

## TEN RULES FOR VALUING TECHNOLOGY COMPANIES

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1. Product cycles are the only ones that matter. Each has an upswing and a downswing.
2. Do not fall in love with the technology.
3. Make sure you can understand and use the product.
4. Favour items that are bought rather than have to be sold. High-volume businesses are generally less subject to end-of-quarter fluctuations.
5. There are over 900 public technology companies, so be selective in choosing comparables.
6. Do not rely on input from management alone. They are often the last to know, or admit, a firm's shortcomings.
7. Talk to competitors, customers and suppliers. Ask them about problems.
8. Insight is precious; information is a commodity. Become a participant in the industry, not just an observer.
9. Make sure research insights are balanced with market opportunities. Participation and research establish what can be made, but the market determines what can be sold today.
10. If the products are successful, revenues will follow. Don't pay much attention to financial forecasts. Technology is not financial engineering, its product development.