



Complex capital structures

Selecting a methodology for valuing equity



Types of securities
(If multiple classes of equity)



Warrants

Use an appropriate methodology for pricing options considering the capital structure and the expected exit scenarios.



Preferred (participating)

Use the yield method to value the liquidation preference considering the expected time to exit and the probability of forced conversion, then value the upside as the pro rata share of the remaining equity value, or use the hybrid method, OPM, or full scenario analysis.

Preferred (convertible, non-participating)



Highly likely to convert?

Yes

Use a "Post-money" approach, simplified scenario analysis approach considering a single future exit scenario, full scenario analysis or a hybrid method.

Outcomes bimodal?

Yes

Use a forward-looking method such as a relative value scenario analysis, full scenario analysis, OPM, or hybrid method.

No, low value exit would provide some value to liquidation preferences