



# **M&A IN STARTUP ECOSYSTEM**

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# Discussion agenda

- ✓ STARTUP ECOSYSTEM IN INDIA
- ✓ RETURNS EXPECTED BY VC'S FROM START UPS
- ✓ MODES OF EXIT FOR AN INVESTOR IN THE INDIAN SCENARIO
- ✓ M&A TRIGGERS
- ✓ CONSOLIDATION – IS IT WORTH IT?
- ✓ VALUATION OF STARTUPS
- ✓ CASE STUDY

# EVOLUTION OF INDIAN STARTUP ECOSYSTEM

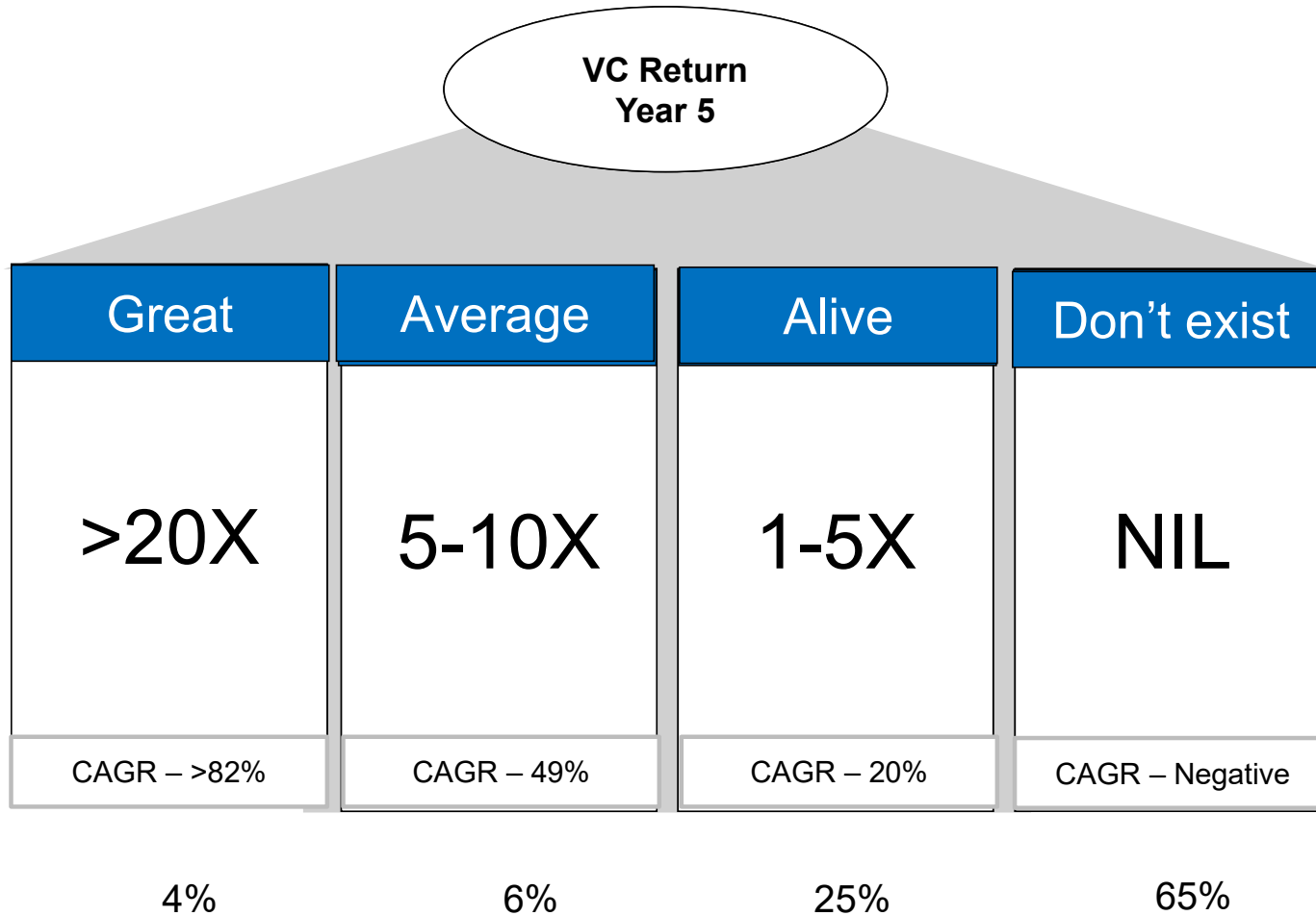
## FROM

- Land Grab  
(First mover advantage)
- GMV driven market share
- Throw money at the problem
- Investment focus

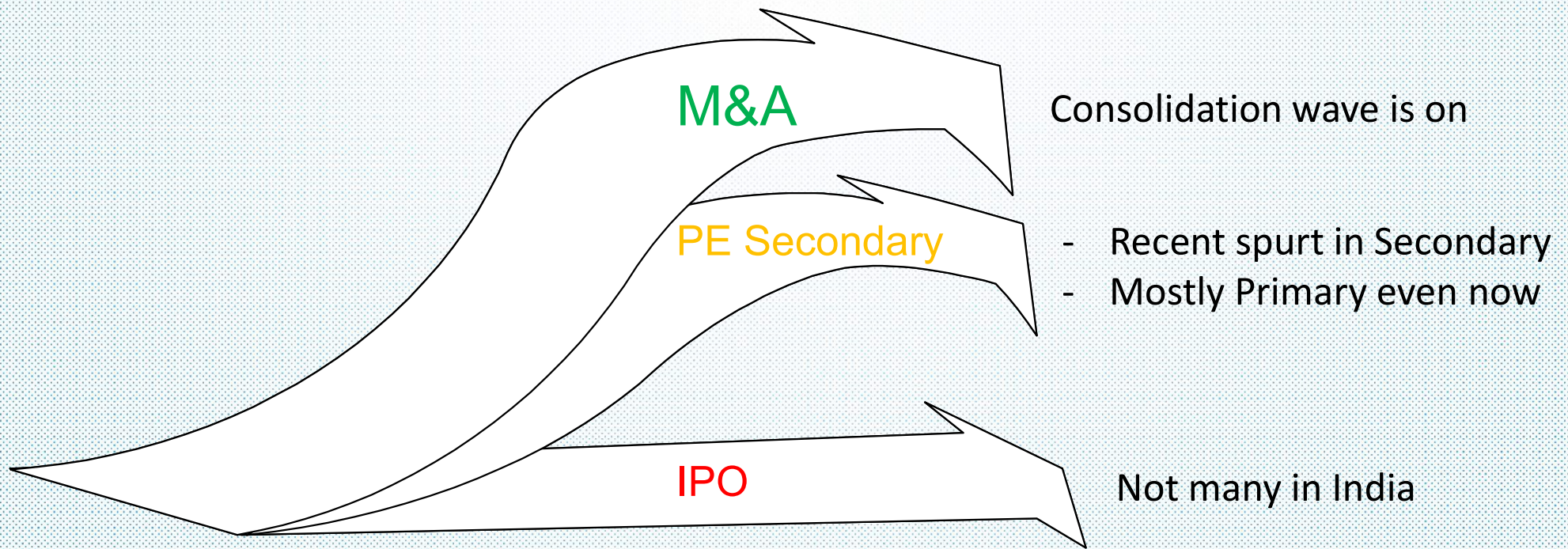
## STILL EVOLVING....

- Unit Economics
- Path to profit
- Sustainable existence
- Exits are Important

# Return expected by VC's from start ups



# MODES OF EXIT FOR AN INVESTOR IN THE INDIAN SCENARIO



# TRIGGERS FOR M&A'S

## Traditionally...

**Non Core**

**Geographical expansion/  
New Market**

**Improve Performance**

**Diversification**

**Make vs Buy**

## In Startups.....

**Funding issues/Common  
investor driven**

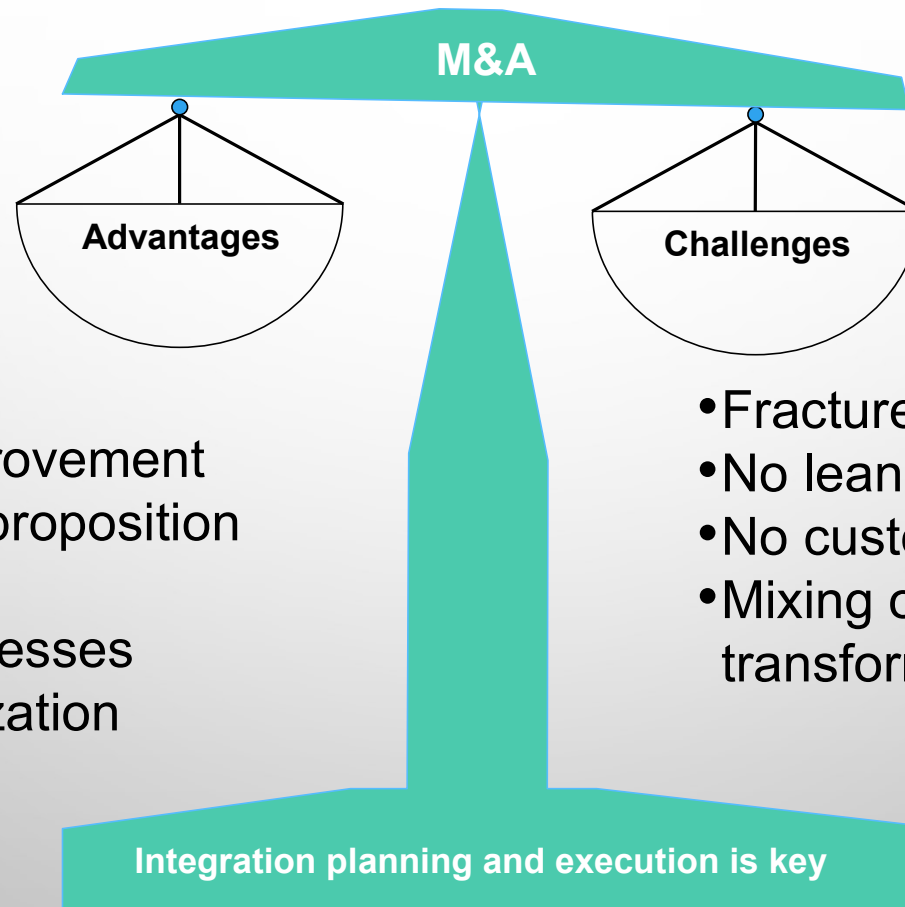
**Acquire Technologies or  
Acqihires**

**Not able to scale**

**Kill the competition**

**Governance issues**

# CONSOLIDATION – IS IT WORTH IT?



- Scale advantage
- Governance improvement
- Customer value proposition
- Improved profits
- Efficiency in processes
- Resource optimization

- Fractured culture
- No lean decision making structure
- No customized solution
- Mixing of integration and transformation agenda

# HOW TO VALUE A START UP?

## Techniques of valuing startups

Scorecard method

First Chicago Method

Risk Factor  
Summation Method

Venture Capital  
Method

Back Solve Method

Berkus Method

DCF Method

Market Valuation  
Method

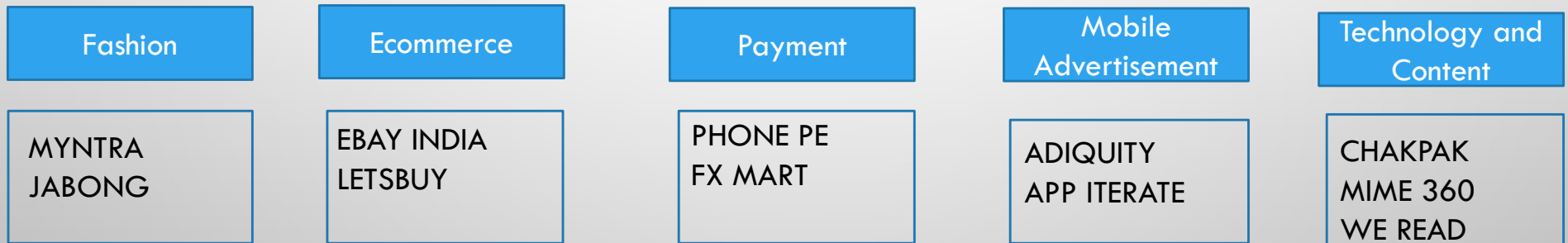
Time Multiple  
(Rev/Profit) Method

Comparable  
Transaction Method



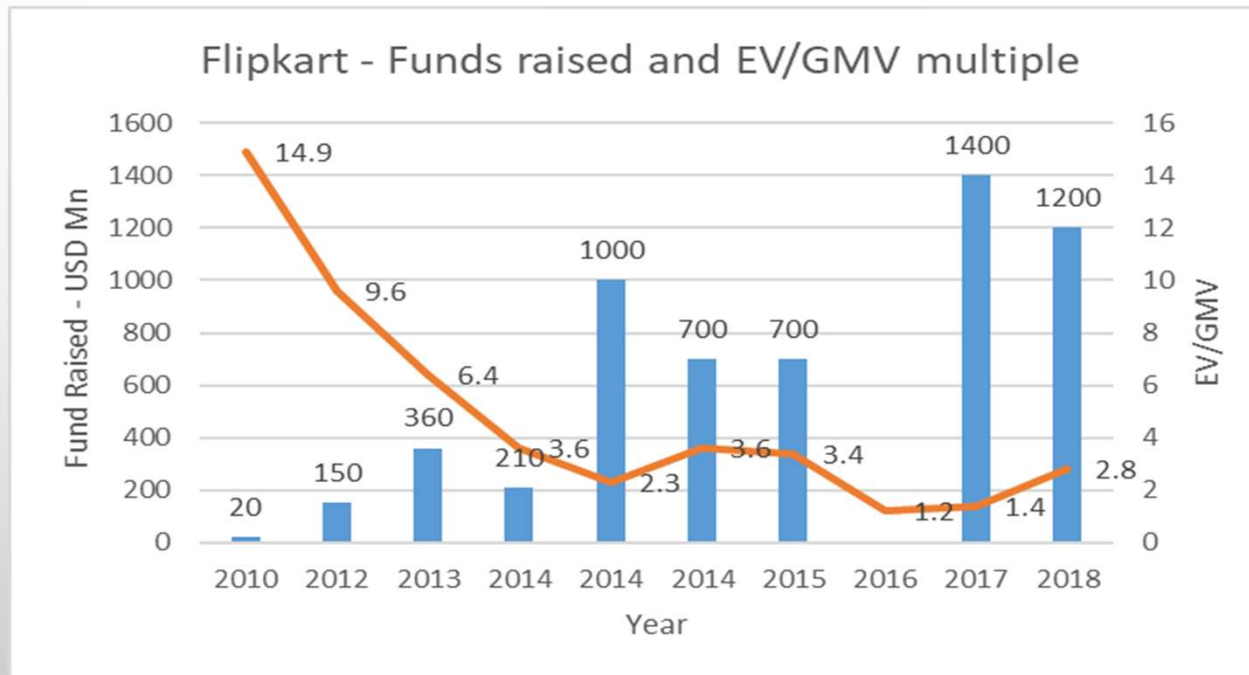
# FLIPKART – CASE STUDY

- FLIPKART IS POSTER BOY OF STARTUP AND ECOMMERCE IN INDIA
- SINCE INCEPTION, FLIPKART HAS GROWN THROUGH M&A ROUTE
- IN ITS JOURNEY, FLIPKART ACQUIRED 11 OTHER STARTUPS IN THE ECOMMERCE, FASHION, PAYMENTS, CONTENT, ADVERTISEMENT AND OTHER NEW VENTURES
- M&A HELPED FLIPKART ADD TO ITS PRODUCT PORTFOLIO:



- IN 2018, FLIPKART WAS ACQUIRED BY WALMART AT \$16 BN FOR 77% STAKE

# FLIPKART – GROWTH THROUGH ACQUISITIONS



Dec-10 – We Read  
 Oct- 11 – Mime 360  
 Nov-11 – Chakpak  
 Feb-12 – Lets Buy  
 May-14 – Myntra  
 Mar-15 – Adiquity  
 Apr-15 – App Iterate  
 Sep-15 – FX Mart  
 Apr-16 – PhonePe  
 Jul-16 – Jabong  
 Apr-17 – Ebay India  
 Aug-18 – Walmart

At the time of acquisition by Walmart – Flipkart GMV – \$7.5b, Valuation - \$20.8b & EV/GMV -2.8X

The background of the slide is a light gray dotted pattern. It is decorated with several realistic water droplets of various sizes and shapes, some appearing to be on the surface and others partially cut off by the edges. The droplets have highlights and shadows, giving them a three-dimensional appearance.

# **Q & A**

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