Technology Due Diligence for a Venture Capital Firm Investing in Web3.

ANALYSE ✓

PLAN ✓

DELIVER

OPTIMISE

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BACKGROUND

Our client, a prominent Venture Capital (VC) firm, was considering investing in a Web3 company that transitioned from providing 3D modeling solutions to focusing on online events. To evaluate the viability and growth potential of the target firm's technology, the VC engaged us to conduct a comprehensive technology due diligence.

TECH DD APPROACH

We deployed our proven ACT methodology:

1. **Assess:** We began by thoroughly understanding the target company's value proposition and business model. This step was crucial in aligning our understanding with the VC's assumptions about how technology drives value in the business. We combined data collection with in-depth analysis to generate an initial report.
2. **Challenge:** In this phase, we challenged the information provided by the SaaS firm's management to ensure its validity. We examined their ML data model and worked through a technology change, assessing how they rationalized, prioritized, and made decisions.
3. **Transform:** By analyzing their technology landscape, we evaluated the potential for growth and the ability to leverage emerging opportunities within the Web3 ecosystem.

DUE DILIGENCE RESULTS

The due diligence process uncovered the following critical insights:

1. **Team:** The technology team exhibited promise, but their relative inexperience raised concerns about scaling. To address this, we recommended supplementing the team with experienced hires, ensuring the necessary expertise for future growth.
2. **Defensibility:** While the target company had a head start with their functionality, we identified that a well-funded and experienced team could quickly catch up at this stage, either by developing similar capabilities from scratch or integrating the 3D component into an existing online event platform. As additional features were developed, the ease of reproducing their offering would decrease, solidifying their competitive advantage.
3. **Technology:** The architecture required for the 3D world component presented engineering challenges, particularly in acquiring servers with the required graphics capabilities. However, the target company's CTO reassured us that they were actively exploring alternative GPU sourcing options, such as partnerships with Nvidia and Dell, to overcome this obstacle within the next year.

MANAGEMENT'S REMEDIATIONS

Our comprehensive technology due diligence confirmed that the target Web3 firm possessed a promising idea, a proven and well-architected solution, and a dedicated team. While some challenges and risks were identified, the management's proactive response and their ability to adapt to the evolving landscape positioned them as a worthy investment for our client, the VC firm.