



Modified Berkus Method to set angel valuation

This method was originally proposed by Dave Berkus, a full-time Angel and founder of Berkus Technology Ventures LLC in Los Angeles. It has since been modified several times and/or quoted differently by various sources. This method essentially recognizes various non-revenue components of valuation, according to the following table:

Valuation Metric – if you have this... Add to Company's Value

Attractive Idea	\$500k - \$1M
Good Management in Place	\$500k - \$2M
Strategic Alliances and Barriers to Entry Erected	Up to \$500k
Prototype Completed	\$500k - \$1M
Quality Board in Place	Up to \$1M
Product Sales	Up to \$1M
Total Potential Pre-Money Value of \$2.5M to \$6M USD depending on Author	

One virtue of this method is that it specifically recognizes various components of value that the founders have been able to achieve and acknowledges that companies with these things in place are worth more than companies without. There is obviously some room in this method for personal or group weightings of the different factors.