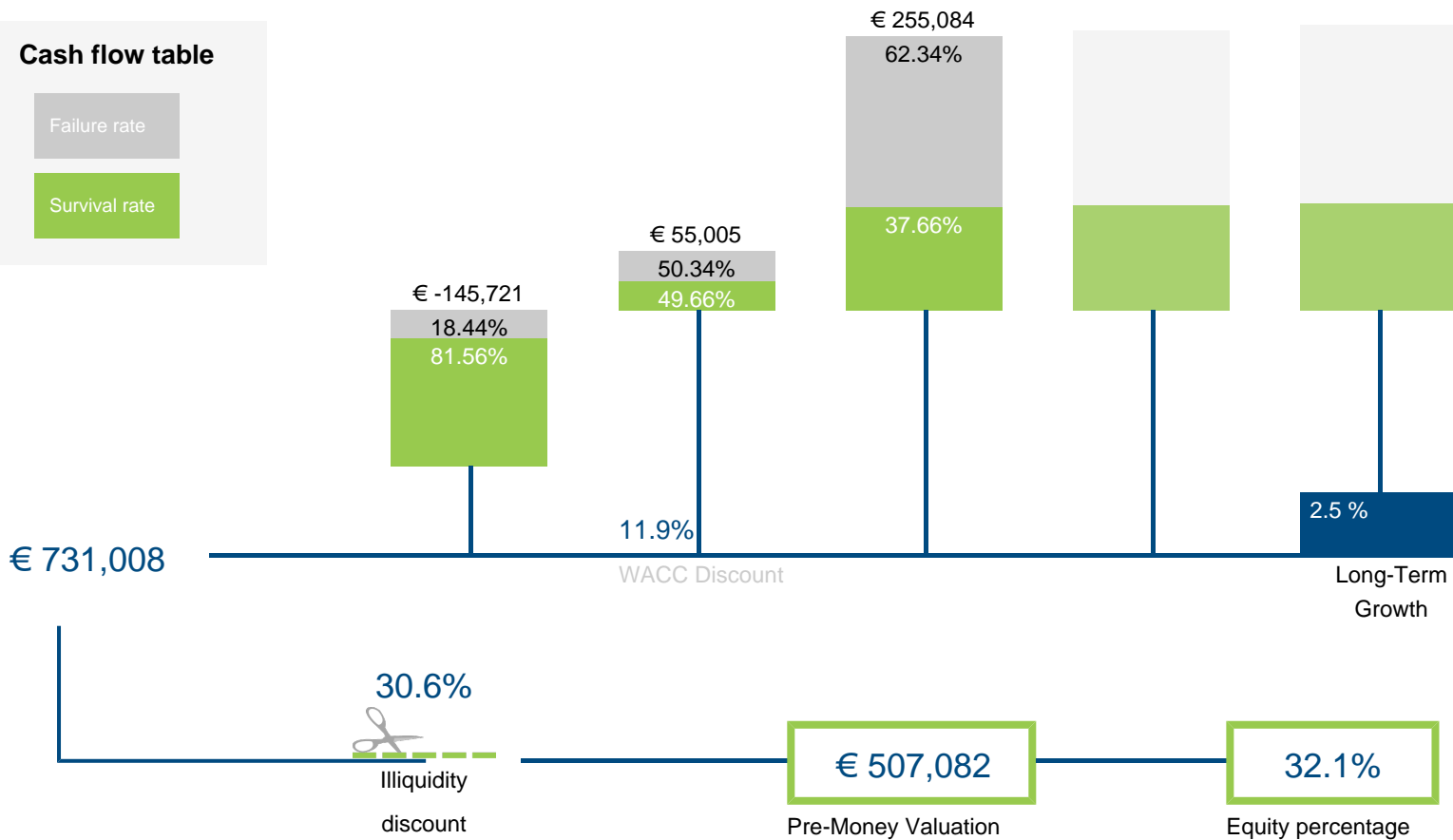
The quick approach used by Venture Capital Funds

The venture capital method is a quick approach to the valuation of startup companies. It comprises in estimating the exit value of the startup at the end of the forecast horizon and ignoring the intermediate cash flows. The exit value is calculated by taking the final financial result of the company and applying the earning multiple (Price/Earnings ratio). This value is then discounted at a high rate to get the present value. The discount rate is determined by Equidam according to the stage of development and is reported in the table above. Given its simplistic approach, this model does not apply illiquidity or survival discount as the following to methods do. The annual discount rate applied already accounts for these issues.

Cash flow table

Failure rate

Survival rate



CRITERIA

Year 3 EBIT	€ 328,345
Long Term Growth Windsorized*	2.5%
Value of the company in Year 3 (Terminal Value)	€ 2,779,283

*The winsorization is a statistic approach that eliminates the outliers from a dataset by applying a lower and higher bound. In this case is necessary since some of the industries in the Equidam database have a negative historical growth. However this cannot be assumed for startup companies.

ASSUMPTIONS

Industry Beta	1.87
Market Risk Premium	5.5%
Weighted Average Cost of Capital	11.91%

The innovative approach to Discounted Cash Flows (DCF)

The DCF with terminal growth model is one of the most used models to value public companies. This method assumes that the company is going to survive at a steady and constant growth rate. The growth rate applied is based on the industry of belonging. The Equidam methodology however applies two important additional features: 1. The annual cash flows are estimated by the Equidam algorithm and are weighted according to the country-specific survival rate for startup companies. 2. The calculated present value is further discounted by applying an illiquidity discount to account for the fact that the sale of the equity stake is likely to happen on the private market. As a consequence, investors need a higher return. The illiquidity discount is estimated according to the work of academic researches.

VC METHOD

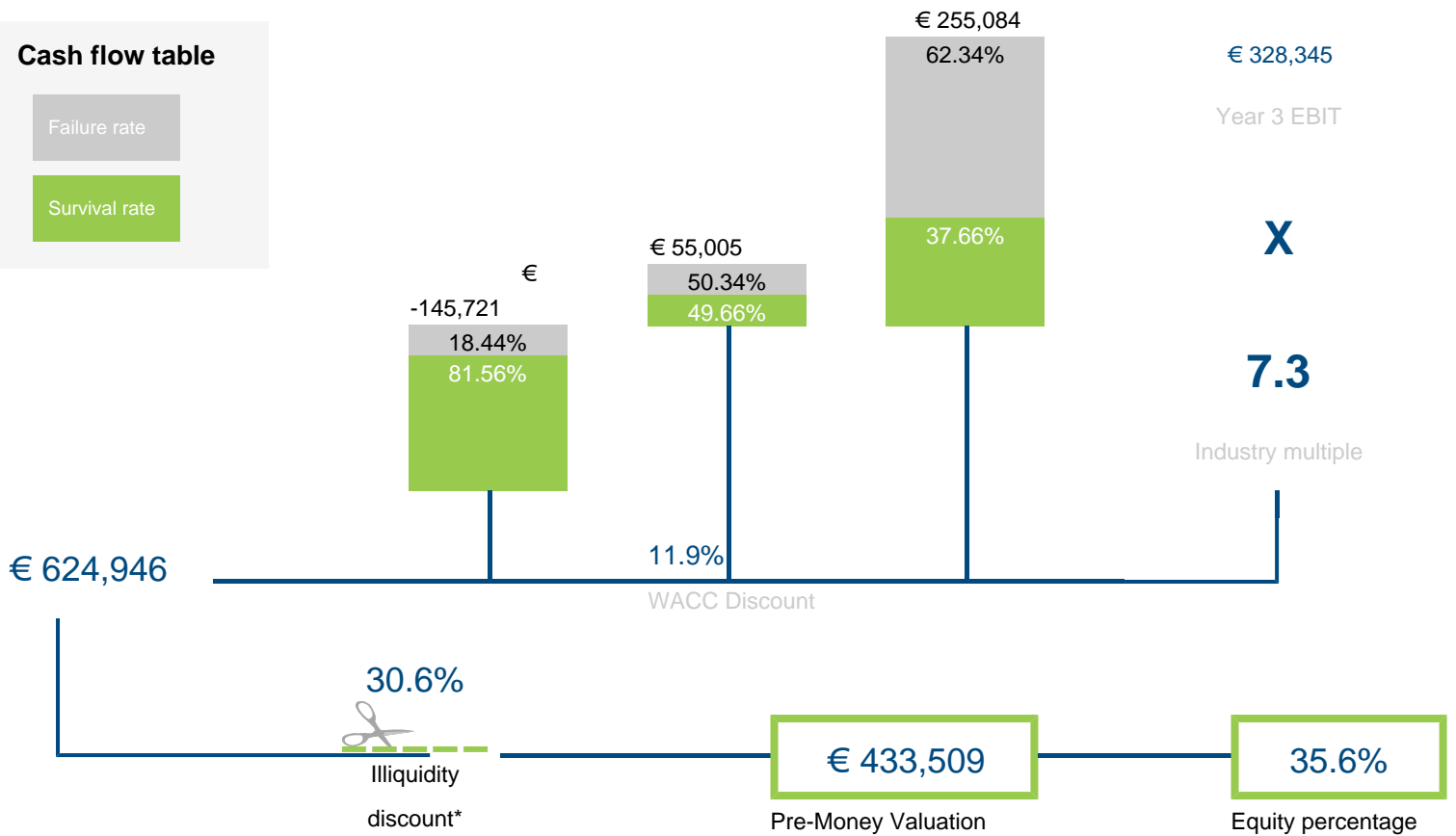
DCF WITH LTG

DCF WITH MULTIPLES

Cash flow table

Failure rate

Survival rate



CRITERIA

Year 3 EBIT	€ 328,345
EBIT multiple Year 3	7.26
Value of the company in Year 3 (Terminal Value)	€ 2,384,592
Implied Annual Return if sale value realized	0%

ASSUMPTIONS

Industry Beta	1.87
Market Risk Premium	5.5%
Weighted Average Cost of Capital	11.91%

Industry peers' comparison

The DCF with exit multiple is the other most used valuation approach. It is based on the assumption that the exit value of the company is determined by the average of industry peers. The most commonly used multiple is the Price/Earnings (P/E) since the generated estimate is less susceptible to differences in the operating margin among industry peers. The Equidam methodology also applies: 1. The annual cash flows are estimated by the Equidam algorithm and are weighted according to the country-specific survival rate for startup companies. 2. The calculated present value is further discounted by applying an illiquidity discount to account for the fact that the sale of the equity stake is likely to happen on the private market. As a consequence, investors need a higher return. The illiquidity discount is estimated according to the work of academic researches

PROFIT AND LOSS

Average Monthly Profit and Loss First Year



Revenues



Cost of goods sold



Marketing expenses



Salaries



Other operating expenses



Profit

€ 16,200

€ 3,233

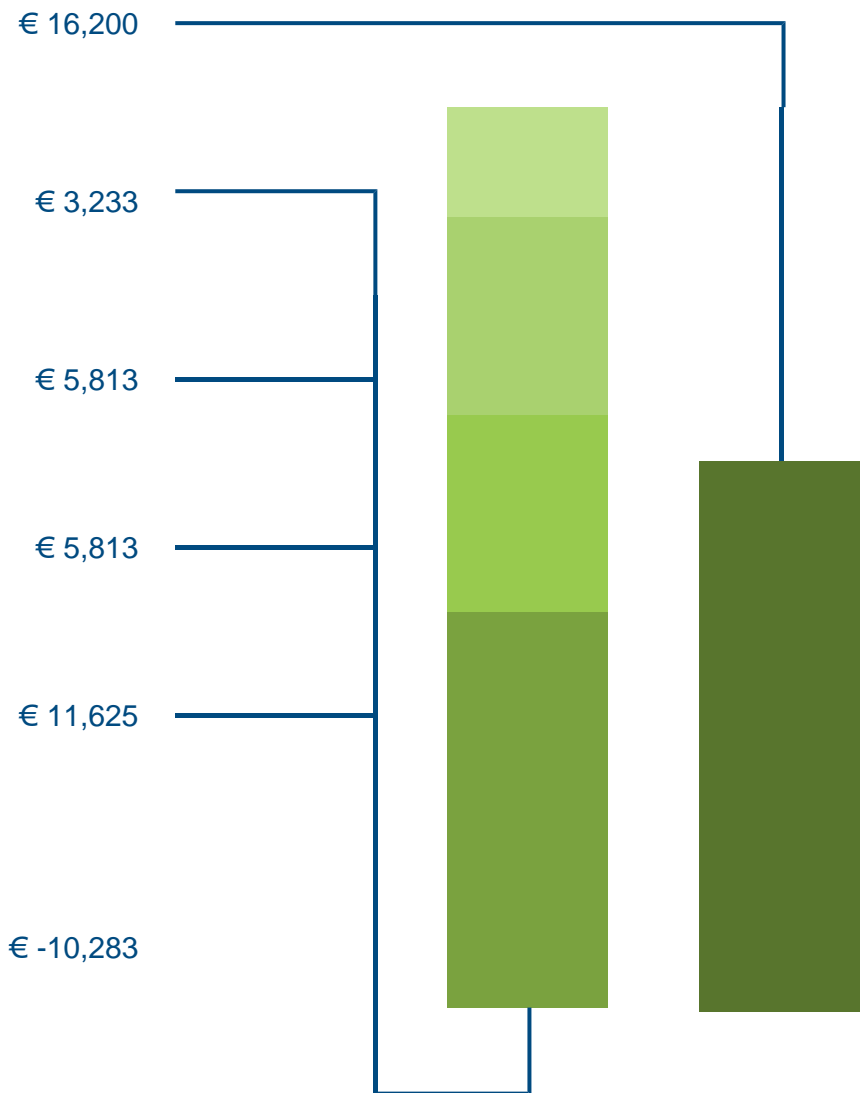
€ 5,813

€ 5,813

€ 11,625

€ -10,283

CASH FLOW

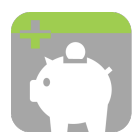


Monthly average burn rate

The analysis of the monthly prospect of revenues and costs is useful in order to get an overview of the monthly break-even point for the startup. In addition, it also gives the measure of the burn rate, provided the initial investment by external investors. The monthly prospect of revenues and costs only refers to the first year of projections and is based on the estimates provided by the user.

PROFIT AND LOSS

CASH FLOW



Revenues

sales quantity

€ 194,400

50000

€ 581,600

150000

€ 1,176,000

150000



Cost of Goods Sold

Average individual price

Average individual cost

Gross margin

€ 38,800

€ 4

€ 1

80%

€ 116,320

€ 1

€ 1

80%

€ 235,200

€ 65

€ 78

80%



Selling, General and Administrative

€ 279,000

€ 397,000

€ 541,000

EBITDA

€ -123,400

€ 68,280

€ 399,800



Depreciation and Amortization

as % of revenues

€ 11,812

6.1%

€ 35,339

6.1%

€ 71,455

6.1%

EBIT

€ -135,212

€ 32,941

€ 328,345



Financial Gain-Loss

Debt interest payment

Interest rate on debt

Cash interest gain

€ 144

€ 2,256

13.65%

€ 2,400

€ 2,705

€ 585

2.05%

€ 3,291

€ 398

€ 1,139

2.05%

€ 1,537



Taxes

Deferred tax assets

Effective tax payable

Effective tax rate

€ 0

€ 0

€ -33,767

0%

€ -24,855

€ 0

€ 8,912

-70%

€ 82,186

€ 0

€ 82,186

25%



Profit

€ -135,068

€ 60,502







€ 246,557

Good understanding of numbers is good understanding of business

Revenues, Cost of Goods Sold and Selling, General and Administrative are provided by the user, while the D and A and Financial expenses are estimated by Equidam. The former is based upon the average D and A as % of Revenues of the industry peers and the latter upon the COVERAGE RATIO (EBIT/INTEREST PAYED) and then adding the related risk premium to the Risk Free rate. The risk premia related to the COVERAGE RATIO are fixed as determined by academic researches. The Risk Free rate is assumed to equal the 10-year maturity German Bund. The tax outlays are determined by applying the country-specific tax rate for companies, as reported in the Equidam databases.

PROFIT AND LOSS

CASH FLOW

	Year 1	Year 2	Year 3
 Profit	€ -135,068	€ 60,502	€ 246,557
 Change in Working Capital	€ 20,208	€ 40,250	€ 61,789
Account payables	€ 8,609	€ 25,755	€ 52,077
Account receivables	€ 17,224	€ 51,529	€ 104,192
Inventory	€ 11,593	€ 34,685	€ 70,133
 Depreciation and Amortization	€ 11,812	€ 35,339	€ 71,455
OPERATING CASH FLOW	€ -143,465	€ 55,590	€ 256,223
 Financing activity	€ 516,530	€ 252,021	€ 27,008
Change in outstanding debt	€ 16,530	€ 12,021	€ 27,008
Raise or repayment of equity	€ 500,000	€ 240,000	€ 0
 Investments	€ 284,000	€ 483,000	€ 382,000
 Cash Flows	€ 89,065	€ -175,389	€ -98,769
Beginning of the year cash	€ 240,000	€ 329,065	€ 153,677
End of the year cash	€ 329,065	€ 153,677	€ 54,908

Cash is the king

The cash flows are estimated by Equidam starting from the user's data. This is to provide the reader with a more reliable estimation based upon industry peers benchmarks rather than leaving the user the freedom to guess the estimates.

Both Depreciation and Amortization and Working Capital are based on the Equidam industry databases, while the change in Debt and in Equity and the investment outlays are based upon the user's projections.

APPENDIX

DESCRIPTION SCORECARD METHOD

The Strength of the Entrepreneur and of the Management Team includes:

- The years of industry experience of the managers
- The managerial and business skills achieved by the managers academically and professionally
- The technical skills and capabilities achieved by the managers academically and professionally
- The level of managerial responsibility achieved in the past working experiences
- The team spirit and comradeship
- The size of the staff
- The time and economic commitment by the founders and any other member of the staff

The Size the Opportunity includes:

- The estimated potential size of the market (if provided)
- The estimated revenues in the third year according to the stage of the development (if provided)
- The geographical scope of the business
- The scalability of the business

The Competitive Environment includes:

- The analysis of the number of active market players
- The quality of competitive products/services
- The competitive advantage over competitive products/services
- The threat of international competition (if any)

The Intellectual Property includes:

- The presence of IP
- The type of IP protection applicable
- The IP protection in place (if any)
- Barriers to entry determined by IP-related aspects

The Strategic Relations to Reach the Targeted Market includes:

- The partnership with vendors and other selling channels
- The partnership with strategic market agent to achieve the commercialization

The Stage of the Development of the Product/Service includes:

- The roll-out of the product/service

The Funding Required includes:

- The capital need required according to stage of development. Later-stage businesses raising limited budgets are showing higher quality compared to similar startups seeking larger amounts.

APPENDIX

DESCRIPTION CHECK-LIST METHOD

The Quality of the Management Team analyzes:

- The managerial and business skills achieved by the managers academically and professionally
- The technical skills and capabilities achieved by the managers academically and professionally
- The level of managerial responsibility achieved in the past working experiences
- The positive interaction of the previous features to the overall startup success
- The team historical relationship (if any)
- The years of industry experience of the managers
- The average age of the founders: entrepreneurs of 35-45 are statically the most likely to succeed
- The presence in the team of serial, successful entrepreneurs

In addition, the score of this section is weighted by the time commitment of the founders and managers. A full-time commitment determines a 100% weight and so on. This is necessary in order to reflect the relative waste of skills due to reduced working hours dedicated to the business and the related opportunity cost.

Product Roll-Out and IP Protection

- The presence of IP and the stage of the protections in place
- The type of IP protection applicable
- The positive interaction of the previous features to the overall startup success
- The roll-out of the product/service

Strategic Relationships

- The presence of external investors among the shareholders
- The presence of the advisory board and their number
- The partnership with vendors and other selling channels
- The partnership with strategic market agents to achieve the commercialization
- The partnership with legal counselors

Operating Stage

- The stage of development of the business: revenues/pre-revenues/profitable etc.



About this report

This report was generated automatically using the Equidam Valuation Platform.

Equidam is the easy way to compute and generate valuation reports for early stage companies.

To get a similar report for your startup or other companies please visit www.equidam.com.

Important legal notes

Equidam BV does not represent or endorse the accuracy or reliability of any advice, opinion, statement or any other information displayed or distributed through this report or its website. The estimates and the data contained herein are made using the information provided by the user, publicly available information and data for different industries. Equidam BV has not audited or attempted to confirm this information for accuracy or completeness. Under no circumstances the present report is to be used or considered as an offer, solicitation, or recommendation to sell, or a solicitation of any offer to buy any security. Equidam BV excludes any warranties and responsibilities concerning the results to be obtained from the present report nor their use and shall not be liable for any claims, losses or damages arising from or occasioned by any inaccuracy, error, delay, or omission, or from use of the report or actions taken in reliance on the information contained in it. The use of this report and the information provided herein is subject to Equidam BV online Terms of Use and Privacy Policy.