Valuing and Financing Early Seed Internet Media Company (Case Study: PT ABC)

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Abstract: *With increasing Internet penetration rate in Indonesia, Indonesia has the potential for being one of the biggest internet user countries. Businesses dwelling on digital marketing and media investment is a new thing in Indonesia. This business has bright prospects and great potential, yet it comes with great uncertainty as well. Thus, only a handful of investors dare to invest in the Internet business world; however, foreign investors with extensive views and insights and considering the future development of Indonesia's economy, do not hesitate to put their money on digital media and advertising business. The internet media business is one of the most competitive yet lucrative industries in the world today. Expected as one of the fastest growing business, internet offers freedom to everybody interested to dive in the business. Considering the prospect of the industry, many entrepreneurs establish a new firm and dive in the business, even often without adequate resources, therefore they find several hindrances business. A new start-up business is difficult to value, particularly those which focus on high technology and intangible sector. Some of the companies have no revenues, operating losses, even some just don't realize the idea and business plan yet. The reason of the difficulty in valuing new start-up companies is the incomplete financial report or financial statement as well as lack of business activity report. This thesis will cover the financing strategy for a new start-up business, exploring the venture capital funding scheme that supports the development of the company.*

Keywords: *valuation, DCF, internet media, early-seed*

Abstrak: Dengan meningkatnya penetrasi teknologi internet di indonesia, indonesia berpotensi menjadi salah satu negara dengan pengguna internet terbanyak. Bisnis yang berpusat pada digital marketing dan investasi media merupakan hal yang baru di indonesia. Bisnis seperti ini memiliki prospek yang cerah tetapi juga memiliki resikko yang tinggi. Hal ini membuat hanya segelintir investor yang mau berinvestasi pada bisnis dunia maya. Investor asing dengan pandangan dan wawasan yang luas tidak ragu untuk ber investasi pada bisnis ini. Bisnis media internet merupakan salah satu bisnis yang paling kompetitif dan juga menguntungkan. Digadang-gadang sebagai bisnis dengan perkembangan tercepat, internet memberikan kebebasan bagi siapa saja yang mau berkecimpung dalam dunia bisnis internet. Melihat prospek di sektor bisnis ini, banyak entrepreneur yang mendirikan perusahaan baru dan memulai berbisnis di dunia internet. Sering kali, para entrepreneur tersebut tidak dibekali oleh sumber daya yang matang, sehingga pada akhirnya menemui kesulitan dalam berbisnis. Ada kesulitan dalam melakukan valuasi terhadap perusahaan yang baru saja berdiri, terutama perusahaan yang bergerak di bisnis dengan pertumbuhan yang cepat. Banyak dari perusahaan-perusahaan tersebut yang mengalami kerugian pada awalnya. Faktor lain yang menjadi masalah dalam valuasi perusahaan yang baru berdiri adalah tidak adanya laporan keuangan atau laporan kegiatan perusahaan. Tesis ini akan mencoba untuk melakukan valuasi perusahaan yang baru berdiri dengan menggunakan pendekatan *Discounted Cash Flow* dan mengeksplorasi alternatif pendanaan melalui venture capital untuk menunjang pertumbuhan perusahaan.

Kata Kunci: valuasi, *discounted cash flow,* internet media

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Today, globalization almost reaches all sides of the world and cannot be avoided anymore. Interaction between nations in order to fulfil their needs and requirements is one of the reasons that encourage the development of globalization. The effect of globalization in the economic, technological, legal, and any other aspects is very significant. The globalization era was characterized by barriers inter-nation relation that supported by transparency of information. Globalization had expanded material (tangible and intangible) exchange to a whole new level.

According to T.L Friedman, "globalization is the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before-in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper that ever before, and in a way that is enabling the world to reach into individuals, corporations, and nation-states farther, faster, deeper than ever before".[1] From that statement, it can be said that globalization has pushed the development of technology in order to support the continuity, sustainability, and longevity of globalization itself.

The existence of internet technology enables almost endless information exchange throughout the world. Internet, which was originally intended for military purpose, now has become one of the greatest public luxury that humankind ever invented. The internet has brought a new dimension of information exchange with its complexity and consequences. The barrierless world of information ease people to access information from the other side of the world while at the same time exposing the information itself to the possibility of informational abuse, this opportunity for fraud, falsification, plagiarism, and similar efforts on the products and/or related information.

The expansion of the internet world has led to the formation of a new world, the cyberspace. In this virtual world every individual has the right and the ability to interact with other individuals without any restriction can prevent creating limitless horizontal interaction between an internet user piercing almost all kinds of barrier. So that perfect globalization has actually been running in a virtual world that connects all digital communities. All of mankind life aspects have affected by the Internet, the business sector is one of the most affected sector. The transformation in the business world has created more opportunities for entrepreneurs to create new business.

Indonesia, with a population of 248 million people is one of the countries with the largest population in the world coupled with the dynamic economic activities and open makes Indonesia as one of the new stars on the stage of the investment world. Globalization is directly or indirectly have made a shift of economic and business activities in Indonesia. The advantages of the internet have attracted to connect their life with its surrounding network

As internet penetration accelerated in Indonesia, countless number of information scattered around the network. Creating opportunity for new business. In the lightning-speed pace of Internet business, the success of internet companies mainly depends on their ability to deliver value to its user, either business user or ordinary user. Internet companies are facing challenges to develop and deliver innovative and value packed services.

Young start up business on seed level are difficult to value, especially those who focus on high technology and intangible sector. Some of the company have no revenues, operating losses, even some just don't realize the idea and business plan yet. The reason of difficulty in valuing young start-up companies are their short histories, or even no previous histories at all. Most of this companies are heavily depend on private capital, if not by the owner savings, and other kind of private equity. Because of that, the valuation of the company using standard approach to estiate key parameters often yield unrealistic result.

In this paper, we examine how to combine data from the external environment and try to fit the data into valuation process. This paper also emphasize why valuation using 'venture capital' approach is not appropriate and can bring disadvantages to business owner.

Conceptual Framework Development

The main business issue is how to raise capital for young start up company in order to maximize its potential growth. Start-up firms require substantial capital to finance projects that can maximize the company's potential. Company who works in digital world have uncertain prospects, the business also characterized by significant intangible asset and

expects losses but sudden chance for revenue boom. Due to this nature, Bank Loan is almost impossible for the companies.

One of the most viable solution is to look for private equity financing. Private equity organization will likely to finance this high risk with potential high reward business. There are several common strategies in private equity: Leveraged Buyouts, Growth Capital, Mezzanine Capital, Growth Capital, and Venture Capital.

Venture Capital are considered as the best fit funding source for Young Internet Companies because they not also give access to additional capital, but also offer expertise, mentorship, and other intangible benefits. This paper will analyze the value of the company and based on that, the ownership for the venture capital organization can be determined.

Characteristic of Start-up Companies

There are several characteristic of start-up companies that may hinder the valuation process.

- No Operating History
  Manliy internet start-up company have operated their business in under 2 years. And often this history are not recorded in formal way which add difficulties in valuing young internet companies.
- Small revenues, no revenues, operating losses
  The absence of adequate operating history usually accompanied by 'not-so-good' financial report. Small revenues will lead to operating losses, which scrutinized the survival of the company.
- Dependent to Private Equity
  Usually start-up internet company depend on private equity, but there are some exception. At early day of the company, equity mainly provided by the owner either through his savings or sourcing from his network. As the company progress to later stages, the risk of failure will decrease and investor will look into the company for some investments.
- Limited access to Resource
  Characterized by mainly investing on intangible asset, this make a company value and survival ability doubted. Bank Loans usually required collateral, which categorized as tangible asset, that hae no record of existence in the company.
- Survivability
  Company survival in its early days are critical. As they survive the early phase, their survival chance will increase.

2.2. Valuation Issues

This paper will focus on how to value a company using Discounted Cash Flow model, as an Intrinsic Valuation. But the problem faced in valuing start-up company using DCF valuation also occur in relative valuation method.

Discounted Cash Flow Method

- Existing Asset
  Valuing a firm's asset can be done using the firm's previous financial statement, operating history, and cash flow history. When valuing start-up company, we usually don't have luxury to this information. Other than that, the proportion of asset in a early seed stage internet company often represent small portion of the company value, because their asset mainly is the owner idea and expertise.
- Company Growth
  Internet early steed companies often experienced a series of losses before suddenly hit the golden period where they experienced sudden revenue boom. Usually when valuing a early seed company that in golden period, they tend to predict the growth will last forever. The same goes for the valuation of a distress company, where it seems that the company will never return to profit.
- Discount Rates
  Usually the discount rates used in tha calculation is based on the market. The problem is that young internet company characteristic is completely different than those publicly traded company in the market.
- Terminal Value
  As mentioned before, the problem in valuing young company is to determine the key parameters and be conservative in projecting the company growth. When valuing a company, continous 100% revenue growth for the next five year seems to optimistic but projecting the company

to grow at 3% to infinity would be to conservatif. Even there is a posibility to that.

Relative Valuation Method

The problem in DCF method will also affected the valuation using relative valuation method. There are additional problem in using this method such as:

- Comparable Companies
  Because there is limited information regarding other internet company information, that majority of comparable companies may come from outside the countries. For private internet early seed company the best comparable is another private early seed company in the same sector which usually do not published their internal information to the public.
- Scale Value
  If we take a look average multiple for valuation on internet company, the number could be above 20 times its EBIT. While it have boon proofed by the public, the multiplier seems impossible if applied to a new company.

'Venture Capital' Method

Because early seed companies usually depend on equity financing, they are prone to be 'misvalued' by the investor. Some will be lucky enough to meet thoughtfull investors, others may not. There are several problems in this valuation method:

- Focus on Revenue and Earnings
  Business owner and venture capitalist often miss the intermediaries between revenue and earning. By squeezing ther evenue to hit the maximum profit, they failed to recognize additional cost (or capital) needed to boost the revenue. This happen because this additional 'cost' will lower the value of the company, which will leave business owner in lower bargaining point.
- Focus on Short Term Exit
  Knowing that the investor would want to exit as soon as possible and get revenue as bis as possible, business owner will carelessly offering an exit strategy without considering the future of the company.

Conceptual Framework

The internet industry is one of the most competitive yet lucrative industries in the world today. Touted as one of the most fastest growing business, the internet offers freedom to everybody interested to dive in in the business. In order to survive in the business, PT ABC should take advantage of the industry structure and future prospect. The simplest way to do so is to keep innovating and delivering value to users.

The main business issue is how to raise capital for PT ABC in order to maximize its potential growth. PT ABC, like any other early seed firms, requires substantial capital to finance projects that can maximize the company's potential. The company who works in the digital world like PT. ABC has uncertain prospects, the business also characterized by significant intangible asset and expects losses but a sudden chance for revenue boom. PT ABC is unlikely to receive bank loans or other debt financing.

One of the most viable solution is to look for private equity financing. The private equity organization will likely to finance this high risk with the potential high reward business. There are several common strategies in private equity: Leveraged Buyouts, Growth Capital, Mezzanine Capital, Growth Capital, and Venture Capital.

Venture Capital is considered as the best fit funding source for PT ABC. The venture capital organization will provide capital for PT. ABC and get partial ownership of the company. This paper will analyze the value of the company and based on that, the ownership for the venture capital organization can be determined. There are some constraints in valuing PT ABC. The company has little revenue and operating losses, it also short on financial ad operating history. To determine the value of the company, the Discounted Cash Flow method will be used with the support of the Relative Valuation method.

According to Investment Valuation by A. Damodaran (2009), there are seven steps in valuating firms with negative earnings and little historical data:

- Assessing firm's current information
- Estimate Revenue Growth
- Estimate sustainable operating margin in stable growth
- Estimate reinvestment to generate growth
- Estimate risk parameters and discount rates
- Estimate the value of the firm
- Estimate the value of equity and per-share value

There are some limitations in valuing a young early seed company, first is is the absence of operating history. The second is the negative cash flow in the company's early year. And the third is the lack of comparable competitors to be used as comparable companies. When facing this problem, another method of valuation including price-to-earnings, revenue multiple, and relative valuation are difficult executing. Because the absence of key information, the possible method in valuing internet early seed companies is to return to fundamentals using the Discounted Cash Flow approach.

There are two approaches in key parameter estimation, the 'top down' approach and 'bottom up' approach. The top down approach begin with the total market size of the company in the future and work down to determine revenues and earnings of the firm. Meanwhile in a bottom up approach, the estimation focus on the market perception of the company, how much visitor can be attracted to visit the website. This thesis will use a combination of the two to get more realistic value of the firm, cross checking between projected future market size and business environment and future user and clients. In addition, data from comparable companies also used to support parameter assumptions.

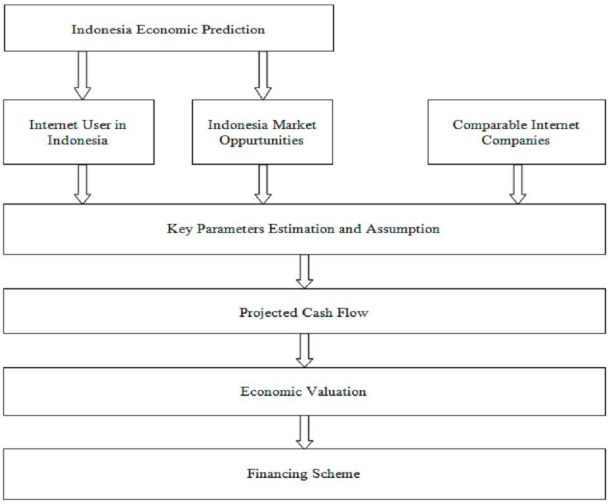

Figure 1. Conceptual Framework

In determining the key parameters and assumptions, data from external resource are used. By gathering and studying the data from analysts and other resources regarding the condition of Indonesia Network and economic growth in the future, the assumption about how many Indonesian people who are connected to the internet and actively involved in e-commerce can be determined. This will help estimate the future internet user and harga.com total visitor.

The economic condition of Indonesia also used in parameters estimation and assumption. The economic condition will directly affect the buying power of Indonesian people. Consumer buying power will also be taken into consideration in estimating the future ad spend in Indonesia.

Valuing and Financing The Company

Valuing The Firm

There is no reason why early seed firms cannot be valued using theoretical approach. This paper focus on how to value early seed company with the Discounted Cash Flow Valuation. In this section we will try to approach Discounted Cash Flow valuation method with different perspective:

Focus on the future target

When projecting cash flow for an early seed company, it is best to set the target into the future and adjust the valuation based on the target. Setting up target can be done using 'bottom-up' or 'top-down approach'. Bottom up approach are focusing on the cash flow of the company, while top-down estimate the target revenue first and after that adjust the cash flow with the mission to achieve the target. For the PT ABC case, the future target specified to the number of visitors. The performance of PT. ABC could be projected based on the average total number of visitors per month and total page views generated by visitors.

- For the first scenario, which will be the lower base for harga.com performance, targeted visitor are 10% of Indonesian internet user in the next 10 years. This number is derived from comparable web sites. Kaskus.co.id accounted 20 million unique visitor per month, which is around 35% of Indonesian internet user, on its 10th year of operation, while detik.com reached 20 percent of Indonesian internet user for 11 years of operation. For younger local web site such as tokopedia.com, the site have reached 10% of Indonesia internet user in only 3 years since it

was launched. So based on those data, the assumption that PT. ABC will reach 10% of Indonesia internet user in the next ten years as a lower base of the scenario can be justified. The eCPM from online advertising will be $0.2 as the lower base and will increase up to $0.7. With the assumption that Indonesia e-commerce market end up not as good as predicted, click through rate and conversion rate on harga.com will be 10% as it is on Google's average.

- The second scenario assumed that Indonesia internet technology and e-commerce market growing rapidly. In this scenario, harga.com is targeted to reach 25% of Indonesia internet user in the next 10 years. This assumption was based on the achievement made by 2 of the most visited local website which is detik.com and kaskus.co.id. those 2 sites could reach more than 30% of Indonesia internet user after 10 years of operation. The eCPM in this scenario will be $0.2 and will increase as the company growing up to 1$. E-commerce market are growing rapidly resulting in more internet user doing online transaction. In this scenario, the conversion rate and click through rate will be 25% of google's average, which mean the average conversion rate will be around 2.5%.

Investing for Growth

Firm have to keep investing in order to continue its growth. This principle also applied to young firms. Because there is no history that can help in determining the nominal reinvestment of the firm, the average reinvestment within companies with similar business are used to determine how much the firm have to reinvest each year in order to support future growth. This reinvestment value is separated with the firm's original investment plan.

$$Reinvestment_t = Revenue_t \times Reinvestment\ Rate$$

According to A. Damodaran, average proportion between Net Operating Profit after Tax and invested capital are 1:2.7. This means 37.04% of NOPAT will be allocated for further capital expenditure. Reinvestment rate used in projecting PT. ABC revenue is 37.04% of the firm's total revenue.

Projecting Free Cash Flow

After determining the value for reinvestment, the next step is to find the nominal of the firm's Free Cash Flow in the future. Free cash flow is calculated by incorporating the amount reinvested by PT. ABC to support future growth. This reinvestment are stated as increase in working capital.

$$FCF = EBIT(1-T) + Depreciation - Change\ in\ WC + Capital\ Expenditure - Reinvestment$$

Determining Discount Rate

The risk parameter have to be incorporated in determining discount rate. By using beta for calculating cost of equity and default credit risk rate for cost of debt, the cost of capital for the firm can be calculated using the help of market value. There are additional steps in determining the cost of capital. First, the beta used for calculating the firm's cost of equity must be adjusted to meet the firm's charateristic. Market average unlevered beta must be adjusted to the correlation of the firm to the market. This can be done by dividing the beta with the correlation with the market. For cost of debt, simply adjust it with market with spread to capture the other side of the business.

$$Total\ Beta = \frac{Market\ Beta}{Beta\ Correlation\ with\ Market}$$

Since PT ABC do not have any debt obligation, the cost of capital of PT. ABC only consist of its cost of equity. Internet industry sector have average unleveraged beta of 1.11, this number was use as input of the calculation. Total Beta for PT. ABC is calculated by assuming the portfolio of future venture capital is correlated with the market with assumption for the correlation equal to 0.85. this calculation will resulted beta for PT. ABC, which is 1.3.

Terminal Value and Firm Valuation

Terminal value are needed in order to calculate the firm's value. There are two model in calculating a firm's terminal value, by using Gordon Growth Model or Exit Multiple Model. For a growing business an exit multiple model maybe more suitable because they ignore future growth and calculate the terminal value based on market condition. As for firm that is

more likely to reach constant growth in forecasted period, the gordon growth model seems more suitable. Use which ever model that more represent the company situation in the future.

Gordon Growth Model

Terminal Value calculation using gordon growth model can be calculated using formula below

$$Terminal\ Value = \frac{FCF_n \times (1 + \text{Longterm Cash Flow Growth Rate})}{(\text{Discount Rate} - \text{Longterm Cash Flow Growth Rate})}$$

For the gordon growth model, long-term constant growth for PT. ABC cash flow will be 9%, because the revenue growth are starting to yield constant growth at 9%. Using this valuation method, the result of PT. ABC valuation can be seen on the table below:

Table 1. Estimated Firm Value using Gordon Growth Model for Terminal Value Calculation

	Scenario 1	Scenario 2
PV of Futeure Cash Flow	$ 1,807,879	$ 2,540,046
Terminal Value	$ 20,884,179	$ 36,513,992
Pvof Terminal Value	$ 1,912,357	$ 3,343,574
Projected Cash	$ 4,689	$ 2,429
Estimated Firm's Value	$ 3,724,927	$ 5,885,862

Exit Multiple Model

Multiple used in this model is the average internet industry sector ratio between enterprise value and sales. Average EV/sales in internet industry is 4.19. Another multiple that can be used in calculating the firm's terminal value is EV/EBITDA. Because there are several number of publicly traded internet company with EV/EBITDA higher than 50, the average ratio in internet industry is 23.16. If this multiple was used, PT. ABC value projected value will be too high, resulting in projected value more than $100 million.

$$Terminal\ Value_{year\ n} = {}^{Enterprise\ Value}/_{Sales} * Sales_{year\ n}$$

Table 2. Estimated Firm Value using Multiple Exit Model for Terminal Value Calculation

	Scenario 1	Scenario 2
PV of Future Cash Flow	$ 1,807,879	$ 2,540,046
Terminal Value	$ 26,622,459	$ 46,459,286
PV of Terminal Value	$ 2,437,810	$ 4,254,262
Projected Cash	$ 4,689	$ 2,429
Estimated Firm's Value	$ 4,250,379	$ 6,796,550

The firm's projected value using Exit Multiple model will give higher valuation compared to the gordon growth model. This result caused by the exclusion of reinvestment for future growth in calculating projected future value using the exit multiple model.

Financing The Firm

In order to keep PT ABC stay in the business and running for future growth, the firm need additional funding for future investment and other expenses with minimal total amount of $330,000. This amount of new capital infusion will keep the firm's cash balance stay positive, it is better to find another funding scheme. To prevent the majority of the company owned by investor, the company could propose the $330,000 of total investment to in three round investment. The firm will aim for keeping cash balance positive, because there are no current asset that can be transform into money instantly. The company will only infused next stage capital if only the firm have met certain milestone or requirement that have been agreed before.

The capital infusion will be done in the first three years, with different nominal, the detail of the capital infusion and capital ownership can be seen on the table 17 below.

Table 3. Exit Value and Investment Proposition for Venture Capital

	2013	2014	2015
Value Based on Capital Infusion			
Capital Infusion	$ 200,000	$ 65,000	$ 65,000
Ownership	15.0%	18.0%	20.0%
Company Value	$ 1,333,333	$ 2,166,667	$ 3,250,000
% Discount	36%	51%	70%
Firm's Value (Gordon Growth Model)			
Scenario 1	$ 3,724,927	$ 4,227,714	$ 4,655,303
Scenario 2	$ 5,885,863	$ 6,663,753	$ 7,448,285
Firm's Value (Exit Multiple Model)			
Scenario 1	$ 4,250,379	$ 4,843,954	$ 5,378,018
Scenario 2	$ 6,796,550	$ 7,731,789	$ 8,700,856

VC will get discounted value compared to the result from DCF valuation. There are two reasons behind this, first is that the VC will bear the risk of losing its money on the investment. And the second is PT. ABC in position with no bargaining power and desperately need additional to finance its daily

operation and investment. Higher risk in the early years will be paid off by bigger discount, and on the third stage of funding the discount won't be as higher as the first year because of the risk associated with the firm is not as high as the early years.

$$Firm\ Vaue = Survival\ Probability \times Discounted\ Cash\ Flow\ Value\ of\ The\ Firm$$

The percentage of the discount also represent the survival possibility for the company. In the first year, the survival possibility of the company is 36%. This survival rate will increase as the company grow in the future. The survival rate will increase to 51% and 70% in the second and first year respectively.

As PT ABC grow, the risk of failure will decrease and the probability of survival will increase. That is why further investment plan will offer lower percentage of ownership at higher equity requirement. The possibility of the company to perform worse than scenario 1 still exist, but based on future Indonesia market and economic growth supported by innovative content and good management, the possibility for PT ABC to deliver a good performance in the future is bigger.

Determining Key Drivers of The Firm

By determining the key driver's of the firm value, the owner can mitigate future risks that can hinders company grow. It can be done by doing sensitivity analisys of different estimated parameter in cash flow projection. Because PT ABC is an internet media company who relied heavily on the visitor of its website, the performance of the company will be strongly influenced by the number of web site visitors. If average advertising spending on digital advertisement is fluctuating, this problem will have direct impact on PT ABC revenue. Based on the calculation using various range of harga.com key drivers it can be concluded that harga.com. To determine which parameter will affect PT ABC projected value, sensitivity analysis are done by calculating advertising fee, Page Views per Visitor, and Number of Visitors and adjust the parameter with 30% of deviation from the base projected value.

From the value sensitivity, it could be seen at the graph above that value of the company strongly affected by the number of page views and visitors. Even with advertising fee from advertisers do not give the company much income, PT. ABC could overcome the problem by focusing on enriching the content and attract more visitors to visit harga.com.

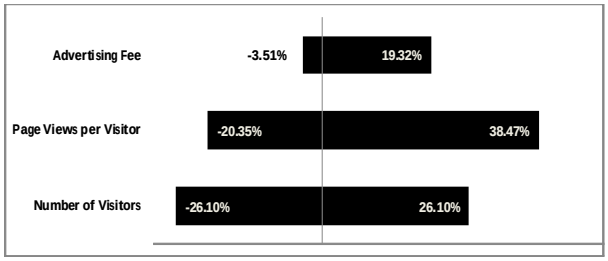

Figure 2. Firm's Value sensitivity to Ey Drivers

Conclusion

While projected value of PT ABC in the future could reach more than $10 million seems too ambitious, the recent series of indonesian internet giant acquisition by various company tell otherwise. Recently detik.com, indonesia biggest online news portal, was acquired by CT Corp for estimated value around $60 million. PT. Siberkom, previous owner of detik.com, rejected initial offer of $40 million from the same group but eventually agreed on the value around $60 million. Indonesia largest online forum, kaskus.co.id was acquired by Global Digital Prima Venture, member of Djarum Group, for estimated value of $150 million.

Tokopedia.com, a young start-up e-commerce business founded in 2009 also involved in latest internet company trend in Indonesia. Tokopedia recieve funding from CyberAgent Ventures, a Japanese venture capital. CyberAgent infused $700,000 on tokopedia.com and in return have 10% right of the

Table 4. Recent Local Website Valuation

Website	Estimated Visitor per Month	Reach	Estimated Value	Description	Launched
detik.com	20,000,000	40.00%	$ 60,000,000.00	Online Forum	1999
Kaskus.co.id	22,000,000	36.36%	$ 156,000,000.00	News Portal	1998
tokopedia.com	11,000,000	20.00%	$ 7,000,000.00	E-Commerce	2009

company, this mean tokopedia valued around $7 million. Based on this facts, offering $1 million for 10% ownership would be reasonable. Projecting PT. ABC value to be $10 million or even $25 million for the next 10 years may not be impossible at all.

The fact that the result of valuing an early seed firm with DCF model is somewhat questionable. A combination of factors also make the valuation become a cumbersome process. In this paper, with careful approach and well calculated approach in setting the key parameters and valuation, valuation of a early seed firm who operate in intangible sector can be done. There is no denying that the data on the market is the best tools in estimating the parameters. By incorporating recent market data and information into the process would give the valuation a better result.

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