Masterclass: Valuation of Early Stage Spin-outs

Trainer: Jeff Skinner
Wednesday 14 May 2014
Oslo- Norway

12:15 – 13:00 **Registration**

13:00 - 13:30 **Introduction**
The issue – why and when do we need to place valuations on early stage businesses, what are the consequences of mis-valuation and the most common ways in which we set valuations or avoid the need to do so.

13:30 – 14:00 **Applying Finance Theory**
Examining the different theoretical approaches to valuation (e.g. DCF, NVP, Venture Capital Method, P/E ratios), their assumptions and their inadequacies.

13:45 - 14:45 **EndoMagnetics**
This company is about to raise a substantial sum of money and needs to come up with a reasonable 'pre-money' valuation with which it can approach investors. We use the case (distributed and read beforehand) to list and explore the various 'drivers' of value (assets) and 'destroyers' of value (risk) and ask how an external investor might use these in order to build a valuation model for the business.

14:45 - 15:00 Coffee Break
The case study will review an example licence agreement, the terms included, the royalty returns received - steps that are taken to ensure revenues are accounted for and reported on. Internal due diligence, options on follow ups with the licensee and other steps that may be required to ensure royalty returns are accurately received.

15:00 - 15:45 **Modelling future income – and value**
In groups we use the valuation software to model future income based on a number of scenarios – principally in order that we can see the impact of (sensitivity to) the various drivers. Participants are asked to submit their best estimate of the value of the venture.

15:45 - 16:15 **Discussion – can we draw any conclusions from the modelling exercise?**
We compare the various estimates and explore the assumptions behind each and whether (with better data) they could have been more precise or accurate. We also ask whether the exercise has any value – especially in the case of ventures that are at an earlier stage of development.

16:15 - 16.45 **Review of the results of external audits and findings**
We hear (by video) the thoughts of the CEO of Endomagnetics and the process by which the valuation (pre-money) value of the business. Based on this we ask whether (and when) numerical (as opposed to market) based valuations methods have any value except at the margin and ask whether the real learning is that we need at the very least to equalise the 'power' relationship between the company and the funders if we are to prevent being washed out of investments.

16:45 - 17:00 **Conclusions and exchanges**