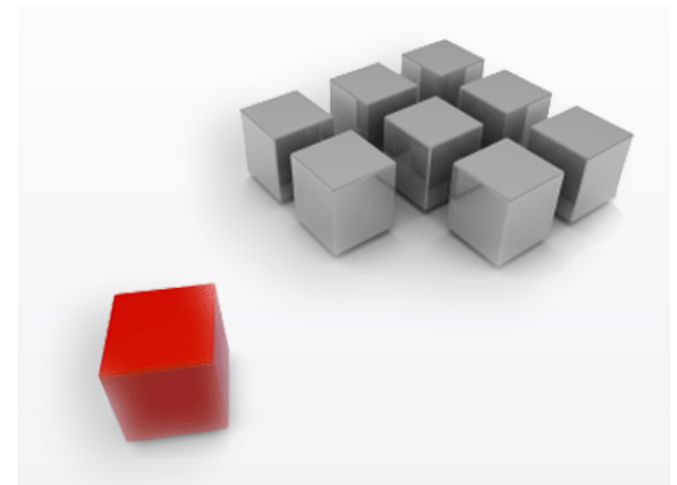




Top 7 Mistakes in Finding Licensees

Table of Contents

- Underestimating Time
- Unrefined Presentation
- Unclear Use of Funds
- Poor Understanding of Value
- Targeting the Wrong Audience
- Accepting Too Much Feedback
- Going it Alone



1. Underestimate time commitment

- The time commitment to complete a licensing arrangement or IP sale is vastly underestimated
 - It will vary, but expect between 500 and 1,000 work hours over a 6 month time period
 - Perfecting the story, tinkering with the technology, completing any due diligence materials
 - Developing a targeted, comprehensive list of appropriate licensees/buyers
 - Contacting this list and investing time in the due diligence process
 - Negotiating a transaction until the money is finally in hand
- For average early stage companies, completing a financing transaction requires contacting about 160 pre-qualified prospects

2. Unrefined Presentation Skills

- Think through the story you wish to tell/sell
 - Know your audience – macro and at an individual level
 - Avoid the ‘comfort rut’ – i.e. all tech and no business
- The individuals you target see a very large number of prospective IP and technology pitches
 - Be brisk and to the point
 - Deliver with personality and enthusiasm
 - If you cannot, pay for assistance – it’s that important
- Practice
 - Feedback from business, legal, and technology folks
 - Mix in an ample amount of unfriendly faces during practice

3. Unclear Use of Funds

- The most credible and impressive teams...
 - Clearly show a handle on income/financing requirements
 - Know how far along the development curve the funds will carry them
 - R&D requirements
 - Regulatory requirements
 - Scenario analyses
- Market based forecasts show understanding of...
 - Comparable licensing transactions
 - Development costs and time to market of similar technologies or similar stages of development

4. Poor Understanding of Value

- Beyond a 'technical' fit
 - Very important to understand the value created by IP for a given licensee/buyer
 - Impacts the valuation anchor *immensely*
 - Put the words in the mouth of the licensee
 - Show knowledge of the
 - End customers and benefits received because of IP
 - Business model of the licensee and possible revenue and margin growth due to IP
 - Competitive environment and alternate technologies that serve the same market need

5. Targeting the Wrong Audience

- Avoid the waste of time
 - It can be VERY expensive from a time and opportunity cost standpoint to seek out or entertain interest from inappropriate licensing partners
 - Before the process begins, comprehensive research into prospective licensees/buyers must be done
 - It differs from industry to industry, but < 1% of conversations lead anywhere if outreach and positioning is not strategic
 - Filter partners by
 - Market compatibility
 - Technology compatibility
 - Stage and structure compatibility
 - Reputation

6. Accepting Too Much Feedback

- Majority of contacts and pitches will not result in a licensing event
 - Feedback will be received – solicited and unsolicited – on ‘flaws’ in the technology and/or business model
- CAREFULLY filter and evaluate feedback
 - Rule of thumb – Sit on your hands until you’ve received the same feedback 3x
 - Run it by business, legal, and technical advisors
- One of the most critical things a successful company can do
 - Is evaluate and judiciously integrate feedback at this early stage

7. Going it Alone

- Finding a licensee or buyer of IP is a very challenging undertaking
 - Finding a buyer or a good partner takes time, something a young company does not really have
- Seek assistance
 - Either professional, through an incubator, or through advisors/directors
 - Relevant transactional or industry experience is a must

Growththink Credentials

- Founded in 1999, more than 1600 client engagements to date
- Team of 40 advisory professionals
- Offices in Los Angeles, New York, San Francisco, and Seattle
- More than 250 press mentions, including the Wall Street Journal, Fortune, Entrepreneur Magazine, BusinessWeek, The Los Angeles Times, and The Silicon Valley/San Jose Business Journal
- NASD registered Broker-Dealer
- Growththink Research – proprietary database of venture-funded companies, transactions, and executives

Growthink Philosophy

- As a strategic advisory firm with a strong finance focus, we understand the unique challenges of articulating growth initiatives to institutional and corporate audiences
- We are in ongoing dialogues with all channels of the finance community
 - Private equity, venture capital, public and corporate capital markets
- Understand the rigor of an institutional investor mind set
 - Investor perspective ↔ Growthink ↔ entrepreneur vision
 - Risk management vs. opportunity optimism
- Our work has been vetted by top tier firms in the industry:
 - Sequoia, Kleiner Perkins Caulfield & Byers, Goldman Sachs, Bain Capital
- Bringing consulting and investment banking “best practices” to emerging companies
 - Combining entrepreneurial enthusiasm with analytical rigor

Select Experience

