**Instructions Apollo DD Form**

All Yellow fields are cells where the company can enter a value. Green Cells are drop-down lists. The company ACME Ltd is used as an example. Please make sure you erase existing values. You don’t need to fill in all the details if they are not available, but the more details you provide, the easier it is for our members to understand your investment proposal. The only information that needs to be completed is Tab1 DD questions.

**Summary**

The Summary gives a brief overview of the input in the Yellow Tabs. It contains six different blocks of information relevant to investors and helps investee companies sanity-check their assumptions. A graph also tracks the Cash position over the first 24 months.

**Block 1 Valuation**

This block contains the proposed post-money valuation, estimated exit price, estimated future dilution, and estimated time to exit. These four variables can be used to calculate an Internal Rate of Return (IRR).

**What are we looking for**

We expect a minimum IRR of 40%, as most of our investments (70%) will fail. If the successful 30% can achieve IRRs of above 40%, our portfolio return will be around 15%. This is a high enough reward for risky, illiquid assets. The higher the cost to replicate, the more attractive the investment, as it will give the company a competitive advantage. We usually only invest in SEIS opportunities.

**Block 2 Founder Info**

This block contains information on the founder(s) ' wages and DD score, 100% being the maximum. It also shows any director loans and the presence of an option pool.

**What are we looking for**

The higher the DD score, the better. If some of the DD questions have negative answers, this might mean we won’t invest in your company if the explanation is unsatisfactory. The lower the wages, the better, as this will allow the company to grow, but we understand founders need a wage to live on. The director’s loans and the option pool will be discussed further.

**Block 3 Margins (Company at Scale)**

This block contains the expected ratios and margins when the Company is at Scale. We try to understand the company's potential without forcing it to make unrealistic predictions. We don’t stop at the net margin as we are interested in the capex and working capital needs. Free Cash Flow is the cash that can be invested in additional growth or returned to the shareholders without endangering growth. A company at scale is a business that has grown rapidly and expanded in terms of revenue, customer base, and employee headcount.

**What are we looking for**

We will compare the ratios/Margins with the sector averages and question why there is a difference. In general, companies with IP need to spend on Research and Development, while companies with many customers must spend on Sales and Marketing costs. Some companies have high Capex needs, while others have negative working capital (SaaS companies). The higher the FCF margin, the better, but it has to be realistic.

**Block 4 Total Addressable Market**

This block gives an estimate of the size of the Total Addressable Market (TAM)

**What are we looking for**

A large TAM is not necessarily good as it will attract more competition. You might be more investable if you are a large player in a Niche Market. You generally need a large TAM to be investable for follow-up VC funding.

**Block 5 Profit & Loss**

It is a 7-year projection, but only the first two years are detailed. The rest are rough estimates based on market share and expected margin.

**What are we looking for**

We don’t give great weight to the projections for years 3 to 7, but they help us understand how you see your margin developing and your turnover growing.

**Block 6 Free Cash Flow/Estimated Exit Price**

This block is a sanity check on your estimated Exit Price (Block 1). It uses the FCF Margin from Block 3 and the TAM from Block 5 to calculate the Free Cash Flow on a given market share. This Free Cash Flow is divided by the exit price to calculate the FCF yield. Different FCF margins and Market shares are used to help understand (minor) changes to the assumptions.

**What are we looking for**

If the FCF yields 7%, it is unlikely that your company will be bought for the estimated exit price. If any red cells are in the table, you might want to lower this estimated exit price, but make sure you are still an attractive investment in Block 1.

**Tab 1 DD Questions**

A list of questions that can be answered, True or False. If the answer is false, the founder can add a note at the bottom of the form.

**What are we looking for**

Ideally, all the questions are true, but if not, please explain them in the notes. Some questions might be dealbreakers, others might be fine, but we still want to know.

**Tab 2 Financials (Historic)**

Enter your available Balance Sheet and Profit and Loss data into the cells. Ensure the Balance squares (no positive or negative values in the line). If your Balance doesn’t square, you probably entered the wrong value in a cell.

**What are we looking for**

If there are significant (Non-) Current liabilities, we would like to understand them better. Revenue/profitability is always good but not a requirement.

**Tab 3 Cap Table**

You can enter the existing cap table (including any option pools) into the table. After that, enter the pre-money valuation and the amounts you want to raise from Apollo and other investors. Lastly, you estimate the exit price, time to exit and estimated time to exit.

**What are we looking for**

We appreciate that estimating when and how much you can sell the company is challenging. Still, it is good to have a rough idea if you want a quick early revenue exit, a founder share buyback or wish to raise multiple rounds and go for a large exit.

**Tab 4 Founders & Conflicts of Interest**

In the table, enter the wage expectations and options of the founders, early investors, and executive director. Also, note any possible conflicts of interest.

**What are we looking for**

High early salaries might be a red flag, but we understand that founders must earn an income. Please ensure you know that the Company is not the same as the Founder. Conflicts of interest are natural, but it is good to understand them and create procedures to deal with them.

**Tab 5 Product**

Enter the products, sales prices, direct costs, and payment terms in the table. The green cells are drop-down boxes for the payment terms.

**What are we looking for**

This information helps us understand your business and lets the Founder understand his Gross Margin and Working Capital ex-cash/Sales. These percentages are needed at a later stage.

**Tab 6 Cost to replicate**

Estimate how much money and time was spent on developing the business idea. Some of the time might have been spent before the business was created.

**What are we looking for**

An idea created a month ago in the pub by first-year students will likely be easier to replicate than a 10-year research project led by a Nobel-winning scientist and an experienced executive team.

**Tab 7 Peer Group**

First, determine who the competitors and possible acquirers are. Then, public data sources like Yahoo Finance for listed companies and Companies House for unlisted UK companies can be used to find key financial data. Early-stage competitors might have little to no publicly available financial data.

**What are we looking for**

The peer group has two uses. First, it helps investors identify competitors and possible acquisitors. Second, it helps the founders sanity-check their Gross Margin, R&D, and Marketing spending assumptions.

**Tab 8 Pipeline**

The founder can enter the customer book for the coming months in the Excel sheet. If there is uncertainty about a possible order, you can add a chance of success to create a weighted revenue.

**What are we looking for**

The stronger the order book, the better. The input will be used in Tab 9, Cashflow for 24 Months.

**Tab 9 Cash Flow 24 Months**

Enter the first month of the book year in the top left. If there are any actual income and expenditures in the first month(s), you can add these. You can then add your projections. The layout is in Profit & Loss format, but you can enter income and expenditure on a cash basis. You can differentiate between Cash you have to spend (committed) and Cash you might want to spend if Cash is available (Flexible).

**What are we looking for**

The cash flow forecast gives an overview of income and costs in the coming months and when cash might run out. A good cash runway is at least 12 months, but longer is better.

**Tab 10 Long-term Financials**

In this tab, you compare your long-term financial ratios when the Company is at Scale with the product, average, peer group and Industry averages. You can select the industry sector that best resembles the sector your company is active in. A company at scale is a business that has grown rapidly and expanded in terms of revenue, customer base, and employee headcount.

The next step is determining the Total Addressable Market (TAM) by multiplying potential clients by the Average spend per client. You can use the notebooks for additional calculations.

The last step is to fill in the expected market share in years 3 to 7 plus the predicted market share when the company is at scale.

**What are we looking for**

The results in this tab will be used in the Summary to sanity-check all assumptions.

**Notebooks**

These can be used for complicated calculations and fed into the cash flow or Total Addressable Market calculation.