

UNIQUE RECIPES

Valuation Report of Unique Recipes Sp. z o.o.

As of 2021-07-07

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Company summary

Unique Recipes Sp. z o.o.

🏠 Władysława Korotyńskiego 19A / 105, 02-123 Warszawa

🌐 Poland

Industry: **Food Processing**

Business Activity: **Chocolate & Confectionery**

Producer of high-quality, pro-health, natural and delicious chocolate spread elCrem

🌐 <https://elcrem.com/>

Founders: **2**

Employees: **4**

Started in: **2017**

Incorporated: **Yes**

Year of incorporation: **2017**

Founders' committed capital:
zł220000



Opportunity

Business model: **B2C**

Scalable Product: **Yes**

Exit strategy: **Multiple exit opportunities**



Current Operations

Stage of development: **Startup stage**

Employees (excluding founders, interns and freelancers): **4**

Profitability: **Not breakeven yet**



Latest operating performance

01/2020 - 12/2020

Revenues **47,000**

EBITDA **-310,000**

Ebitda margin **-659 %**

EBIT **-317,500**

Ebit margin **-675 %**

Cash in hand **680,627**

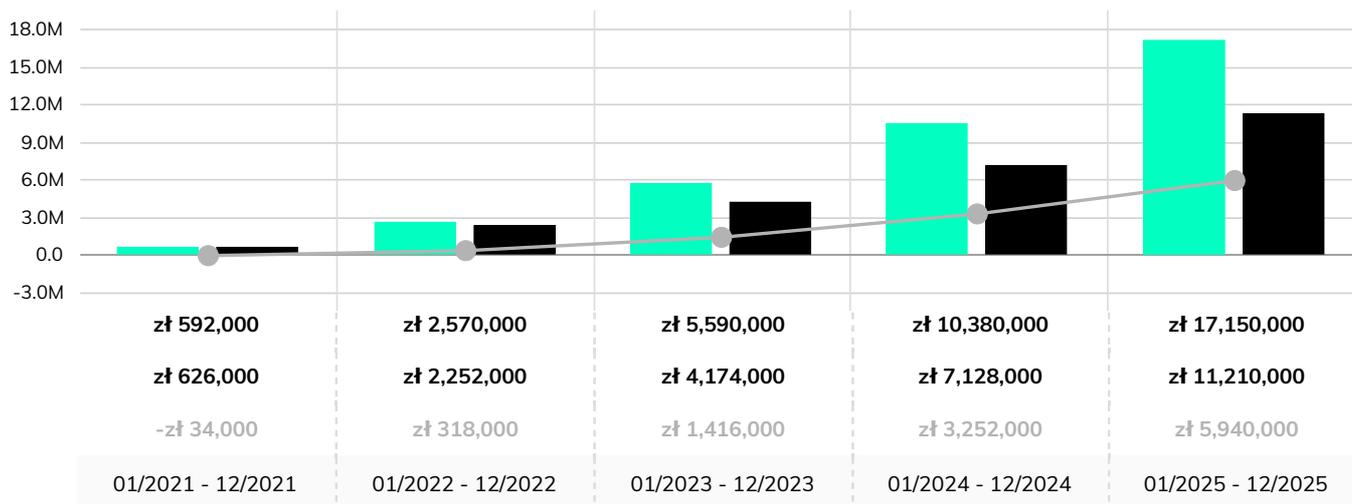
All numbers in zł

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

Forecasts summary

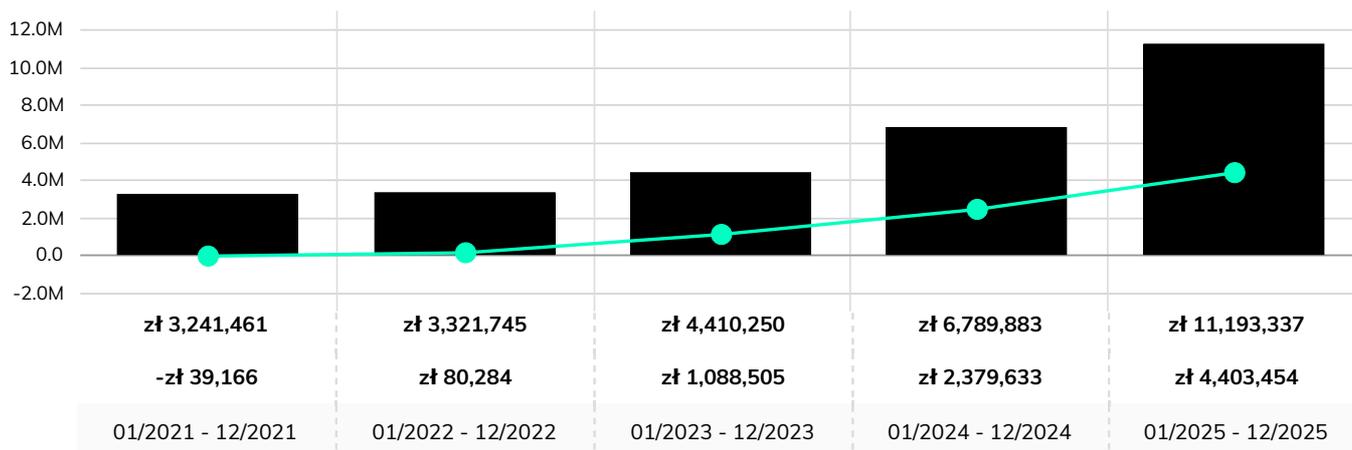
Future profitability

■ Revenues ■ Costs ● EBITDA



Cash forecast

■ Cash in hand ● Free cash flow to equity



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

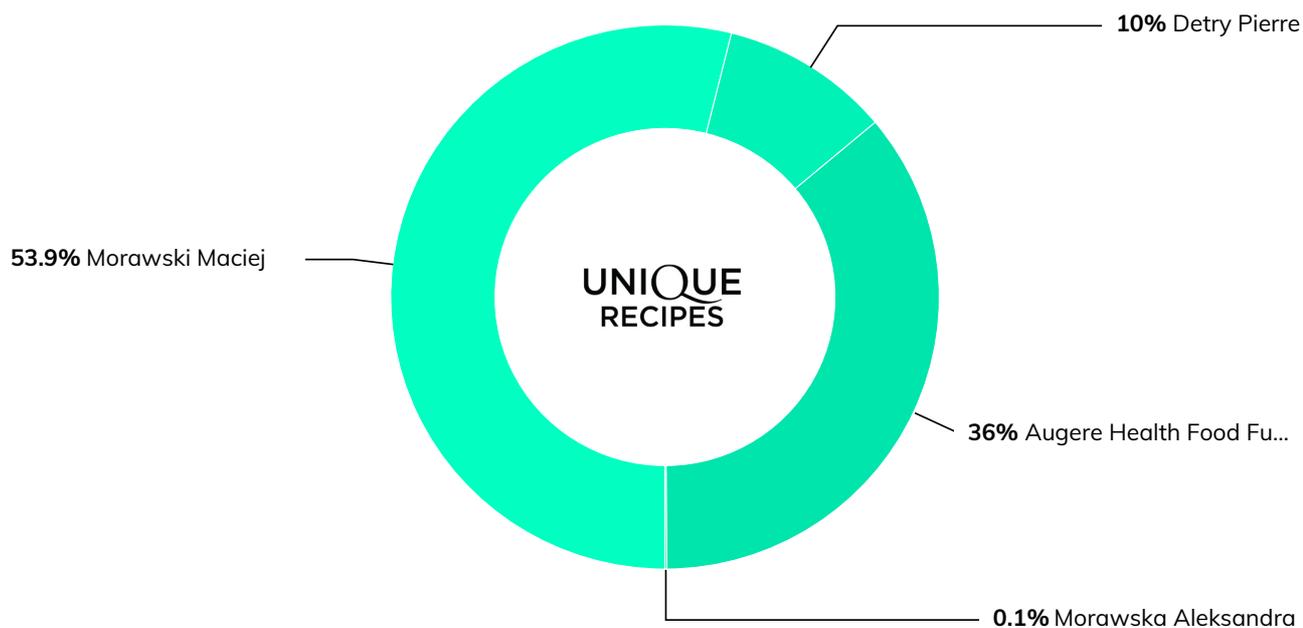
Past funding rounds

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

Date	Amount raised	% of Equity	Post-Money Valuation
12-10-2018	zł 1,000,000	14.27%	zł 7,007,708

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.

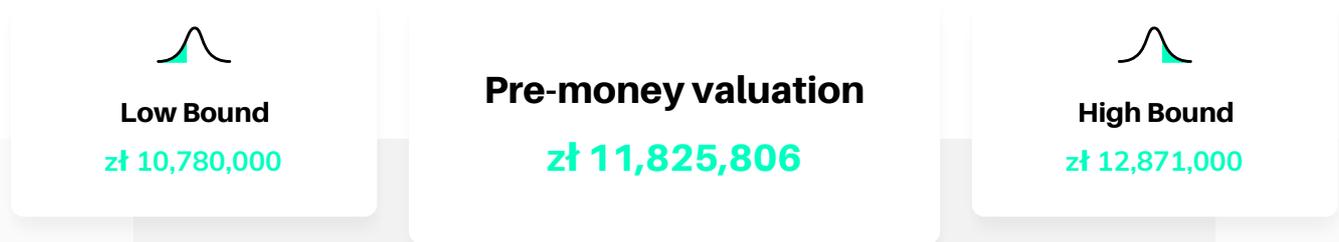


Valuation

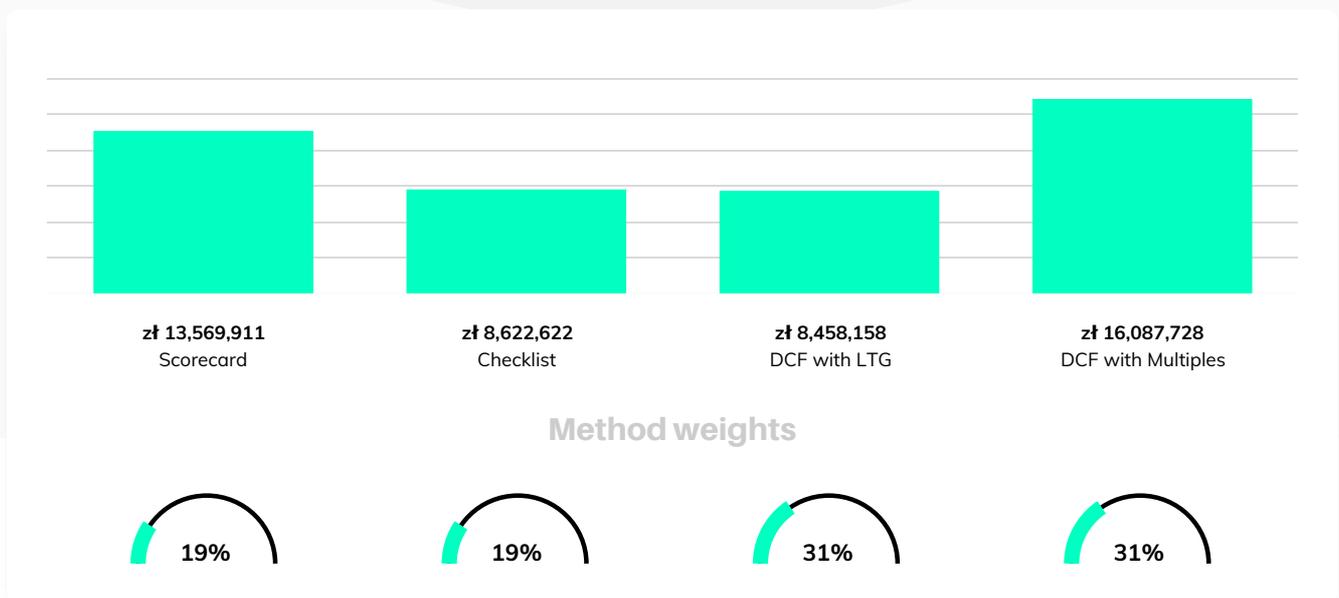
The pre-money valuation displayed below is the result of the weighted average of different methods. The use of several methods is a best practice in company valuation, as looking at the business from different perspectives results in a more comprehensive and reliable view.

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.

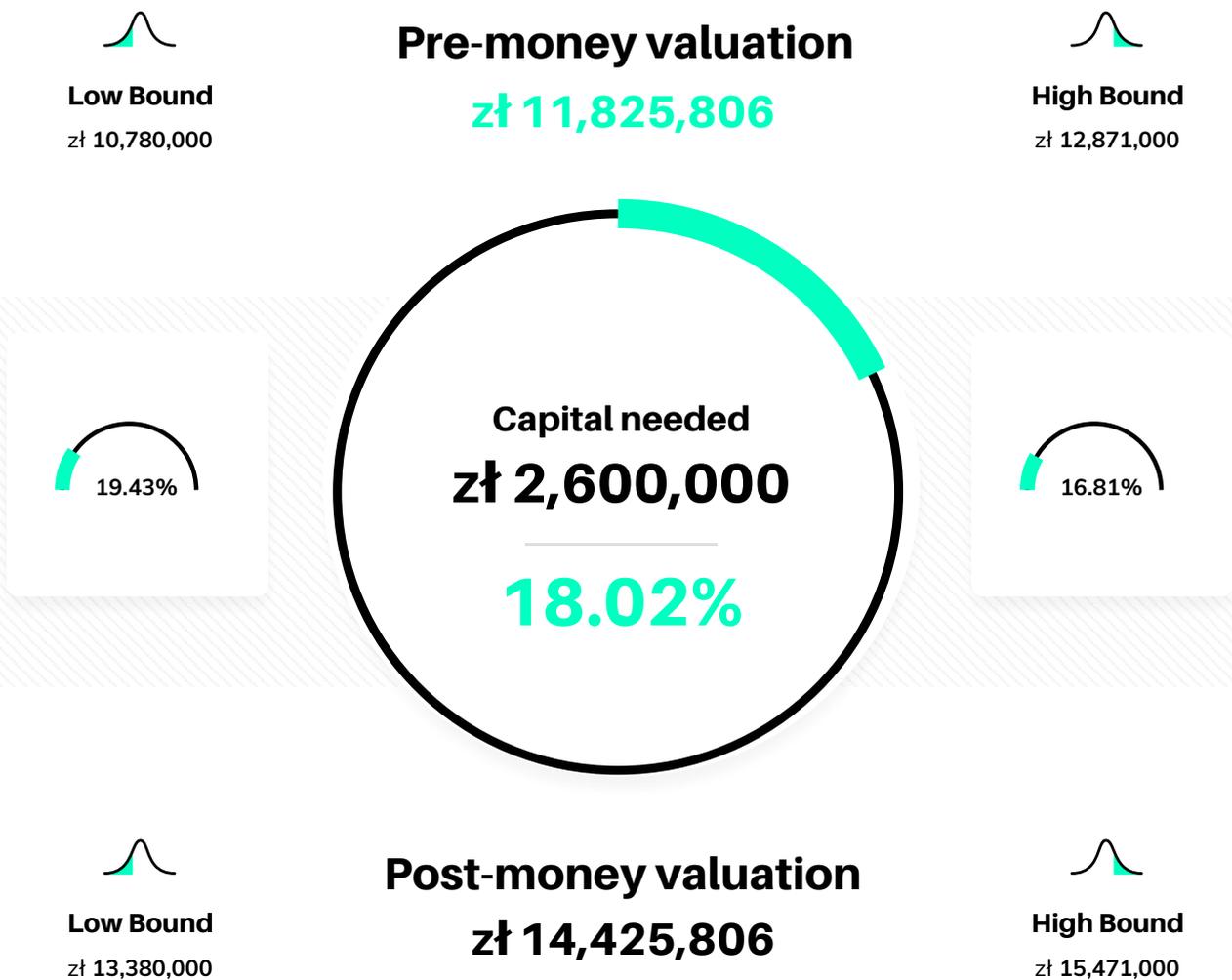


4 Valuation Methods



Current funding round

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



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.



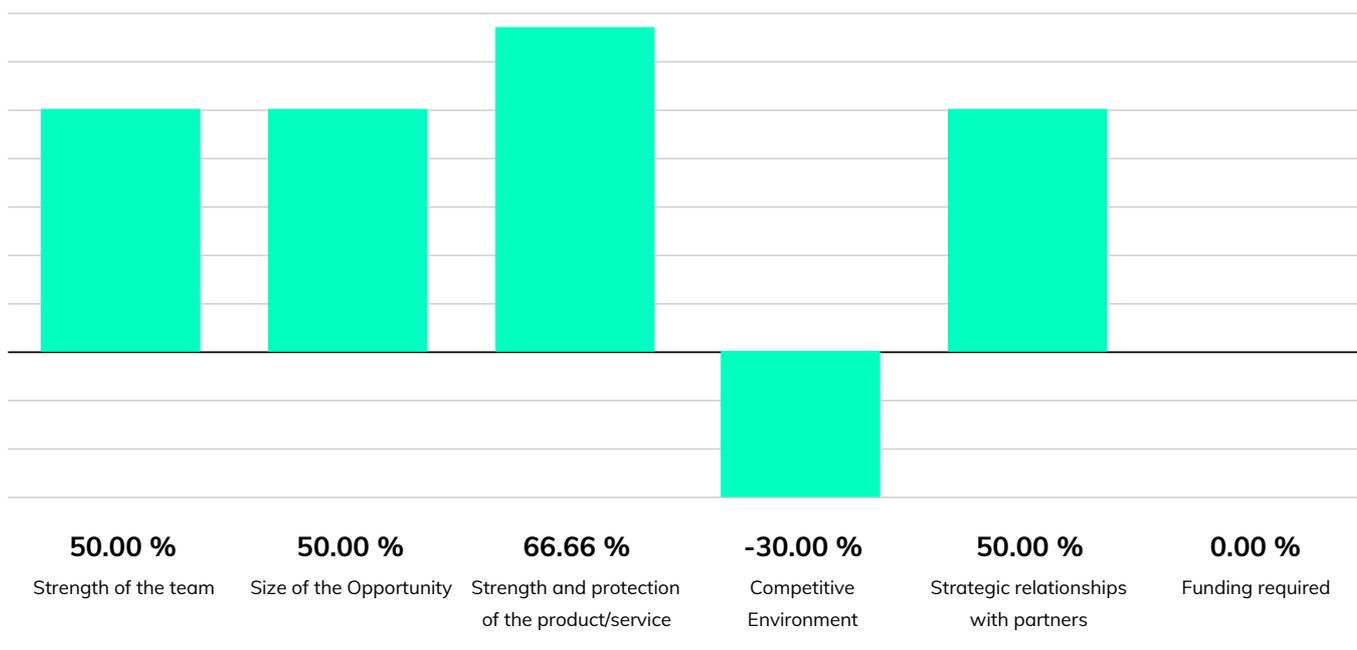
Qualitative methods

Scorecard Method: **zł 13,569,911**

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 (Poland): **zł 9,084,459**

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%**

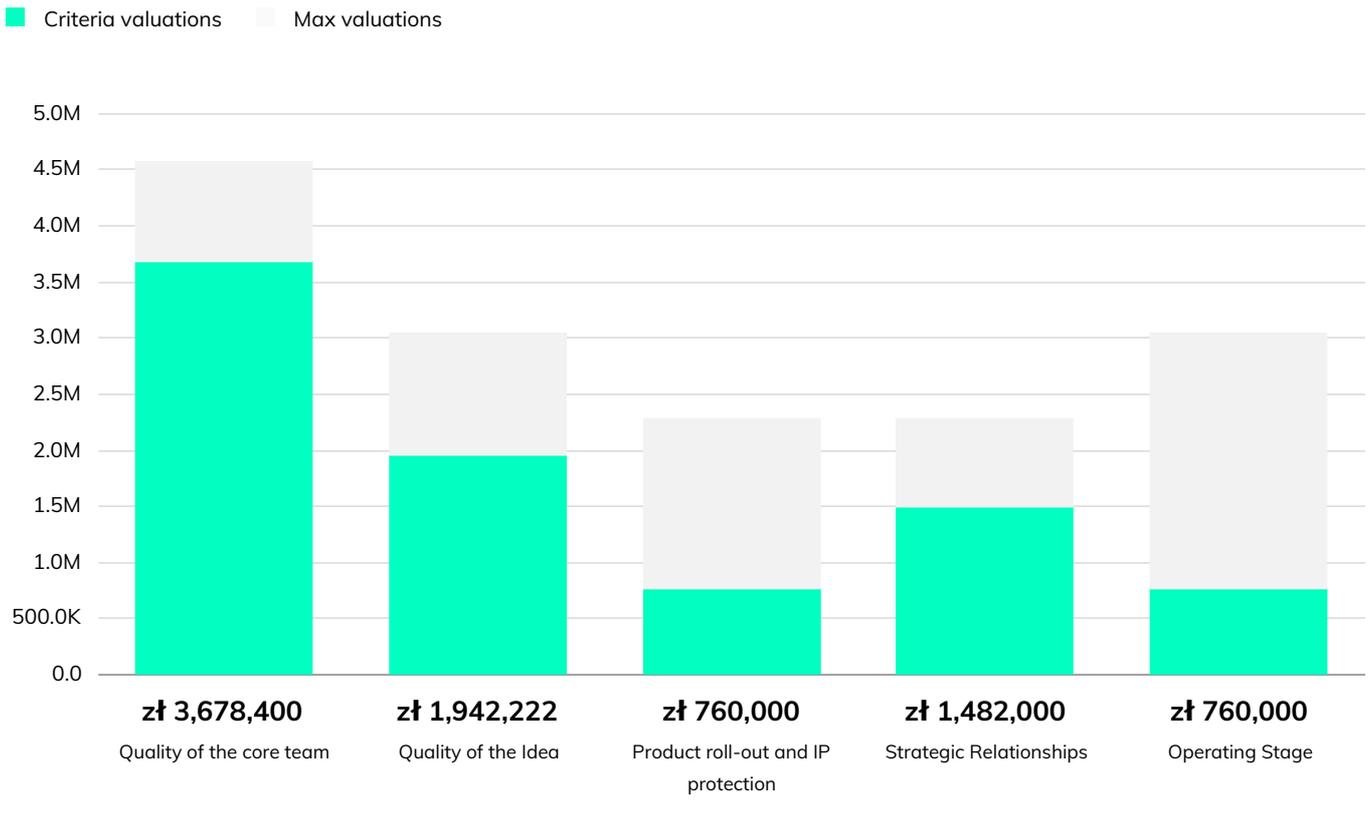
Funding required: **10%**

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

Checklist Method: **zł 8,622,622**

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 (Poland): **zł 15,200,000**

Criteria maximum valuations

Quality of the core team: **zł 4,560,000 (30%)**

Strategic Relationships: **zł 2,280,000 (15%)**

Quality of the Idea: **zł 3,040,000 (20%)**

Operating Stage: **zł 3,040,000 (20%)**

Product roll-out and IP protection: **zł 2,280,000 (15%)**

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

Qualitative traits summary

Below is 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 35 and 45**

Founded other companies before: **Yes, with successful exit(s)**

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: **Most technical skills inhouse**



Network

Board of advisors: **Advisors not organized in a board**

Legal consultants: **Yes**

Current shareholders: **Friends and Family, Business angel, Venture Capitalist**



Market

Total Addressable Market (TAM): **zł 45,000,000,000**

Annual growth rate of the market: **3.00 %**

Demand validated: **Yes**

Internationalization: **Active globally**



Product

Product roll-out: **Already to Market**

Feedback received: **All positive**

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

Partners: **Informal agreements with key strategic partners**



Competition

Level of competition: **Dominated by several players**

Competitive products are: **Good**

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

International competition: **Established**



Protection

Barriers to entry of the market: **High**

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

DCF Methods

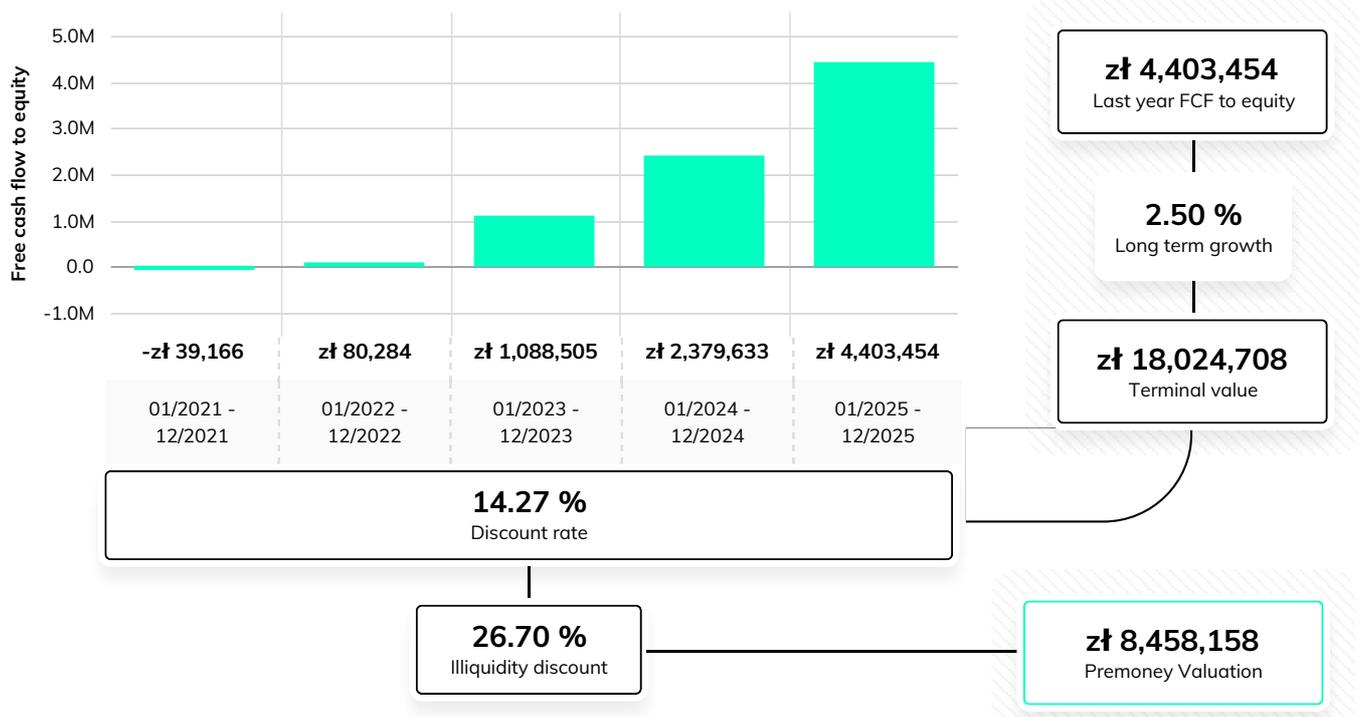
The DCF (Discounted Cash Flow) methods represent the most renowned approach to company valuation, recommended by academics and a daily tool for financial analysts. The valuation is the present value of all the free cash flows to equity the startup is going to generate in the future, discounted by its 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: **zł 8,458,158**

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.



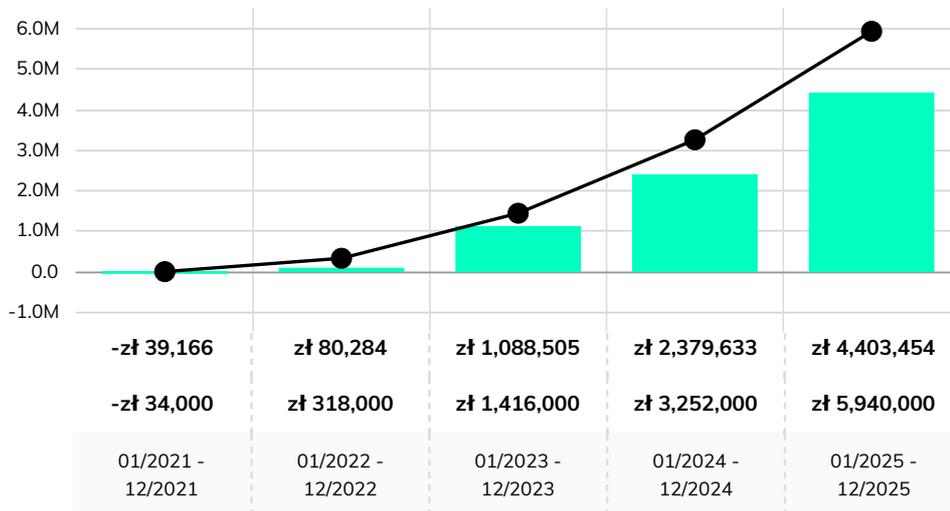
Parameters	Long term growth: 2.50 %	Discount rate	Survival rates
	Illiquidity discount: 26.70 %	Risk free rate: 2.31 %	Year 1: 83.90 %
		Beta: 1.98	Year 2: 72.00 %
		Market Risk Premium: 6.04 %	Year 3: 62.30 %
			Year 4: 54.10 %
			Year 5: 47.00 %

/// Please see appendix for data sources and defaults

DCF with Multiples: **zł 16,087,728**

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



zł 5,940,000
Last Year EBITDA

×

13.72
EBITDA multiple

zł 38,303,496
Terminal value

14.27 %
Discount rate

26.70 %
Illiquidity discount

zł 16,087,728
Premoney Valuation

Parameters

EBITDA multiple: **13.72**
Illiquidity discount: **26.70 %**

Discount rate
Risk free rate: **2.31 %**
Beta: **1.98**
Market Risk Premium: **6.04 %**

Survival rates
Year 1: **83.90 %**
Year 2: **72.00 %**
Year 3: **62.30 %**
Year 4: **54.10 %**
Year 5: **47.00 %**

/// 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.

	01-2020 - 12-2020	01-2021 - 12-2021	01-2022 - 12-2022	01-2023 - 12-2023
Revenues	47,000	592,000 +13X	2,570,000 +4X	5,590,000 +2X
Cost of Goods Sold	28,000	355,000 +13X	1,542,000 +4X	3,354,000 +2X
Salaries	126,000	126,000 0%	390,000 +3X	420,000 +8%
Operating Expenses	203,000	145,000 -29%	320,000 +2X	400,000 +25%
<hr/>				
EBITDA	-310,000	-34,000 +89%	318,000 -	1,416,000 +4X
Ebitda margin	-	-	12 %	25 %
D&A	7,500	7,500 0%	7,500 0%	10,000 +33%
<hr/>				
EBIT	-317,500	-41,500 +87%	310,500 -	1,406,000 +5X
Ebit margin	-	-	12 %	25 %
Interest	-	-	-	-
<hr/>				
EBT	-	-41,500	310,500 -	1,406,000 +5X
Taxes	-	-	28,627	127,440 +4X
Nominal tax rate	-	19 %	19 %	19 %
Effective tax payable	-	-7,885	58,995	267,140
Deferred tax assets	-	7,885	-22,483	-162,183
<hr/>				
Net profit	-317,500	-41,500 +87%	281,873 -	1,278,560 +5X
Net profit margin	-	-	10 %	22 %

All numbers in zł

Profit & Loss

	01-2024 - 12-2024	01-2025 - 12-2025
Revenues	10,380,000 +86%	17,150,000 +65%
Cost of Goods Sold	6,228,000 +86%	10,290,000 +65%
Salaries	450,000 +7%	450,000 0%
Operating Expenses	450,000 +13%	470,000 +4%
<hr/>		
EBITDA	3,252,000 +2X	5,940,000 +83%
Ebitda margin	31 %	34 %
D&A	10,000 0%	10,000 0%
<hr/>		
EBIT	3,242,000 +2X	5,930,000 +83%
Ebit margin	31 %	34 %
Interest	-	-
<hr/>		
EBT	3,242,000 +2X	5,930,000 +83%
Taxes	617,880 +5X	1,128,600 +83%
Nominal tax rate	19 %	19 %
Effective tax payable	615,980	1,126,700
Deferred tax assets	-160,283	-158,383
<hr/>		
Net profit	2,624,120 +2X	4,801,400 +83%
Net profit margin	25 %	27 %

All numbers in zł

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.

	01/2020 - 12/2020	01/2021 - 12/2021	01/2022 - 12/2022	01/2023 - 12/2023
Net profit	-317,500	-41,500 +87%	281,873 -	1,278,560 +5X
Change in Working Capital	-	5,166	209,089	200,055
Working capital	-	100,000	309,089 +3X	509,144 +65%
Account Payables	9,724	12,000	52,095	113,311
Account Receivables	38,558	40,000	173,649	377,703
Inventory	66,000	72,000	187,535	244,752
D&A	7,500	7,500 0%	7,500 0%	10,000 +33%
Capital expenditures	-	-	-	-
Change in outstanding debt	-	-	-	-
Debt at the end of the year	-	-	-	-
Free cash flow to equity	-	-39,166	80,284 -	1,088,505 +14X
Equity fundraising	-	-	-	-
Free cash flow	-	-39,166	80,284 -	1,088,505 +14X
Beginning of the year cash	-	3,280,627	3,241,461 -1%	3,321,745 +2%
End of the year cash	-	3,241,461	3,321,745	4,410,250

All numbers in zł

Cash Flow

	01/2024 - 12/2024	01/2025 - 12/2025
Net profit	2,624,120 +2X	4,801,400 +83%
Change in Working Capital	254,487	407,946
Working capital	763,631 +50%	1,171,577 +53%
Account Payables	210,405	347,635
Account Receivables	701,351	1,158,784
Inventory	272,685	360,428
D&A	10,000 0%	10,000 0%
Capital expenditures	-	-
Change in outstanding debt	-	-
Debt at the end of the year	-	-
<hr/>		
Free cash flow to equity	2,379,633 +2X	4,403,454 +85%
Equity fundraising	-	-
Free cash flow	2,379,633 +2X	4,403,454 +85%
Beginning of the year cash	4,410,250 +33%	6,789,883 +54%
<hr/>		
End of the year cash	6,789,883	11,193,337

All numbers in zł

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%

Unique Recipes Sp... 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 Poland: **zł 9,084,459**
- Maximum valuation (Checklist Method) in Poland: **zł 15,200,000 (Set by the company to: zł 15,200,000)**

Scorecard Method

Default weights of the criteria and breakdown in their traits

<p>Strength of the team 30%</p> <ul style="list-style-type: none"> Time commitment of the founders Number of employees Team spirit and comradeship Years of industry experience of the core team Business and managerial background of the core team 	<p>Size of the Opportunity 25%</p> <ul style="list-style-type: none"> Estimated revenues in the third year according to the stage of the development Estimated size of the market in three years Geographical scope of the business
<p>Competitive Environment 10%</p> <ul style="list-style-type: none"> Stage of the product/service roll-out Degree of loyalty of customers Type of IP protection applicable IP protection in place (if any) 	<p>Strength and protection of the product/service 15%</p> <ul style="list-style-type: none"> Level of competition in the market Quality of competitive products/services Competitive advantage over other products/services Barriers to entry of the market Threat of international competition
<p>Strategic relationships with partners 10%</p> <ul style="list-style-type: none"> Strength of the relationships with key strategic partners 	<p>Funding required 10%</p> <ul style="list-style-type: none"> Capital required according to the stage of development

Checklist Method

Default weights of the criteria and breakdown in their traits

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
-

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

Unique Recipes Sp.... country: **Poland**

Poland risk free rate: **2.31%**

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

Unique Recipes Sp.... industry: **Chocolate & Confectionery**

Chocolate & Confectionery default beta: **1.98**

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

Unique Recipes Sp.... country: **Poland**

Poland default market risk premium: **6.04%**

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

Unique Recipes Sp.... year of incorporation: **2017**

Default survival rate Year 1: **83.90%**

Default survival rate Year 2: **72.00%**

Default survival rate Year 3: **62.30%**

Default survival rate Year 4: **54.10%**

Default survival rate Year 5: **47.00%**

Default survival rate Year 6: **34.20%**

Default survival rate Year 7: **34.00%**

Illiquidity discount

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

Unique Recipes Sp.... illiquidity discount: **26.70%**

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

Unique Recipes Sp.... industry: **Chocolate & Confectionery**

Chocolate & Confectionery default long term growth: **2.50**

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.

Unique Recipes Sp.... industry: **Chocolate & Confectionery**

Chocolate & Confectionery default EBITDA multiple: **13.72**

Last Available Balance Sheet

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

	01/2020 - 12/2020
Cash and equivalents	680,627
Tangible assets	-
Intangible assets	34,650
Financial assets	-
Deferred tax assets	-
<hr/>	
Total Assets	715,277
Debts due within one year time	521,689
Debt due beyond one year time	-
Equity	227,198
<hr/>	
Total Liabilities and Shareholder's Equity	748,887

All numbers in zł