

DTU Course 42435

Knowledge based Entrepreneurship

HIGH RISK HIGH GAIN FINANCING

Video 08 B

Crushing Numbers

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EXAMPLE: GBQ Ltd

Online Recuperation Training Programs

Capital need: DKK 2 mil -> Proof of Pull
DKK 15 mil -> Proof of Profit

Kick-off: DKK 600.000 to reach Proof of Concept

Founders + pre-seed investor
Private equity

First Milestone: DKK 1.400.000 to reach Proof of Pull

Pre-seed investor: private equity

Second Milestone: DKK 15.000.000 to reach Proof of Profit

Venture Capital Company: private equity

Exit: Profits (EBITDA) > 25 mio. DKK/yr.

(Earnings Before Interest, Tax, Depreciation and Amortization)

Valuation based on Price/Earnings (P/E) ~ 10

Kick-off

DKK 50.000 shares

Shares: founders: Class A shares for cash contribution
 founders: Class A shares for non cash contribution (patent)
 pre-seed investor: Class B shares with liquidation preferences

<i>Founding</i>							
Investment goal: DKK	638.000						
		Share Price:	1,00 DKK per share class A				
			50,00 DKK per share class B				
	Shares	Contribution	Ownership Ratio			Shares	OR
Founding Team, cash	23.000	23.000	46,00%	Class A	Class A total:	38.000	76,0%
Founding Team, non-cash	15.000	15.000	30,00%	Class A	Class B total:	12.000	24,0%
Investor A	12.000	600.000	24,00%	Class B = liquidation preference			
Total	50.000	638.000	100,00%				
Total cash contribution at kick-off:		623.000					

1. Milestone

Cash contribution through capital expansion that is:

New shares are issued and sold to investor

Increased company valuation accepted by investor due to commercial results

<i>Funding round 1.</i>	Valuation pre-money		6.000.000 DKK					
Investment goal: DKK	1.400.000							
		Share Price:	120,00	DKK per share				
	Shares ante	OR ante	Value ante	Contribution	New shares	Shares post	OR Post	
Founding Team	38.000	76,00%	4.560.000	0,00	0,00	38.000,00	61,62%	
Investor A	12.000	24,00%	1.440.000	1.400.000,00	11.666,67	23.666,67	38,38%	
Total	50.000	100,00%	6.000.000	1.400.000,00	11.666,67	61.666,67	100,00%	
		Capital expansion: from		50.000,00	DKK	- to -	61.666,67	DKK

2. Round

Cash contribution through capital expansion

New VC investor enters

Funding goal: DKK 15 mil.

Achieved pre-money valuation: DKK 10 mil.

<i>Funding round 2.</i>	Valuation pre-money		10.000.000 DKK				
Investment goal: DKK	15.000.000						
	Share Price:		162,16 DKK per share				
	Shares ante	OR ante	Value ante	Contribution	New shares	Shares post	OR Post
Founding Team	38.000	61,62%	6.162.162	0,00	0,00	38.000,00	24,65%
Investor A	23.667	38,38%	3.837.838	0,00	0,00	23.666,67	15,35%
Investor B	0	0,00%	0	15.000.000,00	92.500,00	92.500,00	60,00%
Total	61.667	100,00%	10.000.000	15.000.000,00	92.500,00	154.166,67	100,00%
		Capital expansion: from		61.666,67 DKK	- to -	154.166,67 DKK	

EXIT

Valuation principle: Price/earnings

With profits (EBITDA) = 25 mil. DKK and **P/E ~ 10** (Solid and perspective company):

Price: 10 X 25 mio. DKK = 250 mio. DKK

Exit		EBITDA:	25	mio DKK/yr		
		Price/Earnings	10			
		Valuation :	250.000.000	DKK		
		Share Price:	1.621,62	DKK per share		
	Shares ante	Ownership	Share value	Cash invested	Return on cash investment	
Founding Team	38.000	24,65%	61.621.622	23.000	Out of proportion	
Investor A	23.667	15,35%	38.378.378	2.000.000	19	
Investor B	92.500	60,00%	150.000.000	15.000.000	10	
Total	154.167	100,00%	250.000.000	17.023.000		

