

Acquiring Hard Drive Technology

Valuation of acquisition target and associated project management for bringing acquired technology to market in the computer equipment manufacturing industry.



Challenges

- VP in charge of acquisition would simply attempt to negotiate to 25% lower than asking price, rather than assessing risk-adjusted economic value of the acquisition.
- Project manager would potentially overspend on high-priced consultants to ensure project “success” due to corporate incentive structure.
- History of product development continuing well after most of the revenue opportunity had passed.
- Point projection of future demand was used, ignoring uncertainty and learning.

Provisdom's Solution

- Required only 2 days for complete analysis.
- Modeled uncertainty and learning for future product demand and difficulty in bringing the product to market in a reasonable timeframe.
- Included options to switch engineering teams or quit development if costs were not justified by current expectations about demand.
- Strategic alignment between VP of acquisitions and project manager.

Results

- Risk-adjusted economic value of acquisition target increased from **\$0.64 million to \$1.52 million**.
- Time required: **2 days**.