→ Valuation of Digital Platforms

CA coaching Industry
↓
Market portals
↓
Eg:- Zero Infy → founded in 2015
→ 2016 raised 40L for 10%
(Post money valuation)

CA foundation passed → 25,000 Students
80% of them will take tuitions for CA Inter = 20,000 students
Avg fee for CA Inter = 50,000
Fees = 100 crore

Inter { December attempt = 3 x 100 cr = 300 cr
400 cr
Foundation = 4 times = 1600 cr } for 1 year
Final = 400 cr
~~1500~~ 2400 cr ~~3000~~ ≅ 2500 cr

Total Addressable Market / Serviceable Accessible Market = ~~3000~~ 2500 Cr

Zero Infy revenue = 25 Cr
Market Share = 1%
Commission = 25% [Income]
Advt Expense = 10% } of sales
Other expense = 5%
EBIT Margin = 10% of sales
EBIT = 2.5 crore
Tax rate = 25%
NOPAT = 1.875 crore
↳ Assuming as FCFF

$g = 10\%$ P.a forever
$k_c = 15\%$

Value as per GGM $= \dfrac{FCFF_1}{k_c - g} = \dfrac{1.875 \times 1.1}{0.15 - 0.10}$

E.V.	= 41.25 cr
+ Cash balance	= 2 cr
− Debt	= 0 cr
Value of Equity	= 43.25 cr

So 40 lakh became 4.325 cr in 7-8 years

TAM/SAM = 2500 cr → South India
→ Other parts

→ Digital platform
↓
Online Infrastructure
Software based
Network effect

Types :-
1. Repository → youtube, Spotify
2. Market place → zerodhy, Amazon, Zomato, Alibaba
3. Search Engine → Google, Bing, Baidu
4. Digital community → FB, Instagram
5. Digital Communication → whatsapp, Telegram
6. Payments platforms → Paytm, GPay

Approaches

Income approach
→ DCF

1. TAM / SAM
2. Market Share
3. Margin EBIT
4. Tax rate
5. Reinvestment rate
6. Discount rate

K_e (or) K_c

FFFE FCFF

$R_f + (R_m - R_f)\beta + CSRP$*

Company specific risk premium

7. Other factors
Eg:- Cashburn, Technology, Team etc

Market Approach

→ EV to revenue
→ EV to EBITDA ratio

Revenue drivers

1. No of Active users
2. No of Transaction
3. No of Searches
4. Search time
5. No of hours of content

Cost approach

Illogical

→ Other theory topics [Professional / consultancy firms, Impact of ESG on valuation] are covered later