



Destined for closure turned into EXIT

(A start-up success story):

The company I consulted was in the business of passive components - supercapacitor small size flat. The passive components business is dominated by large companies. At the time of EXIT the company had no backlog and no production capacity.

Business status at my starting date:

- The innovation was an inexpensive manufacturing process based on screen printing.
- Technology: alpha prototype - technology demonstrator.
- Available cash: only for 6 months.
- We had reliable patents -almost immune to infringement or work around.
- We had sustainable unequivocal cost advantage over competition of 1:5
- The market was undefined, however the same type of supercapacitors were being sold.
- The competition: Two large and well funded companies with similar technology and chemistry, and a Start Up which was based on a different chemical solution.
- Founder aspirations were: to build a fully automated production plant at unrealistically low estimated cost.
- A new CEO, an expert in automation has been brought on board.

I have been asked to join in the following month. The CEO has known my previous record.

Time was of essence thus within two months I came up with a plan and concurrently I developed a PR campaign on the Web and in the print media. I consulted with application experts, visited trade shows in order to identify applications and to announce the company's existence and to disseminate its name.

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The outline of the action plan:

- To raise funds in order to build up a production capacity~\$10M during 24-30 months.
- To allocate the existing resources to business development, marketing, and product development.
- To commit resources only towards exit. Not to invest in production capability.
- To immediately raise 1M USD in order to keep the company going for another 18-24 months.

It soon became clear that it was crucial to regain current investors confidence since they were the realistic source of capital in the immediate future. In order to do this I used my exceptional telephone skills and managed to set up meetings with passive components manufacturers in the US, Europe and Japan. I sent samples for evaluation and the company started to gain recognition. 2 month later a distinguished expert came to visit the company. He already had satisfactory testing results for the current product status.

Leveraging the successful visit and the endorsement, I asked the board to invest 1 MUSD as a bridge loan .

I developed a strategy for an exit within 12-18 month:

- Create demand and recognition for the technology
- Got RFQs from the market
- Identified a large market with a compelling applications.
- Began a road show among the passive components manufacturers

To support the company's claim that its technology could be implemented on an automatic production line, we created a short persuasive video with complementary product line drawings. It showed the actual production process.

I was on my way!

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In order to create a demand for the company's product one needs to identify a convincing high runner application.

I identified that the EMS's in Asia were looking for a way to exploit their resources and to bring a product, not just services to the market.

A road show proved effective, and I created an interest in the company. This move changed the components manufactures' perception of the company.

During this road show I met a competitor that wanted to buy the company's raw material and technical knowhow rather than the company itself. This was a good start.

A valuation has been set. Preliminary negotiations took place with several prospects both passive components companies and EMS'. The final buyer was an EMS.

Lessons:

Any exit/succession strategy and its implementation require cash and patience. With careful planning and an adjustment with a grain of creativity it can be done within a reasonable time framework.

It is a business development effort with a focus on a terminal goal.

It demands continued investment in the company along the process.

One needs to create a whim in the market to make ones company known hence to create awareness and to develop its positioning and value. Prospect buyers need to be convinced that the company has assets in any form and shape; e.g. access to the market; intellectual property; specific knowledge; etc. long before any initial negotiation/ due diligence.

Creating a demand for a company among its competitors is more of an art but it is essential and has a major effect on the success of the process as a whole as well as on the value. The web is a very effective tool for this activity.

Expanding the prospect buyers is the best move one can make, however it is complex and delicate. It needs to make sense.

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Eldad Pruzan focuses on development and implementation strategies for succession exit and wealth transformation for investors. His areas of expertise are expansion into new geographies and developing new business partnerships.

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