



Valuation of high growth companies

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Venture Valuation, Switzerland
www.venturevaluation.com

Content



- 1. Venture Valuation**
2. Basics about valuation
3. Company Assessment
4. Overview Methods
5. Web 2.0 Valuations
6. Conclusion

Own experience

- 1998: Master Thesis at University St. Gallen
- Goal: to do something useful
- Topic: Valuation of high growth companies
- Contact to industry (Novartis Venture Fund)
- Feeling for market requirements, demand

=> Start Venture Valuation



Venture Valuation Today

1. Independent, third party Valuations
 2. Biotechgate Database / Partnering Software
- Experts Finance / High-tech industries
 - Not a venture capitalist
 - International experience
 - Systematic / Validated Approach
 - Track record of over 120 valued companies
 - Staff: 7 CH; 2 CAN; 3 India; 3 EU; 1 Asia

References

The logo for Biogen Idec, consisting of the text 'biogen idec' in a blue sans-serif font.

Biogen Idec (Nasdaq: BILB) , USA

GeneData AG, Switzerland



HP Hewlett-Packard, Switzerland

Igeneon, Austria



European Investment Bank,
Luxembourg

Lay Line Genomics, Italy



Fraunhofer-Gesellschaft, Germany

Solvias, Switzerland

Novartis Venture Fund, Basel

Ventis Management AG,
Zug

W.A. de Vigier Foundation,
Solothurn

Viron Therapeutics Inc.,
Canada



Adcom Group AG, Baar

VitaPlant AG, Switzerland

Celtic Pharma, UK

WebInfo AG, Germany

Click Online, Germany

*In total over 120 company valuations
(listed companies gave permission
for publication)*

Biotechgate.com



Country



www.Austrianbiotech.com



www.Canadianlifesciences.com



www.Frenchbiotech.com



www.Germanbiotech.com



www.Indianbiotech.com



www.Italianbiotech.com



www.Scandinavianlifesciences.com



www.Swisslifesciences.com



Total (www.biotechgate.com)



Canada's Voice for Biotechnology
Le porte-parole canadien de la biotechnologie



InvestInItaly

SI SviluppoItalia



BIOVALLEY
The Life Sciences Network



In total there are over **8'000 companies** in the database.

www.venturevaluation.com

Partnering Software

- Partneringgate.com
- Software to optimize meetings at conferences



BIO-Europe Spring 2007
Milan
Mon 05.03.2007 - Wed 07.03.2007



San Diego Investor Conference
San Diego
Tue 14.11.2006 - Wed 15.11.2006



Bench 2 Boardroom 2006
Cambridge
Wed 18.10.2006



Swiss-Scandinavian Bio-Business
Zurich
Fri 13.10.2006



JETRO BIOLINK FORUM 2006
Osaka
Wed 13.09.2006 - Fri 15.09.2006



BioDevice Partnering
Edinburgh
Tue 13.06.2006 - Wed 14.06.2006



Symbiosis
Barcelona
Sun 16.09.2007 - Wed 19.09.2007

ERB's 9th Annual Cambridge Biopartnering
Cambridge
Wed 27.06.2007 - Fri 29.06.2007



BioDevice Partnering 2007
Zurich
Tue 12.06.2007 - Wed 13.06.2007



BioEquity Europe 2007
Glasgow
Mon 21.05.2007 - Tue 22.05.2007



BioTrinity 2007
Oxfordshire
Wed 28.03.2007



Atlas Venture Japan Biopharma Partnering
Tokyo
Tue 20.03.2007



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Why Valuation?

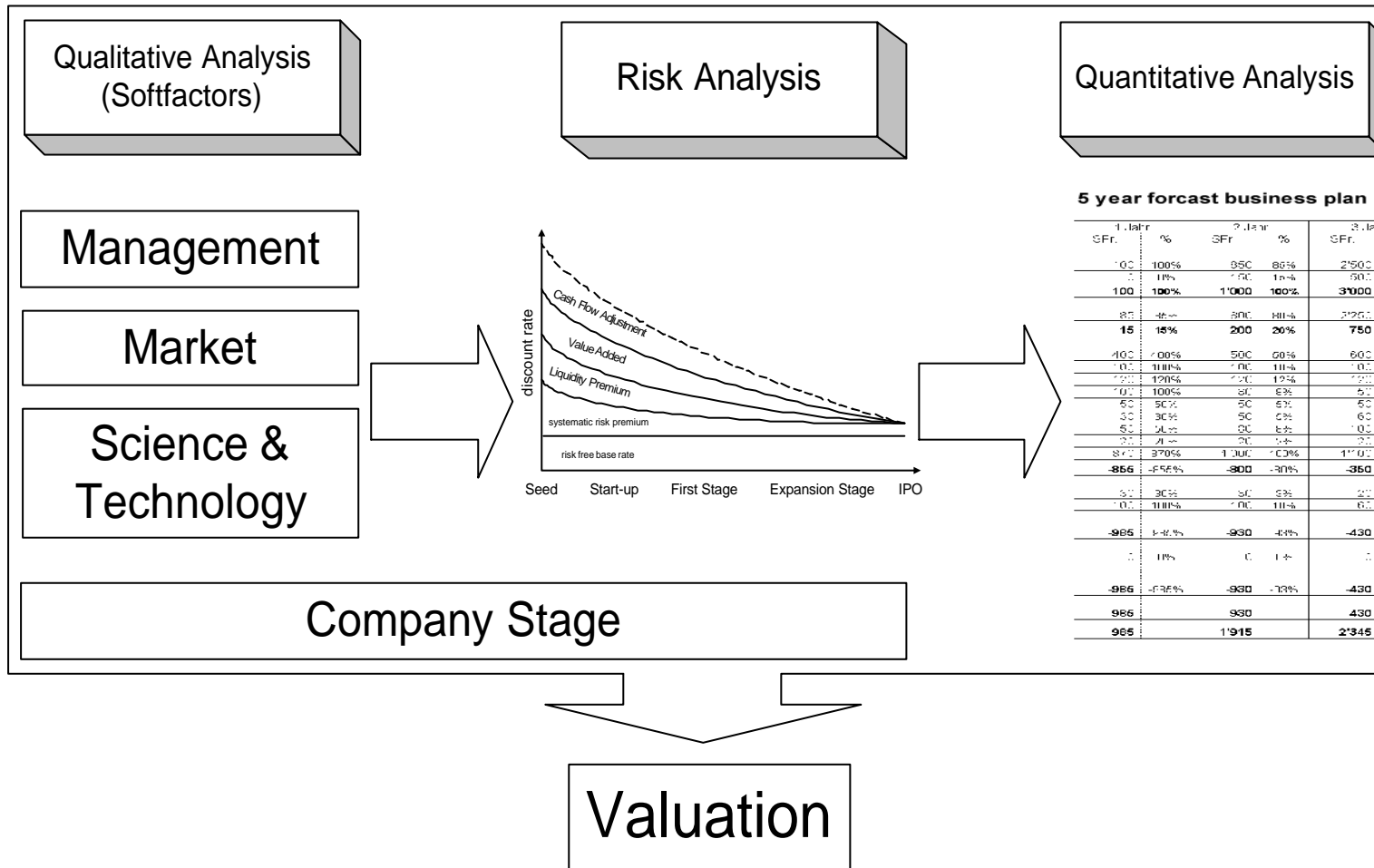


“Price is what you pay.
Value is what you get.”

By Warren Buffett

- **Value:** implies the inherent worth of a specific thing
- **Price:** depending on the market (supply / demand); whatever somebody is prepared to pay

Valuation Framework



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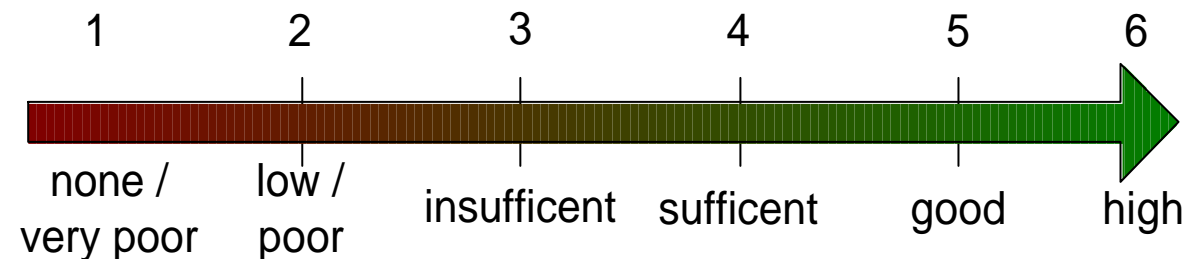


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Management



1. Completeness skills
2. Track record / experience
3. Motivation / Incentive structure
4. Organization
5. Emotional intelligence / social competence
6. Composition and involvement of boards

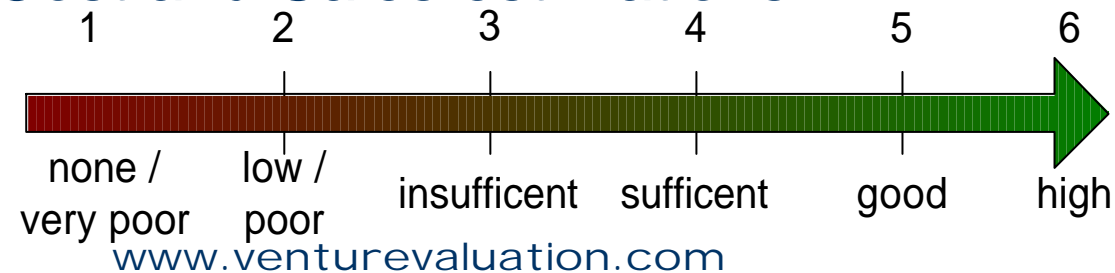


Market environment

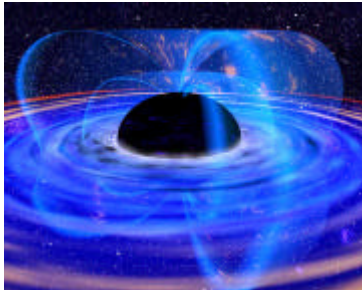


Industry Structure: (Five forces by Michael Porter)

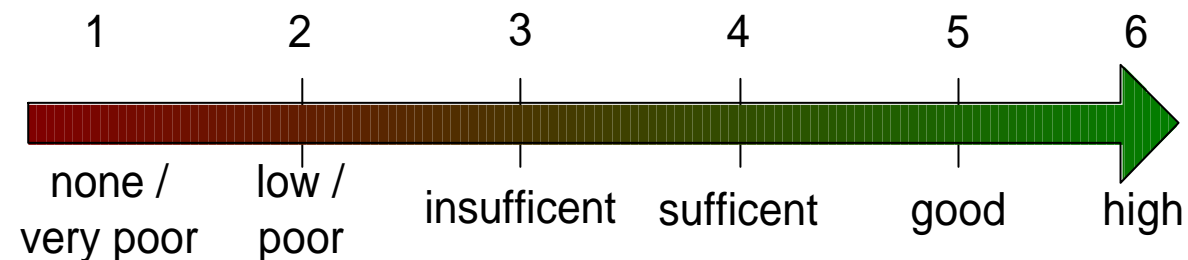
1. Threat of new Entry
2. Rivalry among existing competitors
3. Pressure from substitute products
4. Dependencies on customers
5. Dependencies on suppliers
6. Current and future market potential
7. Customers
8. Political / legal dependencies
9. Cost and Sales estimations



Product, Sciences & Technology



1. Intellectual Property (IP)
2. Unique selling proposition
3. Alliances/partnerships
4. Management of future discoveries
5. Time to market



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Used Methods

- Cash Flow based Method (DCF)
- Relative valuation Method
- Venture Capital / Exit based Method
- Decision Tree Valuation Method
- Option pricing Method

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Web 2.0 Valuations?



Same problem as with all new companies:

- No revenues
- Few assets (people, may be some IP)
- => Value = future risk / potential

What are the valuation measures?

- Comparables?
- Future profits?
- ...?

Some numbers*



Company	Date	Valuation (m USD)	Value per visitor (month) USD	Price per Registered User
MySpace	Jul 05	580	29	21
iFilm	Dec 05	200	61	
Bebo	Jul 06	550		22
Tribe.net	Jul 06	5		25
Atom	Aug 06	50	38	
Grouper	Aug 06	65	120	
Userplane	Aug 06	35		23
YouTube	Oct 06	1650	103	
Facebook	Oct 06	900	44	90
FAQFarm	Nov 06	2		20
del.icio.us	Dec 06	18		60
StudiVZ	Jan 07	114		120
Range			29-120	21-120

* source: from public sources / estimates

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Conclusions Web 2.0



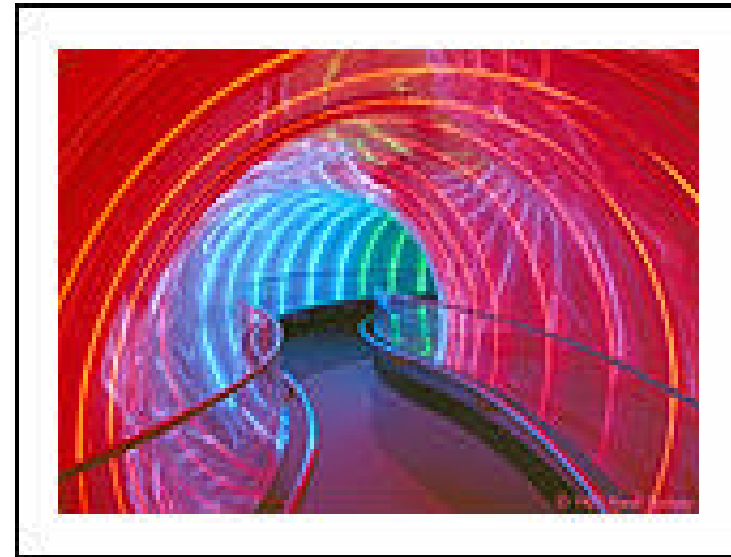
- What's the business model?
- Price is not the same as value
 - Comparables => price
 - DCF => value
- Main determinants of valuation:
 - Potential
 - Risk

Conclusions



- Different valuation methods should be used
- Result is a value-range
- High growth companies are more difficult to value than traditional companies, => less predictable future / higher risks
- Valuation is a process
- Assumptions are key
- Assessment:
 - 1) management
 - 2) market environment
 - 3) products, technology

Thank you



**Bring some light
into the art of
valuation**

Presentation will be available on:
www.venturevaluation.com

www.venturevaluation.com