

Valuing of Technology for Spin-Out

The Challenge

The client had significant ongoing operations in the area of semiconductor IP and was looking to spin out an R&D project with a high-risk, high-reward profile with the intent to provide it better access to risk capital.

As an internal project, the spin-out had never been exposed to the market to determine its value separate from the parent company. A fair market value would have to be established to account for the spin-out.

The Solution

The project to be spun out had not had market exposure, and its value was unknown. However, a large number of companies with competing technology solutions to the same problem had been funded by VCs. Publicly available data existed as to the amount and timing of their fundings.

There were also several comparable public companies with data available detailing comparable R&D headcounts and patent portfolios. By placing the spin-out project into context as to the levels of invested capital, patent portfolio and team size, significant valuation information was available that allowed Granite to assess the risks and potential regards of the company.

Leveraging the comparable company information and the guideline venture investment transactions the spin-out could be analyzed and a range of reasonable values determined.

The Benefits

The spin out was completed successfully. Within eight months, the other operations of the client were acquired by a major supplier of semiconductor IP.

Granite Valuations helps companies facing challenging financial reporting and tax valuations, transactions and business planning and analysis matters. The team's experience as investors, operators, and advisors means Granite's clients receive high quality advice and deliverables tailored to their needs. Granite's Managing Directors are directly involved in all phases of the work and personally deliver efficient, high quality, timely and informed advice to their clients. The goal is to provide the greatest value for fee in all of Granite's engagements.