

GROWTH OPPORTUNITIES IN THE TECHNOLOGY SECTOR

The technology revolution is happening in the blink of an eye. The recent technology advances are greater than those of the prior 100 years. New technology covers a wide spectrum - computers, bio-tech and environment, the medical and health fields, communications. In this new environment investors equate economic and shareholder value with technology and intellectual capital. *And where the interest is because of the expectation of above average growth.*

As new technology companies are often required to spend lots of money, without making money, they often go public to raise money. Venture capital will often provide financial support up to the IPO stage - as an exit strategy.

With an early stage company an investor group is in a position to own a larger percentage of the venture and to influence future strategies. Once the company is more mature, a new investor pays a higher premium for the shares and has little or no say in the company's future.

FINANCING THE OPPORTUNITY

The right management continuously strives to improve the performance of the company to *maximize the value* of the company for shareholders. All financial stockholders, investors and lenders alike, will be watching management closely, their master plan and *corporate vision* for expansion and ability to execute.

The owner-manager or CEO has the ultimate responsibility to secure corporate funding. This is not always an easy task. How does one identify a *suitable supplier of funds*? There may be a wide variety of sources of funds. However, competition for funds is fierce. As well the financial marketplace is ever changing. Financial *advisors* must be intimate with the status of the financial marketplace at any time.

ASSESSING THE OPPORTUNITY

What should investors or financiers (institutions and government) look for in assessing and evaluating a technology company?

- As always, *management expertise* is most essential regardless of the technology.
- The *technology* should not only be new and unique, but have applications that are

measurable in economic terms i.e. the potential size of the market, not only in North America but worldwide. Does the company now enjoy a significant track record, or if it is an early stage company, what contracts and/or sales does it now have in hand?

- Is the company's technology protected by *patents* or an *exclusive license* agreement? Is it an invention or software, not easily analyzed or duplicated and which one may not wish to patent?
- Does *competition* for the technology presently exist?
- Is the *company's vision* communicated in a business plan outlining its strategy for success and defining its financial needs? Does the vision include an exit strategy?
- Who are the company's *advisors* - specialists, business and financial strategists, engineers, marketing professionals?
- *How has the company structured* itself operationally? What is its plan for *distribution*: manufacturing or outsourcing, licensing, international alliances? Does a synergistic relationship exist between the company and potential investors, providing added value and resources beyond financial?
- Does the company's philosophy include *keeping the investors well informed*? Does an appropriate timely reporting system exist for the communication of performance and financial results?
- Does the company have a financial plan to satisfy and maintain its intellectual capital base, including an *appropriate recognition and financial rewards system*?
- Has the company established policies and procedures to *identify potential litigious issues* and address and resolve them?
- How does the proposed valuation of this company compare with other public issues? It may be difficult to find exactly comparable properties.

These are *only some of the questions* that a due diligence process would address. Once a specific company is targeted, a *customized due diligence review* would be established and carried out to the satisfaction of the potential buyer/investor/financing group.

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To conclude:

- Investors in this millennium consider the technology sector because of the expectation of above-average growth.
- Securing investment funds is not always easy. Financial *advisors* must be intimate with the status of the financial marketplace at any time
- An appropriate due diligence review is required to assess and evaluate the technology opportunity.