Guide to valuing your startup

INNOVATION

Investors are put off by unrealistic valuations.

This guide walks you through a blended valuation method to help you strike the right balance, making your valuation both credible and attractive to investors.

This guide is designed for startups with minimal or no revenue, helping you arrive at a credible valuation and increase your chances of securing investment. For early stage companies, this often means demonstrating the promise of your concept and its potential for future growth, even when revenue has yet to materialise.

The guide introduces a blended valuation approach, combining the Berkus, Scorecard, and Ebico Venture Capitalist (Ebico VC) methods. Together, the three approaches strike a balance between vision, comparables, and economics.

The Berkus Method rewards foundational milestones; the Scorecard Method tests realism against the market; and the Ebico VC Model prices the upside through an exit lens while taking account of projections which tend to be optimistic through a cautious Internal Rate of Return (IRR).

The three methods will help you develop a balanced, credible valuation and determine a fair, compelling equity offer, increasing your chances of attracting an investment.

For the example on the following pages we are using BorePro 200, a fictional and innovative Ground Source Heat Pump bore hole drilling machine, which cuts the cost of drilling bore holes by 50%.

STEP 1

Berkus Method

The Berkus Method is a very useful model to value startups pre-revenue, by assessing qualitative aspects and assigning a monetary value to key success factors. With this model, the Total Potential Valuation is usually £2.5M.

Components		BorePro 200	
Sound Idea	**Up to £500,000**	Sound Idea	**£400,000**
Prototype	**Up to £500,000**	Prototype	**£300,000**
Quality Management Team	**Up to £500,000**	Quality Management Team	**£400,000**
Strategic Relationships	**Up to £500,000**	Strategic Relationships	**£0**
Product Rollout or Sales Plan	**Up to £500,000**	Product Rollout or Sales Plan	**£400,000**
Total Potential Valuation:	**Up to £2,500,000**	Total	**£1,500,000**

Explanation for Scoring Example:

Sound Idea	+	The product introduces a genuinely innovative concept, offering a cost-effective and compact solution to borehole drilling for domestic applications. Its ability to reduce costs by 50% compared to traditional methods is highly appealing to the market. The product aligns with growing demand for affordable ground source heat pump installations.
	–	While the idea is strong, uncertainties remain regarding the product's ability to achieve consistent performance in diverse soil and site conditions. The final design has not yet been fully validated under all potential use cases. Further research is needed to determine the most profitable and scalable market segment (e.g. drilling service providers vs. heat pump installers).
Prototype	+	A working prototype has been developed, successfully proving the concept and demonstrating feasibility for drilling up to 200m boreholes. Initial testing shows the product's potential to meet performance targets.
	–	The prototype requires additional testing to confirm durability and operational efficiency in varying environments. There is a risk that early estimates of performance and cost savings may need adjustment during production refinement, making the final product too expensive.
Quality Management Team	+	The founding team has strong engineering, manufacturing, and business expertise, positioning them well to execute on the vision. There is evidence of a clear understanding of the target market and operational challenges.
	–	The team will need to recruit or contract additional expertise in areas such as large-scale manufacturing and distribution to scale effectively. Experience in forming strategic partnerships could be enhanced to accelerate growth.
Strategic Relationships	–	At this stage, no formal partnerships have been established with installers, contractors, or renewable energy organisations. Early-stage discussions with potential partners could improve confidence in market adoption.
Product Rollout or Sales Plan	+	The sales strategy is well-structured, with a focus on targeting domestic contractors, green energy-focused installers and house builders. A clear go-to-market plan emphasises affordability and compact design, which differentiate the product from competitors.
	–	The plan has yet to be tested or validated through customer engagement or pilot sales. There is a risk of misalignment between projected demand and real-world adoption rates. Housebuilders are currently resistant to ground source heat pumps and may need to be ruled out as potential customers.

STEP 2

Scorecard Valuation Method

This method compares the startup with similar pre-revenue startups in the same market to assess its relative value. It uses a standard benchmark valuation and adjusts it based on how your startup scores across key factors like team, market, product, and competitive landscape. Understanding how investors apply this method can help you identify strengths to highlight and areas to improve before fundraising. It's especially useful for early-stage startups with limited financial data.

1

Determine the average Pre-Money Valuation of similar startups in your region and industry. You should be able to back up and explain your determined valuation.

2

Assign weights to various factors that contribute to a startup's success (e.g. team, product, market, progress, competitive environment).

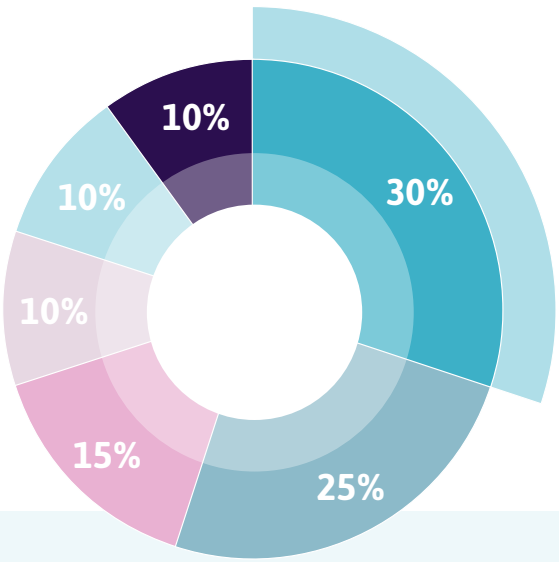
3

Score your startup relative to these factors (e.g. a percentage score for each).

4

Calculate your startup's valuation using the weighted average.

Example Factors and Weights:

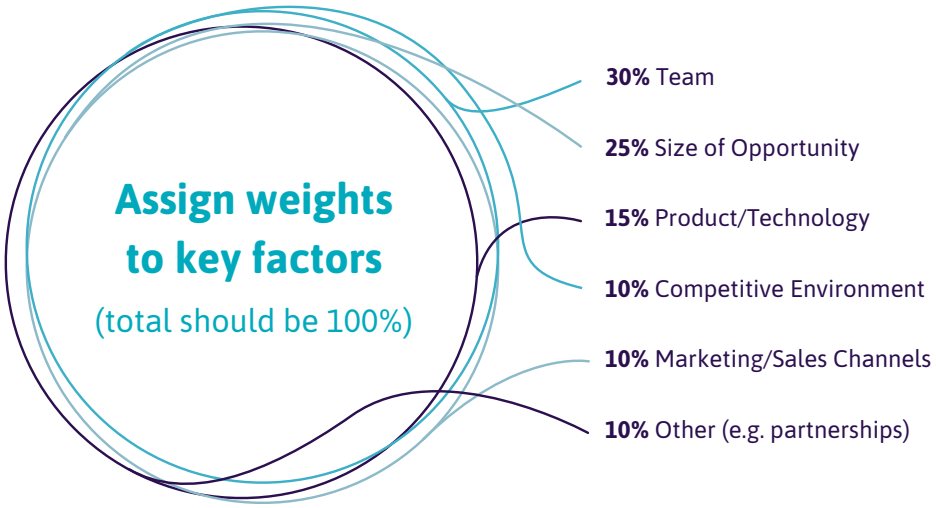


- **30%** Team
- **25%** Size of Opportunity
- **15%** Product/Technology
- **10%** Competitive Environment
- **10%** Marketing/Sales Channels
- **10%** Other (e.g. partnerships)

Calculation:
Startup Valuation = Average Valuation × Total Score Percentage

Example

Determine the average Pre-Money Valuation for startups in the same region and sector. Assumption for this example is average **£2.6M.**



Score your startup relative to each factor (e.g. if it scores well on Team, you might give it 80% of the weighted value).

Factor	Weight	BorePro 200	Contribution	Explanation
Team	30%	80%	24% (80% of 30%)	Experienced team with engineering and business expertise, capable of executing the product strategy.
Size of Opportunity	25%	90%	22.5%	Significant market demand: GSHP installations projected to grow with cost reduction incentives.
Product/ Technology	15%	90%	13.5%	Innovative, compact, and cost-efficient machine disrupting the market.
Competitive Environment	10%	85%	8.5%	Few competitors target domestic GSHP drilling with similar affordability and transportability.
Marketing/ Sales Channels	10%	70%	7%	Early-stage marketing strategy; room for improvement in partnerships with GSHP installers.
Strategic Relationships	10%	50%	5%	Limited partnerships currently; potential to build strong industry ties with domestic contractors.
Total Score	**100%**		**80.5%**	Total Score: 24.0+22.5+13.5+8.5+7.0+5.0 = 80.5%

Valuation = Average Pre-Money Valuation x Total Score Percentage

Valuation = £2,600,000 x 0.805 = 2,093,000

Score Card Valuation: £2.09M

STEP 3

Ebico Venture Capitalist (VC) Method

Capital hungry and IP intensive hardware ventures are often too asset light for traditional project finance metrics. Our method values such companies by focusing on measurable data. We begin by forecasting fifth year revenue from the business plan and cash flow projections. Applying a market multiple of 2–4x that revenue converts the forecast into an exit value.

We then discount this figure at a cautious 30% IRR and solve for the equity share that matches the proposed investment. The model fits on a single sheet and relies on just two core formulas.

Built in sensitivity toggles for multiples, runway liquidity, and a conservative downside Net Present Value (NPV) check keeps the output down to earth. Founders and investors should place this framework alongside the Berkus and Scorecard approaches as part of a blended valuation stack rather than using it in isolation.

Founders who base their fifth-year revenue on defensible data, rather than blue-sky projections, avoid triggering a higher discount rate that would erase any paper gains. The result is a blended valuation that investment committees can defend, boards can understand, and cleantech entrepreneurs can achieve.

Example:

5 Years Revenue Estimate

Year	Machines Sold	Cumulative Machines	Machine Sales Revenue at £100k each	Service Revenue	Parts Revenue	Total Revenue
1	8	8	£800,000	£0	£48,000	£848,000
2	10	18	£1,000,000	£32,000	£108,000	£1,140,000
3	13	31	£1,300,000	£72,000	£186,000	£1,558,000
4	17	48	£1,700,000	£124,000	£288,000	£2,112,000
5	22	70	£2,200,000	£192,000	£420,000	£2,812,000

Ebico VC Method	
Revenue at Exit Date	£2,812,000
Exit Year	5
Revenue Multiple	3
Required Rate of Return	30%
"Value of Firm (Present Value of Terminal Value)"	**£2,272,060**
Initial Investment	£1,000,000
Equity Stake	**44.01%**
Pre-Money Shares	1,000,000
Post-Money Shares	1,786,126
Investor Owns # Shares	786,126
Share Price	**£1.27**
Pre-Money Valuation	£1,272,060
Post-Money Valuation	£2,272,060

Explanation	
Revenue at Exit Date	Enter the annual revenue you expect the business to generate in the year the investor exits.
Exit Year	Specify the number of years from now in which you expect the investor to exit (commonly 5–7 years for pre-seed and seed investors).
Revenue Multiple	The revenue multiple expresses how much investors are willing to pay for each £1 of annual revenue. It is often used when early-stage startups have little or negative EBITDA. We suggest 3x as a sensible benchmark for the Green-Tech hardware industry, but you can adjust this figure to suit your business.
Required Rate of Return	Set the Internal Rate of Return (IRR) that investors require. This is typically 30 – 70 %, depending on risk appetite. If a company projects very high revenue growth in a short period, investors may view it as higher risk and demand a higher IRR.
"Value of Firm (Present Value of Terminal Value)"	"If you use our online valuation tool, these figures are calculated automatically; otherwise, use the following **Formula:** (Revenue at Exit Date x Revenue Multiple) ÷ (1 + Required Rate of Return) ^ Exit Year This gives today's value of the company after discounting the terminal value estimated at the planned exit date (typically 4-7 years after investment). It is the total enterprise value implied today by your exit assumptions (i.e. the discounted value of the terminal value)"
Initial Investment	Enter the amount of capital you wish to raise.
Equity Stake	Your investor will require this ownership percentage. (This simple valuation model does not account for future dilution). **Formula:** Initial Investment ÷ Value of Firm
Pre-Money Shares	Enter the current number of shares the company has outstanding (currently has).
Post-Money Shares	The company currently has Pre-Money Shares, owned by the existing shareholders. If the investor will own Equity Stake % of the shares after the investment (therefore, 1 - Equity Stake % owned by the existing shareholders), the total shares outstanding after the investment will be: **Formula:** Pre-Money Shares ÷ (1 - Equity Stake %) The investor will own Investor Owns # Shares of these Post-Money Shares.
Investor Owns # Shares	This is simply **"Post-Money Shares"** - **"Pre-Money Shares"**
Share Price	The price per share for the investor is **"Initial Investment"** / **"Investor Owns # Shares"**
Pre-Money Valuation	Pre-Money Valuation is the portion of the value attributable to existing equity before the new investment is added. Pre-Money Valuation is determined by **"Share Price"** (New Price) x **"Pre-Money Shares"**:
Post-Money Valuation	Post-Money Valuation is the value attributable to existing equity after the new investment is added. The Post-Money Valuation is determined by **"Share Price"** x **"Post-Money Shares"**

Note: This model does not consider future dilution and future investment requirements.

Blended Pre-Money Valuation

To determine the blended Pre-Money Valuation we need to calculate average of all three methods.

STEP 1

Berkus Method:
(£1,500,000)

focuses on qualitative readiness.

STEP 2

Scorecard Method:
(£2,093,000)

highlights strengths relative to comparable startups.

STEP 3

Ebico VC Model:
(£2,272,060)

values a business based on the present value of its expected future cash flows. This approach is particularly useful for startups, as it factors in the risk and uncertainty inherent in future projections.

$$\text{Blended Valuation} = \frac{(\text{Berkus Method} + \text{Scorecard Method} + \text{Ebico VC Method})}{3}$$

Pre-Money Valuation = £1.96M

(£1,500,000 + £2,093,000 + £2,272,060)/3 = £1,955,020)

Post-Money Valuation

Post-Money Valuation determines not only the total valuation post raise, but also the number of shares available to the investors.

Let's say you are trying to raise £1,000,000. The post valuation would look as follows:

Post-Money Valuation = Pre-Money Valuation + Requested Investment Amount

Pre-Money Valuation: **£1,955,020**

Requested Investment Amount: **£1,000,000**

Post-Money Valuation: **£2,955,020**

Equity Stake for Investors: **33.8%**

Equity Stake for Investors formula:

$$\text{Equity Stake (\%)} = \frac{\text{Investment}}{\text{Post-Money Valuation}} \times 100$$

$$\text{Equity Stake (\%)} = \frac{£1M}{£2.85M} \times 100 = 33.8\%$$

Summary:

Pre-Money Valuation (blended): **£1,955,020**

Post-Money Valuation: **£2,955,020**

Equity Stake: **33.8%**