

Connecting Vision to Reality*

2008 Report on Emerging Canadian Software Companies:
The CEO Perspective


Getting The Best Value For Your
Company: A Venture Capital
Perspective

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*connectedthinking



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Agenda

Pulse of the Canadian VC Market

Improving Your Valuation When Raising Capital

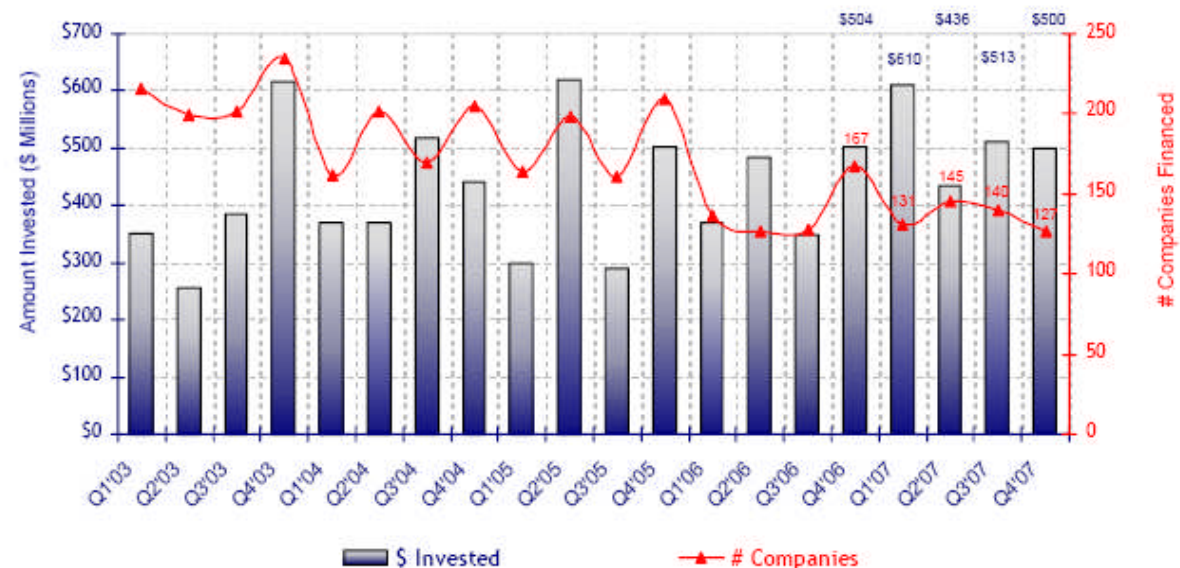
Improving Your M&A Valuation



Pulse Of Canadian Venture Capital

Venture Capital Investment In 2007 Tops \$2 Billion

Dollars Invested and Companies Financed





Laws Of Venture Investing

First Law of Venture Capital

Valuation is not a science

1st Corollary

Valuation is inversely proportional to the science used to derive the value.

2nd Corollary

Valuation is what you can negotiate



Raising Capital: What VC's Look For

People

Driven, committed, skin in the game, experience

Market

Dynamic and growing with clear catalysts

Newtonian Economics

Product

Well put together and well thought out.

Reasonable business model.



Raising Capital: VC Realities

Looking for the Home Run (2/4/4)

Typical IRR hurdles are 35-50%

Use the VC Reality to make valuation a non-issue:

Sell what you are going to be, not what you are.

Make it easy for investors to do their job



Other Considerations

Know your investor

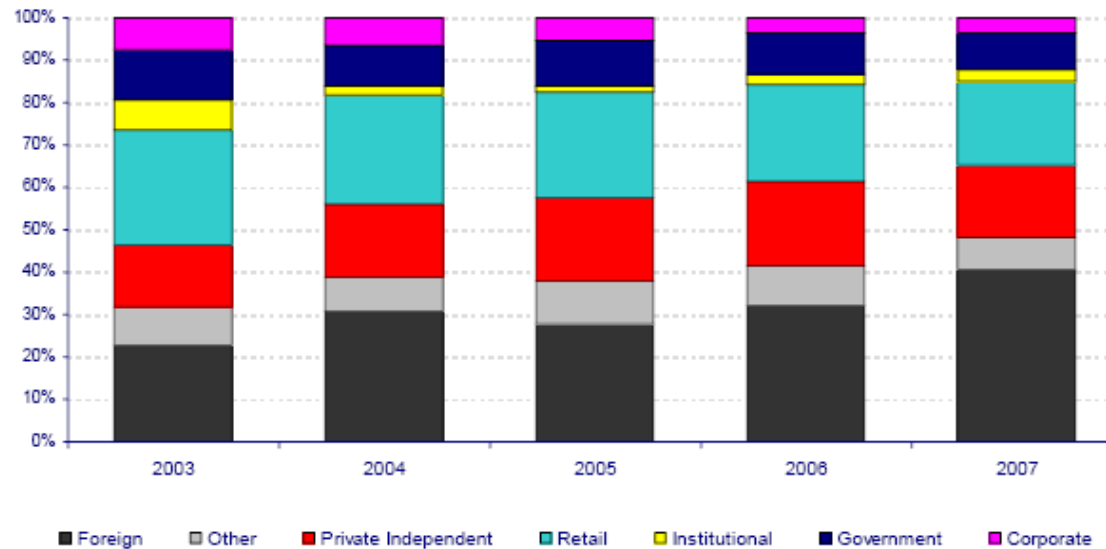
“Any market worth owning requires investment.
If you are not investing \$20 MM per year
in your business, we will – and we will beat you.”

“We like to feed them small chunks at a time
to keep them hungry”



Canadian VC Reality

Foreign Investment On The Rise with 41% Share
Share of Dollars Invested by Investor Type





Other Considerations

Understand the “sales cycle”

“Right Size” your deal size

Control your own destiny

Value versus terms

Think outside the box

- Angel Financing

- Venture Capital

- Public Offering

- Hedge Fund



Improving Your M&A Valuation

Why do companies buy other companies?

Acquire strategic technology

Acquire product pull through

Acquire strategic customers

Fill product gap

Make an accretive acquisition



Improving Your M&A Valuation

Identify potential acquirers early

Figure out how you are strategic to their business

Get on their radar screens early

- Thought leadership in the space

- Strategy that supports their strategy

- Look for partnership opportunities

Don't let the tail wag the dog

Execute well.

Thank you

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GOODWIN
PROCTER

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