



Valuation of High-Tech Ventures

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Agenda



- Why Valuation?
- Valuation Framework
- Softfactors / Value drivers
- Valuation Methods
- Venture Valuation

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Why Valuations?



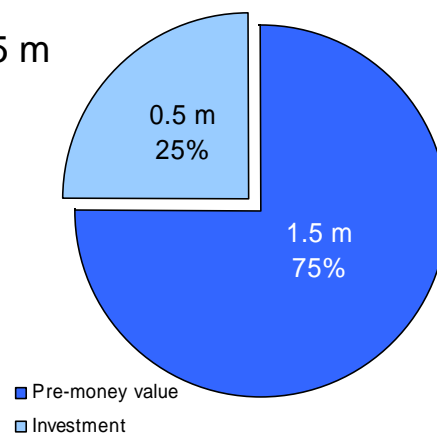
- Buy or sale (acquisition) or merger
- Extraction of key value drivers
- Needed for investment
- Basis for investment negotiations

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Why Valuations?



- 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:
 $0,5 \text{ m} / 2 \text{ m} = 25\%$



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Valuation Issues



- Volatility of quoted companies
- Illiquidity of unquoted company
- Long investment cycle
- Value added of investors
- Traditional valuation methods unsuited
- Industry lacks transparency
- Complex technology and IP situations

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Factors to influence value

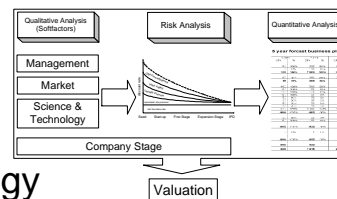


Soft factors are essential ...

- Management
- Market
- Science & Technology

... and the company stage

to define the risk profile of company



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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

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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

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Science & Technology



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

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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*

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Conclusion



- Valuation as a process
- Use several methods
- Risk and potential as main components
- Value spectrum as a result
- Value ? price

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Venture Valuation



- Independent, third party Valuations
- Experts Finance / High-tech industries
- Not a venture capitalist
- International experience (North America, Europe and Israel)
- Systematic / Validated Approach
- Track record of over 80 valued companies

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your valuation expert



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

Thank you

Presentation available on:
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