BOSTON - LONDON - ZURICH

How to Spend $ 20,000 and Return $150 Million

CASE STUDY – VMOK1

Service:
Business Advisory Consulting

Client:
CEO and Board of Directors, venture backed start-up

Requirement:
Technology License preparation and valuation

Situation:
A well-regarded VC firm had invested over $20 million in a technology start up that was producing $5 million in annual revenue. The Client entered into substantive licensing arrangement negotiations with an array of companies and discovered it needed additional expertise. Semaphore was to provide visibility into, and preparation for, these critically immediate efforts in order to better assure that the Client received fair value for its asset technology during such negotiations. Semaphore was to collaboratively present and review options and provide context and validation to support the utilization of one time technology license, site license, NRE charges with royalty payments, OEM relationship, etc. Semaphore was charged with delivering a number of potential options.

Scope:
Staffing: six person days.
Deliverable: Semaphore's counsel and review to culminate in an agreed action plan for the imminent negotiations.

Discovery:

Semaphore Technology Diligence (S4TD) created a preliminary valuation position paper on the Client's technology. 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 and sunk cost. S4TD strongly recommended that the Client perform formal technology and business diligence to derive a completed package of relevant corporate documents including an assessment of the viability and value of the company and its assets. Targeted strategic channels would not consummate a contractual relationship without completing such diligence. It was the opinion of S4TD that this effort would create a significant internal asset during negotiation with the target partners.

S4TD recognized that as management pursued multiple sales channel/joint venture negotiations on a parallel basis they would require outside business counsel to provide tactical advisory services. S4TD 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. S4TD recommended that the sales channel negotiation include an invitation for acquisition.
2. The Client's board and management received independent valuation and business insight in order to properly enter critical sales channel negotiation.
3. S4TD provided briefing and option papers, including decision tree outlines, for each channel target and potential acquisition discussion.

4. Client received competing offers for purchase as a result of tactical implementation of strategic plans provided.
5. Client closed on a $150 million acquisition providing for significant return to investors.