

REGION HAMBURG/NORTHERN GERMANY

AGIG AND BCCG JOINT SEMINAR ON VALUING HIGH-GROWTH COMPANIES

Berlin is the start-up home of many high-growth companies in Germany. To discuss how these start-up high-growth companies can be valued was the objective of a seminar organised by AGiG* – the Accountants Group in Germany – (<http://agig.de/>) in conjunction with the BCCG, and held at the Anglo-German Club in Hamburg on 22 March 2018. The seminar was well attended by both AGiG and BCCG members.

Assessing the value of start-up high-growth companies is particularly difficult as they have only limited history, equity is mainly from private sources and there is a considerable risk of failure. Taking account of these difficulties, Dr Steve Janner and Lasse Soerensen of PwC's Digital Deals Team gave an insightful presentation of ways to value such companies. Their presentation was based on their wide experience in working with start-up companies and the varying methodologies that can be used to place a value on them.

One important aspect of valuing start-up high-growth companies is to assess the risk to be applied to the start-up valuation. There are two important aspects to this risk that need to be evaluated. Firstly, the company's probability of survival and, secondly, the risk that the company cannot deliver on its business plan and the profits it needs to generate. Only 50% of start-up companies remain competitive after the first four years, and after 7 years, 60% to 70% of start-ups have disappeared. These sobering facts make a proper risk adjustment for the start-up valuation critical. Several risk adjustment methods

to calculate this valuation were presented. This was followed by a lively and interesting question-and-answer session.

Dr Oliver Melzer, a venture capitalist, serial investor and founding partner of Ammer! Partners continued the theme of the seminar with his presentation on topics to watch out for when investing in high-growth companies, i.e. business model, management team, correct valuation of the business plan, exit strategy, and of course luck. You need to be a thorough thinker and a hard worker but, you also need luck – to have the right product with the right business model at the right time and place, the right management team and investors willing to live with chaos, and finally the right exit strategy to secure the right buyer willing to purchase at a good premium. Lastly, it is important to understand the motivation and reason for investing. Is it to earn money or to look for innovation? Or is it a philanthropic investment or one aimed at supporting a local enterprise?

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**AGiG represents more than 900 qualified accountants residing in Germany, and aims to provide its members with professional and business development opportunities. Its regularly held seminars also offer members the chance to network with other accountants living and working in Germany. AGiG is a BCCG sponsoring member.*

