

Run the Red Ltd

Find out how Escalator helped Run the Red find a strategic investor at:

[://www.youtube.com/watch?v=uiYHd4Qg5l8](http://www.youtube.com/watch?v=uiYHd4Qg5l8)



“The Escalator programme was easy to apply for and enabled us to achieve way more than we could by ourselves. The Escalator application process was painless and efficient; it added value from Day One”.

– Deborah Crowe, Director



“After exploring a number of strategic partners and merger options an investor came from left-field, giving us all we were looking for and more...” They saw the strategic value of our business.”

– Ben Northrop, CEO

Summary

Mobile marketing company Run the Red was already selling into multiple overseas markets but needed to expand further if it was to satisfy the expectations its shareholders. With no experience in raising offshore capital, Run the Red turned to Escalator. Escalator’s market analysis experts promptly identified a USA strategic investor resulting in a capital investment injection of \$1 million.

Background

Run The Red is a digital mobile marketing company, integrating text with other media channels (internet and TV) to provide measured marketing campaigns. It provides a complete turn key solution from concept to delivery, handling multiple mobile platforms. Services are delivered in New Zealand, Australia and in Brazil. Substantial progress had been made in growing the business, with revenue of \$7million-plus, and picking up awards along the way, including 5th place in the Deloitte Fast 50 in 2007.

The investment journey

A strategic review of the business showed that the New Zealand market would not produce the returns that shareholders required. Expansion to new markets was needed – but that was beyond the cash-flow capabilities of the business.

The management team did not have the experience in raising significant offshore capital or the cash-flow to afford the professional advice they knew they needed. Escalator worked with them to explore number of growth finance options, and redefine their thinking.

Escalator helped the team enhance its financial modelling, reporting and structure, carried out due diligence on a range of finance options, helped develop investment documentation and chaired discussions with potential partners.

Escalator's market analysis experts identified the USA as the market that would provide the best growth opportunity for Run The Red.

The deal

Escalator identified a USA company, via a known contact, which eventuated in the final investment. The US partner was chosen because:

- It could support existing access into the USA market from a domiciled base
- It could provide ready access to a strong growing market
- its own organisational culture complemented that of Run The Red
- it had a synergy with Run The Red's product set
- it had compatible technology
- it had the ability to provide direct capital investment.

The valuation model was based on a multiple of revenue and was driven off what could be achieved from the value of the technology within the investor's own community and business.

Lessons learned

Comments from Comments Run the Red CEO Ben Northrop, and director Deborah Crow:

1. It does take 12 months to raise capital! "They told us but we didn't believe them."
2. The better people you use to help you raise the capital, the quicker the process.

3. Be willing to reassess your business model, and focus on the key areas of your value proposition
3. Keep your options open – you never know where the final solution will come from
4. Look for strategic value. Best read to seed our thinking: *Tom McKaskill – Angel Investing*

Looking for investment? Don't go it alone. Call the Escalator Helpline – 0800 822 748 – and ask about:

- **Specialist training programmes**
- **Growth finance strategies, deal preparation and closure assistance.**

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