# From Draft to Deal: Creating a Compelling Startup Listing

This module is divided into 3 sections.

1. How to evaluate your startup's worth
2. How to create a listing on the Microns.io marketplace
3. How to prepare your startup for sale

## Module 1: How to Evaluate Your Business's Worth

There's a wide range of valuation strategies for determining your business's worth. However, the valuation method you'll use depends on the kind of business you're selling. Is it a micro-SaaS startup, mobile app, or newsletter?

In this module, we'll explore all three valuation methods.

### How to value a micro-SaaS business

Valuing a micro-SaaS startup involves considering factors such as financials, market conditions, and growth potential.

The four most common methods for determining a micro-SaaS company's worth are the **Seller Discretionary Earnings** (**SDE**), **Earnings Before Interest, Taxes, Depreciation, and Amortization** (**EBITDA**), **Annual Recurring Revenue** (**ARR**) and **revenue multiples**.

Let's explore them in more detail.

#### Seller Discretionary Earnings (SDE)

SDE is one of the best valuation methods for small businesses, not just micro-startups, because of its simplicity. It takes into account your pre-tax profit and your earned salary before deducting the company's expenses. The remaining value is your SDE.

**SDE** = (**Revenue** + **Owner Compensation**) - (**Cost of Goods Sold** + **Operating Expenses**)

**Micro-SaaS company value** = **SDE x valuation multiple**

This valuation model is typically used for small software businesses valued at under $5,000,000.

### EBITDA

EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. EBITDA factors in the owner's wages when measuring the company's financial performance/profitability to determine its cash flow strength.

It's arguably the best micro-SaaS startup valuation method. However, it considers more factors and is better suited to much larger micro-SaaS startups, earning over $5 million, with more employees and complex financials.

**EBITDA** = **Earnings** + **Interest** + **Taxes** + **Depreciation** + **Amortization**

After finding your EBITDA, you then multiply it by your company's multiple (more on that in a bit). The formula for getting micro-SaaS valuation then becomes;

**Micro-SaaS startup valuation** = **EBITDA x valuation multiple**

### Revenue valuation

The revenue method is a much simpler way to calculate a micro-SaaS startup's valuation. You arrive at the value by multiplying the company's annual recurring revenue (ARR) or monthly recurring revenue (MRR) by the multiplier.

An interesting feature of this model is that good customer retention and steady profits over time can lead to a higher valuation. On the other hand, the valuation is based on the company's growth, so buyers may not be willing to pay an acceptable price if it's not growing.

**Valuation** = **revenue x multiple**

## How to Find Your Micro-SaaS Valuation Multiple

These are the factors to consider when finding your micro-SaaS multiplier: industry, finances, customer acquisition, and operations.

**Finances**

Consider the age of your business, income stability, your influence as the owner, and the monthly and annual revenue trends over the past 1 - 3 years.

**Customer acquisition**

This involves the target market, customer acquisition channels, customer acquisition cost (CAC), customer lifetime value, churn rate, search rankings and traffic trends. Another factor to consider is how search algorithm changes have affected the site.

**Industry**

When considering the industry, look at the level of competition, barriers to entry, financial strength of competitors, and the growth phase of the industry.

**Operations**

Things to consider: the technical know-how required to run the micro-SaaS business, the tech stack, the percentage of the business that can be run without the founder (you), and the number of staff the business employs.

When you consider these factors, the multiplier for micro-SaaS businesses typically ranges from 3x to 5x of the business's revenue or earnings (when using the EBITDA method). When calculating the SDE, the micro-SaaS multiple could range from 3x to 10x the SDE value.

## How to value a newsletter's worth

Sending email newsletters is one of the most profitable ways of building a business online. Emails also drive the highest ROI when compared to other marketing channels ($40 per $1 spent!). So if you're considering selling your newsletter, you could have a very valuable marketing asset at your disposal.

Let's help you find its valuation.

### Factors to consider before selling your email newsletter

The value of newsletters isn't just tied to the subscriber base size: there are more important factors to prioritize.

**Age of the newsletter**

Simply put, older newsletters tend to be more valuable than newer ones. This is because building trust takes time. You need to maintain constant communication and consistently deliver value to your subscribers.

On the other hand, newer newsletters haven't stood the test of time, and you can't guarantee that their open and click-through rates won't go down.

**Email list acquisition strategy**

Do not despair if your newsletter is new or the email list is small; there's hope.

If you own a blog or referral program, or consistently create valuable content on social media/email, or do cross-promotion with relevant newsletters, etc., buyers can be confident that your newsletter subscribers will be very engaged. Even if the list is small, your acquisition strategy can increase the newsletter's value.

**Email subscriber base**

Typically, the more subscribers an email list has, the more money it can make. But this doesn't hold in all cases. While the number of subscribers is a good metric for determining the value of an email newsletter, it's not indicative of its engagement rate. A large list may not be profitable if the engagement rate is poor due to sleazy acquisition strategies.

So while the number of subscribers matters, more important factors like the open and click-through rates are worth considering.

**Open and click-through rates (CTR)**

Open and click-through rates are probably the most important factors to consider when evaluating a newsletter's worth. A smaller newsletter with a more engaged audience is more valuable and profitable than a larger list with a poor engagement rate. Good engagement means the newsletter has attracted the right audience who finds the content valuable and is interested in the owner's offering.

**Frequency of sending emails**

The frequency of email sends can impact a newsletter's engagement rate. An email list that receives an email per week will be more engaged than one that only receives one email per month or whenever the owner has a sale promotion. The more emails you send, the more trust and connection you build with your audience.

**Source of revenue**

Newsletters make money through different ways: paid sponsorships, where people pay you to advertise their products or services or affiliate promotions, where you link to affiliate sites or products. You could also sell your products or services, or use a mix of these strategies.

Whichever it is, your newsletter will be more valuable if your revenue is predictable with the potential for further monetisation.

**Cost of production/profit margins**

Aside from operational costs like paying for the email service provider (ESP), there are also promotional costs, content creation costs, your time, etc., that impact the value of your newsletter.

Learn more about [how to value a micro-startup](#).

## How to evaluate a newsletter

Here's a simple formula for measuring your newsletter's value;

**Newsletter valuation** = (**last 6 months profit** + **operational costs**) **x multiplier**

While we recommend using multiples ranging from 3x to 5x for micro-SaaS startups, we use a higher multiplier for newsletters: 10x to 20x.

So if your newsletter generated $500 in profit in the last 6 months (with the operational cost factored in), you can sell it for around $5000 on Microns.io. Keep in mind that other factors, like the engagement rate, etc., can impact this value, making it more valuable.

Another way to evaluate newsletters is with the subscriber valuation method, where you essentially assign an average dollar value to each active subscriber and then multiply by your list size. The typical rule of thumb in the media-business community is **$1–$3 per subscriber** for a consumer-focused, advertising-driven newsletter, and progressively higher for speciality, B2B, or subscription-driven lists.

In addition to the base rate, which is $1–$3+ per subscriber, it also factors in metrics such as churn rate, geography, etc.

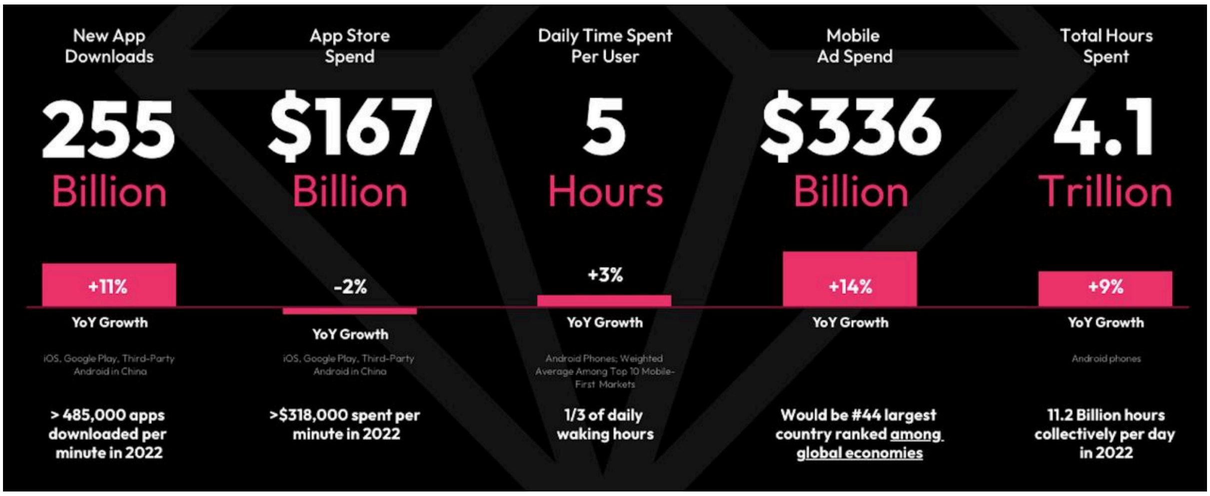
Here's an example for a 10,000-subscriber B2B newsletter with 50% open rates, low churn and a small paid tier:

**Base $3.00** + **15% churn premium** (**$0.45**) + **$1 subscription premium** = **$4.45/subscriber →**
**$44 500 total**

You can learn more about [how to value newsletters](#).

## How to Value and Sell A Mobile App

The mobile app market is booming and showing no signs of slowing down. In 2023, there were 255 billion mobile app downloads, according to Data.ai's report.




**Source**: Data.ai State of Mobile 2023 Report

So if you've got a mobile app on any of the app stores that you'd like to exit, this guide will help you learn how to determine your app's market value.

### Factors to consider when valuing an app

Before determining your mobile app's value, we need to consider what the key valuation drivers that influence your app's worth are.

**Financial data**

The first metric potential buyers will look at is your financials. How much revenue and profit does your mobile app make monthly and yearly? They'll also be interested in how much it costs to keep the app running smoothly, as well as abnormalities in the financial history.

**App features**

Your app's features refer to the app's unique selling points and market positioning. What does it do that's difficult to replicate? Has it got a trademark, patent, or other intellectual property? Does it have a solid brand equity that'll make it stand out against competitors? Having any or all of these can guarantee a high valuation for your app.

**Revenue model**

How does your app generate revenue? Are you charging users a subscription or a one-time purchase fee? Steady cash flow, as subscriptions often lead to higher valuation, as they promise recurring revenue and appeal to buyers looking for long-term investments.

On the flip side, one-time purchase apps can generate quick revenue but miss out on ongoing income, which can lower their overall value. Buyers will also be interested in knowing the other revenue streams, like ads, in-app purchases, affiliates, etc., through which your app makes money.

**User metrics**

The number of active users and their behavior also impact your app's valuation. The higher the engagement rate, retention rate, and user acquisition rate, the higher your app's valuation.

Despite WhatsApp not making any money, Facebook bought it for $19 million because of its active user base. Today, WhatsApp boasts over 5 billion downloads and around 2.7 billion monthly active users.

**Market trends**

Understanding the growth potential of your app and keeping an eye on the competition can provide valuable insights into where your app stands. If you're in a rapidly growing sector with few competitors, your app might fetch a higher price. However, if the market is saturated with similar offerings, you may need to adjust your expectations.

## Mobile app valuation methods

After understanding what influences your app's value, it's time to get into the nitty-gritty of determining its value. Fortunately, several effective valuation methods exist to help you do just that. Let's explore four popular approaches.

**Mobile app valuation earnings multiplier**

The earnings multiplier valuation method considers the app's value by subtracting its earnings from its expenses. In other words, it factors in the EBITDA (earnings before interest, taxes, depreciation, and amortization) before being multiplied by the appropriate multiple.

**App valuation = EBITDA * multiple**

**Income approach: Discounted Cash Flow Analysis**

The income-based approach, also known as the Discounted Cash Flow (DCF), is used to value an app by considering its potential future earnings. This takes into account factors like expected revenue growth and expenses. After analyzing the future income (around 5 - 10 years), the amount is discounted back to its present value to cover risks.

This method works best for subscription-based apps generating good recurring revenue: however, it's more complex than the earnings multiplier approach.

**Market approach: comparables in the industry**

The market approach entails comparing your app with similar apps in the industry to gauge what they've sold for recently. To use this approach effectively, you'll want to find apps with similar features, user base, and revenue models. This valuation method is ideal for mobile apps with a good market share.

**App valuation = revenue * multiple**

This helps you set a competitive price for your app based on real market conditions. Keep in mind that this approach works best in active markets where there are enough comparable sales to draw meaningful conclusions.

**Cost approach: development costs vs. potential market value**

This valuation method factors in the app's development costs (such as design, marketing, app testing, and development) to find its potential market value. This is probably the best method for early-stage apps. While this might seem straightforward, it's important to consider ongoing expenses like maintenance and update costs.

**App valuation** = (**development costs** + **maintenance costs** + **update costs**) - **depreciation**

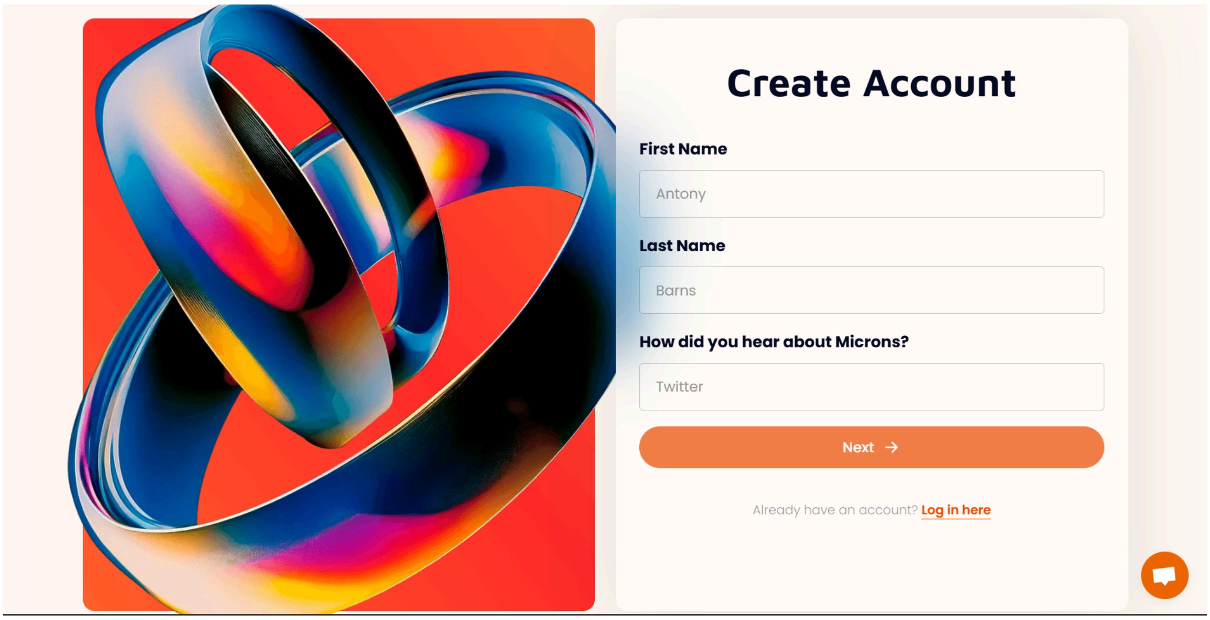
However, relying solely on development costs can be misleading. Although it provides context, it doesn't always reflect true market value as it doesn't factor in the app's prospects. The cost approach is best used as a supplementary method alongside income and market approaches.

## Module 2: How to create a listing on Microns.io

After you've determined your business's worth, it's time to create your listing on our marketplace. Here's a step-by-step process to achieve that.

**Step 1: Sign up for a seller account**

Begin by creating a seller account, which will grant you access to create listings on our marketplace.




After entering your credentials, you'll receive a confirmation email requesting that you complete the verification process. Confirm it.

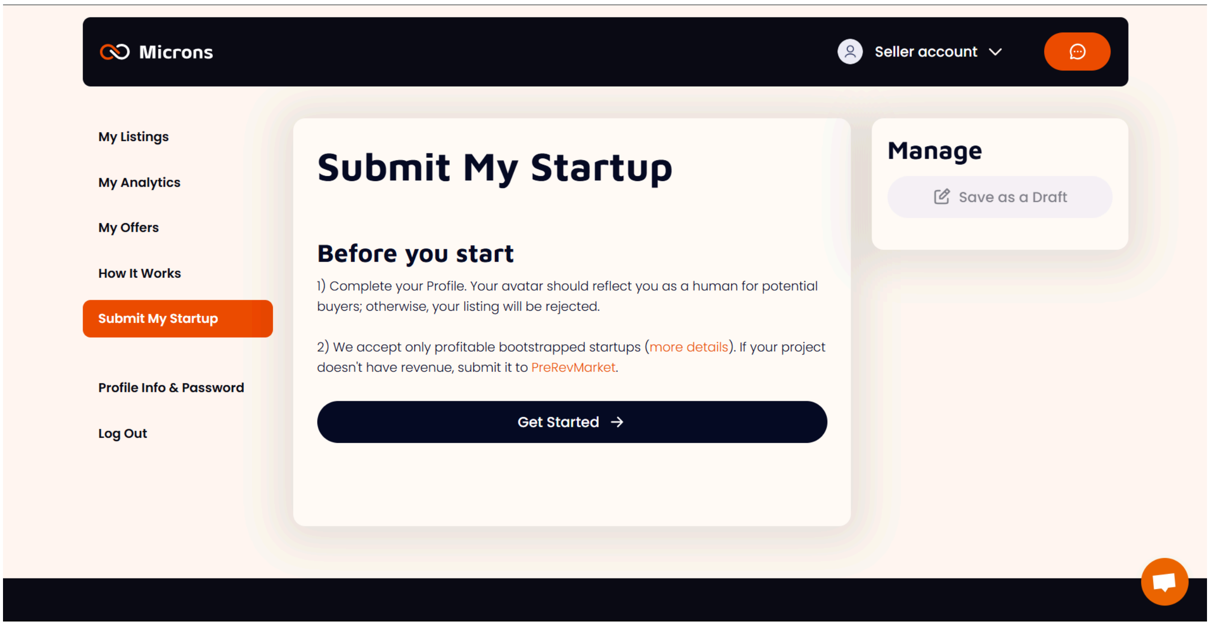
**Step 2: Complete your profile**

After verifying your email, sign in to your account to complete your profile. Provide all the required information, such as your location, a brief bio about yourself, etc.

More importantly, is your avatar image which should reflect you as a human for potential buyers. Upload a real photograph of yourself; otherwise, your listing will not be approved. Your profile will be visible to premium buyers, so they're assured there's a real person behind your project.

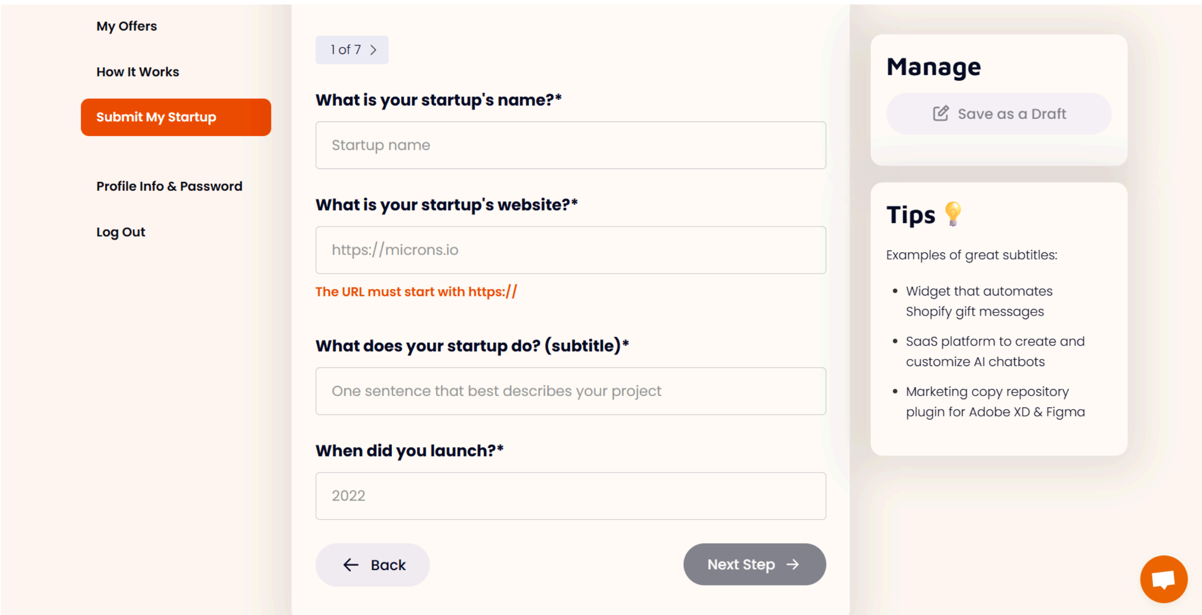
**Step 3: Fill out the form**

Once you've completed your profile, click the 'Submit My Startup' button on your dashboard to begin creating your first listing.



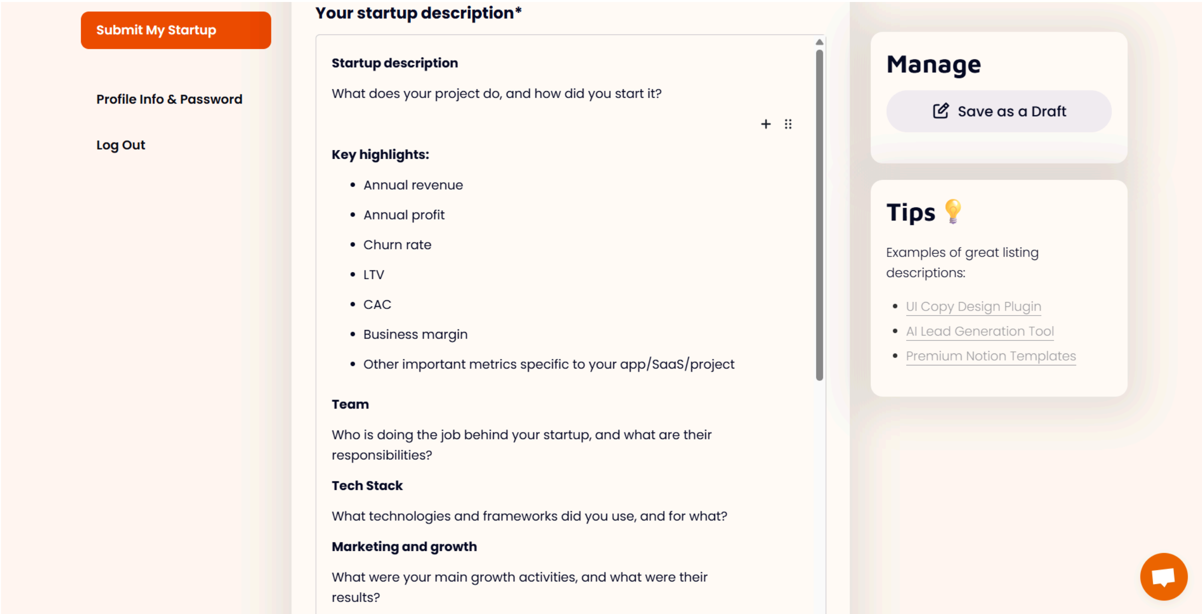

Afterwards, click the 'Get Started' button to begin filling out the form with the details of the business you're putting up for sale. The "What does your startup do?" question requires a one-sentence answer. You'll have the opportunity to describe your business in more detail in subsequent sections.

**NOTE**: Not all submissions will be accepted. For example, we only accept projects with revenue. [You can find out more here](#).




**Step 4: Describe your business**

In this next step, you'll be required to fill out intricate details about your business. Please, provide verifiable information as we do background checks to ascertain the accuracy of your claims.

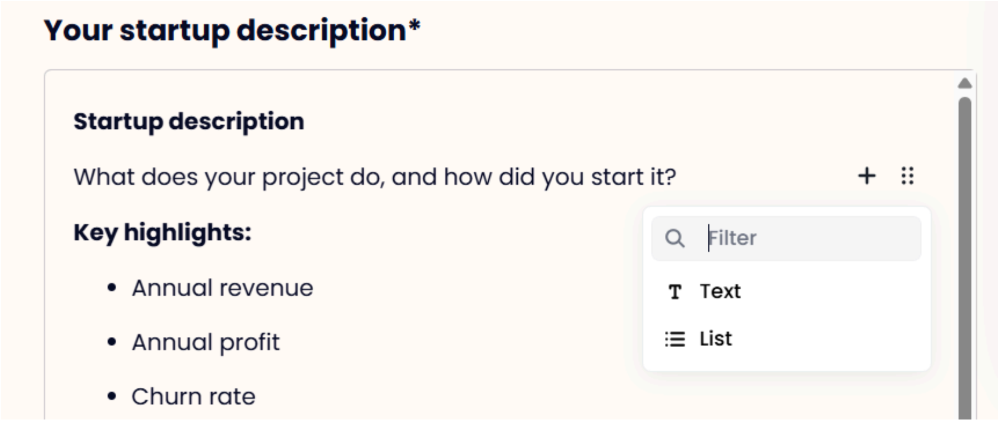



**NOTE**: This section is more detailed than the previous "What does your startup do?" section, where you were expected to describe your business in one sentence.

The Startup description lets you give details about your business, the product(s) you sell, problems your business solves, and who it serves. We advise you to follow the template provided, as it's been designed to help you create a properly structured, winning listing.

Don't provide AI-generated responses due to their inaccuracy. We've learned that describing your business in your own words tends to perform better in converting potential buyers as it creates a sense of connection and trust between you and potential buyers.

To fill out the form, hover over each section to find the plus sign. Then select **Text** or **List** for a text or list field, respectively, to input your details. We've provided this markdown option so listings look more professional.



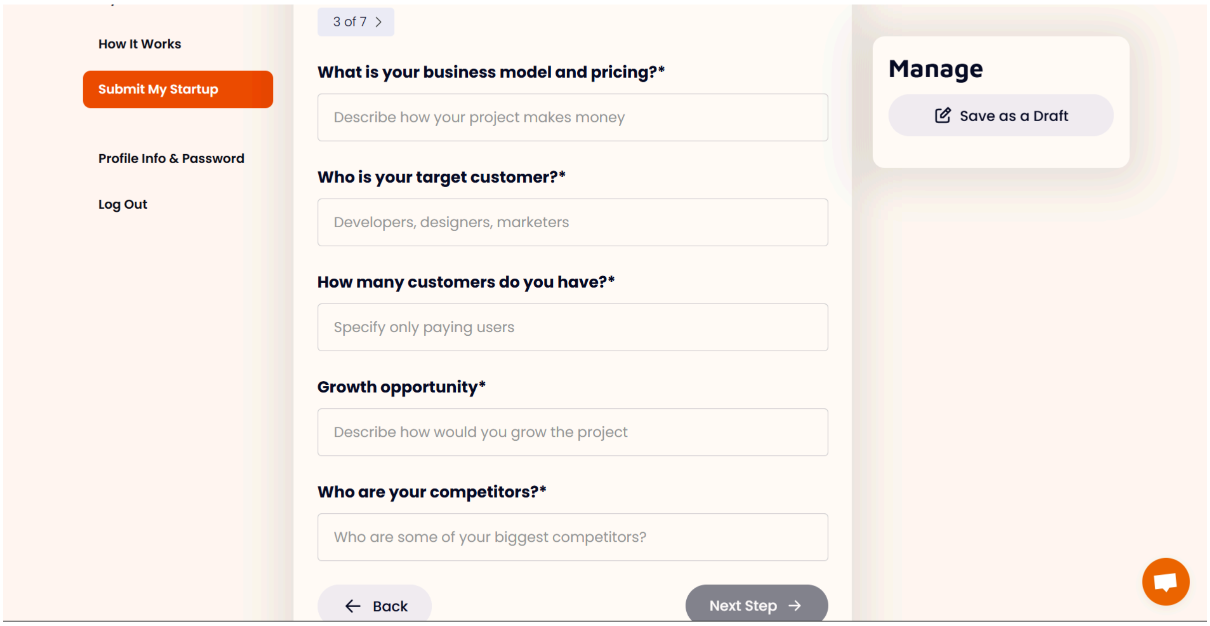

Input details about your team, even if they're influencers. Also, highlight your marketing channels and transferable assets. More importantly, highlight the risks of buying your business and how to mitigate them.

Here are some examples of great listing descriptions to guide you. To view them, switch from a seller account to a buyer account in the left corner of the top bar.

- AI-Powered Platform to Generate VBA Code
- Digital Signature Software
- Fax Sending Platform
- Online Knives Store

**Step 5: Competitor landscape**

Here, highlight your business model and payment plan. Do you operate a freemium, subscription, or affiliate model? If you're an e-commerce business, do you run a dropshipping or direct-to-consumer business model? Another revenue model you could be using is selling ad sponsorships in your newsletter. Whatever your business models are, list them here.



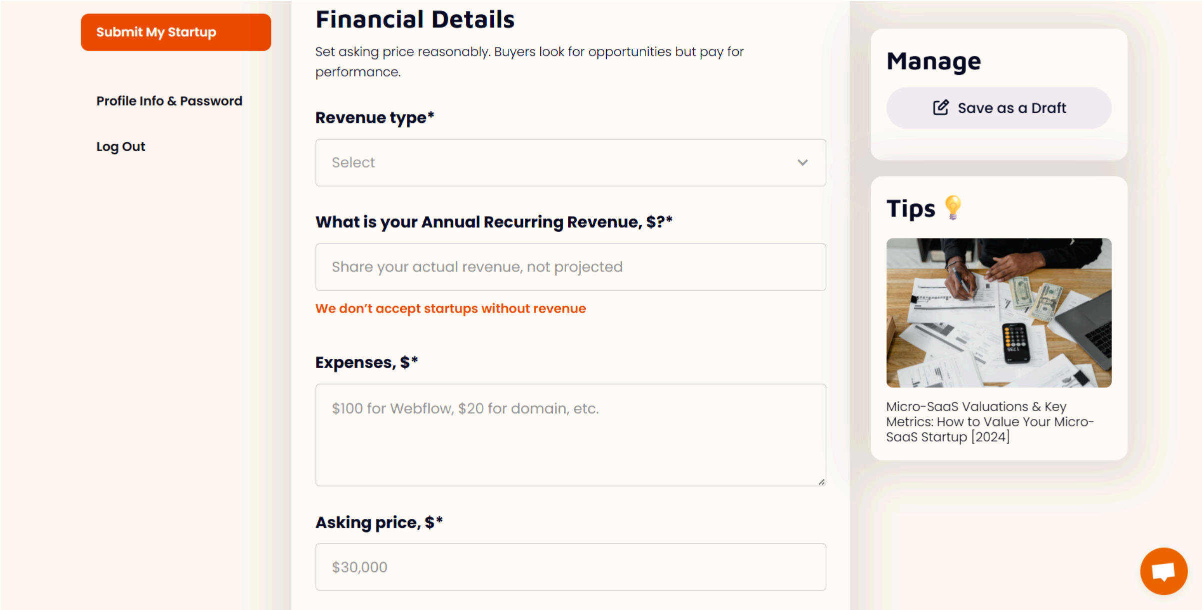

Then list who your products are designed for and the number of **paying customers** you have. If you're listing your newsletter, input the number of subscribers on your email list. Keep in mind that this should also be the number of paying subscribers. Feel free to mention the number of free users in the description field.

Also, you'll be required to list some competitors and potential high-impact ways the buyer can expand the business. Giving them some ideas, such as advertising or content marketing, will improve your chances of selling your business faster.

**Step 6: Input your financial details**

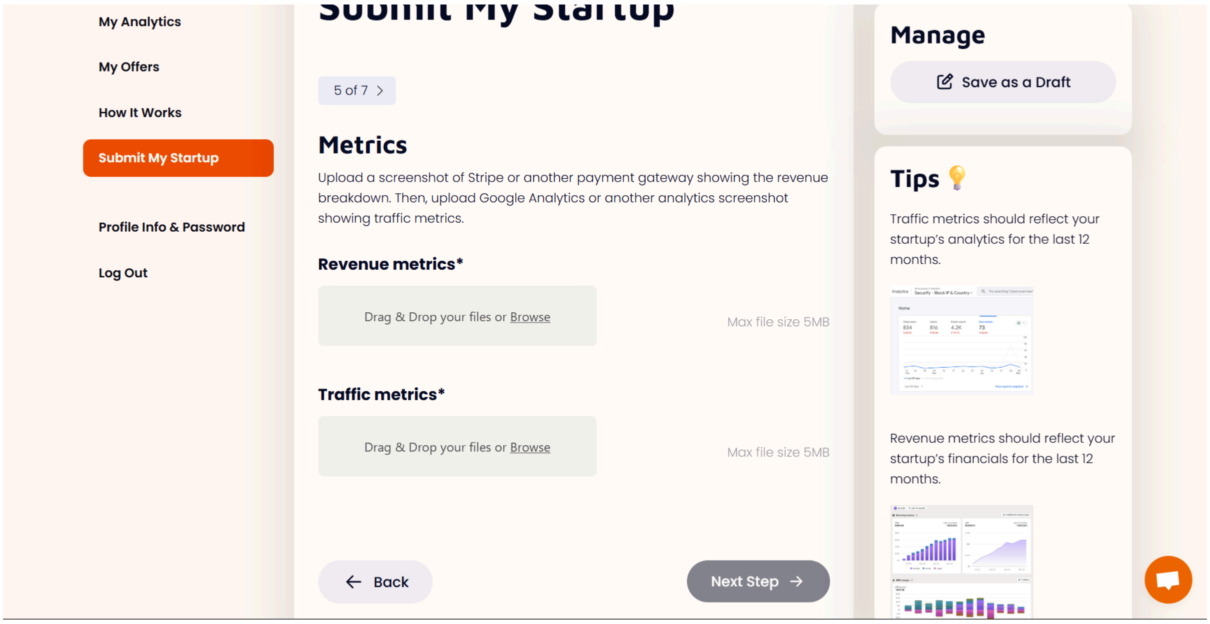
In the previous section, you listed your business and pricing models. Now it's time to tell potential buyers your revenue model: whether it's a monthly subscription or a one-time payment. You'll be required to input your annual recurring revenue, expenses and asking price, all in USD. If your revenue is in other currencies like euros or pounds, etc., convert it to USD, including your asking price.

**NOTE**: We don't accept revenue projections. And if your startup is less than 1 year old, please provide its lifetime revenue.

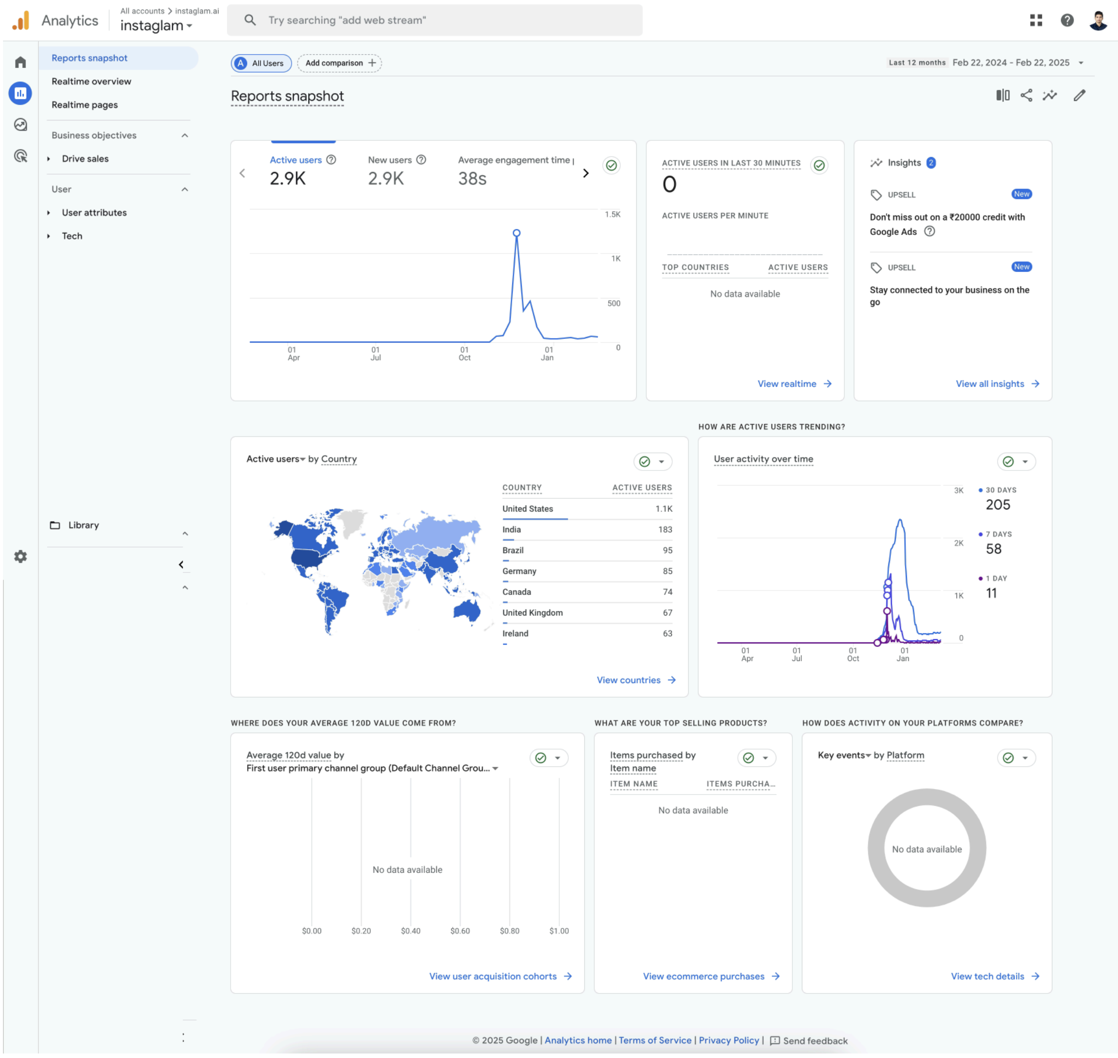


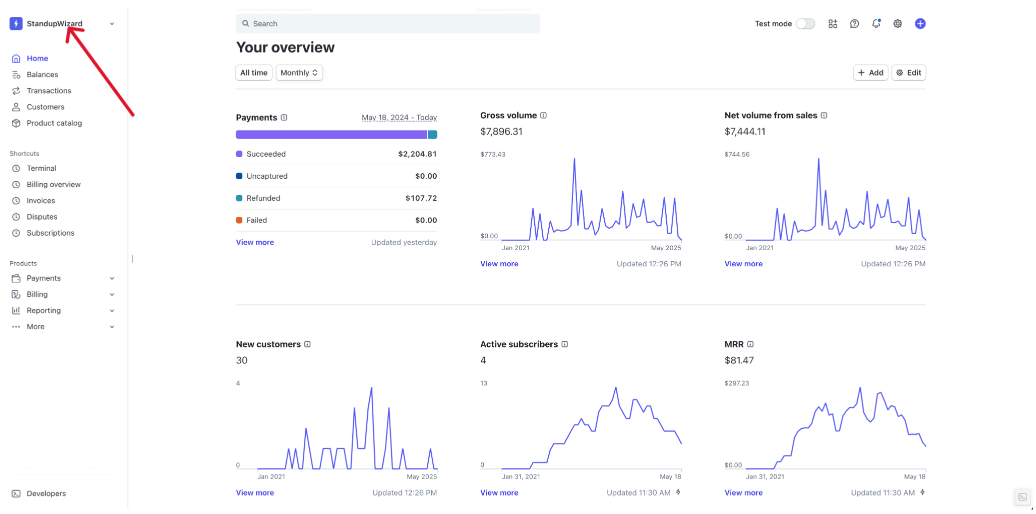

### Step 7: Upload proofs

Provide verifiable proof of earnings from your Stripe account or any other payment gateway you use. The screenshot should contain your startup's name, last year's or TTM revenue, and match the revenue written in the ARR field. Ensuring all these are visible will reduce the back and forth between you and our admin.



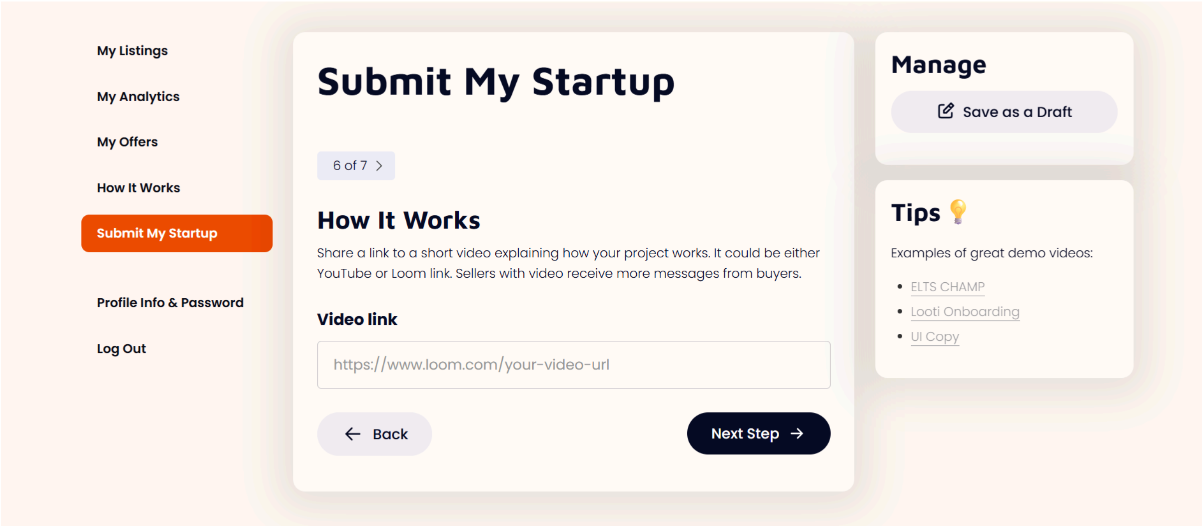

Also, upload pictures of your traffic data using Google Analytics or any other web traffic analytics tool you use. Here are a few samples of acceptable screenshots.




## Step 8: Add some personality

Now is the time to put a face to the startup and show potential buyers why they should buy your project. You can record either a YouTube or Loom video, explaining your motivation for starting the project, what problem it solves, how it works, the unique selling point, and why you're selling, etc. Typically, give a demo of the project. Don't just shoot a video, tell a story. You can then personalize the content by telling potential buyers to contact you on Microns.



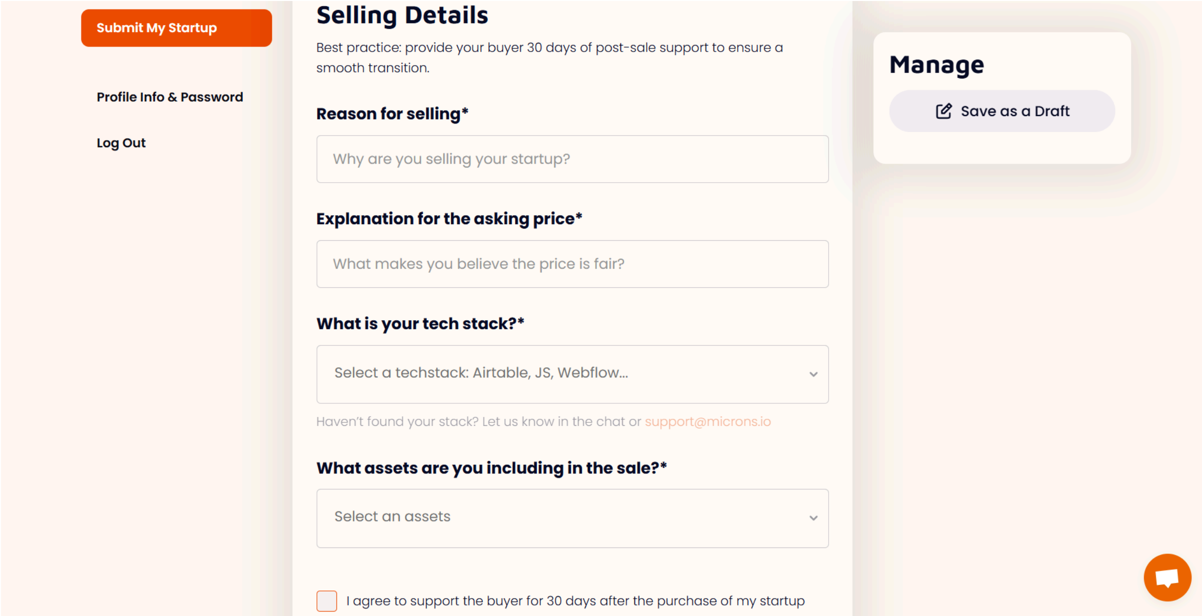

This is your opportunity to talk about what you didn't cover in previous sections, interactively show the project, show proof of your metrics, and just highlight anything that'll be of interest to the buyer.

Here are some great videos to give you some ideas:

- FaxZen
- Affiliate Corner

**Step 9: Selling details**

Here's where you'll input your reasons for selling your online business. You'll be required to explain your reasons for choosing your set valuation. Also, list all transferable assets such as email list and whatnot as well as the tech stack you're using. All these will be included in the offer and agreement when you begin negotiations with your potential buyer.




And that is it. You've just listed your first business on the [Microns.io](Microns.io) marketplace. We'll review your listing within 1-2 business days and notify you if your business has been listed on the marketplace or not. If not, we'll provide a reason for you to fix so you can resubmit your listing.

## Module 3:Preparing your project for sale

With a clear understanding of how to value your app, here are the steps to ensure you're ready to exit your app.

**Clarify your objectives**

Before you begin any sale preparation work, spend time figuring out what deal structure you'll be open to. Do you want an all-cash buyout or are you open to a structured earn-out package? We encourage sellers to offer a free 1-month post-sale support; however, some clients may want to retain you in a paid role after that. Will you be available to consult for the business? Your answers here will guide everything from valuation discussions to the kind of offers you accept.

**Strengthen your finances**

Buyers will zero in on your financial statements, so the cleaner and more transparent they are, the easier the deal will proceed. Your financial statements should tell a clear story of steady growth and predictable cash flows. Reconcile every bank and credit-card statement, and produce profit-and-loss statements, balance sheets, and cash-flow reports. If you can, also build a realistic 12 to 24-month forecast that accounts for seasonality and your current sales pipeline.

### Optimize your app's performance and user experience

Spend some time identifying and fixing bugs, improving loading times, and ensuring all features work as intended. Nothing will deter buyers as much as software that crashes frequently.

If it's a mobile app, ensure it's compatible with the latest devices and operating systems. Tools like Google Analytics and Flurry Analytics can help you analyze your app's performance.

### Polish your operational playbook

If you haven't already done so, start making arrangements for your business to be able to run without you. Begin by creating your standard operating procedure (SOP) in enough detail that your future buyer could step in and hit the ground running.

Describe how you handle lead generation, outline your product development approach, and chart your customer-support workflow. Prospective buyers pay a premium for businesses that can be easily run without the founder overseeing every detail.

### Prepare solid documentation and presentation

As you prepare to sell your app, creating comprehensive documentation and an engaging presentation cannot be overlooked. This is your opportunity to showcase not just what your app does, but why it's a smart investment for potential buyers.

Next up is your pitch deck; don't only talk about your app's features and positioning, but also highlight its target audience. Include testimonials to add some credibility and show its impact.

### Legal considerations

When it comes to selling your app, navigating the legal side is just as important as preparing the app itself. The last thing a buyer wants is a lawsuit waiting in the wings. First, confirm that your business is optimized for sale and tax efficiency. After that, the two other critical areas are intellectual property rights and user data privacy compliance. We've covered the legal logistics in more detail in the final module.

**Intellectual property rights**

Intellectual property (IP) rights are your first line of defence in protecting your app. They safeguard your unique ideas, designs, and code from unauthorized use. Before putting your app on the market, double-check that you own everything. If you've used third-party assets, ensure you have the appropriate licenses or permissions.

Buyers will want assurance that they're investing in something secure and free from legal complications.

**User data privacy compliance**

Compliance with regulations like GDPR (General Data Protection Regulation) is essential if your app collects personal information.

Ensure you outline how you manage user data and always obtain user consent before collecting information. Plus, you'll need to allow users to access or delete their data upon request.

Next module.