

TOPIC No. 10 :

Investment and grants



Project: Boosting entrepreneurship of youth, No: 2022-1-LT02-KA220-YOU-000088549

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Agenda (key words/content)

◆ Source of capital

◆ Pros & Cons

◆ Startup valuation

◆ Methods

◆ Finding investor

◆ Cap table

◆ Pitch deck & deal

◆ Grants

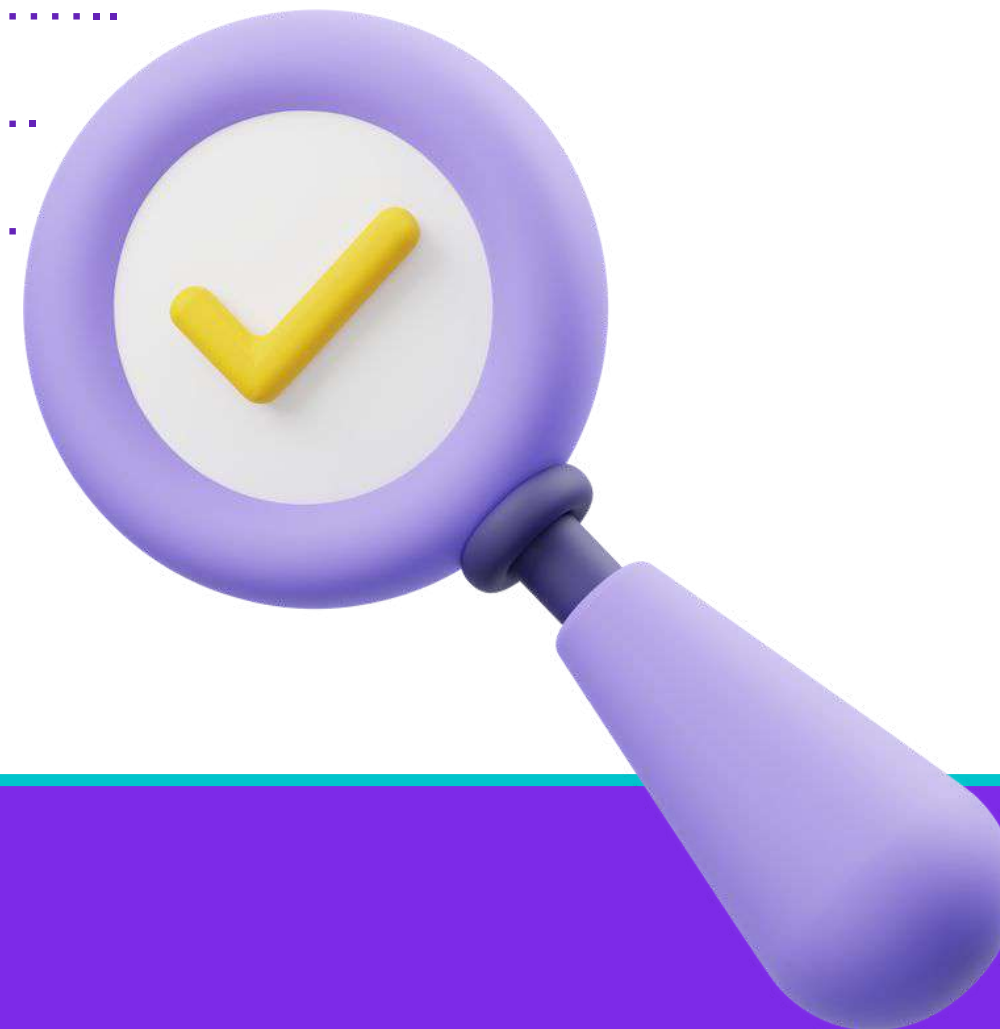


Source of capital

- FFF (Friends – Family – Fools)
- Grants
- Loans
- Bootstrapping
- Crowdfunding
- Angel investor
- Venture capital (VC) fund

What do you think are advantages and disadvantages of each source?

-
-
-
-
-
-
-



Securing investment from angel investor or VC fund

How do I value my startup?

Where are will find my investor?



What else I need to consider?

Methods for startup valuation



Berkus Method – Early stage

Estimated Company Value	Stage of Development
\$250,000 - \$500,000	Has an exciting business idea or business plan
\$500,000 - \$1 million	Has a strong management team in place to execute on the plan
\$1 million - \$2 million	Has a final product or technology prototype
\$2 million - \$5 million	Has strategic alliances or partners, or signs of a customer base
\$5 million and up	Has clear signs of revenue growth and obvious pathway to profitability

Discounted Cashflow

Forecasting how much cash flow the company will produce in the future and then, using a expected rate of investment return, calculating how much that cash flow is worth. You may need to work closely with a market analyst or an investor to use this method.

“Venture capital method”

First, you’ll calculate your startup’s terminal value, or the expected selling price after the VC firm has invested. Determine the anticipated ROI, such as 50x, and plug everything in to find your post-money valuation.

Comparable transaction

Answering the question: “How much were startups like me valued in the same stage?”

Berkus Method

Startup has a great idea and a working prototype but has not yet developed any strategic relationships, quality management, or sales, it might be valued as follows:

Sound Idea: \$500,000

Prototype: \$500,000

Quality Management Team: \$0

Strategic Relationships: \$0

Product Rollout or Sales: \$0

Future Valuation (VC Method)

Estimate Future Revenue:

Apply Industry Multiple: EBITDA x Y

Calculate Future Valuation:

Determine Rate of Return: 5x return on investment within five years.

Calculate Required Investment: divide the future valuation by the desired return: \$60 million / 5 = \$12 million.

Discount to Present Value: let's say 20%, you would discount the \$12 million back to its present value.

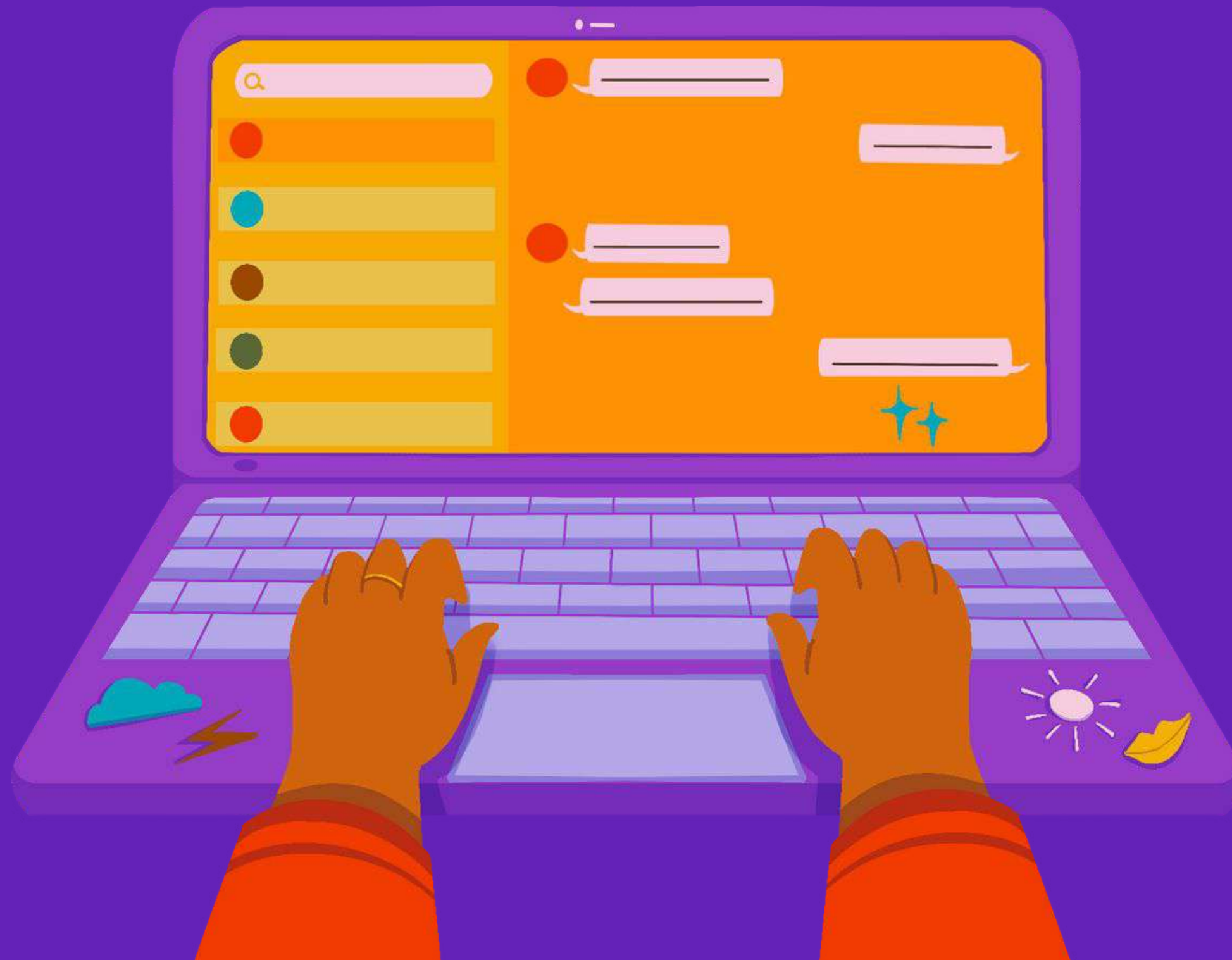
Comparable Transaction

Assume we have 3 comparable transactions where companies were purchased for multiples of their annual revenue, specifically 2x, 2.5x, and 3x.

If the company we're trying to value is making \$5 million in revenue, we might apply a multiple within that range to estimate its value.

Taking the average multiple of 2.5x, we would estimate the value of the company at \$12.5 million.

Looking for investor



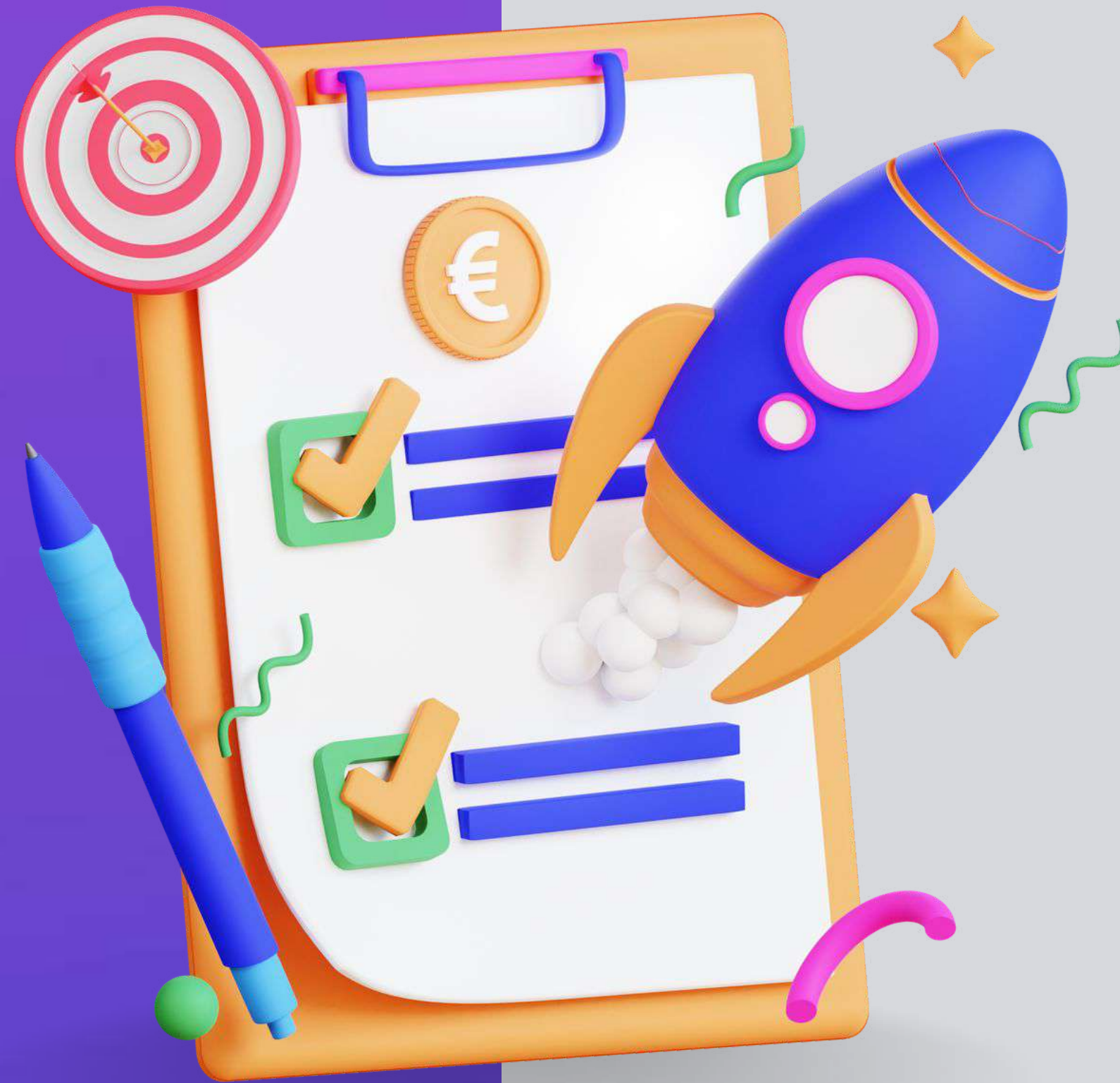
Are there any incubators or accelerators in my area/country?

Do we have a national business development agency where I can ask for navigation?

What social media I can use to find investor online?
(i.e. LinkedIn)

Are there any online platforms where I can find list of potential investors? (i.e. [impact map](#), [www.evpa.ngo](#), <https://impactdatabase.eu>, [eban](#))

What startups I know and can ask what options they tried?



CAP table

A cap table (or capitalization table) is a document, like a spreadsheet or a table, that details who has ownership in a company. It lists all the securities or number of shares of a company.

Let's Practice!

[Startup equity calculator](#)

Investor pitch deck:

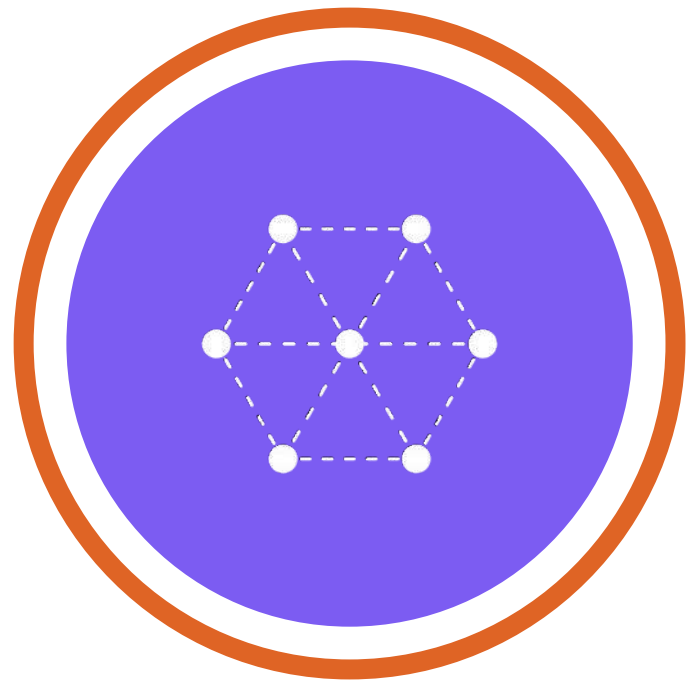
brief presentation that gives potential investors an overview of your business



Let's Practice!

[Pitch deck creator](#)

Closing deal with investor



Negotiations
initiation

...



Signing NDA
(optional) and
termsheets

...



Due diligence
process
(if required)

...



Company set up – MoA
and SHA signed

Get familiar with termsheets

- founders vesting (typically 3 or 4 years),
- bad leaver/good leaver situations
- drag along and tag along
- non-compete obligation of the founders
- ESOP
- Anti-dilution mechanisms against disproportionate dilution of existing investors' shares



Securing funding from grants

Where I can find information about our national grants opportunities for startups?

Are there any EU programmes offering grants?



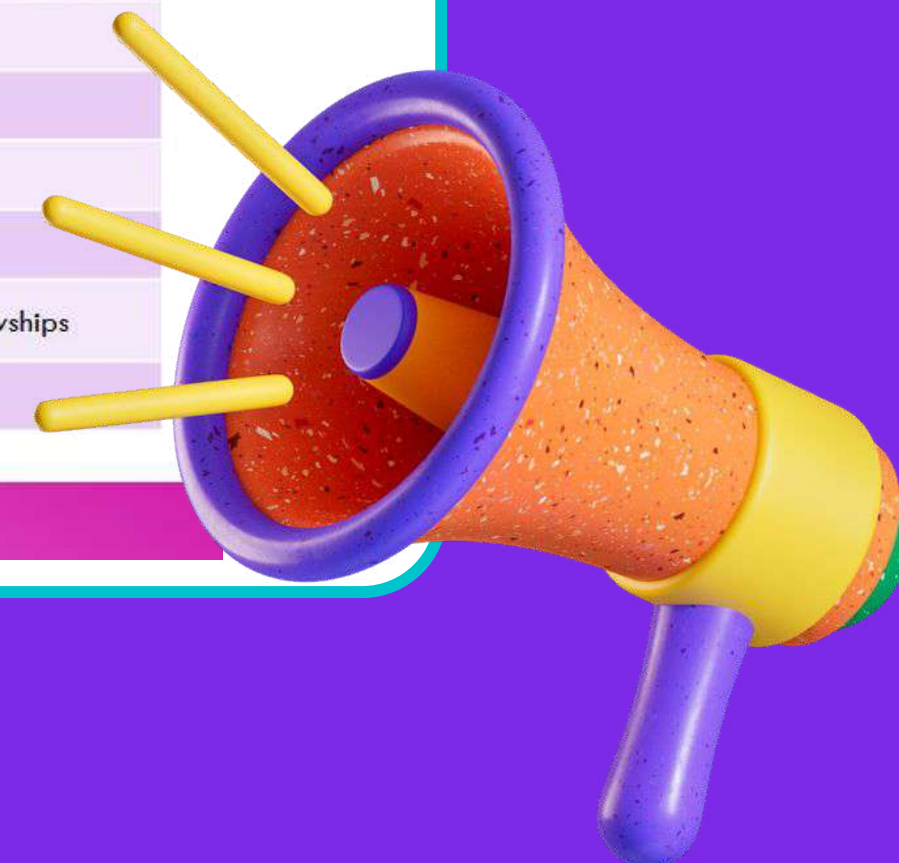
What I need to consider when I will apply for grants?

EU support to startups: Lifecycle

EU programme	research	innovation/ product dev	testing/ validation	scaling/growth	acceleration	education	specific
EIC Accelerator (HEU)	••	••	••	••	••		grants & equity
EIC Transition (HEU)	••	•					
EIC Pathfinder (HEU)	••						
Collaborative (HEU)	••	•	•				
Cascade funding	•	•	•		•		
Eurostars	••	•	•		•		
EIT	•	•	•	••	••		
EDIH		••	••	•	•		
Digital Europe		•	•				
EU Defence Fund		•					
Innovation Fund		•					+ investment projects
Life		•					
EU4Health		•	•				
EU Space Programme		•	•				
Creative Europe		•	•				
Erasmus for Young Entrepreneurs						•	fellowships
Erasmus+		•	•			••	

•• the programme is supporting this lifecycle stage

• the programme is partially supporting this lifecycle stage



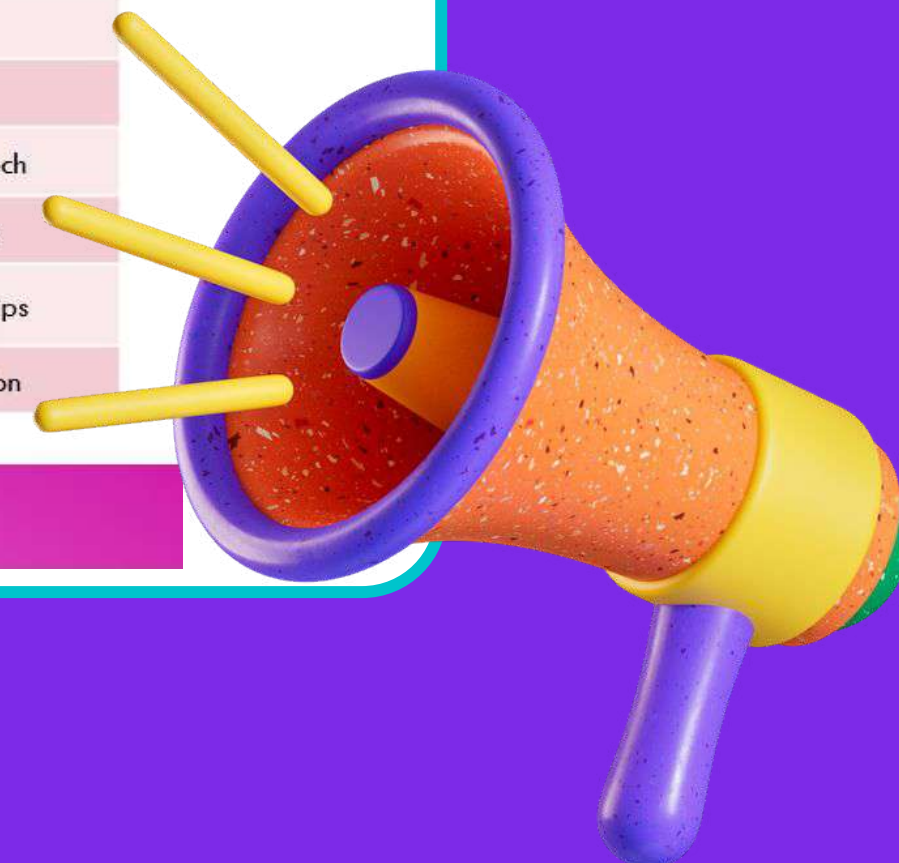
source: <https://innonews.blog>

EU support to startups: Thematic areas

EU programme	digital	energy/enviro	industry	medicine	agri/bio/food	culture/media	specific
EIC Accelerator (HEU)	••	••	••	••	••	•	thematic challenges
EIC Transition (HEU)	••	••	••	••	••	•	thematic challenges
EIC Pathfinder (HEU)	••	••	••	••	••	•	thematic challenges
Collaborative (HEU)	••	••	••	••	••	•	
Cascade funding	••	••	••	••	••		
Eurostars	••	••	••	••	••	•	
EIT	••	••	••	••	••	••	
EDIH	••	•	•				
Digital Europe	••						
EU Defence Fund	•		•				military
Innovation Fund		••	•				
Life	•	••	•		•		
EU4Health	•			••			
EU Space Programme	•	•	••		•		space tech
Creative Europe						••	media
Erasmus for Young Entrepreneurs	••	••	••	••	••	••	fellowships
Erasmus+	•					•	education

•• the programme is supporting this thematic area

• the programme is partially supporting this thematic area



source: <https://innonews.blog>

What to consider prior submitting grant application



TIME frame

(limited time period to spend received grant)

ADMINISTRATION rules

(reporting process and documentation, obligations considering publicity, public procurement, etc.)

ELIGIBLE costs

(not all costs can be paid from the grant)

GRANT rate

(it can be 100% but also 80% - cofinancing required here)

Get familiar with the individual call for proposals!

Any Question



ENT_YOUTH RESOURCES

- ✓ Guidelines of ENT_YOUTH
- ✓ SBPPO – ONLINE PLATFORM FOR YOUNG ENTREPRENEURS (<https://ent-youth.eu/>)
- ✓ NEW TOOLS for young entrepreneurs
- ✓ Mentoring and Coaching – guidance through ENT_YOUTH