

GLOSSARY

4 MARKET AND CUSTOMER ANALYSIS

MARKET CAPACITY The maximum potential sales volume or demand in a market, assuming all potential buyers are converted into customers. This metric highlights the market's saturation point and potential growth limits.

MARKET POTENTIAL A forecast of future market demand based on trends, growth rates, and untapped opportunities.

MARKET VOLUME The total sales or demand for a product or service within a defined market over a specific period.

MARKET SHARE The percentage of total market volume controlled by a business or competitor, reflecting its competitive position.

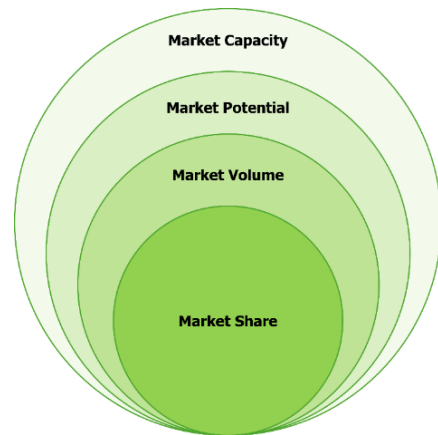


Figure 1: Market Potential Assessment

11 FINANCIAL OVERVIEW

REVENUE AND GROWTH

Revenue is the total income generated from customers or users. Revenue growth is the percentage change in revenue over a set period and reflects product market fit, customer demand, and scalability.

REVENUE Total income from customers

REVENUE GROWTH Percentage change in revenue over time

GROSS MARGIN

Gross margin shows how much a company earns after subtracting the cost of goods sold (COGS) from revenue. It reflects pricing strategy, production efficiency, and overall financial health.

GROSS MARGIN $(\text{Revenue} - \text{COGS}) \div \text{Revenue}$, measuring profitability per sale

BURN RATE AND RUNWAY

Burn rate is the monthly cash outflow needed to run the business. Runway is the number of months a company can operate before depleting its cash.

BURN RATE Monthly spending

RUNWAY How many months cash will last at current burn

CUSTOMER ACQUISITION COST (CAC)

CAC is the cost of acquiring a new customer through marketing and sales. It's crucial for evaluating the efficiency and scalability of growth strategies.

CAC $\text{Total marketing and sales cost} \div \text{number of new customers}$.

CUSTOMER LIFETIME VALUE (CLV)

CLV estimates the total revenue a company expects from a customer over the duration of their relationship. A high CLV relative to CAC indicates profitability and strong retention.

CLV Expected total revenue from a customer minus acquisition cost.

INTERNAL RATE OF RETURN (IRR)

IRR is the annualized return rate that makes the net present value of an investment's cash flows zero. It's used to measure the performance of venture investments.

IRR Annual rate of return where investment's present value of inflows equals outflows.

VALUATION AND EXIT POTENTIAL

Valuation reflects a startup's current and projected worth. Exit potential indicates the attractiveness and feasibility of an acquisition, IPO, or other exit.

VALUATION Estimated worth of a startup

EXIT POTENTIAL Likelihood and appeal of a successful exit.

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DUE DILIGENCE The process of thoroughly investigating and evaluating a potential investment to verify information, assess risks, and determine its viability. It helps investors make informed decisions by confirming financial, legal, operational, and market-related facts. This process is crucial for identifying potential issues and ensuring the investment aligns with the investor's goals.