

**Case Study**

**Valuation Support to the VC Arm of a Telecom  
Operator**



# Case Study

## Valuation Support to the VC Arm of a Telecom Operator



### About the Client



- The client is the venture capital arm of a major European telecom operator, based out of Silicon Valley
- The division aims to maximise the VC portfolio value within the Group
- It also aims to enhance the parent's relationship with start-ups by identifying upcoming opportunities

### Client Objectives / Goals



- The client's Big Data team was scheduled to begin a roadshow with start-ups and wanted background intelligence on companies active in certain focus areas
- The project was split into three parts: identify relevant companies in areas of interest; prepare one-pager tearsheets on companies shortlisted; followed by valuation for a start-up that the client was interested in

### Approach and Methodology



- Built an understanding of the Big Data analytics space, focusing on the areas of interest, such as data enablers, data service and applications, etc.
- Prepared a sample tearsheet and obtained client buy-in. Given the short turnaround time on the project, each tearsheet was completed in three hours on an average
- Finally, referred to a number of academic papers to finalise the valuation approach for the target tech start-up
- RocSearch added a detailed analysis of the approaches that were not considered for the valuation exercise to justify our choice of the final approach

### Sample Output



**Valuation Model**

Risk Adjusted Discount Rate (VC Rate of Return) 15%

Median P/S Multiple 6.3x

Median revenue multiplier of USA transactions of comparable companies. See previous page for calculations.

| Year                            | 2012          | 2013   | 2014   | 2015      | 2016      | 2017       | 2018       | 2019           |
|---------------------------------|---------------|--------|--------|-----------|-----------|------------|------------|----------------|
| Projected Revenue (\$ '000s)    | 10,000        | 30,000 | 25,000 | 2,800,000 | 8,115,000 | 15,989,000 | 28,775,300 | 48,514,816     |
| % Change                        |               | 200%   | -20%   | 1000%     | 100%      | 100%       | 100%       | 100%           |
| Revenue Multiplier              |               |        |        |           |           |            |            | 6.3x           |
| Value on Terminal Year          |               |        |        |           |           |            |            | \$ 300,807,516 |
| Discount Factor                 |               |        |        |           |           |            |            | 0.306005168    |
| Present Value of Terminal Value |               |        |        |           |           |            |            | \$ 9,120,112   |
| Pre-Money Valuation             | \$ 9,300,535  |        |        |           |           |            |            |                |
| Investment                      | \$ 20,800,000 |        |        |           |           |            |            |                |
| Post-Money Valuation            | \$ 30,100,535 |        |        |           |           |            |            |                |

Pre-Money Valuation \$ 9,300,535

Investment \$ 20,800,000

Post-Money Valuation \$ 30,100,535

Revenue growth assumptions extrapolated from comparable data of tech startups with similar business models.

| Scenario | VC Required Rate of Return | Value         |
|----------|----------------------------|---------------|
| 0.00%    | 15%                        | \$ 16,375,816 |
| 1.00%    | 15%                        | \$ 18,432,365 |
| 2.00%    | 15%                        | \$ 20,488,914 |
| 3.00%    | 15%                        | \$ 22,545,463 |
| 4.00%    | 15%                        | \$ 24,602,012 |
| 5.00%    | 15%                        | \$ 26,658,561 |
| 6.00%    | 15%                        | \$ 28,715,110 |
| 7.00%    | 15%                        | \$ 30,771,659 |
| 8.00%    | 15%                        | \$ 32,828,208 |
| 9.00%    | 15%                        | \$ 34,884,757 |
| 10.00%   | 15%                        | \$ 36,941,306 |

Note: We have used more aggressive growth projections for TaskBus given the fact that it is based on WebRTC technology, which is expected to be a game-changer in the field of browser-based web conferencing in the future.

### Results / Value-add



The information gathered helped the client in taking key strategic decisions