



Which Channel Puts You in Big Money?

CASE STUDY – SBOK2

Service:

Technology Market Assessment

Client:

Board of Directors, venture backed start-up

Requirement:

Technology market assessment, valuation and strategic positioning

Situation:

A technology start-up had over \$30 Million of venture funding through series B. The company was at a \$5 million annual run rate. Although on plan, the Client felt they were at an inflection point and needed guidance regarding the potential markets, competition, channel, product technology and a long-term exit strategy.

The Client had already entered into substantive licensing negotiations with an array of companies and determined it needed additional expertise. The complexity of multiple negotiations with differing prospect needs required a team approach to keep it all on track.

Scope:

Staffing: fifteen person days.

Deliverable: Matrix of competition and markets as well as counsel and review of imminent negotiations.

Discovery:

The first step was to perform formal market oriented technology diligence on the product itself. The code, architecture, people and processes were evaluated with an exclusive orientation regarding market and customer drivers. Next, Semaphore created a preliminary valuation position paper on the company. The review included several patents pending and provisional patents (with associated development cost) to deliver the product's IP. The position

paper represented a fair analysis of the product, market opportunity and sunk cost.

The next step was to do a market assessment of potential industry segments, competition, and technology and its intersection with the market. The final step was to analyze targeted strategic channels. The company would not consummate a contractual relationship without completing such internal and market facing diligence. It was the opinion of Semaphore that this analysis would provide important information; create a significant tactical advantage; and be an internal asset during negotiation with target partners.

Semaphore provided tactical advisory services as it augmented the negotiation team – as management's pursuit of multiple sales channel/joint venture negotiations on a parallel basis required additional skills. Semaphore established the rationale for and benefit to the respective sales channel targets including valuation ranges according to each of the interests and needs of various markets and channels.

Outcome:

1. The technology diligence revealed a robust product with ample documentation and processes to scale the product into various markets.
2. The market analysis uncovered the fact that the product was state-of-the-art and various large strategic partners/buyers could be approached.
3. The valuation showed that multiple sales channel negotiations should include an invitation for strategic investment and/or acquisition.
4. Semaphore provided briefing and option papers, including decision tree outlines, for each strategic channel target negotiation potential along with the product and market assessments.



5. Client received competing offers for purchase as a result of tactical implementation of strategic plans provided.
6. The firm accepted an offer of purchase at 30X top line and 5X invested capital.
7. In three years since this assignment, its annual product market sales now exceed \$200 Million.