

Company Logo Area

Valuation Report of Octowill Sdn Bhd

As of 2021-07-13

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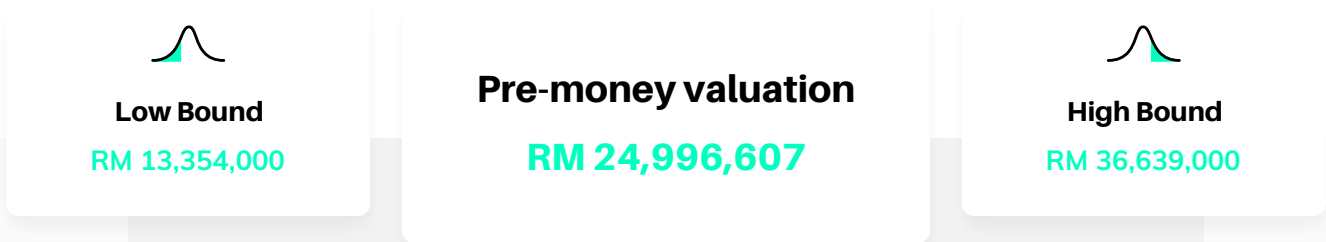
Report generated on 8 Aug, 2021

Valuation

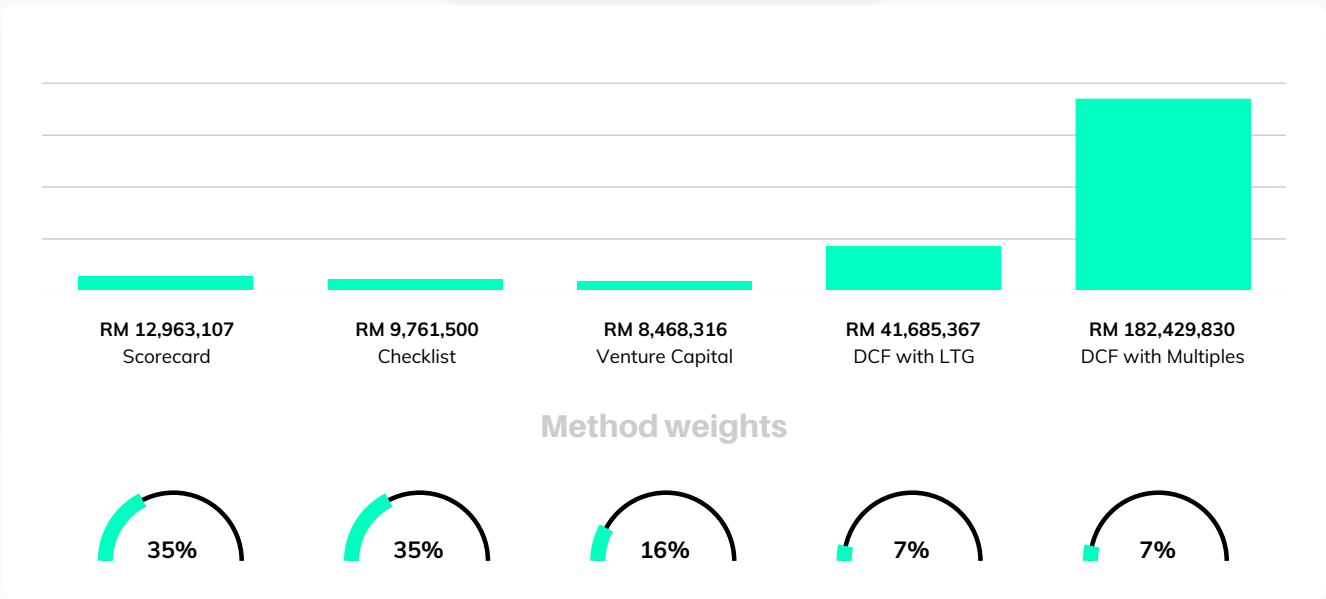
The pre-money valuation displayed below is the result of the weighted average of different methods. The use of several methods is a best practice in company valuation, as looking at the business from different perspectives results in a more comprehensive and reliable view.

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.



5 Valuation Methods



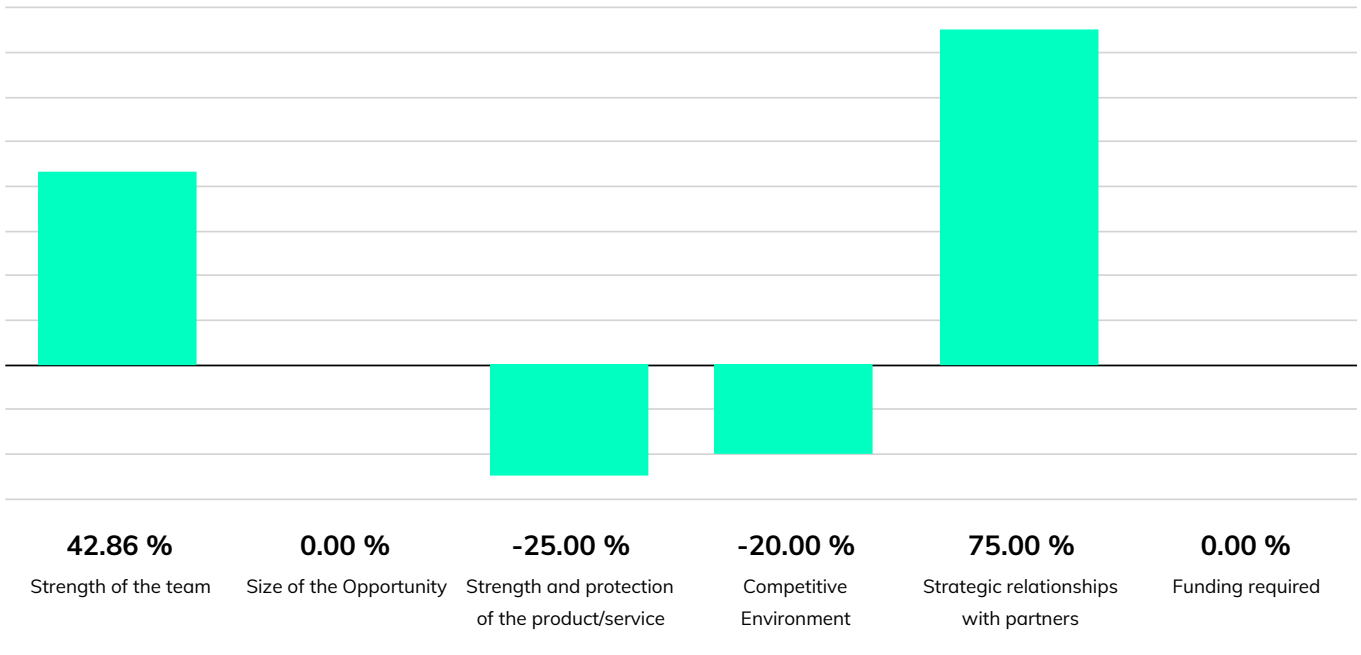
Qualitative methods

Scorecard Method: RM 12,963,107

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



Parameters

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

Weights of the criteria

Strength of the team: 30%

Size of the Opportunity: 25%

Strength and protection of the product/service: 15%

Competitive Environment: 10%

Strategic relationships with partners: 10%

Funding required: 10%

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

Checklist Method: **RM 9,761,500**

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.



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%)**

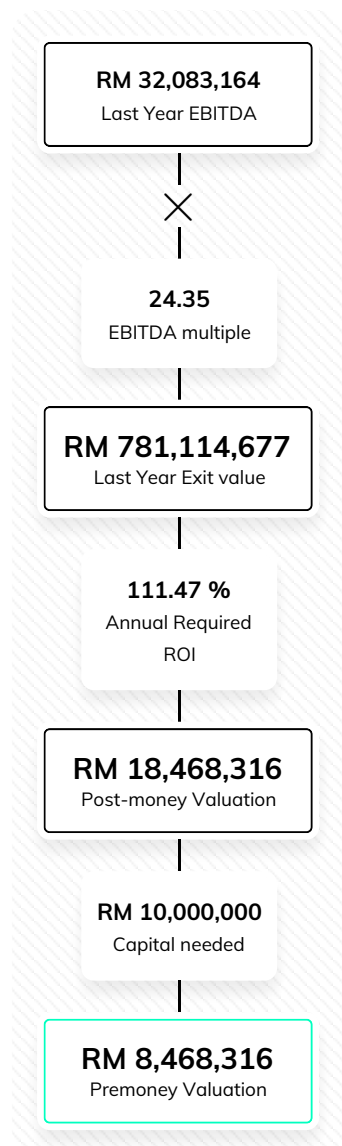
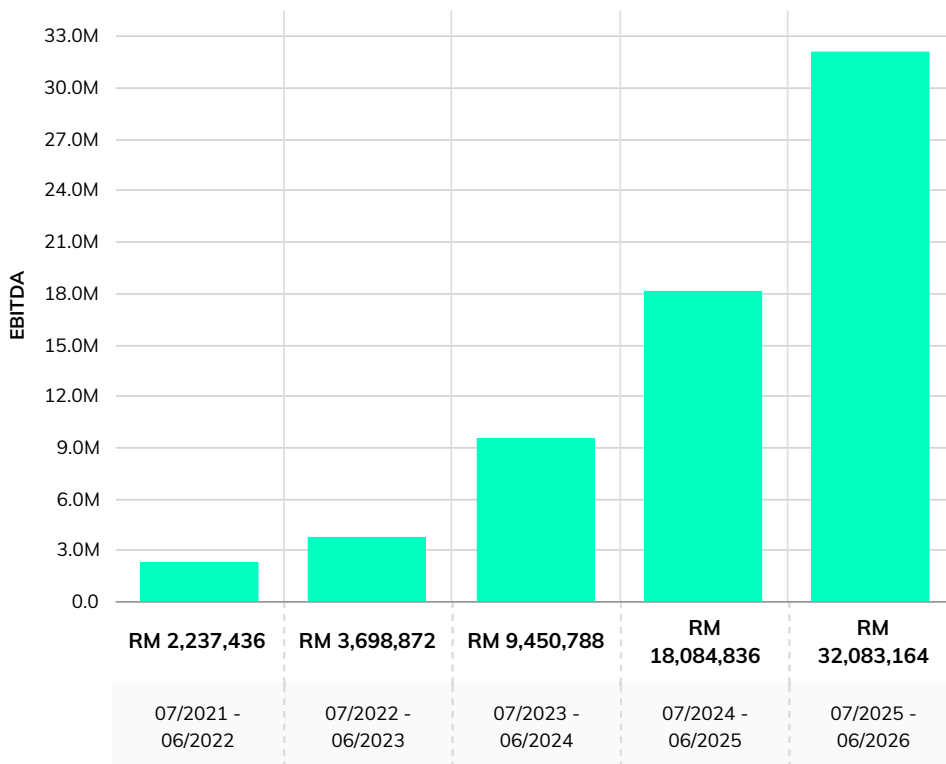
/// Please see appendix for data sources, defaults, and breakdown of the traits

VC Method

Premoney Valuation: **RM 8,468,316**

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.



Parameters

Industry Multiple: **24.35**

Annual Required ROI: **111.47 %**

/// Please see appendix for data sources and defaults

DCF Methods

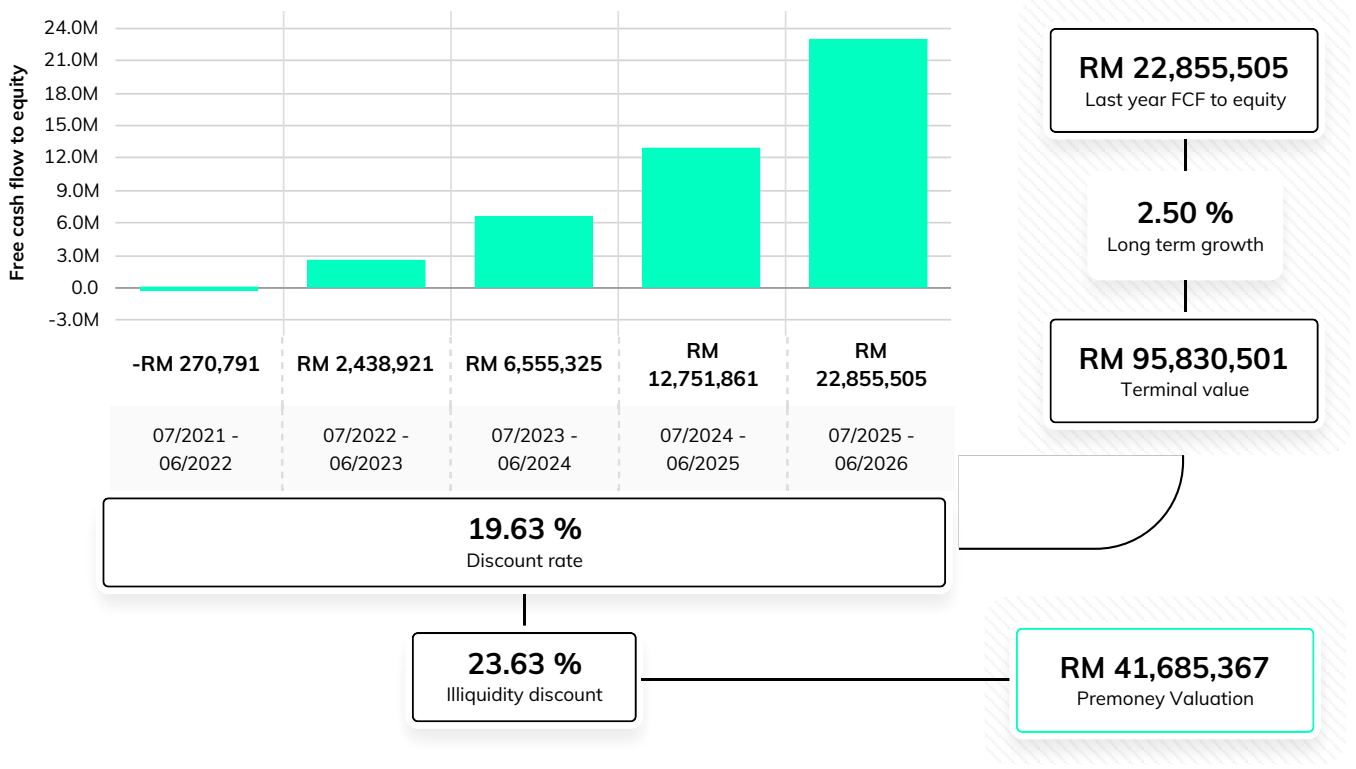
The DCF (Discounted Cash Flow) methods represent the most renowned approach to company valuation, recommended by academics and a daily tool for financial analysts. The valuation is the present value of all the free cash flows to equity the startup is going to generate in the future, discounted by its 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 41,685,367

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.



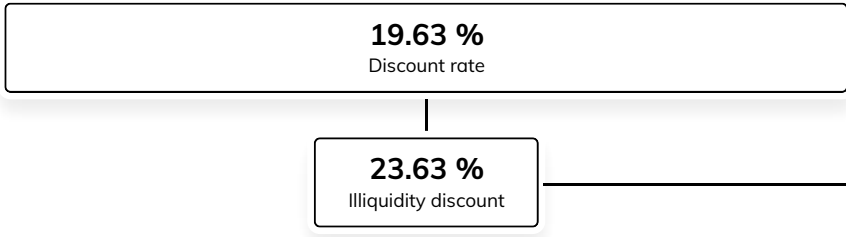
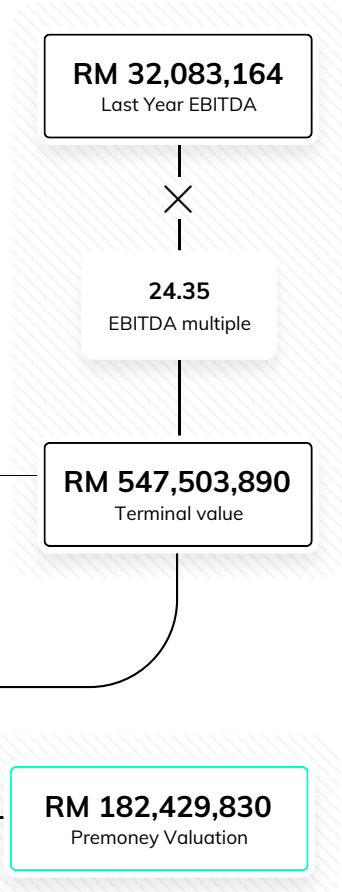
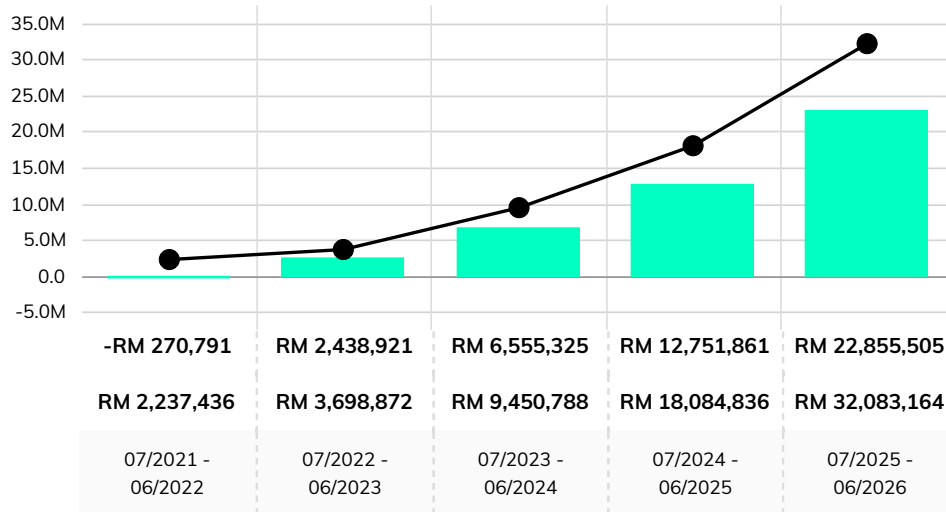
Parameters		Discount rate		Survival rates	
Long term growth:	2.50 %	Risk free rate:	3.31 %	Year 1:	92.13 %
Illiquidity discount:	23.63 %	Beta:	2.56	Year 2:	85.48 %
		Market Risk Premium:	6.38 %	Year 3:	79.72 %
				Year 4:	74.64 %
				Year 5:	70.09 %

/// Please see appendix for data sources and defaults

DCF with Multiples: **RM 182,429,830**

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



Parameters

EBITDA multiple: **24.35**
 Illiquidity discount: **23.63 %**

Discount rate
 Risk free rate: **3.31 %**
 Beta: **2.56**
 Market Risk Premium: **6.38 %**

Survival rates
 Year 1: **92.13 %**
 Year 2: **85.48 %**
 Year 3: **79.72 %**
 Year 4: **74.64 %**
 Year 5: **70.09 %**

/// Please see appendix for data sources and defaults