Safeguard Scientifics, Inc.
Third Quarter 2022 Financial Results
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Presenters
Matt Barnard – General Counsel
Eric Salzman – Chief Executive Officer
Mark Herndon – Chief Financial Officer

Q&A Participants
Matt Burmeister – Private Investor
Neil Goldman – Goldman Capital

Operator
Good day, ladies and gentlemen, and welcome to the Safeguard Third Quarter 2022 Financial Results Conference Call.

All lines have been placed on a listen-only mode, and the floor will be open to your questions and comments, following the presentation.

If you should require assistance throughout the conference, please press "*", "0" on your telephone keypad to reach a live operator.

At this time, it is my pleasure to turn the floor over to your host, Matt Barnard, General Counsel. Sir, the floor is yours.

Matt Barnard
Good afternoon and thank you for joining us for this presentation of Safeguard Scientifics' Third Quarter 2022 Financial Results.

Joining me on today's call webcast are Eric Salzman, Safeguard's Chief Executive Officer and Mark Herndon, Safeguard's Chief Financial Officer.

Following our prepared remarks, we will open up the call to your questions.

As always, today's presentation includes forward-looking statements. Reliance on forward-looking statements involves certain risks and uncertainties, including, but not limited to, the uncertainty of the outcomes of corporate strategic transactions, if any, uncertainty of the future performance of our companies, our ability to make good decisions about the monetization of our companies, the ongoing support of our companies, our inability to unilaterally control our companies, fluctuations in the market prices of any of our companies

that are publicly traded and the effect of regulatory and economic conditions generally and other uncertainties described in our filings with the SEC.

Many of these factors are beyond our ability to predict or control. As a result of these and other factors, our past financial performance should not be relied on as an indication of future performance.

During the course of today's call, words such as expect, anticipate, believe and intend will be used in our discussion of goals or events in the future. Management cannot provide any assurance that future results will be as described in our forward-looking statements.

We encourage you to read Safeguard's filings with the SEC, including our Form 10-Q, which describe in detail the risks and uncertainties associated with managing our business. The company does not assume any obligation to update any forward-looking statements made, today.

With that, I would now like to introduce Eric.

Eric Salzman
Thanks, Matt. Thanks for joining us on our Third Quarter 2022 to Earnings Call.

This afternoon, we'd like to cover the following topics: provide an overview of the state of the portfolio and the broader market environment; provide an update on M&A activities, capital raising efforts, and follow-on deployments in the portfolio; share the latest public market peer multiples that we use, among other tools, to value the portfolio; provide some recent highlights on each company; and lastly, we will provide an update on the Houlihan Lokey process.

After my remarks, I will hand the call over to Mark Herndon, our CFO, to walk you through the financials for the quarter. We with an open up the call for questions.

I'll start with the state of the portfolio. As you know, we' ae focused on maximizing the value of our companies, monetizing our positions and returning value to shareholders while, at the same time, reducing ongoing operating expenses.

When I joined Safeguard in Q2, 2020, we had 17 portfolio companies. As of Q3, 2022, we had eight companies left, and three of them are currently pursuing sales processes.

Over the past two and half years, we have generated $74 million in proceeds and returned $43 million in capital to Safeguard shareholders.

While we recognize the progress we've made over the past two and a half years, we are also cognizant of the volatile economic and capital markets environment in which we operate.

These conditions impact how we manage the portfolio and influence our expectations of the value and timing of exits.

Many of our comments, today, will be directed towards how we operate in the current market environment and how this environment affects our companies into strategies.

Over the past quarter, the economy, the business environment and the capital markets have deteriorated. This impacts our portfolio in several ways.

First, for a few of our companies, the sales cycle for their products and services has lengthened, making it more difficult to meet revenue targets and determine future demand in revenue growth.

We attribute this metered demand to pressure on corporate budgets, disruptions and delays caused by reductions in headcount occurring at many of our companies' customers and an otherwise more cautious stance towards making financial commitments.

Interestingly, we have yet to see this impact on our companies that sell to healthcare or pharmar customers, which constitutes the majority of our portfolio. But we are seeing some slowdown among Fortune 500 companies and small and medium-sized businesses.

Second, raising equity or debt has become more challenging. Over the past few months, there has been a pullback in the pace of investing and lending by venture capitalists and debt providers.

This has no impact on our companies, which have recently secured capital, Moxe and Syapse for example, but it does impact of those companies which are currently raising debt or equity.

Third, the M&A environment has slowed considerably for both strategic, as well as financial buyers. While deals are still getting done, for example the Lumesis sale, the bar for acquiring a company has gone up.

The cost of capital has increased and determining asset values has become more difficult. This could negatively impact the three Safeguard companies that are currently pursuing sales processes.

Regardless of the business and market environment, we are working very closely with our companies, pushing management teams and boards to take tough decisions that are necessary for the long-term health of each business.

Fourth, nearly all of our companies have venture debt, which is typical for late-stage tech companies. Leverage introduces risks to each company and can also reduce the degrees of freedom that a company has to operate.

Senior loans generally have financial covenants tied to the company's budgets. In situations where a company is out of compliance with its covenants or the debt is amortizing, addressing the needs of the lender becomes one of the factors that the company must take into consideration. This could be done through providing additional capital to the company, restructuring or refinancing the loans and or pursuing a more rapid exit.

We are working closely with our companies to address situations where this could come into play, and our goal is to maintain as much operating and strategic flexibility, as possible.

Fifth, relates to revenue growth. Each quarter, we report the average revenue growth for the portfolio to provide some insight to our investors on the state of our companies. We do this on an aggregate basis to avoid sharing any one company's specific revenue or revenue growth, which could impact its competitive positioning.

For Q3, which is reported on a one quarter lag basis, the aggregate trailing 12-month revenue growth was 11%. Note that not all of our companies are growing at this average rate. Some are growing at substantially higher rates; some lower. And a couple are not growing, while they implement changes to their business model.

For some of our companies, bookings growth is a better leading indicator of future performance and revenue because what is booked in the current quarter is recognized as revenue in future periods.

Where possible, we try to share bookings information in the company specific highlights.

In summary, while we are operating in a difficult economy and facing uncertain capital markets, there's a lot to be excited about in the portfolio.

One strategy in particular that we've begun to explore is to use Safeguard's resources, its cash and management oversight to take a more aggressive role with one or two of our companies. In essence, we would play offense with one or two of our portfolio companies that have sound business models but are victims of the difficult current capital markets.

This could come in the form of making more concentrated deployments in one or two names, setting the deal terms and leading key strategic and operational initiatives at the company, all with the goal of generating substantially enhanced returns for Safeguard.

This is still early but we have direct experience and a track record taking advantage of dislocations in markets to deploy capital in down cycles to generate outsized returns.

We'll update you on progress with this approach on our Q4 call.

M&A. As described in our press release last month, Lumesis was acquired by Solve Advisors. Safeguard received $5.3 million in proceeds with additional proceeds to be released from escrows, over the next 12+ months.

To connect the dots from our comments on the Q2 call, Lumesis was the company that we said received inbound interest from a strategic buyer, and the parties had made significant progress towards a transaction.

As mentioned at the outset of this call, we currently have three companies pursuing M&A processes. This includes the two that we mentioned on our Q2 call. As you will recall, one had hired Piper and the other RBC as their bankers, and each was preparing to launch its process, after Labor Day. Those two processes are in flight.

A third company hired a banker, also Piper, and is kicking off a process, this month. While each of these companies offers both financial and strategic value to several potential buyers, this is a tough time to be selling companies. So, it is difficult to predict the outcome.

And while parties are actively engaged with each opportunity, it is unclear how the broader slowdown in M&A will impact these situations.

I'll now provide an update on capital raises. At a macro level, deal activity across all stages of venture capital are showing signs of weakness. In fact, there's been three consecutive quarterly declines in the number of completed deals.

Fewer potential investors seeking to deploy capital, combined with a shift in investment criteria towards more profitability, a development that we highlighted on our Q2 call, can impact the capital raise processes of our companies.

With that said, four of our companies are currently seeking to raise capital. Two are mentioned on our Q2 call, where we stated that two companies were exploring capital raises, ahead of launching M&A processes. Also on the Q2 call, we mentioned a third company that was launching a process to raise growth capital.

Those three companies continue to have conversations with financing parties but no LOIs have been signed.

In addition, a fourth company has had recent conversations with parties about raising capital, but those efforts are at an early stage.

In parallel, we are working with each of these companies on alternative plans, should capital not be available or not be available on terms that are satisfactory.

Against that backdrop, we are pleased with the Syapse announcement in July of their $35 million raise, which came from Innovatus Capital with a concurrent investment by existing investors. Safeguard deployed $1.6 million in the inside convertible note, as part of that round.

Update on follow-on deployments. While our follow-on deployments in the portfolio have declined over the past two years, the current business environment could impact the capital we set aside to support each company, going forward.

The outcome of the four companies that are raising money could also impact how much capital we expect to require for the portfolio. Also, pursuing a more concentrated strategy that I highlighted earlier in my remarks could have an impact on the quantum on follow-on capital required.

In every case, we have set a high bar for deploying more capital in the portfolio. So, the returns and rationale need to be extremely compelling, and we discussed these criteria on our Q2 call.

With that in mind, we have decided to maintain the maximum cash threshold at $18 million. To remind investors, this is the amount above which we would look to return cash to shareholders.

In addition to the $1.6 million we deployed in Syapse, subsequent to the quarter, Safeguard funded $500,000 to meQuilibrium, as part of an inside convertible note round, together with other meQuilibrium investors, and we also made a $375,000 subordinated debt commitment to Trice, alongside other Trice investors.

Public market peer multiples. As we do each quarter, we provide the EV, enterprise value, to revenue multiples and consensus revenue growth rates of our public peers to help investors triangulate around potential valuations.

Please keep in mind that this is only one of several valuation methodologies used and should not be relied upon, exclusively. Differences in company size, growth rates, margins, net debt, capital structures and liquidity discounts all come into play.

Note that the following data is as of October 26. For our tech enabled healthcare companies, the EV to 2922 revenue multiples for our publicly traded peers were 3.4x, down from 3.8x on our Q2 earnings call.

Consensus revenue growth for 2022 for tech enabled healthcare companies is 10%.

Given we're in the last quarter of 2022, it is appropriate that we also consider 2023 EV to revenue multiples and expected revenue growth rates.

Our tech enabled healthcare multiples were 3.2x 2023 consensus revenue estimates with 12% expected revenue growth for 2023.

For Clutch, our single marketing technology position, EV to 2022 revenue multiples for the peer group were 2.7x, down from 3.3x on our last call. Consensus revenue growth for 2022 was 16%.

2023 EB multiples in revenue growth for the MarTech peers were 2.4x 2023 consensus with 2023 revenue growth pegged at 14%.

Please remember that, from the implied enterprise values that are calculated using revenue multiples, we subtract out net debt for each of our portfolio companies and then run the remaining proceeds through a waterfall for each company that reflects its specific capital stack, options, management carveouts, if any, deal fees, etc., to arrive at what Safeguard's stake could be worth.

Companies with more net debt will, by definition, have less available proceeds for the equity holders, and companies with more complicated preferred capital structures can also impact Safeguard's proceeds, depending on where we sit in the capital stack.

From an equity perspective, while the month of October posted gains, since our Q2 call, markets have sold off with the S&P down 8%, the Russell 2000 down 6%, our healthcare peers down 14% and our MarTech peers down 35%.

Year to date, S&P and Russell 2000 are both down around 20%. Healthcare peers are down 25% and MarTech peers are down 62%.

I will now go through the name-by-name highlights for the portfolio. Note that these are selected highlights for the quarter and do not reflect the risks inherent in each company.

Aktana met its product bookings through Q3 of this year. The company added new logos, including Novo Nordisk and Nestle. It reduced roughly $10 million in annual operating expenses and expects to achieve operating cash flow in 2023.

For Syapse, we mentioned their $35 million financing led by Innovatus Capital, earlier. Also of note are key collaboration and partnership announcements with Science 37, Genesis and Merck.

Prognos completed its business transition to a marketplace model. This should position the company for rapid growth with both, data providers and customers. The company signed three new marketplace data partner contracts in Q3, bringing the year-to-date total to 10 new agreements.

Prognos also sold its non-core underwriting business to Gradient AI.

Trice experienced Q3, year on year revenue growth of over 30%. The company was EBITDA positive in August, for the first time, and expects to be consistently EBITDA positive, later next year.

Its new MyEye 25-degree camera release led to over 50% growth in disposable carpal tunnel systems.

InfoBionic posted continued year on year growth in ARR, annualized recurring revenue, with a 70% increase, year on year, in deployed devices.

Its sales pipeline continues to build momentum, especially with large health systems, and the Mayo relationship remains strong with recent IDTF deals, in addition to Mayo Clinic deployments.

For meQuilibrium, its contracted ARR was up 18%, year on year in Q3, and its revenues were up 20%, year on year.

At the company's recent annual Resilience Conference, Paychex, PepsiCo, Marriott, Florida Blue, Ford Motor Company and XL energy were all honored for their achievements in supporting employer resilience, a strong endorsement of meQuilibrium's value proposition, by these Hallmark companies.

Moxe implemented 56 new connections in Q3 and each quarter of 2022 has seen a record number of connections. The company has 24 new providers in its network, as of Q3, and the fourth quarter provider sales pipeline is strong.

For Clutch, September was the company's highest recurring revenue month in its history, achieving over 20% growth for the nine months, through September. It also had its strongest sales quarter in company history, adding over $1 million in ARR in Q3, 2022.

I'll now provide an update on our strategic process with Houlihan Lokey. Let me start by reminding investors that our base case plan is to run off of the portfolio in the ordinary course and return capital to shareholders.

We retained Houlihan Lokey in Q1, 2021, to see if we could enhance shareholder value ,over and above this base case plan. This enhanced value could come from, among other things, monetizing our net operating losses, or NOLs, the public shale, or other aspects of Safeguard's infrastructure and operating footprint.

Anything we consider on this front must be superior to the risk-adjusted returns of the base case run-off plan.

Having said that, we are in discussions with a number of parties and wanted to provide you with an update.

First, based on the feedback we have received from parties, we do not anticipate selling the portfolio in bulk or in packages.

Put simply, this portfolio does not fit well as a secondary sale, and that approach would not be in the shareholders' best interest.

An approach that we have been exploring is to design a structure that ring fences our portfolio interest and allows the exits to occur in the ordinary course, similar to our base case plan, with proceeds returned to Safeguard's current shareholders.

We would then use the public shale that would have the NOLs and some cash left behind, and with this shale, we would acquire another entity assets for our company, thereby, preserving the NOLs and building an additional potential source of value to Safeguard shareholders.

In this way, shareholders would receive the vast majority of the proceeds from the legacy portfolio, as it run off, while maintaining an ownership interest and the upside in a new go forward business.

There are a variety of regulatory and economic complexities defining a structure that meets our objectives, but we have worked with outside tax and legal advisors and have come up with an approach that we believe achieves these goals.

The next requirement is finding a target that we believe would create meaningful value as a public company and enhance returns to Safeguard shareholders.

Working with Houlihan Lokey, we've examined a number of potential targets, including operating companies, portfolios of assets and asset managers, to name a few, each of whom could be viable as a public company.

We've also considered whether any of our existing portfolio companies would be an appealing merger partner and if it made sense for that company to, effectively, go public through Safeguard.

We continue to spend time on this and are in discussions with several parties. There's no assurance that we'll be able to settle on a specific structure and/or find a specific target that meets our objectives.

We will keep you updated on the progress with these efforts.

At this time, I'd like to hand the call over to our CFO, Mark Herndon.

Mark Herndon
Thanks, Eric. Safeguard's net loss for the quarter, ended September 30, 2022, was $3.2 million, or $.19 per share, as compared to net income for 2021 third quarter of $18.3 million, or $.88 per share.

This quarter's results were primarily impacted by a $4.7 million gain, resulting from Lumesis's exit. The remaining results were fairly typical, with respect to general administrative expenses and other aspects of equity income loss, net.

As a reminder, the prior year quarters net income was driven primarily by the $32 million gain for the sale of Flashtalking.

We have continued with our open market stock repurchases, resulting in the repurchase of approximately 84,000 shares during the quarter for $0.3 million at an average price of $4.00, per share.

And subsequent to the quarter, approximately 37,000 additional shares have been acquired and accumulated, during a low-volume trading environment for approximately $.1 million, or $3.60, per share.

This brings our total repurchases this year to over 490,000 shares for approximately $2.2 million, or $4.47, per share.

We have approximately 800,000, or .8 million of authorizations for open market purchases remaining, pursuant to this planned program.

Safeguard entered the quarter with $21 million of cash, cash equivalents, multiple securities and restricted cash, and we continue to have no debt obligation.

Our general and administrative expenses were $1.4 million for the third quarter of 2022, which was 13% lower than the $1.6 million reported in the comparable quarter for '21.

This decline was principally attributable to the absence of an LTIP expense that did not recur in 2022.

Corporate expenses for the quarter, which represent general and administrative expenses, excluding stock-based compensation, severance expenses and nonrecurring and other items, such as LTIP accruals and transactions expenses, were $0.8 million, as compared to $0.9 million in the comparable quarter of 2021, a 13% decline.

On a sequential basis, this quarter's corporate expenses were slightly down from last quarter, about $57,000 lower, or 7%.

We continue to expect the quarterly level of corporate expenses have stabilized at this approximate level.

Corporate expenses continue to benefit from director fees being paid in equity and a significant portion of management's compensation is being paid in equity.

Additionally, you may have noticed that we moved the SSE listing for the NASDAQ, recently. This change should not have any impact to you, in terms of trading, as we continue to use the ticker, SFE.

What we gained from this shift was slightly lower base fee structure for 2023 and a greater level of flexibility in the future, in relation to the continued listing standards and as we become smaller and lower fees, if we issue new or additional securities in the future.

With respect to ownership interest, we have an aggregate carrying value at September 30 of $19.3 million, as compared to $26.5 million at December 31, 2021.

This year-to-date activity included increases for the funding of convertible loans at Prognos and Clutch that aggregated $2.4 million, a decrease in the Bright Health stock value and the dilution gain of $5.3 million, related to Moxe.

These increases were largely offset by decreases due to the application of the equity method of accounting and the limits expected.

As we mentioned earlier, our equity loss benefited from the $4.7 million gain on the exit of Lumesis, while our share of the losses of our equity method ownership interest for the three months ended September 30, 2022, was higher at $6.0 million, as compared to $3.1 million for the comparable period in 2021.

There were no impairments during the quarter. We did benefit by $0.4 million, related to the collection of escrows and the resolution of contingencies related to a variety of prior transactions.

The quarters increase in equity method loss is the result of a higher level of losses at several companies, due to a variety of--including various accounting charges at those companies and completed financing transactions.

And I would also like to remind everyone that we report our share of the losses in equity method companies on a one quarter lag. So, this quarter's share of losses reflects the second quarter of 2022.

Also, with respect to our ownership interest, the third-party debt in this group of eight companies was approximately $206 million versus the $160 million at June 30, 2022.

This increase is primarily related to the $35 million Syapse financing transaction, disclosed previously.

Cash at the same group of eight companies has increased to about $90 million from the $70 million, last quarter. This increase was also primarily related to the equity raise at Syapse and was offset by the quarterly burn at Syapse, as well as all the other companies.

In terms of revenue performance, we reported a 10.7% increase in our group of eight companies for the trailing 12-month period, June 30, 2022, which reflects the one quarter lag.

We continue to see our fastest organic growth from meQuilibrium and Moxe.

At this time, we would like to turn it over to the Q&A segment of the call. So, Operator, I'll ask you to open the phones up for a few questions.

Operator
Sure, thank you. The lines are now open for questions. If you do have a question, please press "*", "1" on your telephone keypad, at this time. Your question will be taken in the order that it is received.

If your question has been answered, you can remove yourself from the queue by pressing "1". Again, ladies and gentlemen, it's "*", "1". Pease hold while we pull for questions.

And our first question comes from Matt Burmeister (PH) from—he's a private investor. Go ahead, Matt.

Matt Burmeister
Hi, thanks. In the last earnings call, you laid out a time frame for the M&A process as four to six months and suggested that the Houlihan Lokey strategic alternatives review process should be a comparable timeframe.

Considering the strategic review process started in March 2022, why is this plan not finalized yet?

Eric Salzman
Thanks for the question. As it relates to Houlihan Lokey process, as we try to provide a fair amount of detail. On today's call, we went out, we have a base case plan and as we described.

And the question we have is, given the other assets that Safeguard has in a well shale, etc., is there a way to enhance the value beyond just our base case run-off plan?

That is not a regular way M&A transaction where you are a banker, you put a book together and you settle with your manufacturer or service provider. This involves both tax and legal structuring and it also involves us feeling highly confident that a counterparty or a target would be value accretive or value enhancing to the Safeguard shareholders.

So, we are taking our time through this process. We don't have a set time by which we have to do anything because we have our base case plan. So, I would just compare the approach and the timeline and the complexity or complexion of a strategic process with Safeguard, differently than a normal, let's call it, regular way M&A process, if that's helpful.

Matt Burmeister
Yeah. Honestly, the shell company idea and all the other strategic alternatives, I'm a little skeptical. I'm honestly, a strong fan of selling the portfolio, as a lump sum. And a concern I have with the current Houlihan Lokey process is that, on the last call, you stated the objective of not selling assets below natural exit values.

I think that's too stringent. To me, it sounds like we're trying to squeeze every last drop out of a lemon but it often ends up in getting some seeds, he said.

Is there some flexibility that could be built into the strategic review to sell the whole portfolio, say at a 75% to 90% of natural exit value to get a deal done, instead of dragging out the overall portfolio monetization process?

Eric Salzman
It's a good question and we appreciate that perspective. As we indicated, this portfolio does not lend itself to a secondary sale, which means a secondary sale happens, to estimate, at some reasonable discount to fair market value, whether it's a 25% discount or 10% discount, given the numbers you gave, 75% or 90% of, if you will, kind of regular exit value or fair market value.

This portfolio does not fall into that bucket. So, to do a lock stock sale of the portfolio would result in severe impairment of what we believe the natural exits would be. And we have cases in point, for instance, not to get too much into detail, the Lumesis transaction, where we received $5.3 million and have additional proceeds that will be released from escrow.

To put it in perspective, secondary interest for that position was substantially less than what we ultimately got in the strategic sale. And that's just one example.

I will say, though, in companies which we've done, since I've joined, where we don't believe in the company's long-term prospects, or we don't want to put additional capital in we have sold in secondary transactions.

So, there have been a number of situations where we either have decided we're not going to fund more capital or we went out and we've identified secondary buyers of those positions and transacted at what we thought were reasonable discounts to fair market value.

So, I hope that provides some context. But we are 100% open to selling this portfolio in a secondary transaction at a reasonable price, and we spent a lot of time doing that.

And just on the Houlihan Lokey process, we could spend a few more months on Houlihan Lokey and conclude that there's nothing superior. It doesn't really change what we're doing, which is exiting companies and returning capital to shareholders.

So, view that as a parallel effort. But thanks for the question.

Matt Burmeister
Yeah, I just want to appreciate, let's get a plan together. I would appreciate clarity as to what the future looks like at Safeguard, as an investor. I need clarity and next steps.

And honestly, this has been dragging on, and I just need some clarity. So, when can we have clarity as investors for the plan? Do you have a timeline when we can expect the final decision?

Eric Salzman
So, the current final decision, the current decision today, is we have eight companies, and we're selling those companies, as and when we can.

So, as we indicated on our call, there are three companies that are in processes, and we're going to--we have exits. We will sell those companies, and we'll return the capital to shareholders.

So, eight companies, three are in sale processes. If those sale processes succeed, we'll have proceeds returned to shareholders. If they do not succeed, meaning there are no buyers, or the buyers have indicated values which are not within the range that we or our other shareholders want to transact at, then we will not be forced to sell, nor will we just sell for the sake of monetizing.

If we believe in the portfolio, and these eight companies are what we're building the exit value off of.

So, that is the plan. That is our current base case plan. Selling in the ordinary course, we've gone from 17 down to eight. Hopefully, these three processes will be successful. Very tough time in the capital markets to be selling companies, but we are doing everything we can to transact and help these companies sell themselves.

On and that's the plan.

Mark Herndon
And let me just reiterate one point for emphasis, as well. Is that we're one investor of several in all these circumstances, right.

And we, I think we would say we have alignment with other investors in these companies to make sure that, if they're not already in a sales process, to prepare to be in a sales process. But it's not as if we can just go hit a button and say, sell the company. There's not a control position that allows us to do that.

But we are doing everything we can to push the companies towards finding their exit process.

Matt Burmeister
Thank you.

Operator
Again, ladies and gentlemen, to ask a question, it's "*", "1". Our next question comes from Neil Goldman from Goldman Capital. Go ahead.

Neil Goldman
In your carrying value, you have $150.5 million. What's the 19.8% of all others in terms of them?

Mark Herndon
Yeah, I think in the table that you're looking at in the press release, there's two different columns there. And I think the number that you're referencing is actually the cost, our total cash in for each of those.

Neil Goldman
Correct.

Mark Herndon
The carrying value is $19 million. The carrying that, or the cost makes up roughly 150. And I think you're making reference to the cost of the other items, if that's correct.

Neil Goldman
Yeah.

Mark Herndon
So, last quarter or the quarter before that, you may recall that MediaMath with their recapitalization. So, for them, floated down there and that's about $15 million of that $19 million.

Neil Goldman
Okay. So, there's a value, it's that $4 million may be incremental.

Mark Herndon
Yeah. The general, from a fair value perspective, I would not look for substantial sums coming out of the other category.

Neil Goldman
Okay. Thank you, that's it.

Mark Herndon
Okay, thank you.

Operator
Again, ladies and gentlemen, it's "*", "1".

Eric Salzman
We did get a question through the web. Sorry, Kat (PH). Which is, can you elaborate on what a potential transaction with Houlihan Lokey would look like? Would this require using cash on our balance sheet to finance?

So, just again, maybe provide a little bit more detail and try to answer this question.

So, it would involve monetizing the portfolio and what we're calling the regular way, the ordinary course, and leaving in the shale, the NOLs and some cash, so that shale company could operate.

And then another company would reverse merge effectively into the shale, while preserving the NOLs and having access to some of that cash.

The quantum of cash that we would leave behind is something that's very, very—it's a very, very important topic for us because any dollar that we leave behind is a dollar that we're not returning to shareholders.

So, as I indicated in the remarks, the opportunity has to be very, very compelling. And as of yet, we continue to have conversations, but we do not have anything that would meet the criteria that we would go and go to the Board with and try to take to the next step.

I would say, though, to put it in perspective, the run-off plan itself also has cost because part of the benefit of doing this reverse merger with another company is the public company cost, going forward, would to be shared with the investors of that company that we just acquired.

So, one of the calculations that we do when we analyze this is, what are our standalone operating costs and what will that be from now until runoff in the base case and compare that to what the operating costs that our shareholders would have to be on the hook far, if you will, if we were to do this reverse merger structure.

So, we would be comparing the cash used in one alternative or one case versus cash used in another case.

But it is something we're very focused on. As we know, shareholders, and I'm a fairly large shareholder, we're looking to return value to the shareholders.

I don't know, Kat, are there any other questions in the queue?

Operator
There are no phone questions, as of yet. Again, ladies and gentlemen, it's "*", "1".

Eric Salzman
Okay, it does not appear that we have any other with questions. So, I will end, just for closing remarks.

Thank you for joining us on the call today and for your continued interest and support of Safeguard. But before I sign off, I must add one thing.

So, while I am a Mets fan, not a Phillies fan, Safeguard has long-term Phillies roots and, on behalf of management and the Board, we want to wish the Phillies best of luck in the remaining games of the series.

So, please feel free to contact us, if you have any additional questions. And "Go, Phillies."

Operator
Thank you. This does conclude today's conference. We thank you for your participation. You may disconnect your lines, at this time and have a wonderful day.