

Instructions for the Venture Capital Valuation Model

Go to the sheet named “**Venture Capital Method**” of the OTA Valuation Tools file.

Please read the **Instructions** on **Table 1**

Editable fields are in **YELLOW**

Advanced user fields are in **PEACH** (These values can be changed by entering the password “vcdata” by unprotecting the sheet)

Unprotect Sheet: Go to “Tools” → “Protection” → “Unprotect Sheet” and then enter the password “vcdata”

The IRR for OTAF derived from a 10X return over a 5 year period which gives an **IRR of 58%** (These values can be changed by entering the password “vcdata”)

The IRR for a Venture Capital Investor is **fixed at 50%** (These values can be changed by entering the password “vcdata”)

Table 2: Evaluate 5 year Expectations

Cell E-15 – Enter the number of years expected for a successful exit

Cell E-18 – Enter the expected revenue at the time of a successful exit

Cell E-19 – Enter the expected PR (Price to Revenue) ratio at the time of a successful exit (can be obtained from historical data of exits in a similar industry)

Cell E-20 – Enter the expected option pool percentage that the company has set aside for employees

After entering all the above values, please see **Cell E-16** to see the expected company valuation at the time of exit (terminal value). The value of this cell will change according to the values entered in **E-15,18 and 19**

Table3: Current Investor Holdings

Cell D-25 – Enter the number of years since the founder first invested money into the company (Use a negative sign with the number of years)

Cell E-25 – Enter the total amount infused by the founder till the current investment

Cell D-26 to D-38 – Enter the number of years since each existing shareholder/investor has invested in the company before the OTAF investment

Cell E-26 to E-38 – Enter investments of any existing shareholders/investors in these cells

After entering the above values, **Column – G** shows the values of the company to the individual founder/existing investors at the time of exit. These values take into consideration the dilution caused by the option pool.

Table 4: Capital Access Plan – Future Series and Rounds

Cell D-46 & 47 – This cell should normally have the value “0” as this is an angel investment or the 1st investment in the company.

Cell E-46 & 47 – Enter the amount invested in this Round by Angel Investors (OTAF etc.) and Side-car investors

Cell D-48 & 49 – Enter the number of years since the first angel investment for the follow on funding.

Note: If the follow-on funding is at the same valuation as the angel investment, please enter the year as “0” in this round.

Cell E-48 & 49 – Enter the amount invested in the follow-on round by OTAF/new investors and Side-car investors

Cell D-50 & 51 – VC Round 1 & 2 - Enter the number of years since the first investment

Cell E-50 & 51 – Enter the amount invested by the VCs in each of the rounds

Cell E-52 & 53 – Enter the number of years since the first investment for any subsequent funding

Cell D-52 & 53 – Enter the number of years since the first investment

After entering all these values,

Column G of Table-4 gives the required final ownership at the time of exit after considering the dilution of all the rounds of investment

Column H of Table-4 gives the dollar value that the investor gets at the time of the exit.

Column I of Table-4 gives the return multiple to the respective investors at the time of the exit.

Table 5: Implied Round Valuations

This table shows the Pre-money and Post-Money valuations of the company during the investment rounds.