Company Logo Area

Valuation Report of GS Global Guardian

As of 2020-12-09

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Table of Contents

Company summary
GS Global Guardian

◉ Malaysia

Industry: **Online Services**
Business Activity: **Other Online Services**

Founders: **2**
Employees: **4**
Started in: **2019**
Incorporated: **Yes**
Year of incorporation: **2019**
Founders' committed capital:
RM400000

Opportunity

Business model: **B2B**
Scalable Product: **Yes**
Exit strategy: **Some exit opportunities**

Current Operations

Stage of development: **Startup stage**
Employees (excluding founders, interns and freelancers): **4**
Profitability: **Yes**

Latest operating performance

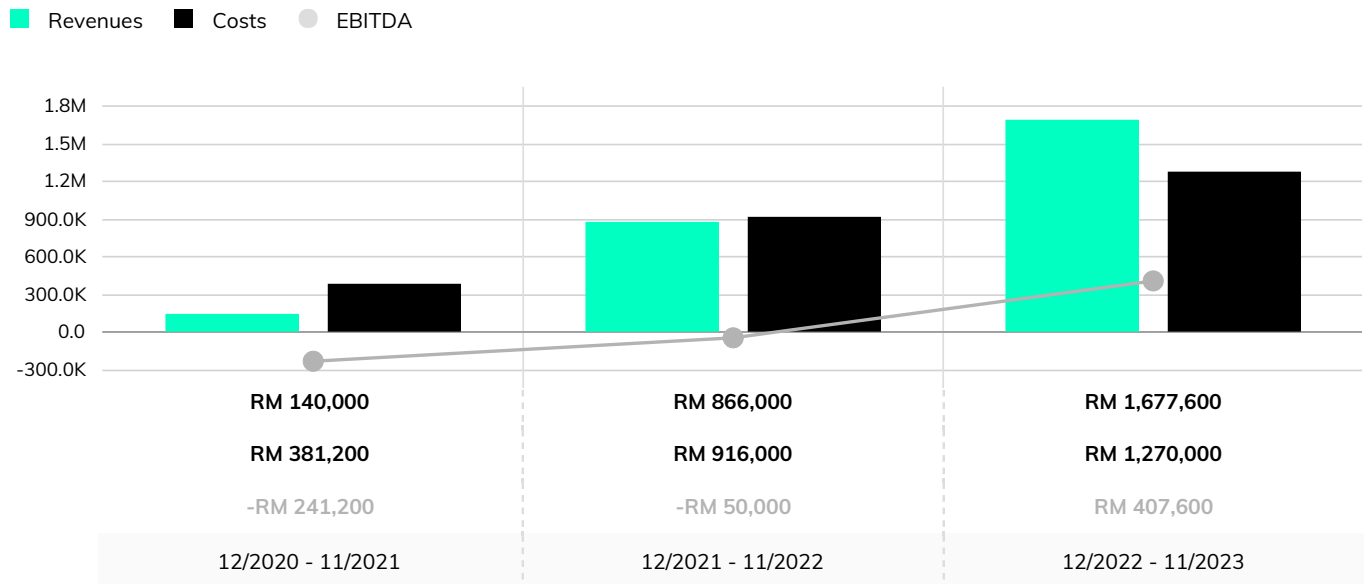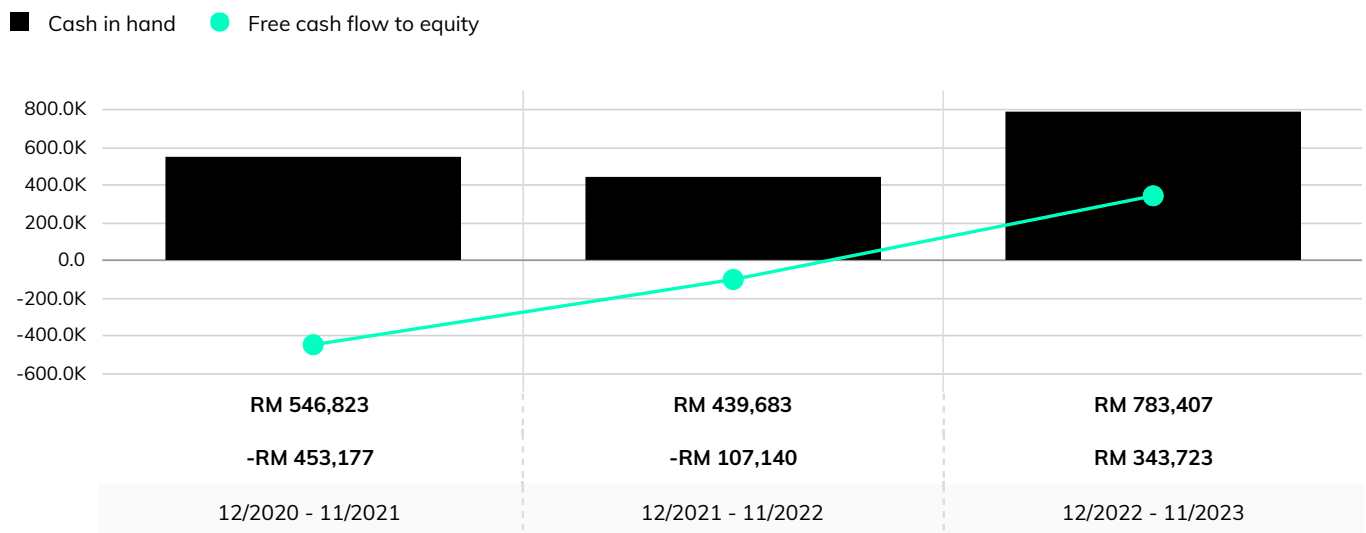|	12/2019 - 11/2020
Revenues	**46,862**
EBITDA	**-570,554**
Ebitda margin	-1,217 %
EBIT	**-570,554**
Ebit margin	-1,217 %
Cash in hand	-

All numbers in RM

/// More information on the history, milestones, team, etc., (e.g. pitchdeck) can be requested to the company.

Forecasts summary
Future profitability

■ Revenues ■ Costs ● EBITDA

RM 140,000	RM 866,000	RM 1,677,600
RM 381,200	RM 916,000	RM 1,270,000
-RM 241,200	-RM 50,000	RM 407,600
12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023

Cash forecast

■ Cash in hand ● Free cash flow to equity

RM 546,823	RM 439,683	RM 783,407
-RM 453,177	-RM 107,140	RM 343,723
12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023

/// Full profit and loss and cash flow forecast at page 14.

Past funding rounds

Here is an overview of the past funding rounds and valuations of the company.

No funding rounds to date

Current ownership

Here is an overview of the current shareholders in the company. More information on type of shares, unassigned shares, and in general a detailed cap table can be requested to the company in question.

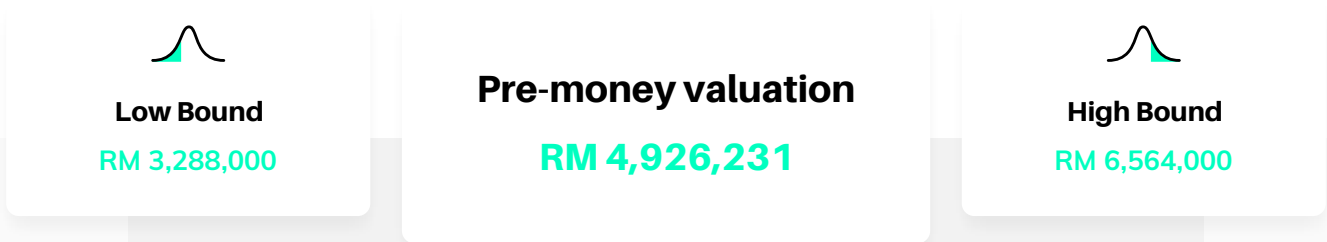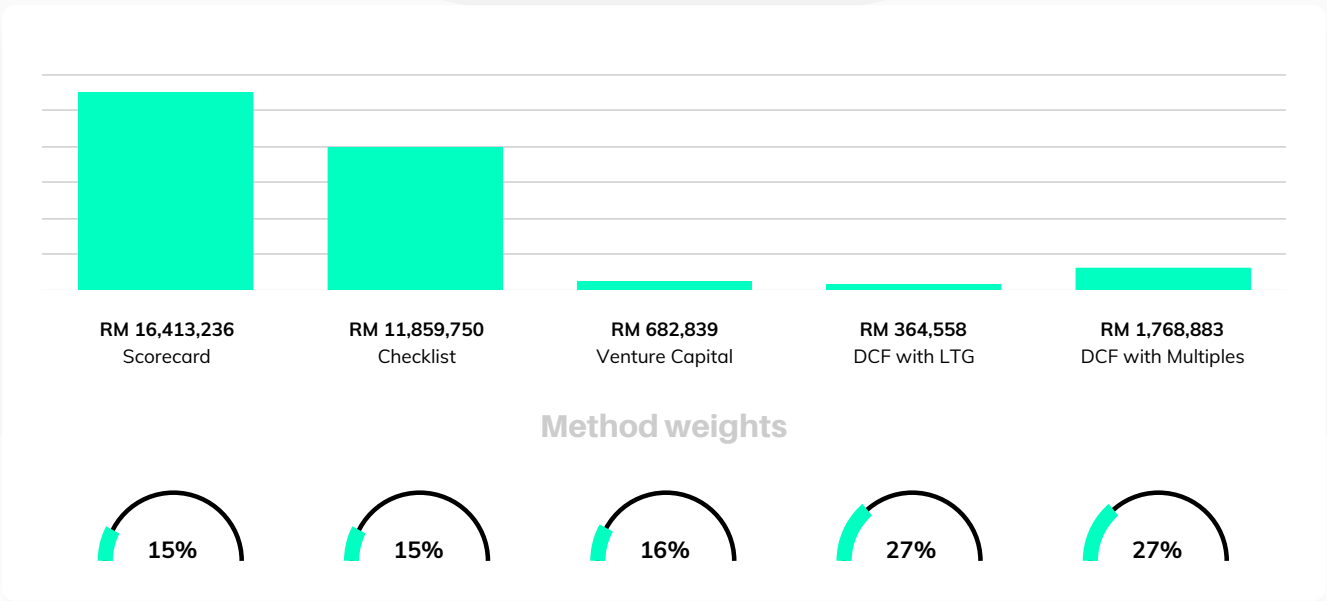**50%** Founder #1 —   — **50%** Founder #2
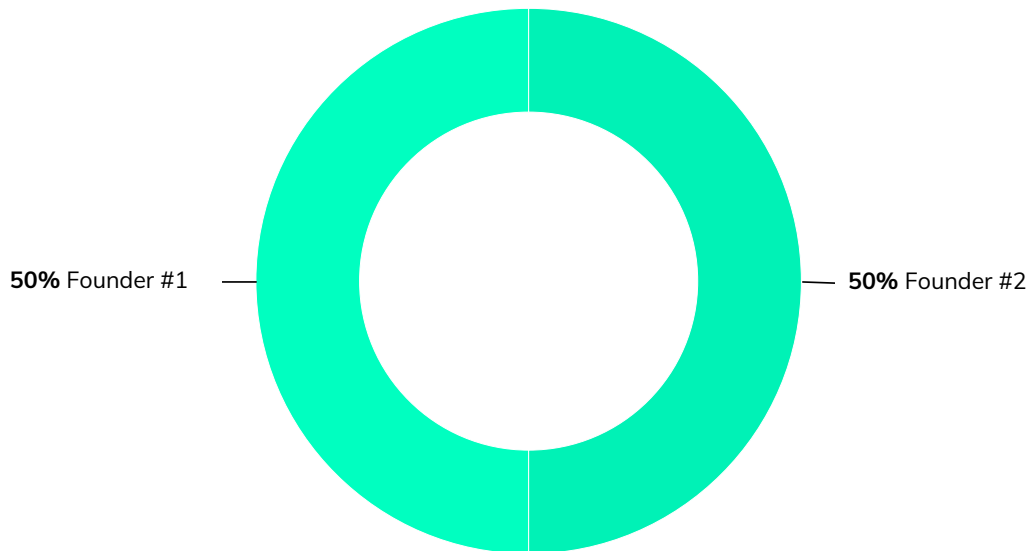
Valuation

The pre-money valuation displayed below is the result of the weighted average of different methods. The use of several methods is a best practice in company valuation, as looking at the business from different perspectives results in a more comprehensive and reliable view.

These methods are compliant with IPEV (International Private Equity Valuation) Guidelines and each of them will be explained in more detail in the following pages of the report.

More information on the weights can be found in the Appendix.

Low Bound	Pre-money valuation	High Bound
RM 3,288,000	RM 4,926,231	RM 6,564,000

5 Valuation Methods

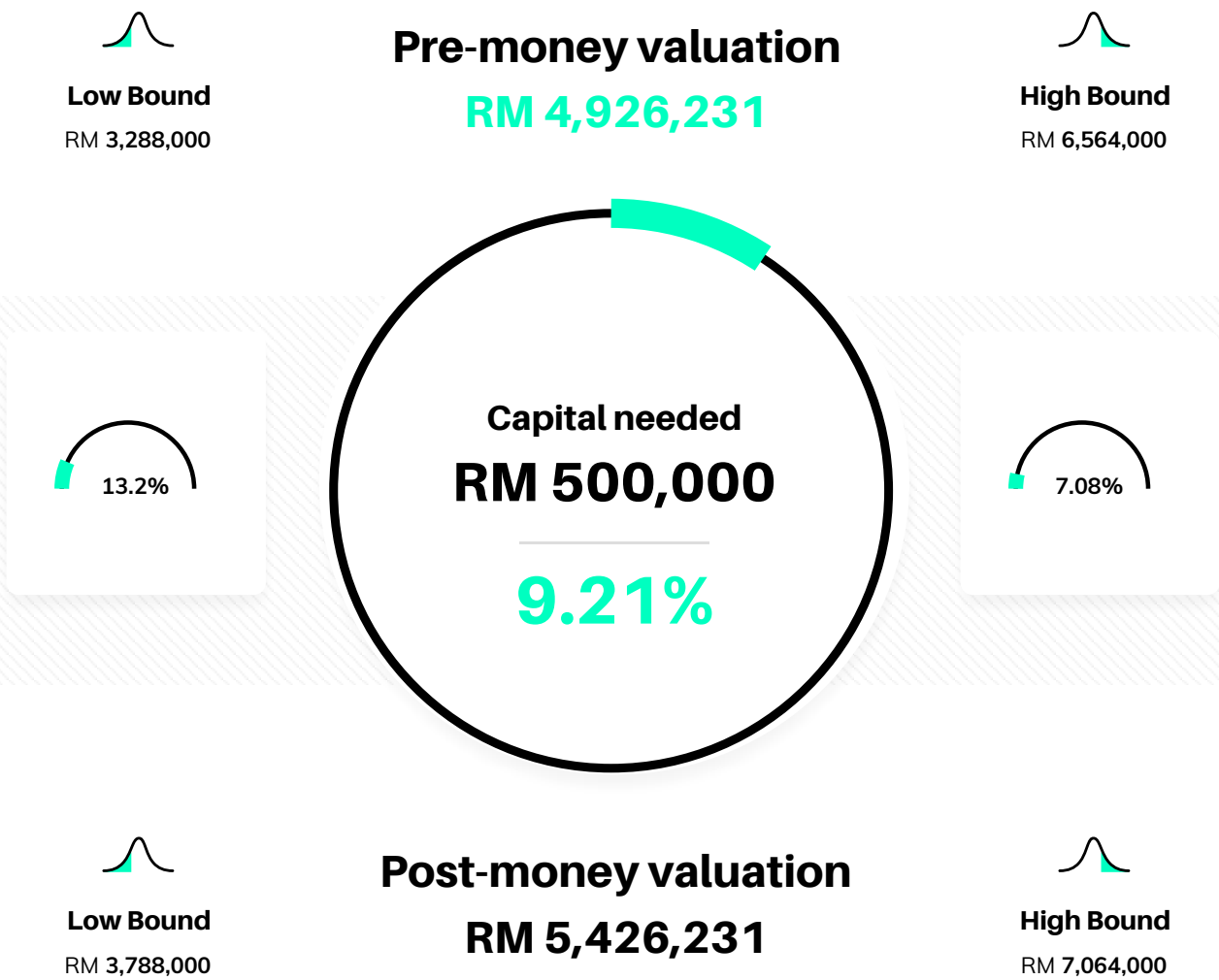| RM 16,413,236	RM 11,859,750	RM 682,839	RM 364,558	RM 1,768,883
Scorecard	Checklist	Venture Capital	DCF with LTG	DCF with Multiples

Method weights

15%	15%	16%	27%	27%

Current funding round

Please find below the amount of capital currently needed and the consequent percentage of equity based on the valuation of previous page as a starting point for the negotiations.

Low Bound
RM **3,288,000**

Pre-money valuation
RM 4,926,231

High Bound
RM **6,564,000**

13.2%

Capital needed
RM 500,000

9.21%

7.08%

Low Bound
RM **3,788,000**

Post-money valuation
RM 5,426,231

High Bound
RM **7,064,000**

Starting from the post-money valuation of the company, the equity percentage that relates to the investment is calculated as investment/post-money valuation. Keeping the investment amount fixed, the lower the pre-money valuation, the higher the equity stake, and vice versa.

Use of funds

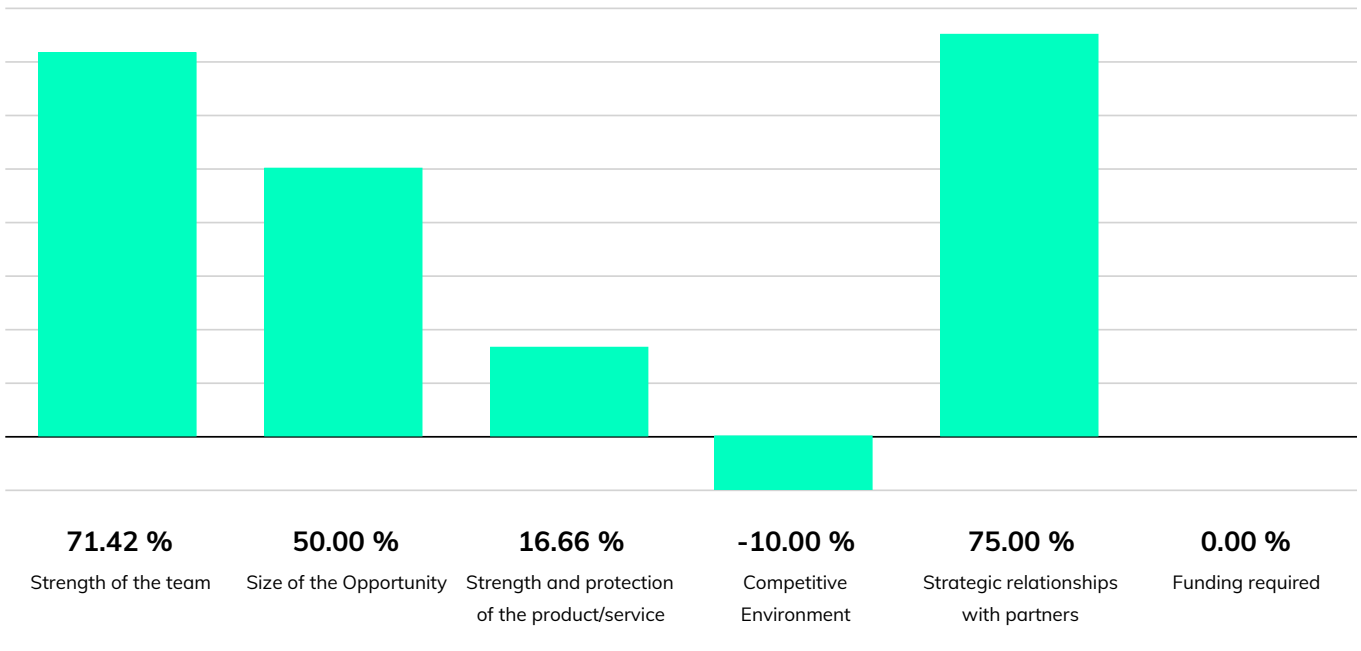Here is a breakdown on how the company will use the capital raised.

Operations:
RM 247,500 (50 %)

Sales and marketing:
RM 175,000 (35 %)

Others:
RM 77,500 (16 %)

Qualitative methods
Scorecard Method: RM 16,413,236

This method was conceived by William H. Payne of Ohio TechAngels group and endorsed by the Ewing Marion Kauffman Foundation. The valuation of the startup depends on how different this is from the assumed average of a set of comparable companies from the same region.

Startups' qualitative traits are divided in 6 criteria, compared with the assumed traits of the average company, and given a score according to whether it over- or under-performs the assumed average company. These scores are multiplied by weights that represent the impact of the criteria on the valuation. The sum of these weighted scores multiplied by the average valuation leads to the company's pre-money valuation.

Normalized scores of the company for each criteria

71.42 %	50.00 %	16.66 %	-10.00 %	75.00 %	0.00 %
Strength of the team	Size of the Opportunity	Strength and protection of the product/service	Competitive Environment	Strategic relationships with partners	Funding required

ᚦ Parameters

Average valuation (Malaysia): **RM 10,718,848**

Weights of the criteria

Strength of the team: **30%**	Competitive Environment: **10%**
Size of the Opportunity: **25%**	Strategic relationships with partners: **10%**
Strength and protection of the product/service: **15%**	Funding required: **10%**

/// Please see appendix for data sources, defaults, and breakdown of the traits

Checklist Method: RM 11,859,750

The creator of the method is Dave Berkus, one of the most prominent Californian angel investors. The valuation of the startup consists of intangible building blocks that sum up to the assumed maximum pre-money valuation.

The maximum pre-money valuation is split in 5 criteria according to their weight. The startup obtains portions of these maximum criteria valuations according to how close its qualitative traits are to the most desirable ones. Their sum is the startup pre-money valuation.

■ Criteria valuations ■ Max valuations

RM 4,536,000	RM 2,520,000	RM 525,000	RM 1,968,750	RM 2,310,000
Quality of the core team	Quality of the Idea	Product roll-out and IP protection	Strategic Relationships	Operating Stage

░ Parameters

Maximum valuation (Malaysia): **RM 21,000,000**

Criteria maximum valuations

Quality of the core team: **RM 6,300,000 (30%)**   Strategic Relationships: **RM 3,150,000 (15%)**

Quality of the Idea: **RM 4,200,000 (20%)**   Operating Stage: **RM 4,200,000 (20%)**

Product roll-out and IP protection: **RM 3,150,000 (15%)**

/// Please see appendix for data sources, defaults, and breakdown of the traits

Qualitative traits summary

Below a summary of the traits at the basis of the scores for the two qualitative methods. Please see appendix for detailed breakdown of which trait is used in which method.

Team

Founders

Time commitment: **Full time**

Average age: **Between 25 and 34**

Founded other companies before: **Yes**

Core team skills and expertise

Working together for: **3 to 5 years**

Years of experience in the industry: **30**

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

Technical skills: **All technical skills inhouse**

Network

Board of advisors: **Yes**

Legal consultants: **Yes**

Current shareholders: **Business angel**

Market

Total Addressable Market (TAM): **RM 3,000,000,000**

Annual growth rate of the market: **9.00 %**

Demand validated: **Yes**

Internationalization: **Active globally**

Product

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

Feedback received: **Mainly positive**

Loyalty to the product/service: **Average retention**

Partners: **Contracts with key strategic partners signed**

Competition

Level of competition: **Many small players**

Competitive products are: **Good**

Differentiation from current solutions: **We innovate in terms of execution**

International competition: **Growing, but not yet as developed as locally**

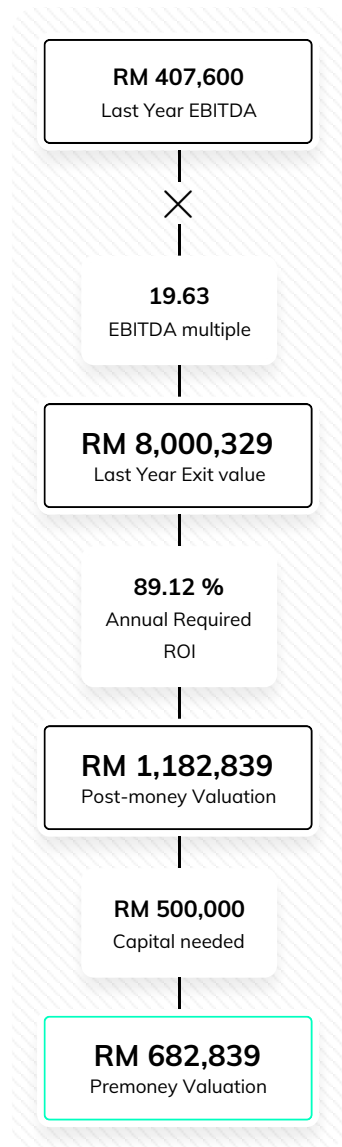## Protection
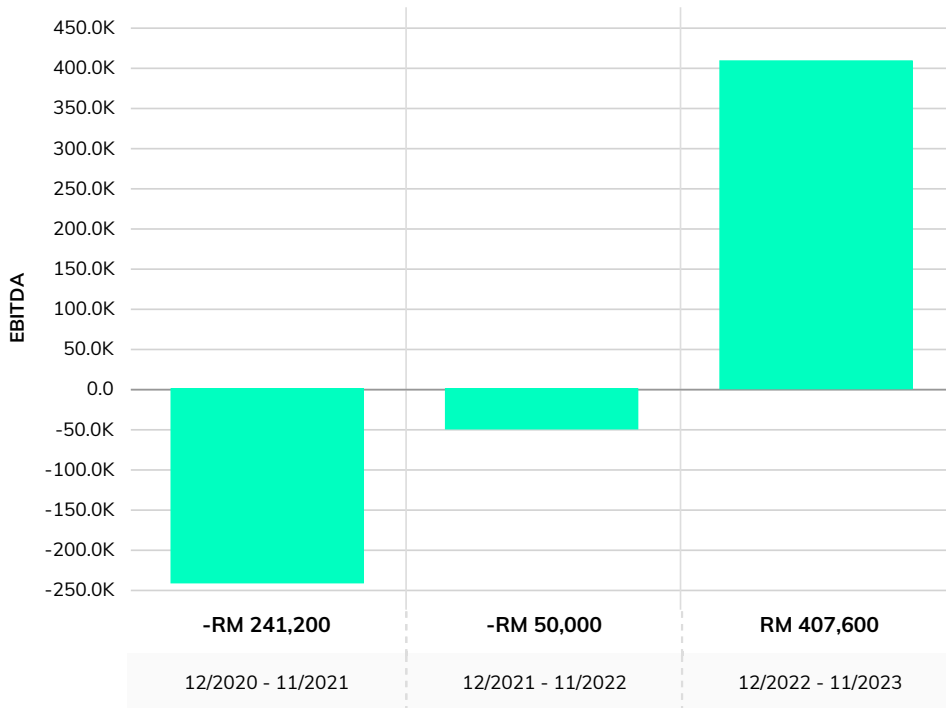
Barriers to entry of the market: **Modest**

Applicable IP: **Trademark and/or domain names**

VC Method
Premoney Valuation: **RM** 682,839

The VC (Venture Capital) method is one of most common approaches among financial practitioners in the private company market. The startup is given the valuation that will grant investors a predetermined return at the exit.

The potential exit value of the company is computed with an industry-based EBITDA multiple. The valuation is equal to this value discounted by a required ROI (Return On Investment). This depends on the startup's stage of development, higher for early stage riskier companies, lower for more mature ones. It is the minimum rate that will allow investors to have positive returns from portfolios where most companies fail and gains come from a selected few.

	-RM 241,200	-RM 50,000	RM 407,600
	12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023

RM 407,600
Last Year EBITDA

×

19.63
EBITDA multiple

RM 8,000,329
Last Year Exit value

89.12 %
Annual Required ROI

RM 1,182,839
Post-money Valuation

RM 500,000
Capital needed

RM 682,839
Premoney Valuation

⫴ Parameters

Industry Multiple: **19.63**

Annual Required ROI: **89.12 %**

/// Please see appendix for data sources and defaults

DCF Methods

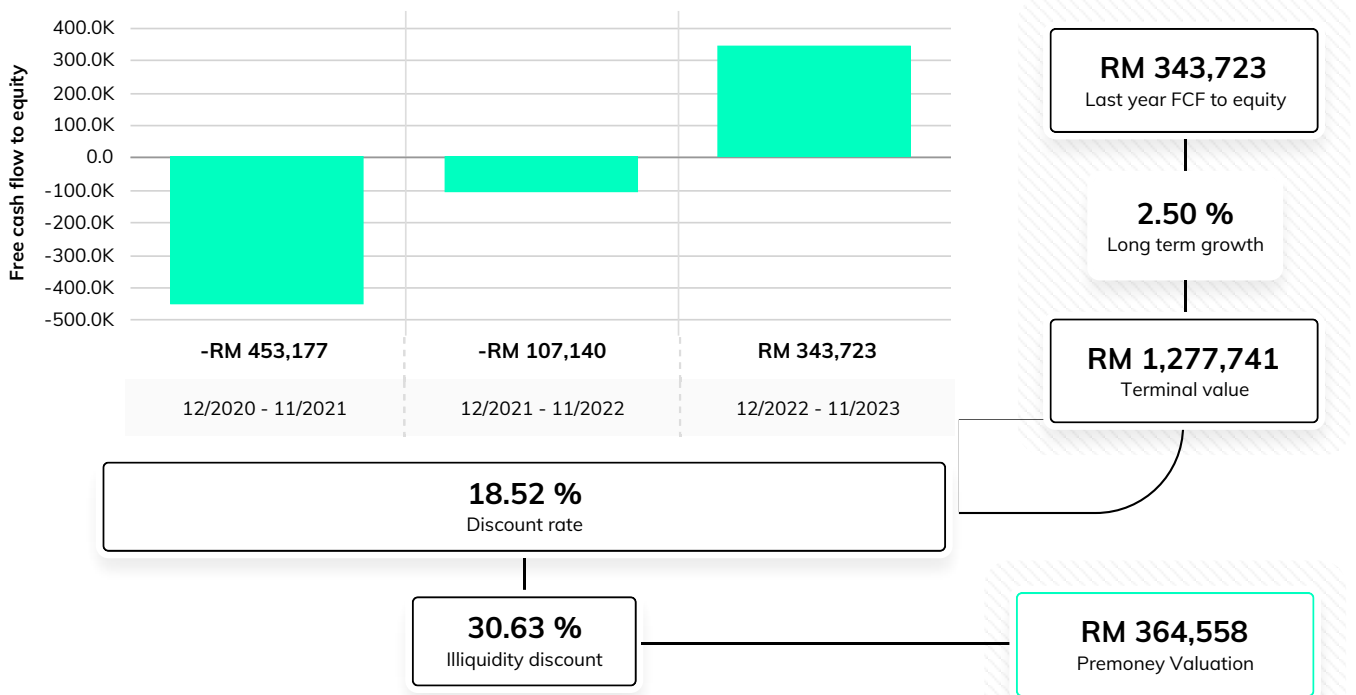The DCF (Discounted Cash Flow) methods represent the most renown approach to company valuation, recommended by academics and a daily tool for financial analysts. The valuation is the present value of all the free cash flows to equity the startup is going to generate in the future, discounted by its risk.

These methods weight the projected free cash flow to equity by the probability the startup will survive. Then, the flows are discounted to present by a rate that represents risks related to industry, size, development stage and profitability. Lastly, an illiquidity discount is applied to the sum of the discounted cash flows to compute the valuation.

The value of cash flows beyond the projected ones is represented by the TV (Terminal Value) and the way it is calculated is the difference between the following two methods.

DCF with LTG: RM 364,558

The DCF with LTG (Long Term Growth) assumes the cash flows beyond the projected ones will grow forever at a constant rate based on the industry and computes the TV accordingly.

-RM 453,177	-RM 107,140	RM 343,723
12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023

RM 343,723
Last year FCF to equity

2.50 %
Long term growth

RM 1,277,741
Terminal value

18.52 %
Discount rate

30.63 %
Illiquidity discount

RM 364,558
Premoney Valuation

Parameters

Long term growth: **2.50 %**
Illiquidity discount: **30.63 %**

Discount rate
Risk free rate: **3.31 %**
Beta: **2.38**
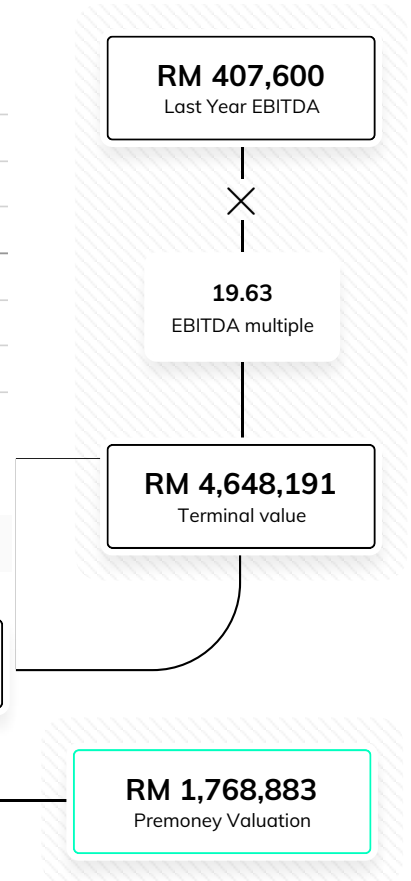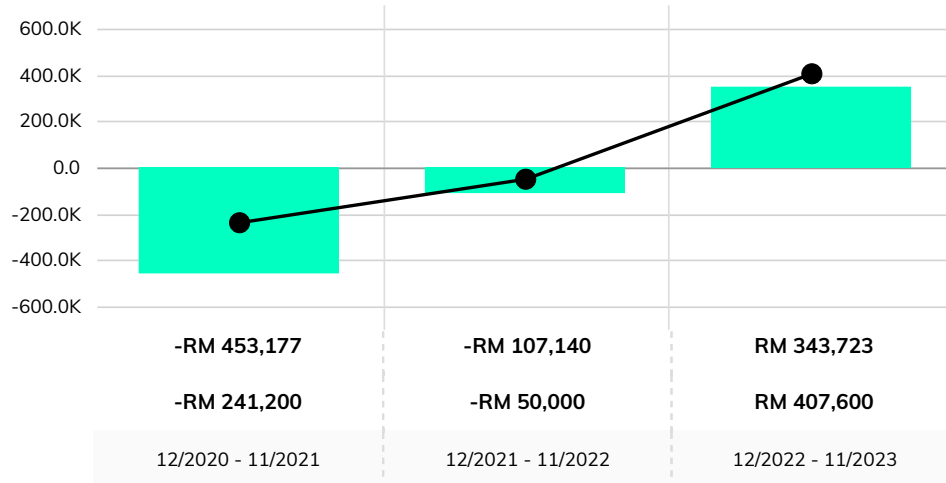Market Risk Premium: **6.38 %**

Survival rates
Year 1: **81.10 %**
Year 2: **67.90 %**
Year 3: **58.10 %**

/// Please see appendix for data sources and defaults

DCF with Multiples: **RM** 1,768,883

The DCF with Multiple assumes the TV (Terminal Value) is equal to the exit value of the company computed with an industry-based EBITDA multiple.

■ Free cash flow to equity ● EBITDA

-RM 453,177	-RM 107,140	RM 343,723
-RM 241,200	-RM 50,000	RM 407,600
12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023

RM 407,600
Last Year EBITDA

✕

19.63
EBITDA multiple

RM 4,648,191
Terminal value

18.52 %
Discount rate

30.63 %
Illiquidity discount

RM 1,768,883
Premoney Valuation

⚏ **Parameters**

EBITDA multiple: **19.63**
Illiquidity discount: **30.63** %

Discount rate
Risk free rate: **3.31** %
Beta: **2.38**
Market Risk Premium: **6.38 %**

Survival rates
Year 1: **81.10 %**
Year 2: **67.90 %**
Year 3: **58.10 %**

/// Please see appendix for data sources and defaults

Financial Projections
Profit & Loss

The profit & loss projections are displayed below. Data about revenues and operating costs are provided by the company. Depreciation and amortization, interest, and taxes are either provided by the company or estimated by Equidam. Please consult our methodology document for more details.

	12-2019 - 11-2020	12-2020 - 11-2021		12-2021 - 11-2022		12-2022 - 11-2023	
Revenues	46,862	140,000	+3X	866,000	+6X	1,677,600	+94%
Cost of Goods Sold	496,907	40,000	-92%	208,400	+5X	273,200	+31%
Salaries	120,509	144,000	+19%	394,800	+3X	544,800	+38%
Operating Expenses	-	197,200		312,800	+59%	452,000	+45%
EBITDA	-570,554	-241,200	+58%	-50,000	+79%	407,600	-
Ebitda margin	-	-		-		24 %	
D&A	-	22,845		141,315	+6X	273,754	+94%
EBIT	-570,554	-264,045	+54%	-191,315	+28%	133,846	-
Ebit margin	-	-		-		7 %	
Interest	-	-		-		-	
EBT	-	-264,045		-191,315	+28%	133,846	-
Taxes	-	-		-		-	
Nominal tax rate	-	24 %		24 %		24 %	
Effective tax payable	-	-63,371		-45,916		32,123	
Deferred tax assets	-	63,371		109,286		77,163	
Net profit	-570,554	-264,045	+54%	-191,315	+28%	133,846	-
Net profit margin	-	-		-		7 %	

All numbers in RM

Cash Flow

The cash flow projections are displayed below. Capital expenditure, debt at the end of the year, and equity fundraising are provided by the company. Account payables, account receivables, inventory and D&A are either provided by the company or estimated by Equidam based on the average percentage of revenues for public companies in the company's industry.

	12/2019 - 11/2020	12/2020 - 11/2021	12/2021 - 11/2022	12/2022 - 11/2023
Net profit	-570,554	-264,045 +54%	-191,315 +28%	133,846 -
Change in Working Capital	-	31,570	57,140	63,877
Working capital	-	11,019	68,159 +6X	132,035 +94%
Account Payables	20,551	11,019	68,162	132,043
Account Receivables	-	16,643	102,954	199,442
Inventory	-	5,394	33,366	64,636
D&A	-	22,845	141,315 +6X	273,754 +94%
Capital expenditures	-	-	-	-
Change in outstanding debt	-	-	-	-
Debt at the end of the year	180,407	-	-	-
Free cash flow to equity	-	-453,177	-107,140 +76%	343,723 -
Equity fundraising	-	500,000	-	-
Free cash flow	-	46,823	-107,140 -	343,723 -
Beginning of the year cash	-	500,000	546,823 +9%	439,683 -20%
End of the year cash	-	546,823	439,683	783,407

All numbers in RM

Conclusion
Legal Notes

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Appendix
Weights of the methods

The default weight of each method is determined by Equidam based on the stage of development, and they are shown below. They can be manually adjusted by the company.

Default weights of the 5 methods

Stage of development	Checklist Method	Scorecard Method	VC Method	DCF with LTG	DCF with Multiples
Idea stage	38%	38%	16%	4%	4%
Development stage	30%	30%	16%	12%	12%
▸ Startup stage	15%	15%	16%	27%	27%
Expansion stage	6%	6%	16%	36%	36%

GS Global Guardian stage of development: **Startup stage**

These are determined according to the following principles:

• Qualitative information is more important in early stage companies, where performance uncertainty is extremely high, so qualitative methods are weighted in more

• The investors' view is equally important across all stages, so the weight of the VC method does not change

• Quantitative information is more reliable in later stages, when a company already has a proven financial track record. Therefore, it is possible to use the DCF methods more extensively as projected results get founded in past performance

Qualitative methods

Default average and maximum valuations data sources

Dataset: Pre-money market valuations from transactions in the last 30 months of company in all industries, all countries, and at seed funding stage

Datasource: Crunchbase

Usage: Computation of average and maximum (net of outliers) pre-money valuations in given geographic areas for the qualitative methods (Scorecard and Checklist respectively)

Update: Biannual

Average valuation (Scorecard Method) in Malaysia: **RM 10,718,848**

Maximum valuation (Checklist Method) in Malaysia: **RM 21,000,000**

Scorecard Method

Default weights of the criteria and breakdown in their traits

Strength of the team	**30%**	**Size of the Opportunity**	**25%**
Time commitment of the founders		Estimated revenues in the third year according to the stage of the development	
Number of employees			
Team spirit and comradeship		Estimated size of the market in three years	
Years of industry experience of the core team		Geographical scope of the business	
Business and managerial background of the core team			

Competitive Environment	**10%**	**Strength and protection of the product/service**	**15%**
Stage of the product/service roll-out		Level of competition in the market	
Degree of loyalty of customers		Quality of competitive products/services	
Type of IP protection applicable		Competitive advantage over other products/services	
IP protection in place (if any)		Barriers to entry of the market	
		Threat of international competition	

Strategic relationships with partners	**10%**	**Funding required**	**10%**
Strength of the relationships with key strategic partners		Capital required according to the stage of development	

Checklist Method

Default weights of the criteria and breakdown in their traits

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Quality of the core team analyzes: **30%**

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: **20%**

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: **15%**

Stage of the product/service roll-out

Type of IP protection applicable

IP protection in place (if any)

Strategic relationships analyzes: **15%**

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   **20%**

Stage of development

Current profitability

VC method

Below the sources of the valuation parameters used in the VC Method: EBITDA Multiple and Annual Required ROI, and their default values provided by Equidam

EBITDA multiple

Description: Enterprise value on EBITDA multiples computed over a dataset of global, publicly listed firms organized by industry

Datasource: Prof. A. Damodaran, NYU Stern School of Busines

Update: Annual

Notes: We favor the use of EBITDA multiple, as we believe revenue multiples fail to capture the ability of startups to generate cash flow, i.e. the ultimate determinant of value.

> GS Global Guardian industry: **Other Online Services**

> Other Online Services EBITDA multiple: **19.63**

Annual Required ROI

The default annual required ROI rates are determined by Equidam based on the returns investors require for companies at different stage of development, and are shown below. They can be manually adjusted by the company.

GS Global Guardian stage of development: **Startup stage**

DCF Methods

Below the sources of the valuation parameters used in the DCF Methods: Discount Rate, Survival Rates and Illiquidity Discounts, and their default values provided by Equidam.

Discount rate

Risk Free Rate

Description: 10Y government rates

Datasource: Trading Economics (tradingeconomics.com), various public databases

Update: Bi-annual (but more frequent if macroeconomic conditions are more volatile)

Notes: For the Eurozone we apply the German 10Y Bond rate

GS Global Guardian country: **Malaysia**

Malaysia risk free rate: **3.31%**

Industry betas

Description: Industry beta computed over industry specific portfolios of global, public listed companies (same as in EBITDA multiple)

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

GS Global Guardian industry: **Other Online Services**

Other Online Services default beta: **2.38**

Market Risk Premium

Description: Country based total equity risk premium as implied in the previous 12 trailing months.

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Biannual

GS Global Guardian country: **Malaysia**

Malaysia default market risk premium: **6.38%**

Survival Rate

Dataset: Country-level survival probabilities of the latest cohort of companies with three years of data available.

Datasource: European Office of Statistics (http://ec.europa.eu/eurostat), U.S. Bureau of Labor Statistics (https://www.bls.gov/), specific academic research and public offices of statistics for different countries.

Update: Annual

GS Global Guardian year of incorporation: **2019**

Default survival rate Year 1: **81.10%**

Default survival rate Year 2: **67.90%**

Default survival rate Year 3: **58.10%**

Default survival rate Year 4: **52.68%**

Default survival rate Year 5: **48.05%**

Default survival rate Year 6: **44.27%**

Default survival rate Year 7: **41.07%**

Default survival rate Year 8: **38.30%**

Default survival rate Year 9: **35.86%**

Default survival rate Year 10: **33.68%**

Illiquidity discount

The default illiquidity discount is assigned based on current profitability and projected revenues, according to the approach suggested by William L. Silber.

GS Global Guardian illiquidity discount: **30.63%**

DCF with LTG

Long term growth

Dataset: Global, publicly listed companies organized by industry (same as in EBITDA multiple)

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

Notes: The value is winsorized over a 0% - 2.5% range. We do not want the long term growth to be above world GDP growth expectations, as it would mean the company is going to overgrow world economy at some point in time

GS Global Guardian industry: **Other Online Services**

Other Online Services default long term growth: **0.03**

DCF with Multiples

EBITDA multiple

Dataset: Global, publicly listed companies organized by industry

Datasource: Prof. A. Damodaran, NYU Stern School of Business

Update: Annual

Notes: We favor the use of EBITDA multiple, as we believe revenue multiples fail to capture the ability of startups to generate cash flow, the ultimate determinant of value.

GS Global Guardian industry: **Other Online Services**

Other Online Services default EBITDA multiple: **19.63**

Last Available Balance Sheet

Below the simplified, last available balance sheet of the company.

	12/2019 - 11/2020
Cash and equivalents	-
Tangible assets	-
Intangible assets	-
Financial assets	170,814
Deferred tax assets	-
Total Assets	170,814
Debts due within one year time	-
Debt due beyond one year time	180,407
Equity	-9,593
Total Liabilities and Shareholder's Equity	170,814

All numbers in RM