EXERCISE
VALUATION

Background
One of your clients, Wave Metrics, is looking to make its first acquisition. They're considering acquiring a small but fast-growing technology startup to accelerate the development of their product.

The General Counsel of Wave Metrics, Danielle Almasi, has an IP background and this is the first M&A deal she'll be involved with. You're planning to meet Danielle for lunch, and she'd like to get your perspective on valuation, which is something the Wave Metrics team is going to be talking about at their next leadership team meeting.

Instructions
Think through how you'll address the following questions that Danielle has said that she'd like to discuss at lunch:

1. The Wave Metrics CFO mentioned to Danielle that a "DCF analysis probably doesn't make sense in this situation." What's a DCF analysis and why might it not be appropriate for this acquisition?
2. The CFO said they're more likely to base the valuation on "comps." What does this mean and how does that methodology work?