



Fidelman & Co.



QUESTION

SMS Marketing Platform Valuation - Retention Rocket & CartsGuru

INSIGHTS

- The equity Retention Rocket and Carts Guru had when they first raised capital and the valuation multiple that was used to raise said capital are publicly unavailable due most likely to the fact that both companies are early-stage, privately held startups.
- Funding announcement dates on Crunchbase suggest that Retention Rocket and Carts Guru first raised capital in April 2018 and January 2017, respectively.
- Though not comparable in size and age to Retention Rocket and Carts Guru, marketing technology provider MailUp Group, which offers SMS marketing as well, has following projected 2018 valuation multiples: enterprise value-to-sales ratio (0.7), enterprise value-to-EBITDA ratio (5.5), and enterprise value-to-EBIT ratio (8.0).

FINDINGS

As both Retention Rocket and Carts Guru are early-stage, privately held startups that have disclosed little financial information about themselves, the equity these companies had at the time they first raised capital and the valuation multiple that was used to raise said capital could not be located in the public domain. We only know that, based on details provided by Crunchbase, Retention Rocket first raised capital in [April 2018 \(3\)](#), while Carts Guru first raised capital in [January 2017 \(4\)](#). Also, based on estimates provided by [Glassdoor \(7\)](#) and [Owler \(10\)](#), the current annual revenue of Carts Guru ranges between US\$1 million and US\$5 million. As instructed, we have entered our findings and sources in rows 4 and 5 of the provided [spreadsheet \(1\)](#).

Though not an early-stage startup, MailUp Group, a marketing technology provider that offers SMS marketing as part of its portfolio, has the following valuation multiples: enterprise value-to-sales ratio ([0.7 \(11\)](#)), enterprise value-to-EBITDA ratio ([5.5 \(11\)](#)), and enterprise value-to-EBIT ratio ([8.0 \(11\)](#)).

METHODOLOGY

In answering this request, the first thing we did was conduct a press search. We looked for articles or reports covering our assigned companies' capital, equity, valuation multiple, valuation, and funding rounds. This initial step did not turn up relevant results, however, so we proceeded to consult company or startup databases. [PitchBook \(2\)](#), [Crunchbase \(4\)](#), and [AngelList \(5\)](#) were among the databases we consulted. From these databases, we were able to gather a few details about when the seed funding round of Retention Rocket and Carts Guru took place. We were unable to find anything, though, about the equity our assigned companies had when they first raised capital and the valuation multiple that was used to raise said capital. We noticed that Retention Rocket filed a [Notice of Exempt Offering \(6\)](#) of Securities with the Securities and Exchange Commission (SEC) in [April 2018 \(6\)](#), but all we were able to gather from this notice is that it offered [US\\$600,000 \(6\)](#) worth of securities and was so far able to sell [US\\$100,000 \(6\)](#).

To find more information, we scoured the websites of [Retention Rocket \(9\)](#) and [Carts Guru \(8\)](#) and checked especially if our assigned companies have disclosed any financial information on their respective websites. This step, however, proved ineffective as well as it did not produce any helpful information. As can be confirmed through these companies' respective websites and LinkedIn profiles, both [Retention Rocket \(13\)](#) and [Carts Guru \(12\)](#) are privately held companies that are not obligated to disclose financial information. Founded in [2018 \(13\)](#) and [2017 \(12\)](#), respectively, [Retention Rocket \(13\)](#) and [Carts Guru \(12\)](#) are both California-based early-stage startups with limited media coverage.

As the rest of the required data could not be found, we proceeded to find other types of financial information such as revenue, revenue growth, profit, and EBITDA. We conducted

a press search again, and we consulted sites known to provide company revenues such as Hoovers, [Owler \(10\)](#), and [Glassdoor \(7\)](#). With this step, we were able to find estimates of Carts Guru's revenue. There is no evidence in the public domain that our assigned companies are owned by other companies.

Since the purpose of this request is to inform the valuation of an early-stage SMS marketing platform, we attempted to find a comparable company whose valuation multiple is publicly available. All we were able to find, however, was the valuation of [MailUp Group \(11\)](#), a marketing technology provider whose products and services include SMS marketing. According to analyst firm ValueTrack, MailUp Group is a key marketing technology provider that was founded way back in [2002 \(11\)](#), and is "[neither a start up \(11\)](#) nor a mature company." For comparison purposes, MailUp Group has the following projected 2018 valuation multiples:

Enterprise value-to-sales ratio: [0.7 \(11\)](#)

Enterprise value-to-EBITDA ratio: [5.5 \(11\)](#)

Enterprise value-to-EBIT ratio: [8.0 \(11\)](#)

RETENTIONROCKET

We assume that Retention Rocket first raised capital in April 2018 since according to Crunchbase, it was announced on [April 19, 2018, \(3\)](#) that Retention Rocket was able to raise [US\\$100,000 \(3\)](#) in its seed funding round. Also, as mentioned in the previous section, the company filed a [notice \(6\)](#) with the SEC informing the commission that it placed [\\$600,000 \(6\)](#) worth of exempt securities on offer and was able to sell [\\$100,000 \(6\)](#). Unfortunately, the equity Retention Rocket had at the time and the valuation multiple that was used to raise capital could not be located in the public domain.

PitchBook pegs the amount Retention Rocket was able to raise in its seed round at a higher amount, [US\\$1.1 million \(2\)](#), but since both Crunchbase and the notice filed with the SEC peg the amount at US\$100,000, we decided to trust Crunchbase over PitchBook. The announcement date Crunchbase provides, [April 2018 \(3\)](#), is also months earlier than the [December 2018 \(2\)](#) announcement date PitchBook provides.

No other financial information about Retention Rocket could be found, and there is no indication online that Retention Rocket is owned by another company.

CARTSGURU

We assume that Carts Guru first raised capital in January 2017 since according to Crunchbase, it was announced on [January 1, 2017 \(4\)](#) that Carts Guru was able to raise [US \\$800,000 \(4\)](#) in its first seed funding round. Carts Guru was also able to raise [US \\$825,000 \(4\)](#) and [US\\$700,000 \(4\)](#) in its subsequent seed funding rounds, as announced

on [January 1, 2018, \(4\)](#) and [June 1, 2018 \(4\)](#), respectively. Angellist provides the [same amounts \(5\)](#) as well.

Glassdoor estimates Carts Guru's current annual revenue to be between [US\\$1 million \(7\)](#) to [US\\$5 million \(7\)](#), while Owler estimates the revenue at [US\\$2.7 million \(10\)](#).

The equity Retention Rocket had at the time and the valuation multiple that was used to raise capital could not be located in the public domain. No other financial information about Retention Rocket could be found, and there is no indication online that Retention Rocket is owned by another company.

SOURCES

1) SPREADSHEET: SMS Marketing Platforms

<https://docs.google.com/spreadsheets/d/147K2hTGhQkjsGJCjONHX-L-tFmKdU4GS7EvkJYxCg2I/edit#gid=0>

2) Retention Rocket Company Profile: Valuation & Investors | PitchBook

<https://pitchbook.com/profiles/company/235477-90>

3) Retention Rocket | Crunchbase

<https://www.crunchbase.com/organization/retention-rocket#section-overview>

4) Carts Guru | Crunchbase

<https://www.crunchbase.com/organization/carts-guru>

5) Carts Guru

<https://angel.co/carts-guru>

6) SEC FORM D

https://www.sec.gov/Archives/edgar/data/1738029/000112878418000003/xslFormDX01/primary_doc.xml

7) Working at Carts Guru

https://www.glassdoor.com/Overview/Working-at-Carts-Guru-EI_IE2039152.11,21.htm

8) Abandoned Cart Solution | Carts Guru | Free Trial

<https://carts.guru/>

9) Retention Rocket - Retention Marketing Made Simple and Profitable for eCommerce Retailers

<https://retentionrocket.com/>

10) Carts Guru's Competitors, Revenue, Number of Employees, Funding and Acquisitions

<https://www.owler.com/company/carts>

11) Surfing the marketing technology revolution

http://value-track.com/wp-content/uploads/2017/04/MailUp-Initiation-of-Coverage_2017.04.04.pdf

12) Carts Guru | LinkedIn

<https://www.linkedin.com/company/carts-guru/>

13) Retention Rocket | LinkedIn

<https://www.linkedin.com/company/retention-rocket/>