Goliath Technologies Equity Partnership

At Goliath Technologies, we create technical and business partnerships with other software companies or technologists with the express goal of maximizing synergies to grow combined revenues and continue to advance our individual businesses and/or product lines together to a greater degree than we would separately.

A partnership with Goliath should enable the company or technologist to realize the value of their product in the marketplace in a way that mitigates risk, capitalizes on synergies, and allows a focus on product development while increasing both cash compensation and equity value.

When there is a desire to commercialize a product offering or grow a company, there are essentially two options: raise capital or bootstrap without a financial partner. Of course there are variants, for example, that include early seed capital from friends/family or bootstrapping to a certain size and then adding investors, but in general there are two options. The possible outcomes and risks are as follows.

1. Raise Capital: Depending on the type of investment partner, the following realities exist to varying degrees. Assume the entity seeking venture capital is an organization with a product that is primarily comprised of technical staff with little or no dedicated sales organization. In this case, the capital raise would most often be designated for expansion of sales and marketing. The venture firm will most certainly promote the benefit of adding a partner like themselves who has experience with scaling business operations and managing to an exit event. This approach, while common, is certainly no guarantee of success, with the failure rate on venture investments above 70% or higher depending on where the data is sourced. The reason for this is manifestly straight forward, as the venture firm invests specifically to achieve an exit in 36-48 months of a certain value that will satisfy their internal rate of return or IRR. To accomplish this, they make business and product decisions that are driven by that goal and not necessarily in the best long-term interest of the company, customers, or founders. And, since they have virtually no operating experience, they are ill suited to assist technical founders with matters of business execution to ensure the success of the company. And, if the company fails to return on the investment in their timeframe, the VC loses interest, reduces support to the company, but still controls decision making. Certainly, the company may respond well to the infusion of capital and experience sharp growth, but the large majority of technologists, even if there is a successful exit, will not own enough equity in their company or product to realize any wealth creation. In summary, unless the venture is a wild success, little benefit will ever accrue to the founding technologist from raising capital.

2. Bootstrap: In this go-forward plan everything is at risk, from personal compensation to business outcome. The large majority of bootstrapped software companies never achieve revenues over 3m. The probability of success is low, in part, because building a commercially viable product and bringing it to market requires different skill sets from non-technical personnel that must be hired. These are expensive hires and it is unaffordable without outside capital. Most technologists or founders come to this realization at some point and seek capital in an effort to hire people with sales and marketing expertise, or simply remain a small company. In the scenario where the decision is made to bootstrap, the technologist does maintain control, and usually significant equity, so if an exit occurs then there could be material consideration realized. However, the challenge is achieving the size and growth that would attract potential acquisition partners without a sales and marketing engine.

At Goliath Technologies we offer a third option, an **equity partnership.** This unique partnership provides many of the benefits of raising capital while taking advantage of natural synergies to achieve growth and retain equity. Simply put the technologist maintains a focus on product development while Goliath Technologies drives sales, marketing, and alliances using our current go-to-market model. The funding needed to grow the company will come from sales and not from outside capital. The technologist or company doesn't need to raise dilutive capital to build out sales and marketing when Goliath has current customers and a fully functioning sales and marketing team.

Goliath Technologies drives sales, marketing, and alliances using our current go-to-market model, freeing up technical entrepreneurs to continue to drive product development and direction.

When developing partnerships, we look for the following characteristics in technologies or companies with which we partner:

- IT Software products we can provide to our current customers leveraging our go-to-market model, sales team, and alliance partners.
- Products that enjoy a price or performance advantage in established markets with known competitors.
- Technologists or stakeholders who want to grow revenues and experience a future exit event.
- Revenues from current customers paying maintenance or subscription.

The thesis is that adding a complimentary product to the Goliath portfolio allows us to leverage an existing go-to-market engine that includes a marketing department, sales team, alliance partners, and distribution model. Given this, we can reach higher revenues with less risk working together than we would separately. And, sales revenue fills fund growth without equity dilution.

The potential for a favorable exit increases by orders of magnitude in the equity partnership model for four reasons:

- The combined revenues of the organizations are higher than if each company were evaluated separately. The larger organization increases the number of potential acquirers.
- Our goals will be known and aligned around an exit value that is acceptable to both parties, but it will likely be lower than a VC firm requires. A reasonable valuation threshold at which we will exit increases the probability of a transaction closing if there is an interested acquirer.
- External investors significantly dilute founder equity. In an equity partnership founders and stakeholders retain more equity, so an exit event should result in more material wealth creation.
- The executive team at Goliath Technologies has decades of experience scaling software companies, managing to exit events, and even working for venture capital firms. There isn't a venture capital firm that can match the Goliath Team's operational expertise.

An equity partnership with Goliath Technologies might provide a third option to companies with the right characteristics. If you have software for IT departments, email us today to explore the possibilities.
To learn more visit: https://goliathtechnologies.com/goliath-technologies-equity-partnership.

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