

Valhalla partners due diligence

Business



The most important merit of the TX is that they have a wide network of supporting customers who use the company's software to solve their several problems. Customer support is an invaluable competitive advantage to any organization whether it is a software company or a trading industry, and the modern marketing tactic gives great emphasis on customer satisfaction. Since the TX has a wide network of sound customers, the \$5 million investment of Valhalla partners can surely make use of the high market demand. In addition to the customers' support, TX has a good relationship with some worldwide leading companies. It helps the firm to provide outstanding services to their customers. Even though the TX's management is inefficient, this demerit can be overcome through the strategic intervention of Valhalla partners.

The investment memo prepared by Scott Frederick points out certain risk factors that are persisting in TX. The ratio of the company's revenue to Valhalla's revenue is 67.9%, and there is no proportional increment in the case of Net income which is only 40.6%. The decline in net income indicates the increase in expenditure which is obviously a risk factor. Even though they build tools to cover the deficiency of automatic network discovery, it may cause to raise additional expenses. Similarly, Columbia Capital also has an investment in TX which would reduce the scope of Valhalla Partners' effective involvement. Moreover, the inefficiency of management is demonstrated throughout the investment memo.

Valhalla's due diligence is a scientifically and efficiently developed process which helps the firm to confront with the competitive world of venture capital. The due diligence process consists of a large number of phases by which it critically evaluates various things in order to amplify the business

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performance. Since the process involves close assessment of various matters, it is possible to adopt the most appropriate business deals and thereby to formulate best-fitted terms and conditions for the Valhalla Partners. Similarly, the due diligence process would enhance the partner's company management and would enable the Valhalla Partners to provide proper advice from time to time. At the same time, the due diligence process includes some risks too. Since the process is time-consuming and involves complex analysis phases, the entrepreneurs' interests may switch to other less formal deals. According to Sahlman (2004), "none of the firms have ever developed a framework for analyzing deals" since they give significance to traditional concepts like 'the strength of management, the size of the market, and the density of the competition' (Sahlman 3).