

STOORLA OY

BUSINESS PLAN SCANNER + COMPANY PROFILE

Contacts

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Valuation set on: **01.01.2019**
Report date: **16.10.2018**

The Team



Founders committed part time
Top-tier management experience
Previously founded other companies with successful exit(s)
All technical skills inhouse

Marketing



Contracts with key strategic partners signed

The idea



Demand validated
Active globally
IP protection secured at global level
Scalable business

The Company



Legal entity
Advisory board in place
Development stage

Finance



Not breakeven yet
Funded by business angels
Some exit opportunities

Scan business plan in a glance

The Business Plan Scanner displays the main features of the company 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 company. Green stands for positive impact while red for negative. The purpose of this page is to give the reader an immediate overview of the company 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 company investing activity.

COMPANY PROFILE

Stoorla Oy

Started in: **2018**

Incorporated: **Yes**

Year of incorporation: **2018**

Country: **Finland**

Scalability: **Yes**

Industry: **Discount Stores**

Business Activity: **Internet & Mail Order**

Discount Stores

Committed resources

Capital: **€ 0**

Founders time commitment: **Part time**

Stage of development:

Product roll-out: **Minimum Viable Product**

Profitability: **Not breakeven yet**

Investment proposal

Capital needed: **€ 510,000**

Equity offered: **19.4%**

Core Business

Not Provided

Team

Founders: **5**

Employees (excluding founders, interns and freelancers): **11**

Founders time commitment: **Part time**

Skills and Experience

Years of experience in the industry: **100**

Founded other companies before: **Yes, and successful exit(s)**

Business and managerial: **Top-tier management experience**

Technical: **Top-tier management experience**

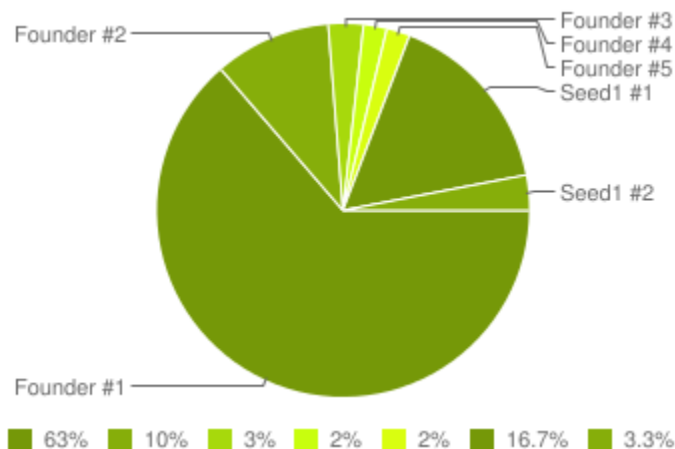
Competition

Level of competition: **Some small players**

Competitive products are: **Good and we offer a comparable solution**

COMPANY PROFILE

Shareholders



Key figures

Latest operating performance

Revenues	€ 42,000
Cost of Goods Sold (COGS)	€ 29,358
Salaries	€ 210,000
Operating expenses (SGA)	€ 99,000
EBITDA	€ -296,358
EBIT	€ -296,358
Net profit	€ -294,358

Ratios

Net profit as % of revenues	-700.9%
COGS as % of revenues	69.9%
EBITDA as % of revenues	-205.6%

Assets

Cash and Equivalents	€ 44,234
Accounts Receivables	€ 0
Inventory	€ 808
Tangible assets	€ 0
Intangible assets	€ 0
Financial assets	€ 0

Liabilities

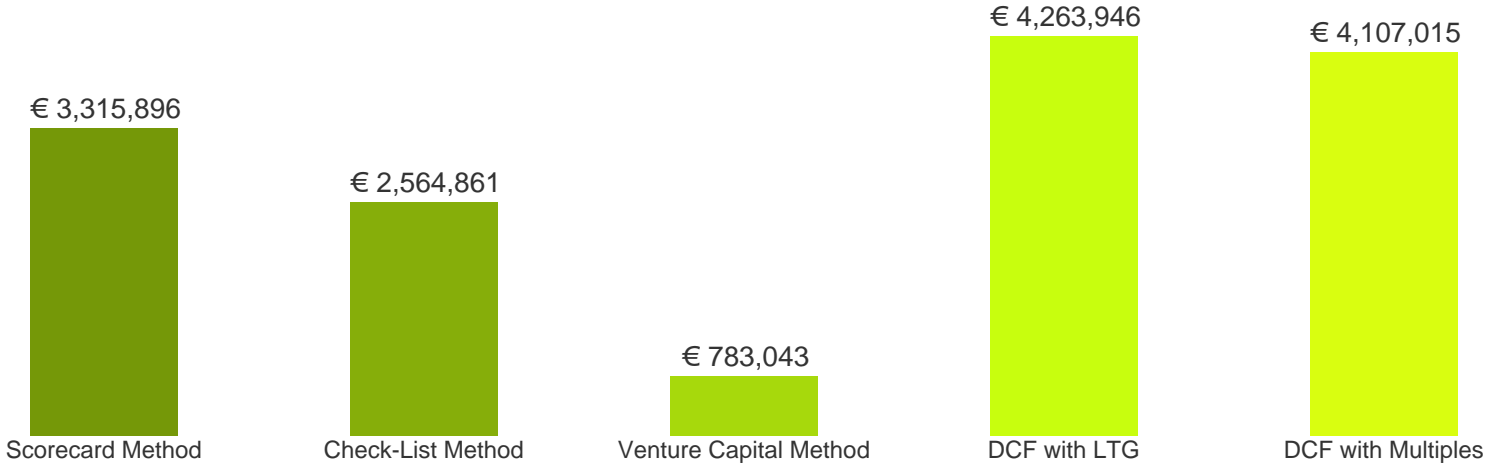
Accounts Payables	€ 27,333
Other current liabilities	€ 0
Long term liabilities (Debt)	€ 0
Equity	€ 302,500

Elevator pitch

Not Provided

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:

€ 2,894,029

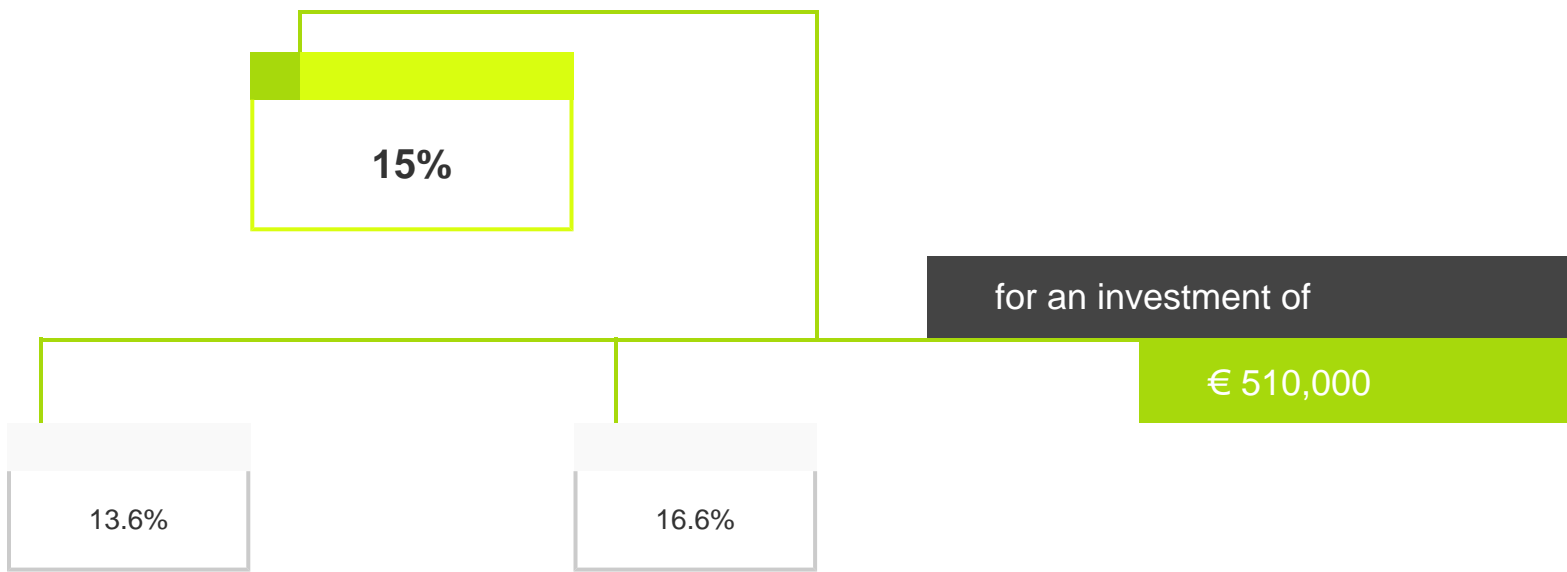
Lower Bound

€ 2,557,000

Higher Bound

€ 3,231,000

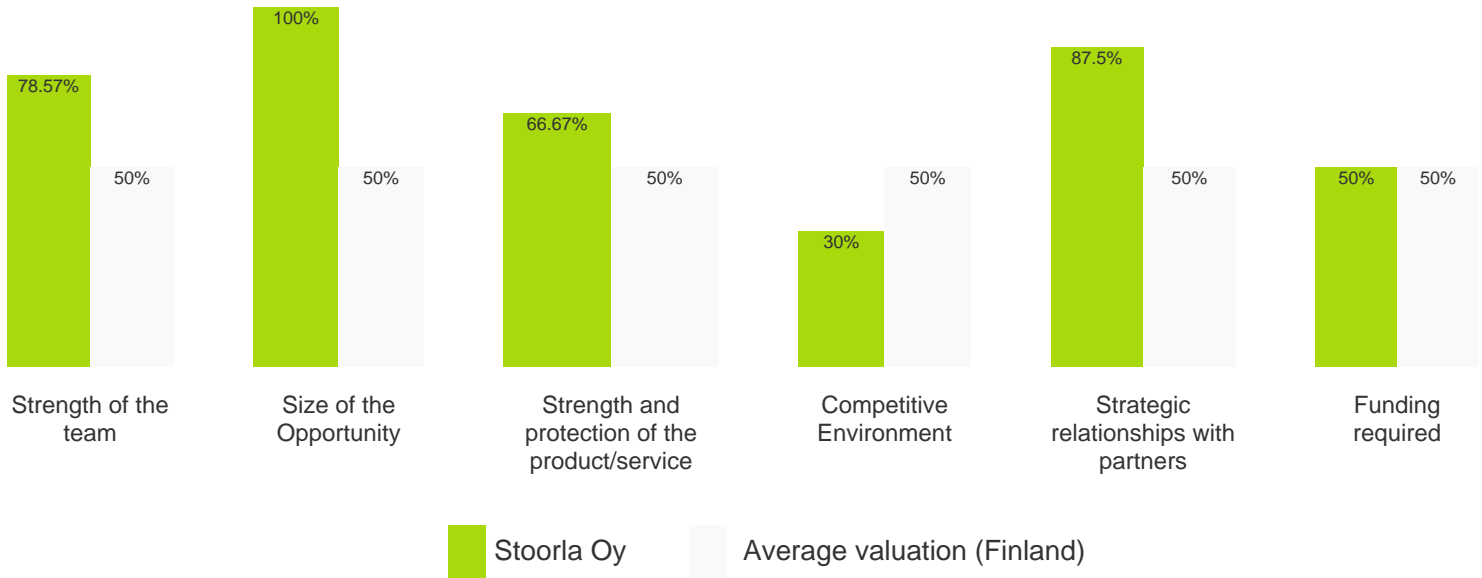
This determines a percentage of



QUALITATIVE METHODS

SCORECARD METHOD

€ 3,315,896



CRITERIA

Strength of the team



Size of the Opportunity



Strength and protection of the product/service



Competitive Environment



Strategic relationships with partners



Funding required



ASSUMPTIONS

Starting value of this method (Average Company Valuation)

€ 2,139,288

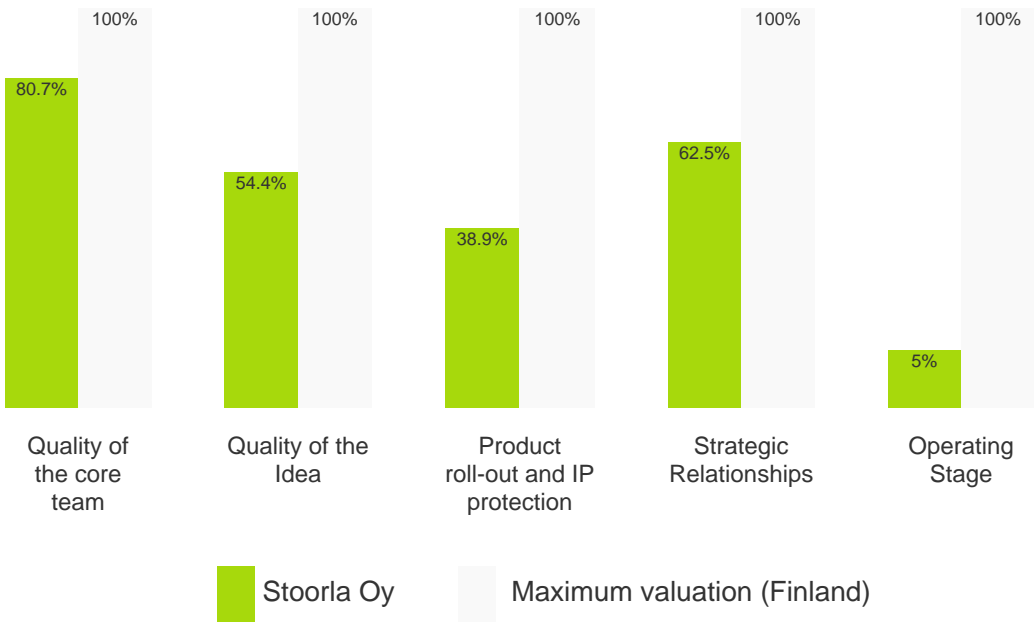
Comparable transactions are relevant in pricing a company

The main tenet of this method is that comparable transactions are relevant in pricing a company. It considers the average pre-money valuation of companies from the same region as starting point. Then, for each of the 6 criteria, the company is assigned a score that indicates whether it performs better or worse than comparable companies for those criteria. Based on these scores and their weights, the starting valuation will be adjusted upward or downward. Originally developed in 2001 by American business angels, this method was published in 2007 by the Kauffman Foundation and revised in 2011 by Bill Payne from Ohio TechAngels. Equidam reviewed the score system and the information on which the scores are attributed.

QUALITATIVE METHODS

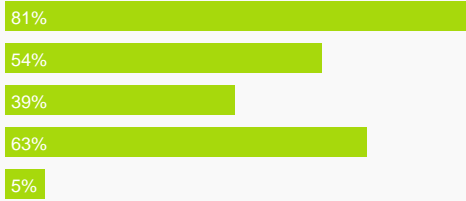
CHECK-LIST METHOD

€ 2,564,861



CRITERIA

- Quality of the core team
- Quality of the Idea
- Product roll-out and IP protection
- Strategic Relationships
- Operating Stage



ASSUMPTIONS

Maximum value for this method € 5,000,000

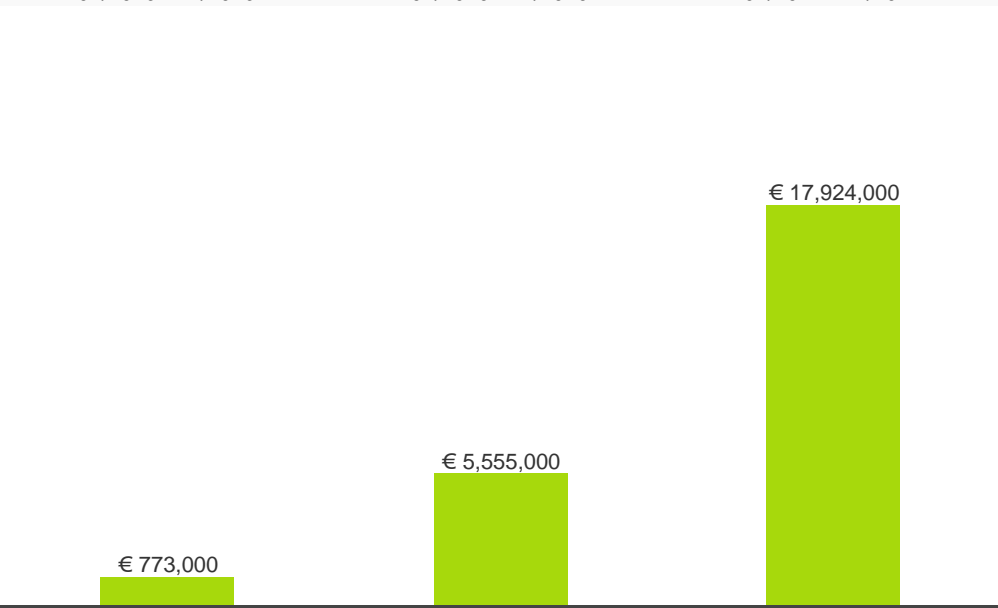
Valuing intangible assets

The main tenet of this method is that intangible assets of early stage companies are the foundation of their future success, thus valuable - just as tangible assets are for established businesses. It assumes a fixed maximum valuation based on the region and assigns the company a score for each of the 5 criteria. The weighted sum of the score of each criteria determines the pre-money valuation. Business Angel Investor Dave Berkus, who has participated in more than 140 early-stage deals, proposed this method in 1996, and later extended it in 2016. Equidam reviewed the weights system and the information on which the scores are attributed.

FINANCIAL FORECASTS

Revenues		
01/2019 - 12/2019	01/2020 - 12/2020	01/2021 - 12/2021

Too Early-Stage
The stage development of the company does not allow for reliable forecast of the expected performance. The risk involved cannot be accurately estimated and remains uncertain.



EBIT



The uncertainty featuring financial projections

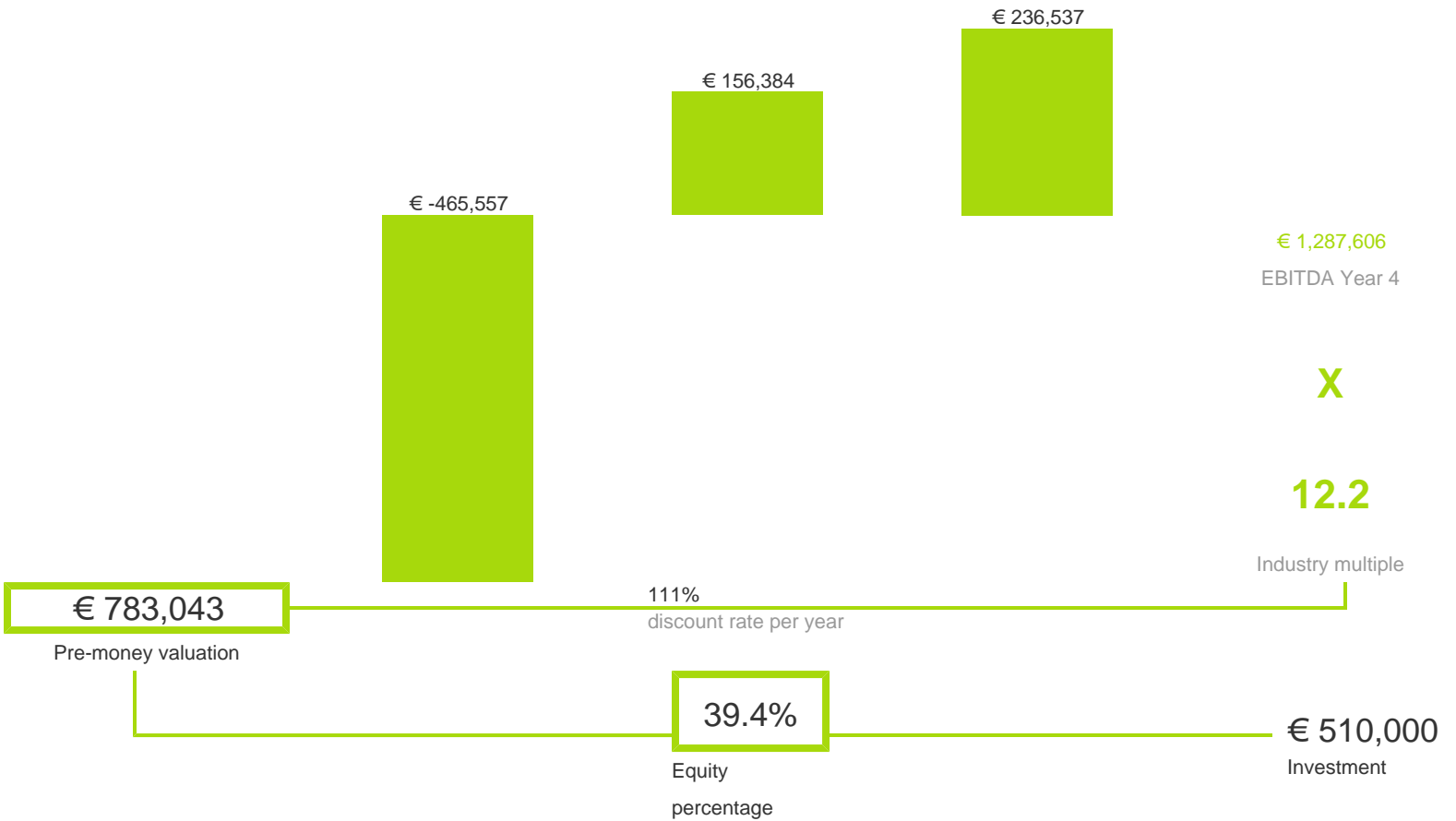
The projections about the expected performance of the company are provided by the users and are not, by any means, subject to the previous check by Equidam. The users are required to indicate the projected values regarding revenues and costs (fixed and variables), while other items as Working Capital, 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 Company Profile.

VC METHOD

DCF WITH LTG

DCF WITH MULTIPLES

Free Cash Flow to Equity for the next three years



CRITERIA

Exit value in year 4

€ 15,660,868

ASSUMPTIONS

Annual discount rate applied

111.47%

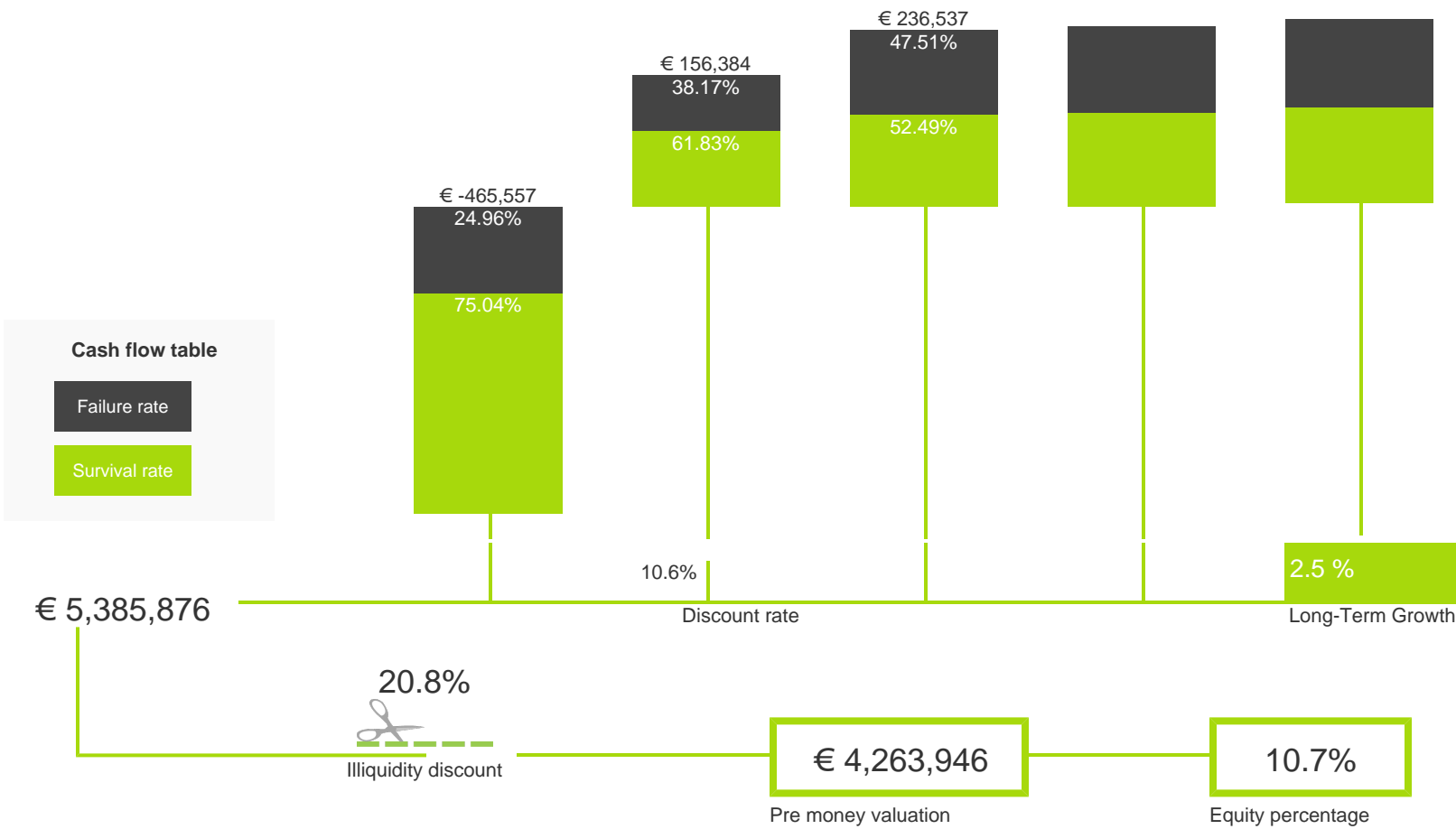
The quick approach used by Venture Capital Funds

The venture capital method is a quick approach to the valuation of companies. It comprises in estimating the exit value of the company 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 EBITDA multiple. This value is then discounted at a high rate to get the present value. The discount rate is determined 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.

VC METHOD

DCF WITH LTG

DCF WITH MULTIPLES



CRITERIA

EBITDA Year 4	€ 1,287,606
Long Term Growth Winsorized*	2.5%
Value of the company in the last Year (Terminal Value)	€ 7,664,607

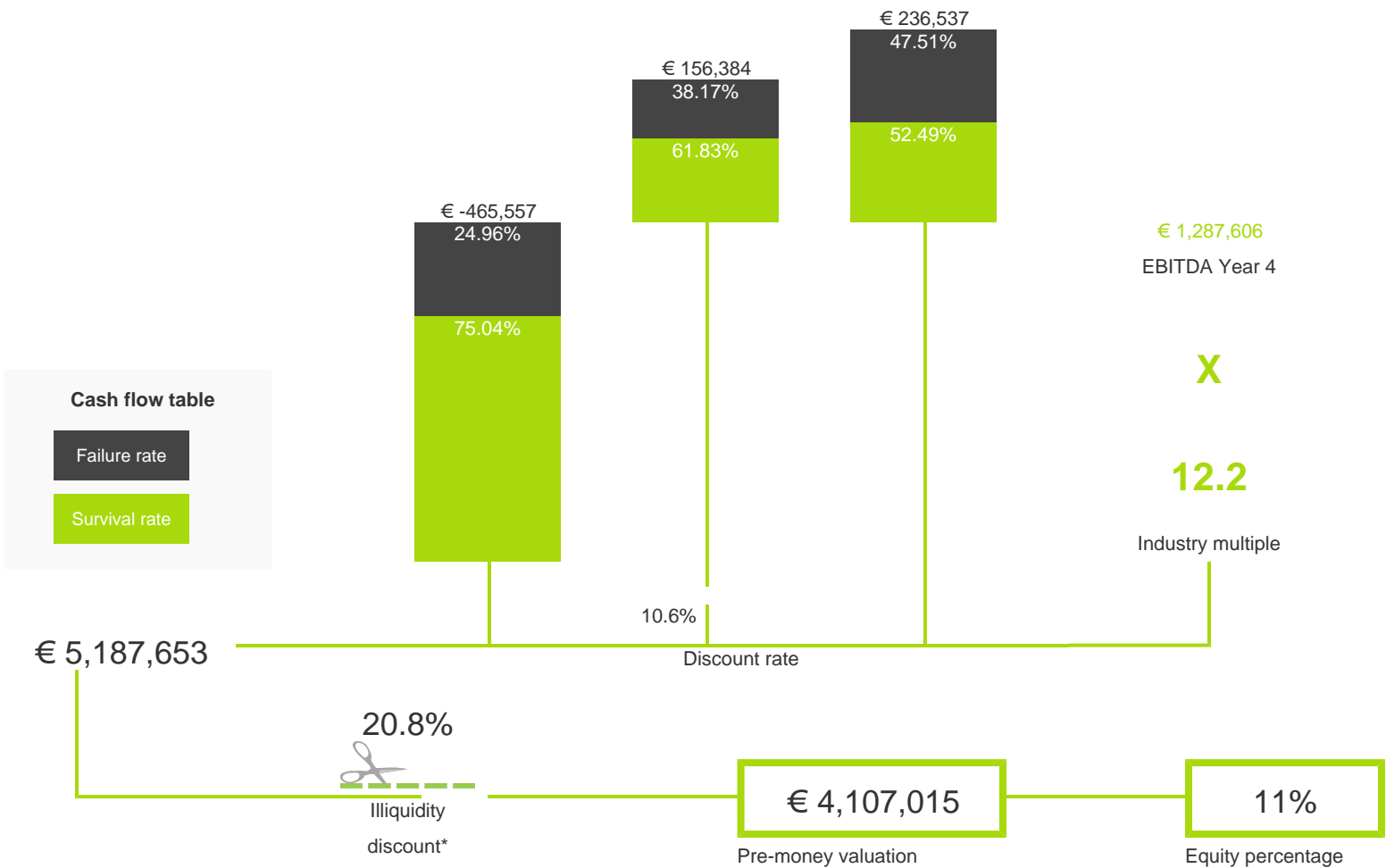
*Winsorization is a statistic approach that eliminates the outliers from a dataset by applying a lower and higher bound. In this case is necessary since some of the industries in the Equidam database have a negative historical growth.

ASSUMPTIONS

Beta	1.79
Market Risk Premium	5.5%
Weighted Average Cost of Capital	10.57%

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 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.



CRITERIA

EBITDA Year 4	€ 1,287,606
EBITDA multiple Year 4	12.16
Value of the company in the last Year (Terminal Value)	€ 7,368,273
Implied Annual Return if sale value realized (ROI)	12.4%

ASSUMPTIONS









Beta	1.79
Market Risk Premium	5.5%
Weighted Average Cost of Capital	10.57%

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 EBITDA multiple 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 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

CASH FLOW








	01/2019 - 12/2019	01/2020 - 12/2020	01/2021 - 12/2021
 Revenues	€ 773,000	€ 5,555,000	€ 17,924,000
 Cost of goods sold	€ 610,670	€ 4,495,500	€ 15,056,160
Gross margin	21%	19.1%	16%
 Salaries	€ 525,000	€ 663,000	€ 818,000
 Selling, General and Administrative	€ 326,200	€ 300,440	€ 1,595,728
EBITDA	€ -688,870	€ 96,060	€ 454,112
 Depreciation and Amortization	€ -5,000	€ -10,000	€ -15,000
as % of revenues	-0.6%	-0.2%	-0.1%
EBIT	€ -683,870	€ 106,060	€ 469,112
 Financial Gain-Loss	€ 1,145	€ 2,387	€ 2,290
Debt interest payment	€ -1,145	€ -2,387	€ -2,290
Interest rate on debt	0%	0%	0%
Cash interest gain	€ 0	€ 0	€ 0
 Taxes	€ 0	€ 0	€ 0
Nominal tax rate	20%	20%	20%
Effective tax payable	€ -136,545	€ 21,689	€ 94,280
Deferred tax assets	€ 136,545	€ 114,856	€ 20,575
 Net profit	€ -682,725	€ 108,447	€ 471,402

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&A and Financial expenses are estimated by Equidam. The former is based upon the average D&A as % of Revenues of the industry peers and the latter upon the COVERAGE RATIO (EBIT/INTEREST PAID) and then adding the related risk premium to the country-specific risk free rate. The risk premia related to the COVERAGE RATIO are fixed as determined by academic researches. 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

	01/2019 - 12/2019	01/2020 - 12/2020	01/2021 - 12/2021
 Net profit	€ -682,725	€ 108,447	€ 471,402
 Change in Working Capital	€ -42,168	€ -57,937	€ 219,865
Account payables	€ 83,558	€ 179,995	€ 79,111
Account receivables	€ 0	€ 0	€ 0
Inventory	€ 14,865	€ 53,365	€ 172,346
 Depreciation and Amortization	€ -5,000	€ -10,000	€ -15,000
 Investments	€ 0	€ 0	€ 0
 Change in outstanding debt	€ 180,000	€ 0	€ 0
Debt at the end of the year	€ 180,000	€ 180,000	€ 180,000
FREE CASH FLOW TO EQUITY	€ -465,557	€ 156,384	€ 236,537
 Raise or repayment of equity	€ 510,000	€ 0	€ 0
 Free cash flow	€ 44,443	€ 156,384	€ 236,537
Beginning of the year cash	€ 554,234	€ 598,677	€ 755,061
End of the year cash	€ 598,677	€ 755,061	€ 991,598

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.

SCORECARD METHOD CRITERIA DESCRIPTION

Strength of the team analyzes:

- Time commitment of the founders
- Number of employees
- Team spirit and comradeship
- Years of industry experience of the core team
- Business and managerial background of the core team
- Technical skills of the core team

Size the opportunity analyzes:

- Estimated revenues in the third year according to the stage of the development
- Estimated size of the market in three years
- Geographical scope of the business

Strength and protection of the product/service analyzes:

- Stage of the product/service roll-out
- Degree of loyalty of customers
- Type of IP protection applicable
- IP protection in place (if any)

Competitive environment analyzes:

- Level of competition in the market
- Quality of competitive products/services
- Competitive advantage over other products/services
- Barriers to entry to the market
- Threat of international competition

Strategic relationships with partners analyzes:

- Strength of the relationships with key strategic partners

Funding required includes:

- Capital required according to the stage of development

CHECK-LIST METHOD CRITERIA DESCRIPTION

Quality of the core team analyzes:

- Average age of the founders
- Presence in the team of serial, successful entrepreneurs
- Time commitment of the founders
- Team spirit and comradeship
- Years of industry experience of the core team
- Business and managerial background of the core team
- Technical skills of the core team

Quality of the idea analyzes:

- Validation of the demand for the product/service
- Feedback received by early adopters/industry experts
- Level of competition in the market
- Competitive advantage over other products/services
- Geographical scope of the business
- Threat of international competition
- Degree of loyalty of customers

Product roll-out and IP protection analyzes:

- Stage of the product/service roll-out
- Type of IP protection applicable
- IP protection in place (if any)

Strategic relationships analyzes:

- Presence of an advisory board and number of advisors
- Presence and type of current shareholders
- Relationship with legal counselors
- Strength of the relationships with key strategic partners

Operating stage

- Stage of development
- Current profitability



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