

Investor Analysis

Nothing in modern attitudes is believed more to signify exceptional intelligence than association with large pools of money. Only immediate experience with those so situated denies the myth.

~ John Kenneth Galbraith

This page enables you to compare the effects of different valuations and scenarios played out with investors. Most of the numbers come to this page from your financials as well as the Valuation page. In a few instances you will need to enter a number.

Valuation Override

In the 'Pre-Funding Valuation' cell, the system will grab and use the valuation number from the previous page per the valuation method you select above.

If you want to enter another valuation number and override the pre-calculated amount, enter your presumed valuation here to use for this analysis. From the pull-down menu, choose 'Valuation Override.' The only time your override number will be used is when 'Valuation Override' is selected from the pull-down menu.

Valuation Step-Up

This is the increase in value of your company by round two of investment—100% (for example) means your company doubled in value between investment round one and round two. This is also the ROI enjoyed by your round-one investors.

Price/Earnings Ratio (P/E)

The price-to-earnings ratio (P/E) is probably the most widely used - and thus misused - investing metric. It's easy to calculate, which explains its popularity. The two most common ways to calculate it are:

- $P/E = \text{share price} / \text{earnings per share}$
- $P/E = \text{market capitalization} / \text{net income}$

The share price is the market capitalization divided by the number of shares, so the results should be identical. Share price and market cap are easy to find in the quote section of any financial website. The earnings are usually taken from the trailing twelve months (TTM) and can be found by checking the income statement for the past four quarters. A P/E using TTM figures is often called the **current P/E**.

Another variation is the **forward P/E**, which is calculated using analyst future earnings estimates, rather than actual historical earnings. Most financial websites give both the current and forward P/E. I find forward P/E a useful guide for cyclical companies, companies coming out of negative earnings, and those that have significant one-time charges embedded in current earnings.

In essence, the P/E tells us how much an investor is willing to pay for \$1 of a company's earnings. The long-term average P/E is around 15, so on average, investors are willing to pay \$15 for every dollar of earnings. Another useful way to look at this: Turn the P/E ratio around to look at the E/P ratio, which

when expressed as a percentage gives us the earnings yield. For instance: $1/15$ gives us an earnings yield of 6.67%.

The “P” in the P/E ratio is determined at any given point by the market value of the company or its shares. Built into this market price are the future expectations of the company's growth.

Investor Analysis		Your Company Name Here		
		Scenario 1	Scenario 2	Scenario 3
Selection for EPS Calculation		<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compare Valuation Scenarios		Valuation Override	Conventional VC Method	Average of All 4 Methods
Round 1 Funding		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Funding Date		Mar 2013	Mar 2013	Mar 2013
PreFunding Valuation (000)		\$ 6,000,000	\$ 109,054	\$ 187,349
Valuation Override	\$	6,000,000	\$ 6,000,000	\$ 6,000,000
Outstanding Shares		12,000,000	12,000,000	12,000,000
Value per Share	\$	0.50	\$ 0.01	\$ 0.02
Funding Details				
% Ownership Sold		14.3%	90.2%	84.2%
# of Funding Shares Given (Assumes 1:1 Conversion)		2,000,000	110,036,753	64,051,523
Post Funding Valuation	\$	7,000,000	\$ 1,109,054	\$ 1,187,349
Total Shares Outstanding		14,000,000	122,036,753	76,051,523
Value per Share	\$	0.50	\$ 0.01	\$ 0.02
Round 2 Funding		\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Funding Date		Mar 2014	Mar 2014	Mar 2014
Valuation Step-Up		1.00	100%	100%
PreFunding Valuation (000)	\$	14,000,000	\$ 2,218,109	\$ 2,374,698
Outstanding Shares		14,000,000	122,036,753	76,051,523
Value per Share	\$	1.00	\$ 0.02	\$ 0.03
Funding Details				
% Ownership Sold		26%	69%	68%
# of Funding Shares Given (Assumes 1:1 Conversion)		5,000,000	275,091,882	160,128,808
Post Funding Valuation	\$	19,000,000	\$ 7,218,109	\$ 7,374,698
Total Shares Outstanding		19,000,000	397,128,635	236,180,332
Value per Share	\$	1.00	\$ 0.02	\$ 0.03
IPO / Acquisition				
Date of IPO/Acquisition		Mar 2017	Mar 2017	Mar 2017
Pre IPO/Acquisition Valuation				
Outstanding Shares		19,000,000	397,128,635	236,180,332
Value per Share	\$	1.00	\$ 0.02	\$ 0.03
Funding Details				
% Ownership Give-Up		20%	20%	20%
Shares Issued <input type="checkbox"/> % of existing shares		4,750,000	99,282,159	59,045,083
Total Shares Outstanding		23,750,000	496,410,794	295,225,415