



Factors for
Founders:

Growth Equity

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When seeking growth equity, it is important for the CEO or the founder to consider the following elements:

#1 Trading multiples

Interpreting the valuation of similar listed companies and understanding their key financial metrics is important.

#2 Comparables (precedent transactions)

Comparable analysis is an important consideration when seeking growth equity. By looking at industry peers, a CEO/founder can grasp a better understanding of current market conditions and what professional investors are seeking (trends, valuations, 'hot' industries etc.).

Transaction multiples for similar deals are useful if accurate historical transaction data is obtainable.

See the next page for FMKCP comparable stock analysis sheets, listing select ASX technology companies and their TTM reported figures.

Health Technology

Ticker	Name	Financial Data					Valuation		
		Price	Market Cap	Enterprise Value	Revenue	EBITDA	EV/ Revenue	EV/ EBITDA	PE Ratio
		(\$/share)	(\$M)	(\$M)	(\$M)	(\$M)	x	x	x
GSS.AX	Genetic Signatures Limited	0.85	122	84	35	5	2.4x	17.8x	39.4x
M7T.AX	Mach7 Technologies Limited	0.62	149	45	19	3	2.4x	16.2x	n/a
PNV.AX	PolyNovo Limited	1.73	1,190	900	41	1	21.7x	1195.0x	n/a
						Average	8.8x	409.7x	39.4x
						Median	2.4x	17.8x	39.4x
						Max	21.7x	1195.0x	39.4x
						Min	2.4x	16.2x	39.4x

IT Services

Ticker	Name	Financial Data					Valuation		
		Price	Market Cap	Enterprise Value	Revenue	EBITDA	EV/ Revenue	EV/ EBITDA	PE Ratio
		(\$/share)	(\$M)	(\$M)	(\$M)	(\$M)	x	x	x
COS.AX	COSOL Limited	0.85	120	80	48	8	1.7x	9.4x	13.8x
DTL.AX	Data#3 Limited	7.44	1,150	595	2,192	50	0.3x	11.8x	23.8x
TNT.AX	Tesseract Limited	0.07	89	119	113	2	1.1x	63.7x	n/a
WCG.AX	Webcentral Limited	0.09	28	61	94	(8)	0.7x	-7.6x	n/a
						Average	0.9x	19.4x	18.8x
						Median	0.9x	10.6x	18.8x
						Max	1.7x	63.7x	23.8x
						Min	0.3x	-7.6x	13.8x

SaaS

Ticker	Name	Financial Data					Valuation		
		Price	Market Cap	Enterprise Value	Revenue	EBITDA	EV/ Revenue	EV/ EBITDA	PE Ratio
		(\$/share)	(\$M)	(\$M)	(\$M)	(\$M)	x	x	x
IFM.AX	Infomedia Ltd	1.51	566	482	120	39	4.0x	12.3x	66.2x
JIN.AX	Jumbo Interactive Limited	13.72	863	791	104	54	7.6x	14.6x	27.5x
RDY.AX	ReadyTech Holdings Limited	3.00	343	276	78	27	3.5x	10.4x	28.2x
WTC.AX	WiseTech Global Limited	67.81	22,303	11,889	632	322	18.8x	36.9x	63.4x
						Average	8.5x	18.5x	46.3x
						Median	5.8x	13.5x	45.8x
						Max	18.8x	36.9x	66.2x
						Min	3.5x	10.4x	27.5x

Software

Ticker	Name	Financial Data					Valuation		
		Price	Market Cap	Enterprise Value	Revenue	EBITDA	EV/ Revenue	EV/ EBITDA	PE Ratio
		(\$/share)	(\$M)	(\$M)	(\$M)	(\$M)	x	x	x
BVS.AX	Bravura Solutions Limited	0.44	196	327	265	58	1.2x	5.7x	11.5x
GTK.AX	Gentrack Group Limited	2.91	295	138	126	7	1.1x	18.7x	n/a
HSN.AX	Hansen Technologies Limited	4.60	932	1,029	297	97	3.5x	10.6x	24.5x
IRI.AX	Integrated Research Limited	0.39	68	65	63	10	1.0x	6.2x	46.7x
SIQ.AX	Smartgroup Corporation Ltd	6.78	894	699	225	93	3.1x	7.5x	11.2x
						Average	2.0x	9.7x	23.5x
						Median	1.2x	7.5x	18.0x
						Max	3.5x	18.7x	46.7x
						Min	1.0x	5.7x	11.2x

Technology Hardware and Equipment

Ticker	Name	Financial Data					Valuation		
		Price	Market Cap	Enterprise Value	Revenue	EBITDA	EV/ Revenue	EV/ EBITDA	PE Ratio
		(\$/share)	(\$M)	(\$M)	(\$M)	(\$M)	x	x	x
CDA.AX	Codan Limited	6.32	1,145	1,305	506	162	2.6x	8.0x	12.4x
DDR.AX	Dicker Data Limited	8.31	1,497	2,012	3,104	128	0.6x	15.7x	23.5x
						Average	1.6x	11.9x	17.9x
						Median	1.6x	11.9x	17.9x
						Max	2.6x	15.7x	23.5x
						Min	0.6x	8.0x	12.4x

#3 Internal Rate of Return (IRR)

IRR %	Years									
	1	2	3	4	5	6	7	8	9	10
Multiple	1.0	0%	0%	0%	0%	0%	0%	0%	0%	0%
	2.0	100%	41%	26%	19%	15%	12%	10%	9%	8%
	3.0	200%	73%	44%	32%	25%	20%	17%	15%	13%
	4.0	300%	100%	59%	41%	32%	26%	22%	19%	17%
	5.0	400%	124%	71%	50%	38%	31%	26%	22%	20%
	6.0	500%	145%	82%	57%	43%	35%	29%	25%	22%
	7.0	600%	165%	91%	63%	48%	38%	32%	28%	24%
	8.0	700%	183%	100%	68%	52%	41%	35%	30%	26%
	9.0	800%	200%	108%	73%	55%	44%	37%	32%	28%
	10.0	900%	216%	115%	78%	58%	47%	39%	33%	29%

A CEO/founder seeking growth equity must understand the internal rate of return (IRR) as a key measurement of a fund's investment thesis.

The IRR is the compounded rate of return for investment(s) reflecting a growth fund's performance, and the fund's investors typically have specific targets they want to achieve.

To enhance the likelihood of meeting the IRR targets, it is essential to consider various factors, such as the company's current and future profitability and cash flow, as well as the potential risks and challenges that may affect its performance.

A ~25–40% IRR will allow a company to achieve a 3.0–4.0x return on investment with a 4–5 year investment horizon.

#4 Discount Rates

Illiquidity discount:

Private companies have a lower level of liquidity than public companies, making it more difficult to buy or sell shares, requiring a discount when compared to their public peers.

Lack of scale:

Private companies that do not have the same level of operational scale (depth and breadth) generally trade at a discount to their public company counterparts, resulting in a lower valuation.

Minority interest discount:

Some growth funds invest in a minority stake in a private company, meaning they do not have full control of the company. This can result in a minority interest discount, where the valuation is lower than if they had full control. A CEO/founder should consider the impact of a minority interest discount when negotiating.

#5 Fund Features

Investment horizon

The amount of time the fund plans to hold onto an investment before selling. This impacts your company's growth strategy and the timeline for achieving set targets. If the fund's investment horizon is shorter than what you believe is required for the company to reach its full potential, it may not be the right fit.

Type/focus

The industry or sector the fund specialises in. You should consider the fund's type and focus as it can impact the level of expertise and resources the fund can provide. A company in the technology sector may want to seek out a fund with a proven track record within technology.

Vintage

The year in which a fund began making investments. This impacts the fund's investment strategy and the level of risk it is willing to take on. A newer fund may be more aggressive in its investments, while an older fund may be more conservative.

Exit strategy

The process of the fund to reduce or liquidate ownership. This impacts your ability to retain control of the company and its growth trajectory. E.g., if the fund plans to sell the company through an IPO, you may need to consider a different set of factors that would otherwise apply if the sale were to a strategic trade player.

Duration

The amount of time the fund plans to be active before winding down. The fund's duration impacts its ability to provide ongoing support and resources to the portfolio company.



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