



**Armanino Helps Technology
Company Provide Fast, Thorough
Valuation for Important Investor**
Case Study

At A Glance

Customer Profile:

A successful technology company with hundreds of millions of users turned to Armanino when one of its largest investors requested a Series D valuation. Already intimately familiar with the business from previous valuation work, Armanino quickly created a methodology and performed a Series D valuation that provided a thorough analysis of the business. that the data was complete, accurate, and up-to-date.

Software & Services

- Armanino Valuation Services

Benefits

- Delivered accurate and comprehensive Series D valuation in accelerated time frame to meet investor demands
- Went beyond number crunching to provide a thorough narrative analysis of the company's business
- Double-checked and confirmed company figures to add a layer of quality control

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- VP of Finance,
Technology Company

Challenge

Reaching “unicorn” status (a valuation of more than a \$1 billion) is the dream of nearly every startup company, but few actually achieve it. Hitting that point within four years’ time from launch says everything about the near overnight success of one particular technology company. Thanks to its wildly popular application, the company experienced a surge in its user base, growing to hundreds of millions of people. Part of the company’s success was also due to a large investment by a Chinese e-commerce company.

However, as is the case for so many startups, the straight-up trajectory could not continue forever, and as the market changed and competition intensified, 2015 became the first year that the company did not see its common stock valuation rise—largely a result of restructuring its technology in response to the shift.

Suddenly, the company’s leading investor for Series D funding wanted a new valuation of the company, and it wanted it fast: before 2015 year-end. Explains the vice president of finance at the technology company, “Our investor needed a valuation to show its accountants that despite the lower common stock price, there was no impairment in the carrying value of its investment. And we needed the valuation done quickly so that it could begin re-pricing and granting new stock options.” Obviously, there was no time to waste.”

Solution

This could have been a problem for the technology company’s finance organization because the Series D valuation required a different methodology than the common stock valuations it performed previously. Instead, however, the process couldn’t have gone more smoothly, thanks to the company’s ongoing engagement with Armanino’s Valuation Team, which had been valuing the technology start-up for 409A and financial reporting (ASC718) since 2011.

The company knew that it could rely on the expertise of Armanino—the largest independent accounting and consulting firm based in California—to perform this all-important valuation as well. “Because of our long relationship with Armanino—and the firm’s thorough understanding of not only our business needs but our investor’s needs as well—we were able to sit down with our Armanino consultant immediately and hash out a methodology that would ensure accurate and timely results,” says the vice president of finance. With the deep expertise of its Valuations Team to rely on, Armanino deftly provided the company with an accurate and fully compliant valuation in the accelerated timeframe imposed by the technology company’s investor.

Results

The vice president of finance and his team couldn't have been more pleased with the results. Not only did Armanino perform the valuation in record time, it also went far beyond simple number crunching to provide a thorough analysis of the business. "Armanino is the perfect fit for us," says the vice president of finance. "A smaller firm would likely not have been able to go beyond plugging in the standard numbers, and a bigger firm would not have been nimble enough to provide a comprehensive and meaningful valuation in the time allowed. As it was, the narrative that Armanino provided about our business—what it's about, what it wants to accomplish, the challenges it faces, and the state of the industry and the competition—was just as important to the overall valuation as the numbers calculated."

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The valuation itself is only as good as the information it's based on, and Armanino went above and beyond to ensure the accuracy of the results. "The onus is on me to provide Armanino with the information and numbers needed to generate an accurate valuation," says the vice president of finance. "While another firm might simply take my input at face value, our Armanino consultant goes through it with a fine-toothed comb—meaning he's able to catch any mistakes I make and give me an opportunity to correct them. That alone provides another level of quality control that's enormously helpful, and that I'm not sure we could get from anyone else."

About Armanino^{LLP}

Armanino provides an integrated set of accounting services—audit, tax, consulting and technology solutions—to a wide range of organizations operating both in the US and globally. You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well—assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions. When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company-wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes, and technology.