

# 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
- ◆ Startup valuation
- ◆ Finding investor
- ◆ Pitch deck & deal
- ◆ Pros & Cons
- ◆ Methods
- ◆ Cap table
- ◆ Grants

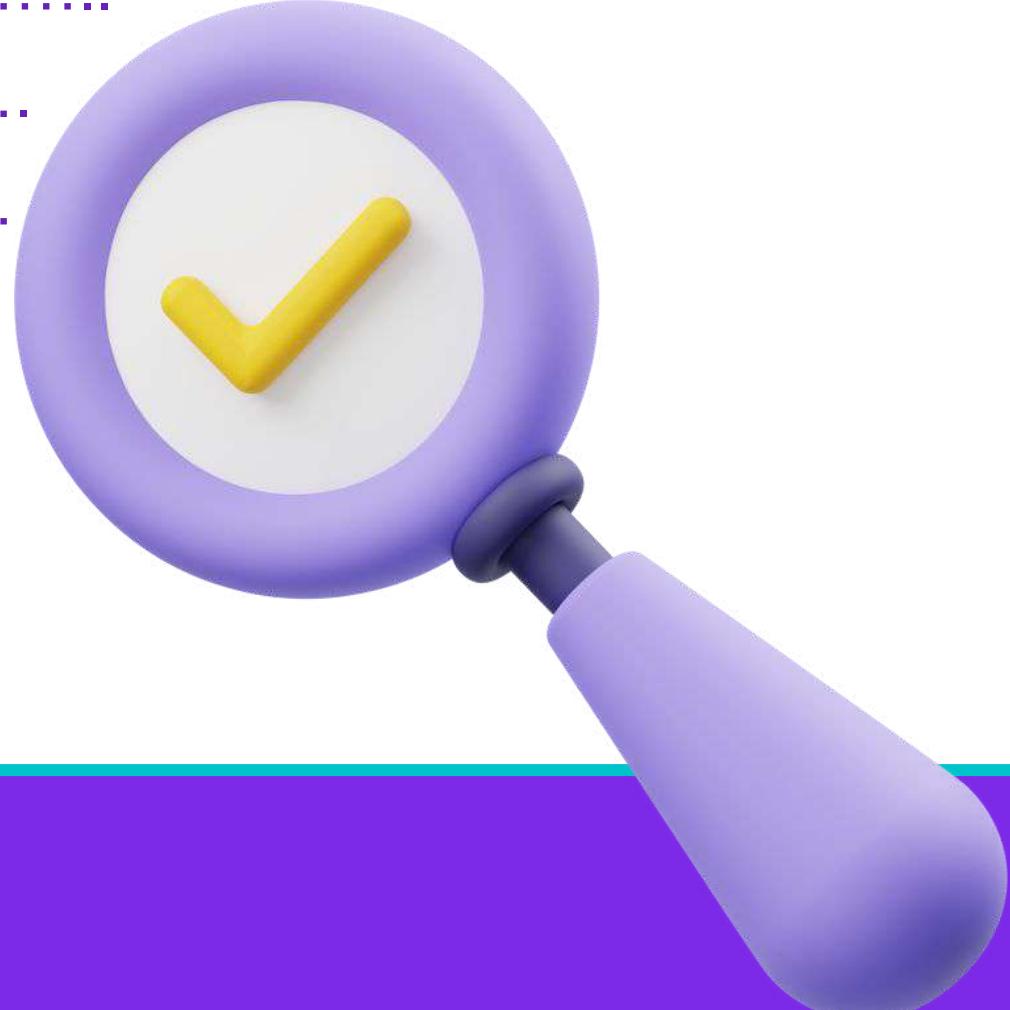


## Source of capital

- 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

\$250,000 - \$500,000

\$500,000 - \$1 million

\$1 million - \$2 million

\$2 million - \$5 million

\$5 million and up

### Stage of Development

Has an exciting business idea or business plan

Has a strong management team in place to execute on the plan

Has a final product or technology prototype

Has strategic alliances or partners, or signs of a customer base

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

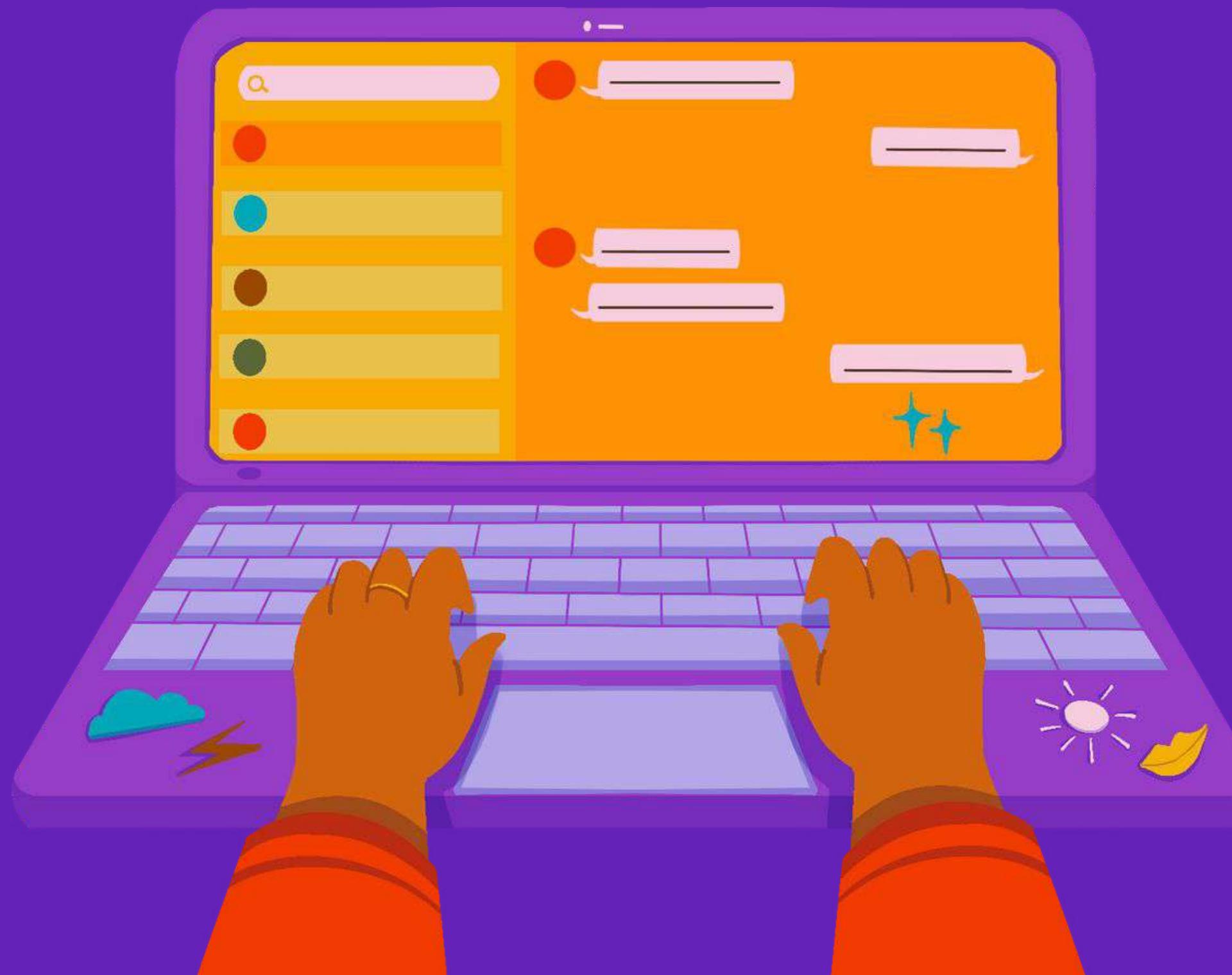
## Future Valuation (VC Method)

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:  $\$60 \text{ million} / 5 = \$12 \text{ million}$ .  
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:

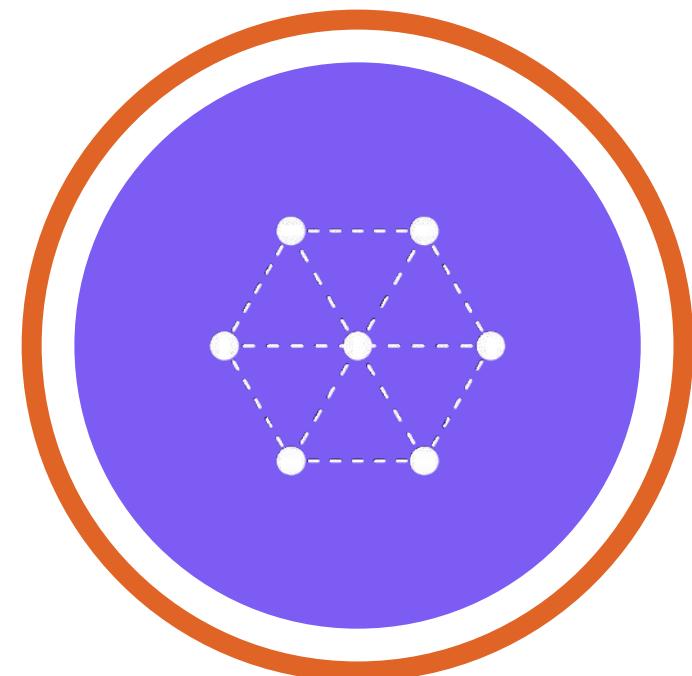
brief presentation that gives potential investors an overview of your business



## Let's Practice!

[Pitch deck creator](#)

# Closing deal with investor



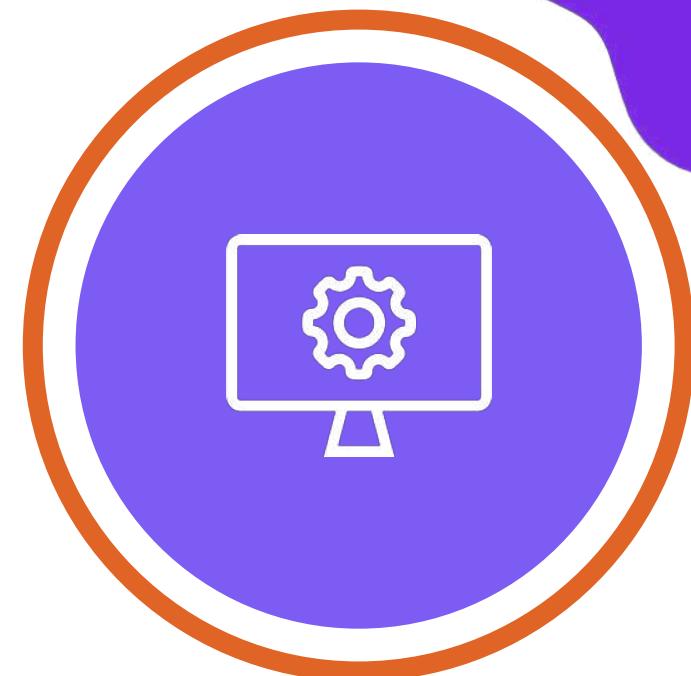
Negotiations  
initiation



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
<b>EIC Accelerator (HEU)</b>	••	••	••	••	••		grants & equity
<b>EIC Transition (HEU)</b>	••	•					
<b>EIC Pathfinder (HEU)</b>	••						
<b>Collaborative (HEU)</b>	••	•	•				
<b>Cascade funding</b>	•	•	•		•		
<b>Eurostars</b>	••	•	•		•		
<b>EIT</b>	•	•	•	••	••		
<b>EDIH</b>		••	••	•	•		
<b>Digital Europe</b>		•	•				
<b>EU Defence Fund</b>		•					
<b>Innovation Fund</b>		•					+ investment projects
<b>Life</b>		•					
<b>EU4Health</b>		•	•				
<b>EU Space Programme</b>		•	•				
<b>Creative Europe</b>		•	•				
<b>Erasmus for Young Entrepreneurs</b>						•	fellowships
<b>Erasmus+</b>		•	•			••	

•• 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

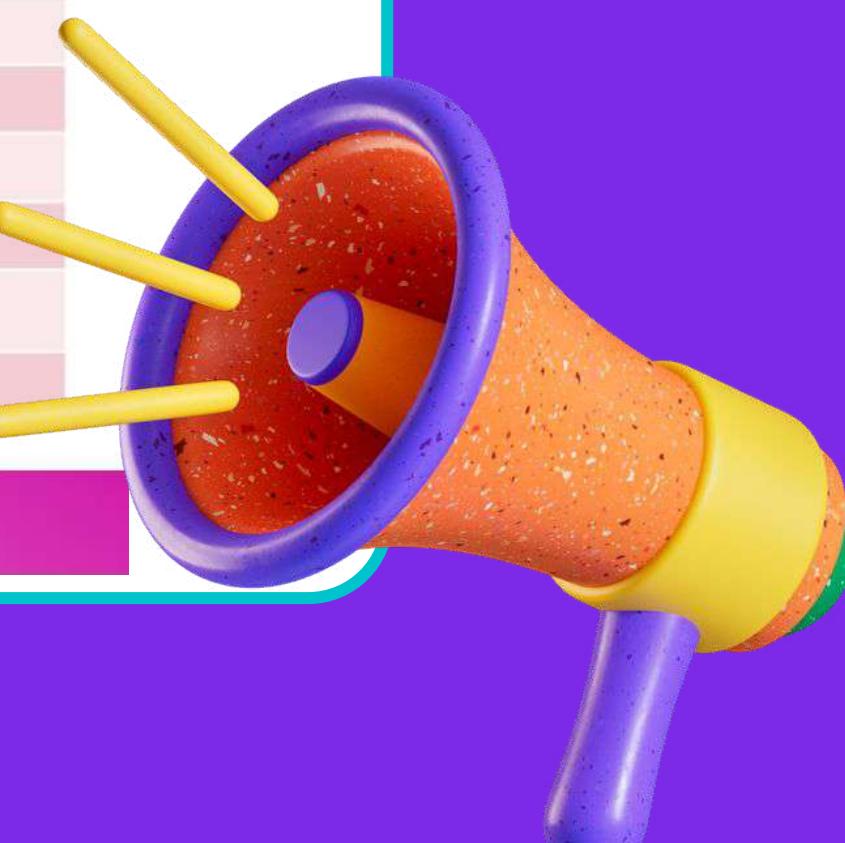
EU programme	digital	energy/enviro	industry	medicine	agri/bio/food	culture/media	specific
<b>EIC Accelerator (HEU)</b>	••	••	••	••	••	•	thematic challenges
<b>EIC Transition (HEU)</b>	••	••	••	••	••	•	thematic challenges
<b>EIC Pathfinder (HEU)</b>	••	••	••	••	••	•	thematic challenges
<b>Collaborative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