

S H I B C L E T
L A W F I R M

THE BIG LEAP **SELLING TO** **OEM/TIER 1**

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■ REDBEND'S SCALE UP STORY

- Small company from Hod Hasharon;
- Started in mobile, migrated to Automotive;
- Now is #1 leader in OTA;
- 25 OEM customers

MARKET TRENDS

AUTOMOTIVE WORLD IS 'RAPIDLY' CHANGING:

- **'Tesla Effect'** – migration from traditional players to EV 'high tech' players;
- Change of role of OEM, Tier1, Tier2, SoC;
- Consolidation of OEMs and Technology;
- Consolidation of ECUs;

A BIG OPPORTUNITY

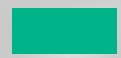




MARKET CHARACTERISTICS

BUT – SOME CHARACTERISTICS / CHALLENGES REMAIN UNCHANGED

- **Very Long Processes:**
- **Challenges of “Playing with Giants”** – associated risks – cash flow, exposure to liability.
- **International Aspects** - Each OEM / Tier1s comprises many entities spread internationally;
- **A dynamic regulatory environment** (data protection for example)



LESSONS LEARNED

- How to Sell?
- How to Price?
- How to Contract?



■ HOW TO SELL - FIRST STEPS

- **GOOD SOLUTION FOR A REAL PROBLEM:**
 - Listen to the customer
 - Support Team
 - Quality
- **POC**
- **POC**
- **POC....**
- **CONSULTING PROJECT**



THE POC - **A SPRINGBOARD** TO A COMMERCIAL DEAL

- **Define Success** – Acceptance criteria;
- Try to have the Customer commit to “**if we meet success criteria we will continue to production**”;
- **Limit the scope and time** of the POC;
- Make sure to provide **only limited rights** to use, as necessary for the performance of the POC, but no commercialization or production rights;
- **Protect your confidentiality and IP**



■ HOW TO PRICE

HOW TO PRICE YOUR SOLUTION

- **Different types of price structure:** Depending on the source of the money;
- **Payment lifecycle of a vehicle;**
- **How long** will it take to see the money;
- **What is the real size of the deal** – Take into account that anticipation for huge quantities of vehicles may not materialize



■ HOW TO PRICE

WAYS TO OBTAIN ADDITIONAL PAYMENT IN THE FUTURE:

- **Adjustment of fees** in case of “over” production or “not sufficient” production;
- **Scope of the Right to Use** – the only significant instrument for obtaining additional price



NEGOTIATION A COMMERCIAL DEAL

COPE WITH OEMs' NEMESIS

- Recall of vehicles;
- Security Breach;
- Data Privacy Issues

RECALL

- Insurance?
- **TAKE CONTROL** - Measures to verify whose fault it is (access to Customer's systems; and Customer's assistance)
 - ✓ Require to first exhaust other ways to remedy before recall;
 - ✓ Process;
 - ✓ A CAP, nevertheless....

COPE WITH OEMs' NEMESIS

- **Long Term Dependence –**
 - Early Termination
 - Benchmarking
- **Failure/Delay in support – penalties**

AND HOW TO COPE?

- Minimum term before termination; Specific triggers for termination. A long notice period and compensation;
- **Benchmarking Process:** Narrowing benchmarking's triggers, comparison models, opportunity to negotiate

ALSO IMPORTANT

- **Maintain your IP Ownership**, including in NRE/Integration outcomes
- **Try to Cap Liability** – it is doable.
Disclaim liability to results.

And if the sale is as part of a strategic investment?

- **Beware of Exclusivity**
- **Keep your freedom to do business with others**



CONCLUSIONS

- **Big deals – big opportunities**
- **Plan, plan, plan.....**
- **Consult with experts that have done these deals...**



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