



Assessment and valuation of technologies and high growth companies



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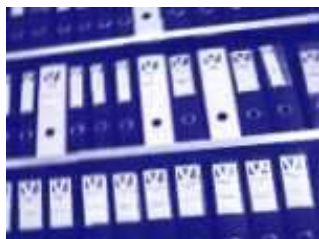
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Agenda



- I. Why Valuation?
- II. Valuation Framework
- III. Valuation Methods
- IV. Conclusion
- V. Venture Valuation

I. Why Valuations?



- Buy or sale (acquisition) or merger
- Extraction of key value drivers
- Needed for investment
- Basis for investment negotiations
- Out-licensing deals

I. Why Valuations?

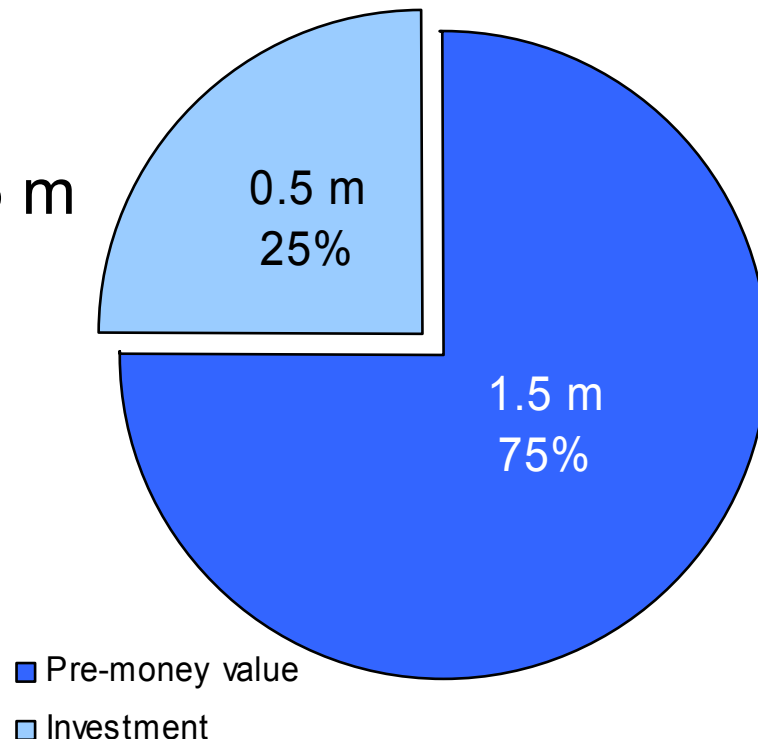
Out-licensing:

	Option1	Option2	Option3
Up-front	\$ 4 m	\$ 1 m	\$ 10 m
Milestones	\$ 6 m	\$ 9 m	\$ 10 m
Royalties	5%	7%	2%
NPV	?	?	?

I. Why Valuations?

Equity:

- Value before investment (pre-money value): EUR 1,5 m
- Investment: EUR 0,5 m
- Value after investment (post-money value): EUR 2,0 m
- Share Investor:
 $0,5 \text{ m} / 2 \text{ m} = 25\%$



I. Price # Value



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

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

By Warren Buffett

I. Valuation Issues



- Complex technology and IP situations
- Illiquidity of unquoted companies
- Long investment cycle
- Traditional valuation methods unsuited
- Industry lacks transparency
- Risk / Return

II. Factors to influence value

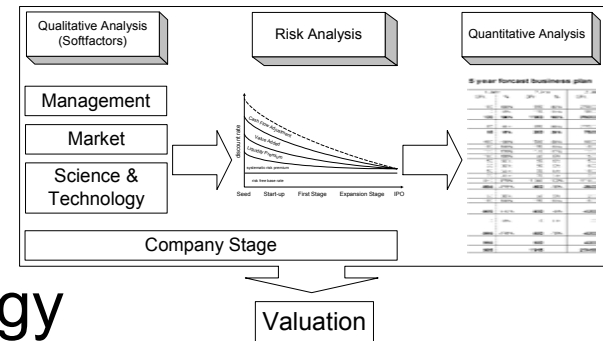


Soft factors are essential ...

- Management
- Market
- Science & Technology

... and the company/product stage

to define the risk profile of company



II. Management



- Composition / Complementary skills
- Track record / Experience
- Ability to reach set goals
- Motivation / Incentive structure
- Composition and involvement of Board of Directors and Advisory Board
- Organization / Capacity to run a structure
- Emotional intelligence / social competence

II. Market



- Substitutes
- Rivalry among existing competitors
- Barriers of entry
- Bargaining power of suppliers / buyers
- Current and future market potential
- Customers
- Political / legal dependency
- Cost and Sales estimations

II. Science & Technology



- Intellectual Property (IP) protection
- Unique selling proposition (USP)
- Alliances / partnerships
- Management of future discoveries
- Time to market

II. IP: Optimizing the value



Reduce the risk:

- Apply for the necessary patents
- Cover the geographical areas that are necessary for the company in the long-term
- Identify/watch competitors that could challenge or infringe the patent
- Think about extension of patents

III. Valuation approaches



- Operations-based methods:
 - ⇒ *business plan, fundamentals*
- Market-based methods:
 - ⇒ *price, trends, comparison difficulties*
- 5 methods:
 - Discounted Cash Flows (DCF) } Operations meth.
 - Real Options } Operations meth.
 - Venture Capital method ⇒ Mixed meth.
 - Market Comparables } Market meth.
 - Comparable Transactions } Market meth.

⇒ *use several methods*

IV. Conclusion



- Valuation as a process
- Use several methods
- Valuation can help to check deal-terms
- Risk and potential as main components
- Value spectrum as a result
- Value \neq price

V. Venture Valuation



- Independent, third party Valuations
- Experts Finance / Industry
- Not a venture capitalist
- International experience (North America, Europe and Israel)
- Systematic / Validated Approach
- Track record of over 90 valued companies

your valuation expert

Thank you



**...and how do you
value your projects?**