



equity fingerprint
the business°

SKYPE – a case study.



All information from searching on [Google](#) and
estimates

27 September 2006



The beginnings...




-  was started in 2002 by the founders of Kazaa:
 - Nikalas Zennstrom (37 yrs)
 - James Friis (27 yrs)



The beginnings...



-  was founded in 2000:
A file sharing program.
- 315 million downloads
“most downloaded program in the world in 2003”
- Had problems with music industry due to piracy.
- Global free market for music, video and p***n.



Funding



- 2002 \$2M
 Angel round
 3 Angels + Tom Draper
 Draper Investment Co. (VC)

- 2004 \$18M
 VC round
 Draper Fisher Jurvetson
 Bessemer Venture Partners
 Index Ventures
 Mangrove Capital Partners
 All VCs



Milestones and Product



- Easy install
- Easy use (5 minutes after installation)
- No firewall issues
- Reliable connection
- “Worked 100x better than anything else we had seen” – Rob Stavis of Bessemer.



Money



- Charging for
 - Voicemail
 - Connection to a landline
 - Reselling arrangement with ISPs

Multibillion \$\$\$ potential



Making the EF - Data



- The Economist – “Giving Ideas Wings”

16th September, 2006

“The earliest investors (*i.e. from angel round*) saw a huge return, 350 times or so, on their estimated \$2 M investment.”

- VC’s return 40x on 18 M investment.

(Estimate - PSB)

-  sold to  for \$2.6 bn
– \$1.3 bn in shares + \$1.3 bn in cash (+ \$1.5 bn earn out)



Making the EF



- Final equity:

| | | |
|-------|----------------------|----------------|
| | Buy-out value | \$2,600 M |
| Less: | Angels (\$2 M x 350) | \$700 M |
| | VCs (\$18 M x 40) | <u>\$720 M</u> |
| So: | Founders + team | \$1,180 M |

Approx.



Equity split



| | Control of equity (millions) | Percentage ownership | | |
|-----------------|------------------------------|----------------------|-------------------|--------------|
| | | At buy-out | After angel round | initial |
| Founders + team | \$1,180 | 45 % | | |
| Angels | \$700 | 27 % | | |
| VCs | \$720 | 28 % | | |
| TOTAL | \$2,600 | 100 % | 100 % | 100 % |



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After Angel Round...



- From the table above, we can find pre- and post-money valuations for the company:

\$2 M brought the angels 38 % of  :

So, post-money valuation is

$$\$2 \text{ M} \times 100 / 38 = \$5.3 \text{ M}$$

And pre-money valuation is

$$\$5.3 \text{ M} - \$2 = \$3.3 \text{ M}$$



After VC Round...



- Again, we can find pre- and post-money valuations for the company:

\$18 M brought the VCs 38 % of  :

So, post-money valuation is

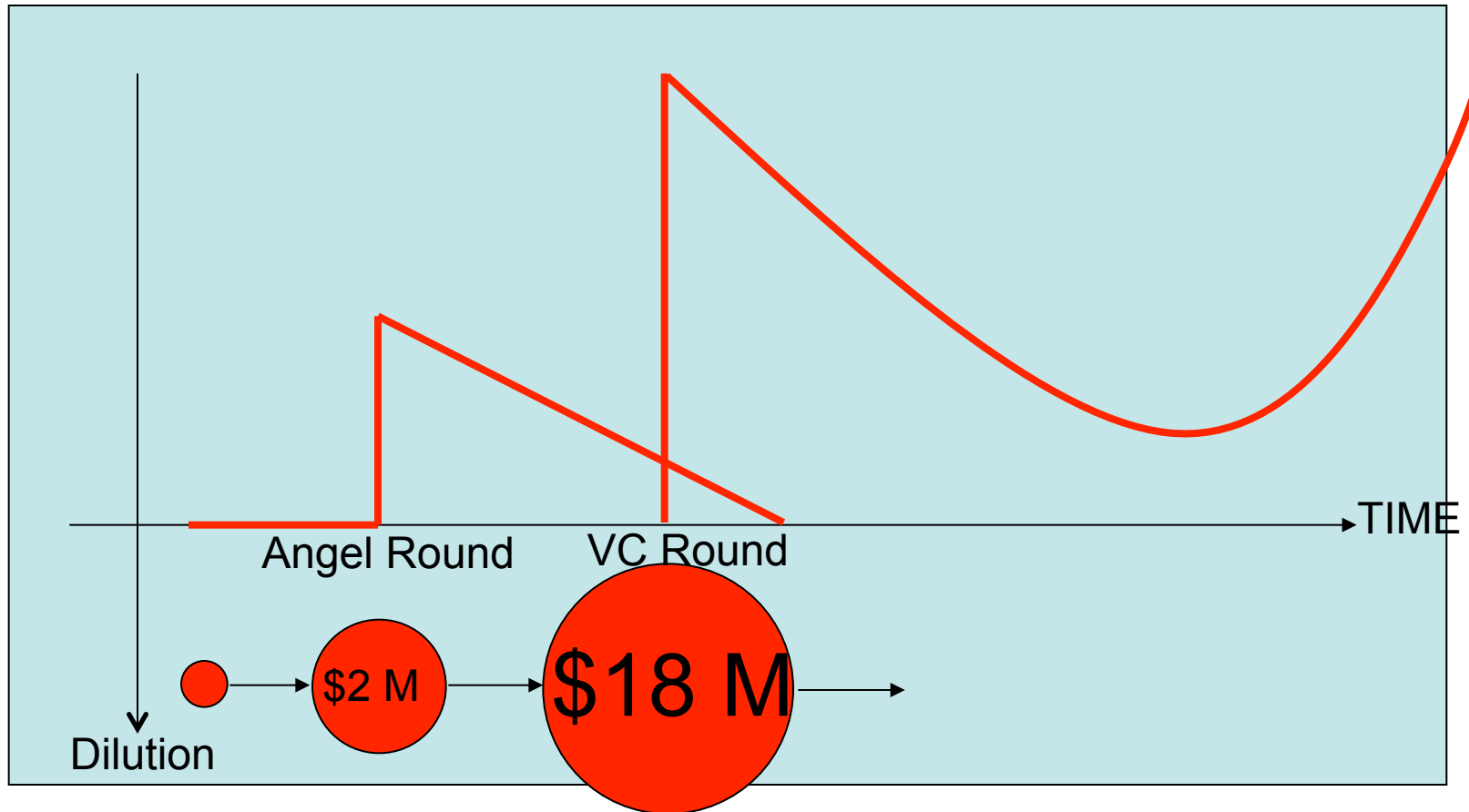
$$\text{\$18 M} \times 100 / 38 = \text{\$47 M}$$

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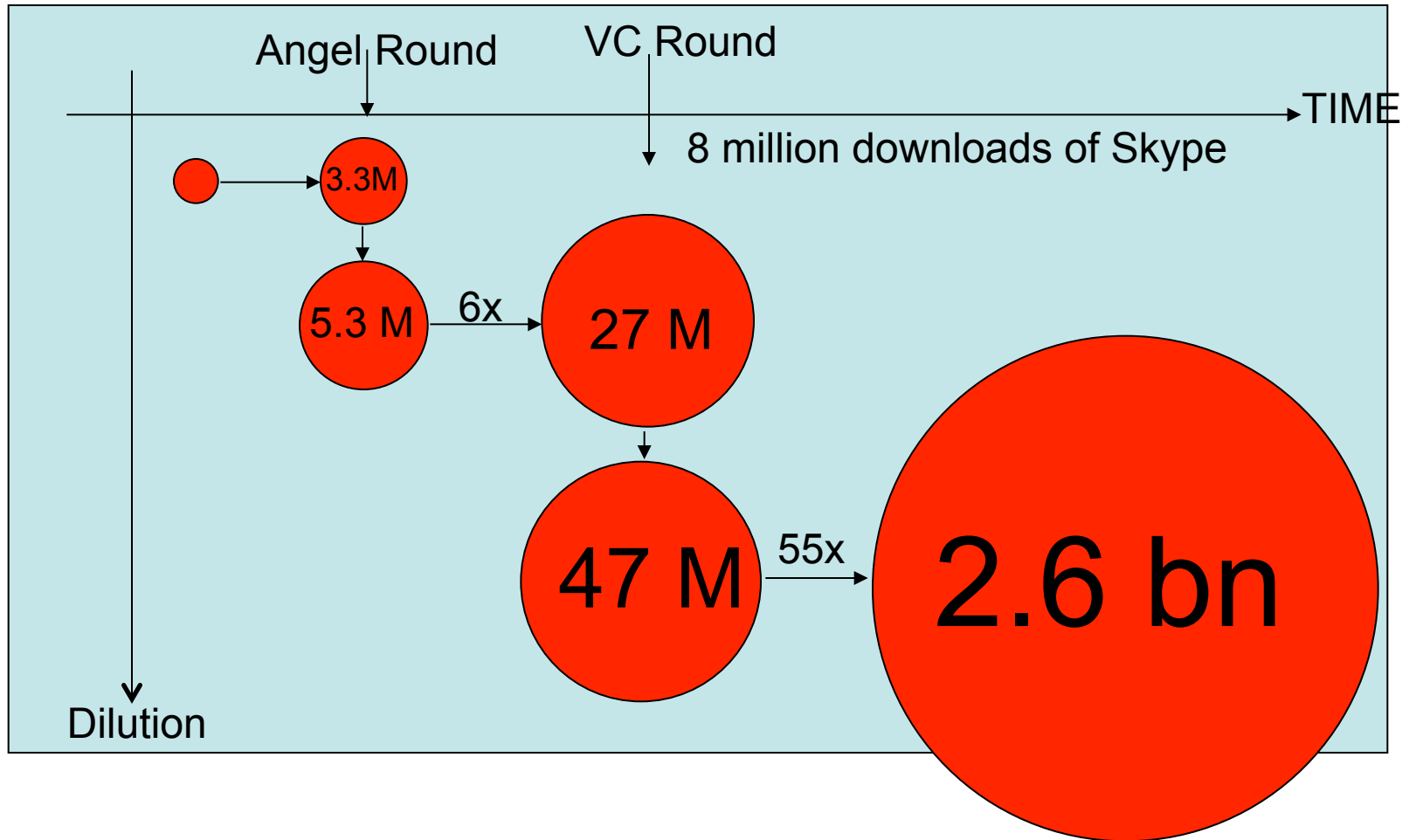


Equity Fingerprint



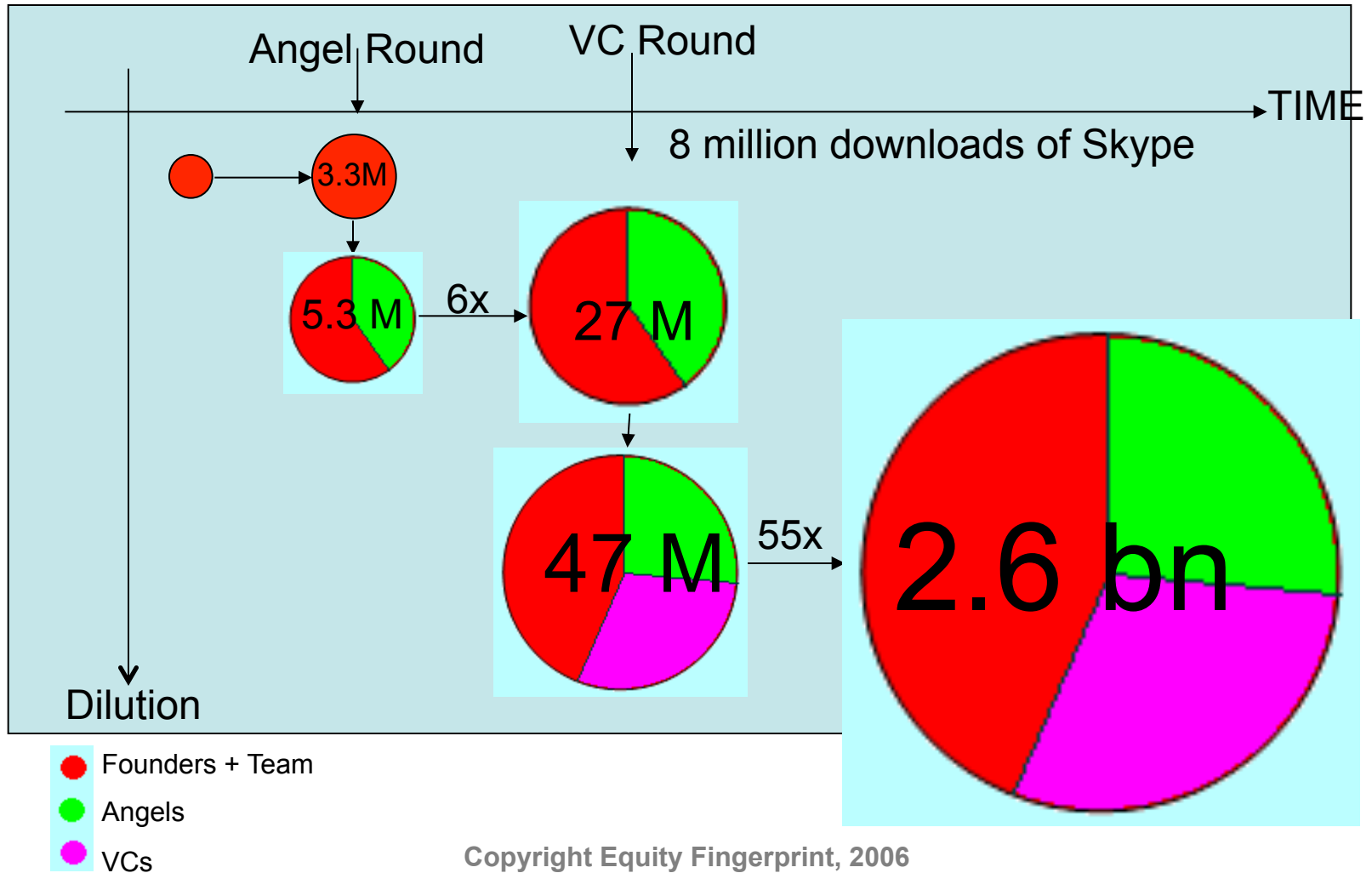


Equity Fingerprint





Equity Fingerprint





So, who are the winners?



- Founders and start team

| | |
|-----------|-------|
| Zennstrom | 40 % |
| Friis | 40% |
| Team | 20 % |
| Total | 100 % |

This is typical of
the equity split of
a start up
company



So, who are the winners?



- Angel investors

| | | |
|------------------------|--------|-------|
| Tom Draper | 12.5 % | 250 k |
| Angel 1 | 12.5 % | 250 k |
| Angel 2 | 12.5 % | 250 k |
| Angel 3 | 12.5 % | 250 k |
| Draper Investments Co. | 50 % | 1 M |
| Total | 100 % | 2 M |



So, who are the winners?



- VC round

4 VC investors

25 % each

Total

4.5 M each

\$ 18 M



So, who are the winners?



| Final equity split: | Share | Equity / millions \$ | Investment / millions \$ | 20% VC cut / millions \$ | Returns / \$ |
|-------------------------------|--------------|----------------------|--------------------------|--------------------------|--------------|
| Founders | 45 % | 1,180 | 0 | n/a | 1,180 |
| Zennstrom | 18 % | 472 | 0 | n/a | 472 |
| Friis | 18 % | 472 | 0 | n/a | 472 |
| Team | 9 % | 236 | 0 | n/a | 236 |
| Angels | 27 % | 700 | 2 | n/a | 698 |
| Tom Draper | 3 % | 88 | 0.250 | n/a | 87.75 |
| Three Angels | 13 % | 263 | 0.750 | n/a | 262.25 |
| VC (Draper Investment Co.) | 14 % | 350 | 1 | 70 | 279 |
| VCs | 28 % | 720 | 18 | 144 | 558 |
| VC1 (Draper Fisher Jurvetson) | 7 % | 180 | 4.5 | 36 | 139.5 |
| Three VCs | 21 % | 540 | 13.5 | 108 | 418.5 |
| TOTAL | 100 % | 2,600 | 20 | n/a | 2,590 |



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Tom Draper: $87.75 + 70 + 36 = \$200 \text{ M} + \text{any money invested in his own VC company, as is normal!}$