

# How to position a business for growth capital

## Module 5: Value creation, growth and exit

GCE Ocean Technology Course Programme Spring 2020  
by Idévekst Energi on behalf of GCE Ocean Technology

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# Programme overview



May 19	Module 1: Intro and real-life examples	<ul style="list-style-type: none"><li>• Introduction to the programme: Background &amp; objective, Capitalization &amp; sales process, Programme overview &amp; modules, The investment landscape &amp; what it takes – an overview</li><li>• «Stories from real life»</li></ul>
May 26	Module 2: Preparations and business plan	<ul style="list-style-type: none"><li>• Preparations for a capital / transaction process: Why? What? How?</li><li>• Business plan: Which topics to cover? How? Some examples. Capital need / funding plan</li></ul>
June 2	Module 3: Investors and the investment process	<ul style="list-style-type: none"><li>• Different types of financial investors – and their characteristics: Business angels, seed, venture capital, buyout, family offices</li><li>• The investment process: Preparation, marketing, transaction (negotiations, due diligence, execution)</li></ul>
June 9	Module 4: Investor presentation	<ul style="list-style-type: none"><li>• Elements of a good investor presentation</li><li>• Giving an investor presentation</li><li>• Other documentation needs</li></ul>
June 16	Module 5: Value creation, growth and exit	<ul style="list-style-type: none"><li>• What does it mean to work with active owners to implement a growth and value creation plan</li><li>• Preparations for exit: Part or 100% sale of the company</li></ul>



# Agenda – Module #5 – June 16

## Part 1: Working with active owners to implement a growth and value creation plan

- A journey – jointly with an active owner - to create value and toward an exit
- Working with an active owner on a “day-to-day” basis – demands but also a resource

## Part 2: Preparations for exit: Part or 100% sale of the company

- Exit buyers – and implications on the plan
- Exit process

## Part 3: An active owner's perspective

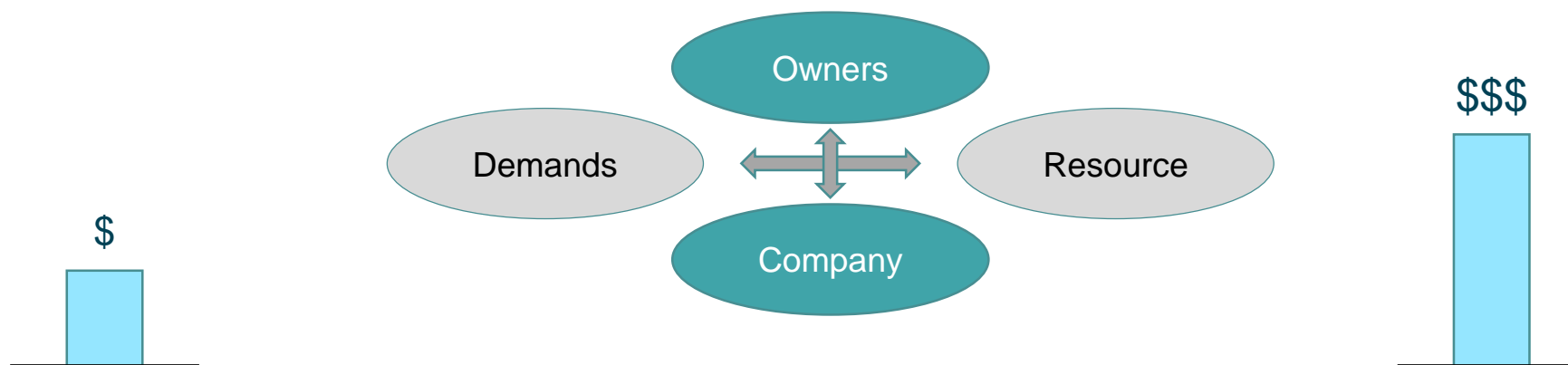
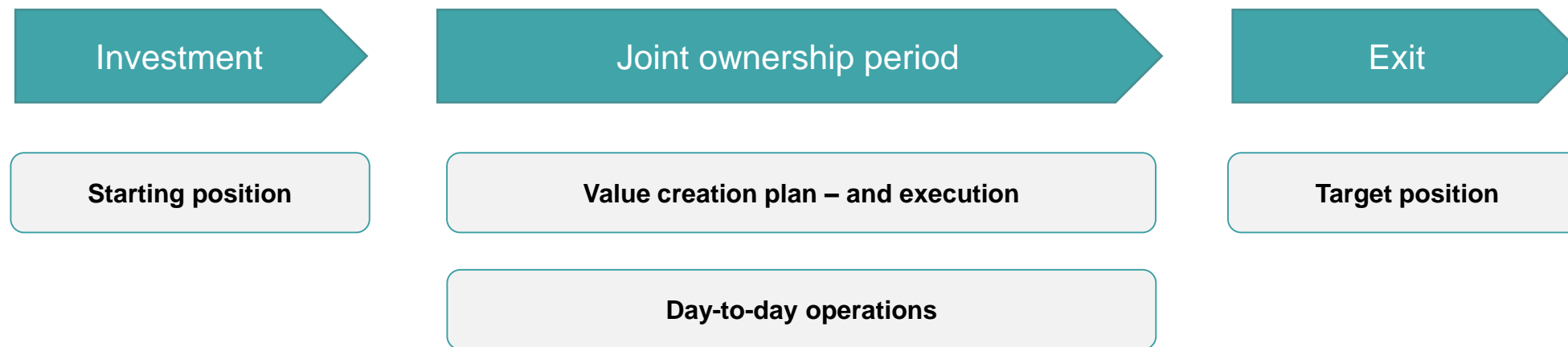
Q & A

## Part 4: Programme wrap-up





# Working with an active owner to realize a value creation plan



# Value creation levers



## Financial value creation levers



## Strategic value creation levers

Financial value  
creation / return  
on investment

Revenue

Profitability

Capital structure  
and utilization

Valuation  
multiple

Technology

Products and services

Business model

Market position

Customers and contracts

Operational structure and operations

Team and organization

Partnerships etc.

# Elements of a value creation plan (1:2)



## Business objectives

Which position is the company aiming for (in a 3 – 5 year perspective)?

Top 3 supplier of XXX to the oil & gas industry in the North Sea

## Key initiatives

1. Introduce new products X and Y to the market
2. Geographic expansion - UKCS
3. Enter ZZZ segment through an acquisition
4. Streamline manufacturing setup and logistics

## Action plan – how will you get there?

### High level 3 year plan

### Specific 1 year plan

	2020	2021	2022
New product X and Y	xxx xxx xxx	xxx xxx xxx	xxx xxx xxx
Geographic expansion - UKCS	xxx xxx xxx	xxx xxx xxx	xxx xxx xxx
Acquisition ZZZ segment	xxx xxx xxx	xxx xxx xxx	xxx xxx xxx
Streamline manufacturing setup and logistics	xxx xxx xxx	xxx xxx xxx	xxx xxx xxx

# Elements of a value creation plan (2:2)



## How will we ensure success?

**Company XX – 2019  
starting position**

**New product X and Y**

Basic technology development and patents in place  
Pilot customer testing underway with strong feedback  
Launch plan XXX

**Geographic expansion -  
UKCS**

Market analysis completed – confirming demand  
Norway customers AAA and BBB wants support also on UKCS  
In dialogue with 2 potential key employees

**Acquisition ZZZ segment**

Strong product synergies / market logic to combined offer  
4 potential targets identified. In initial dialogue with XX and YYY  
Fallback: Organic entry based on XXX

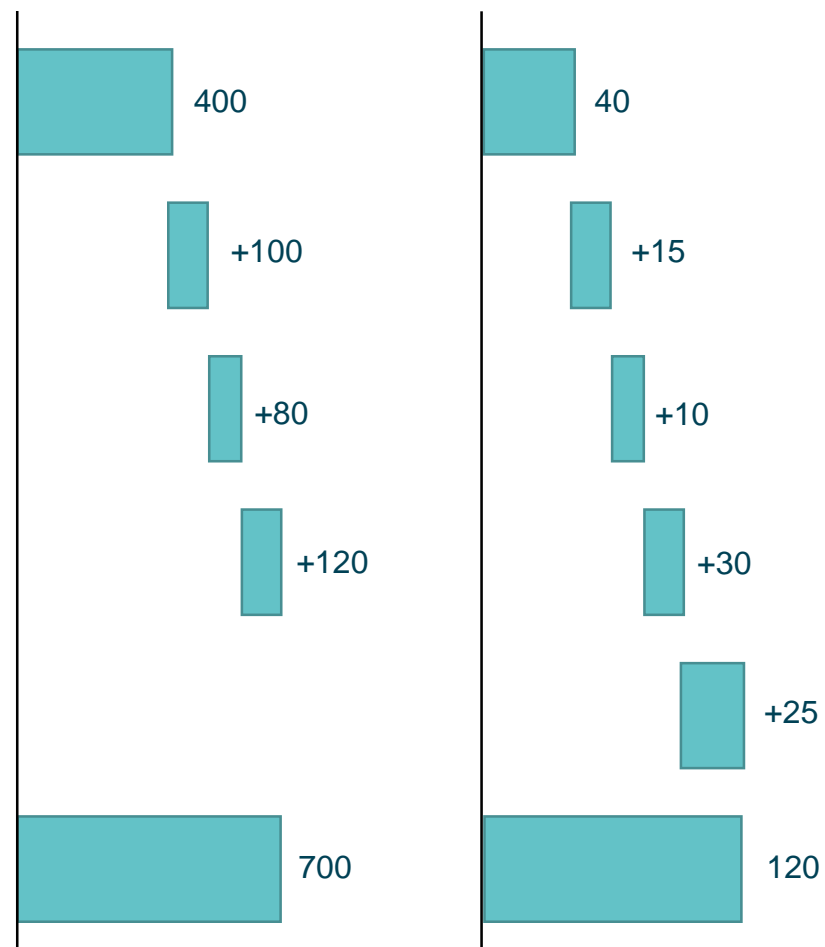
**Streamline manufacturing  
setup and logistics**

From 6 to 4 sites – based on ZZZ  
Service levels confirmed through XXX  
Potential savings: XXX

**Company XX – 2022 target  
position**

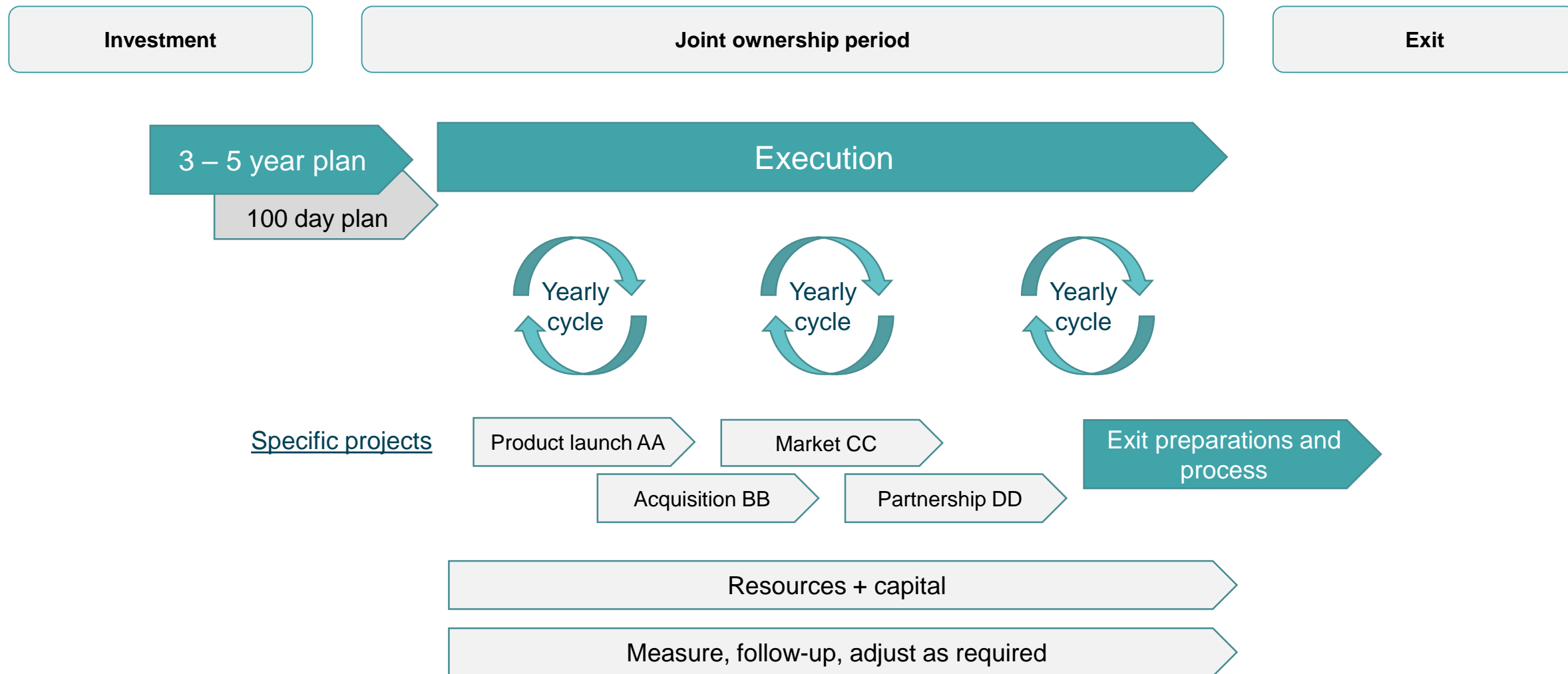
## Revenue

## EBITDA



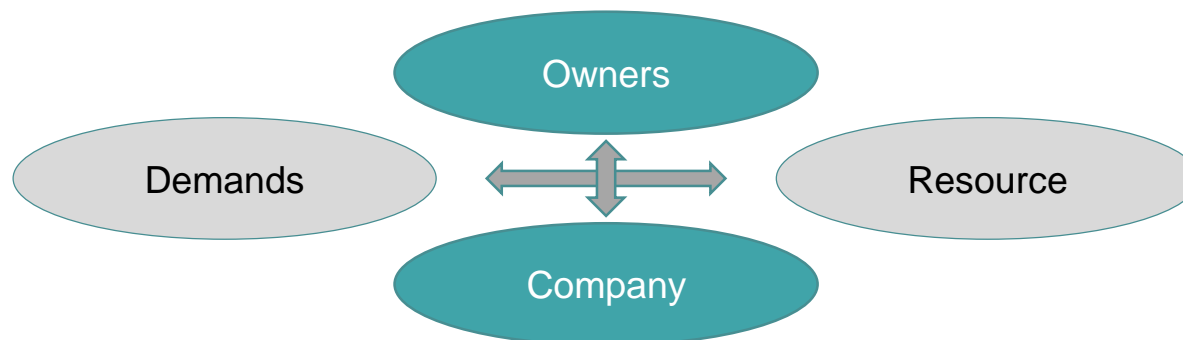
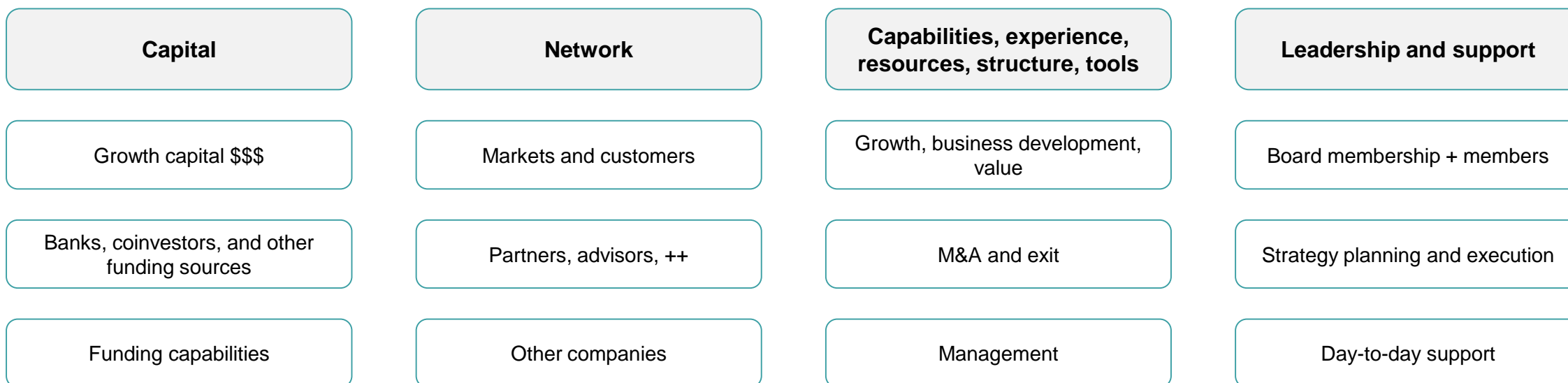


# Executing on the plan





# Symbiosis – value creation



# An example from an early stage technology company



Product development - tests - end user dialogue – building a company – exit preparations



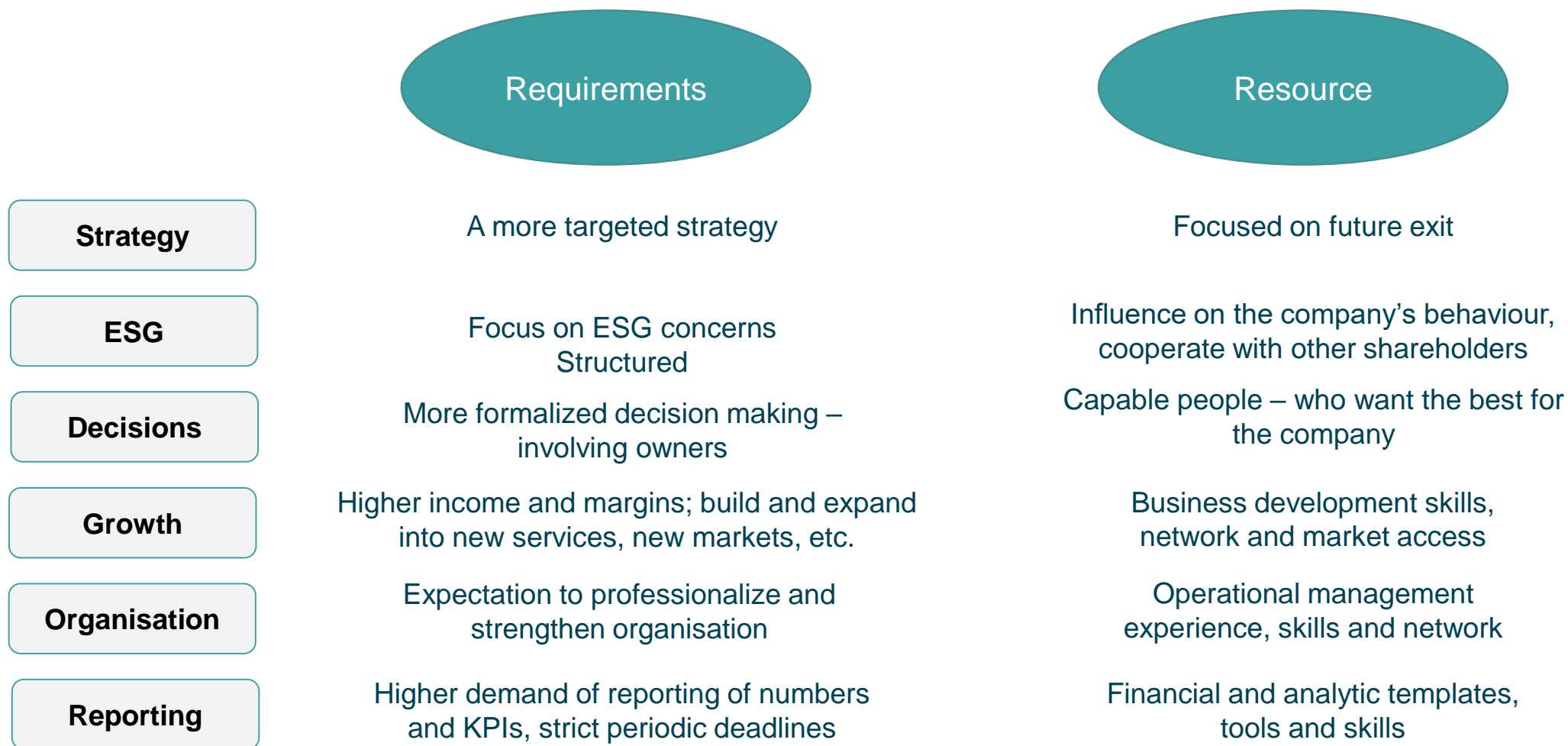
## Ownership development

- Seed fund I
- Seed fund II
- Employees
- New investors in later rounds

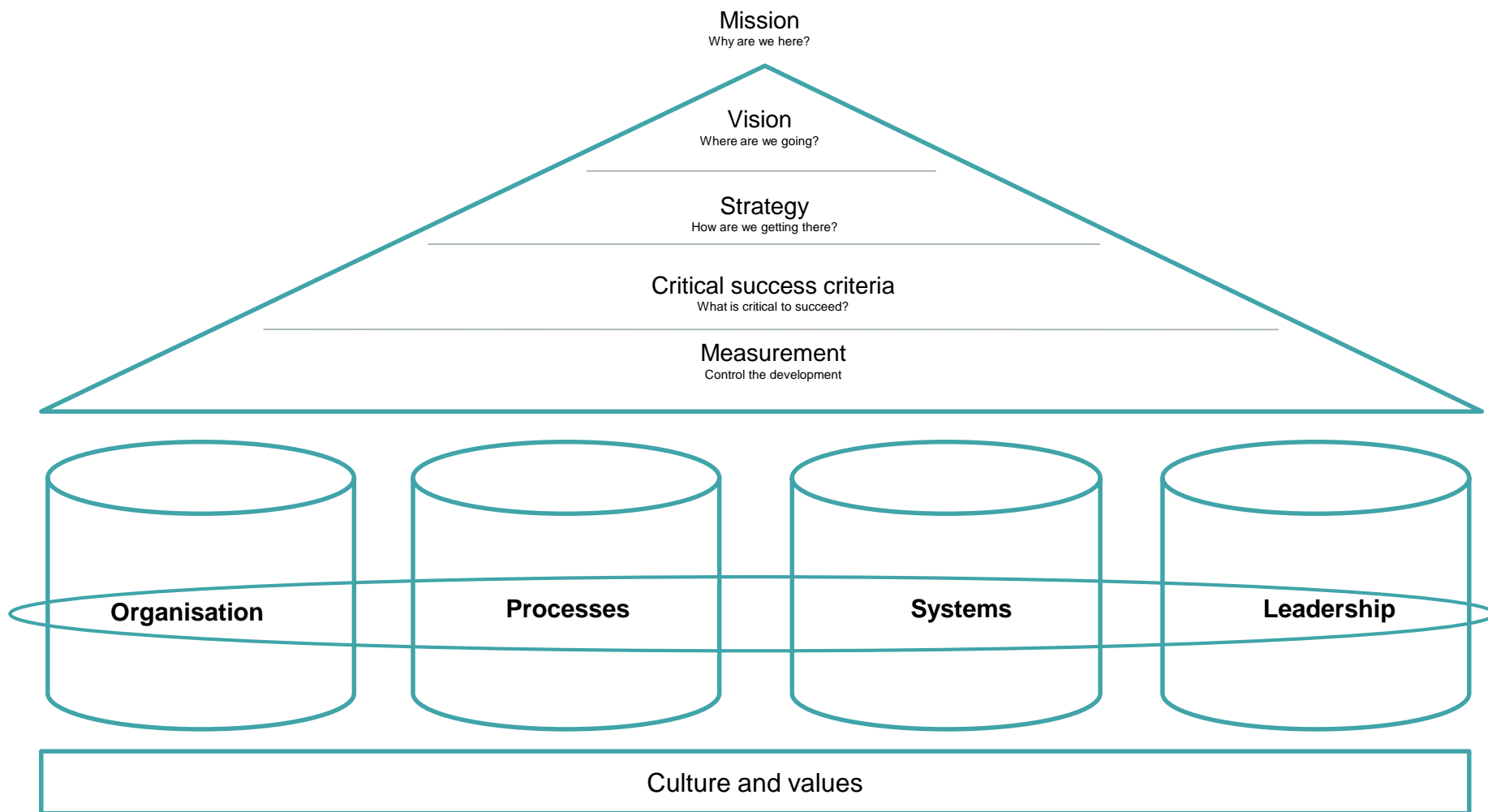
## Lessons learned

- Investor must be hands-on
- Investor : Financially and technologically skilled
- Few changes in BoD composition a stabilizing factor
- Technology spun off from TTO less mature than expected
- We are always too optimistic!

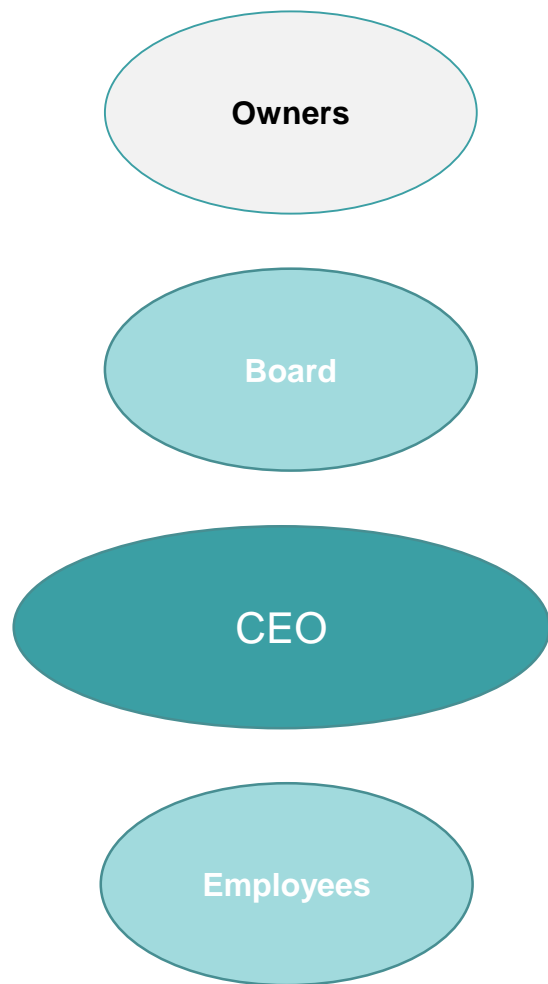
# Working with an active owner on a day-to-day basis



# Corporate governance - elements



# The CEO's role



Can be a challenging position in times with new owners and new demands

- Responsible for:
  - following the guidelines and instructions issued by the new Board/ active owner, and
  - translating the strategy into action plans and organizational development for execution in the day-to-day management of the company's operations
- Many processes are about management of change (people)
- CEO and management's roles are very often underestimated in the board room
- Not enough attention on planning development of management and transition processes
- Expansion phase is typically known for big changes; don't underestimate the necessary workload and patients to implement a good strategy
- Excel spreadsheets are supporting tools, not replacements for good management processes



# Yearly cycle – an example



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# Exit: Recap – typical process



## Preparation

- Business plan
- Capital need and ownership strategy
- Valuation
- Value adding initiatives
- Potential buyers

## Marketing

- Company presentation / marketing material
- Contact
- Non-disclosure agreements
- Meetings / management presentation
- Questions & Answers
- Indicative offers

## Transaction

- Negotiations
- Due diligence (DD)
- Final negotiations and agreements
- Execution

## Post-transaction

- Development with new owner(s) to grow and create value



# Exit preparations: The same principles apply...



## Principles

Orderly and correct information

Establish and follow a process

Identify the right buyers

Prepare properly – before going to market

Dedicate the required resources

Decide what your objectives are

## Preparation tasks

A

Business plan

E

Potential buyers

B

Capital need and  
ownership strategy

F

Company  
presentation /  
marketing material

C

Valuation

G

Due diligence  
preparations

D

Value adding  
initiatives

H

Plan the process

# Which buyers are you targeting in a future exit? And based on which “unique selling points”?



Unique technology and patents

GAS  
SECURE

Qj Quality  
Intervention

Strong products or services



Team / competence / capabilities



Market position – market access – contracts - consolidation



“Megatrend” fit



Business model



Scalability & growth potential



Consolidation opportunity





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# Value creation – an active owner's perspective



Erik Borgen

Kistefos AS



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# Recap: Some important takeaways from the 5 modules

May 19

## Module 1: Intro and real-life examples

- **M. Aaland , Advantec AS (ex), From birth via a PE-fund to successful industrial exit:**  
Seize opportunities that come your way  
Early stage : Differentiate your business – secure funding for rainy days – attract clever people  
Growth & exit : Be prepared for new demands - Owner driven exit adds value & reduces workload

May 26

## Module 2: Preparations and business plan

- **J. Bergeland, 4D Venture, Business plan core content:**  
Market characteristics : Growth opportunity - International potential – Value chain - ESG  
Technology/product : Uniqueness – value proposition – Tech road map  
Execution; plans & ability: Business model – Team – Funding requirements / use of proceeds

June 2

## Module 3: Investors and the investment process

- **I. Meyer-Myklestad, Argentum, Nordic venture & PE funds:**  
Nordic Venture and PE funds raise significant funding  
Venture funds : Euro 3 billion in new capital in 2018  
PE funds : Euro 4.1 billion in new capital in 2018

June 9

## Module 4: Investor presentation

- **J.O. Odfjell: Farvatn & Planet 9, The pitch deck essentials:**  
The Basics : Problem - Your solution - How it works  
The Traction: Traction - Use cases - Testimonials  
The Potential : Team – Market – Financial projections

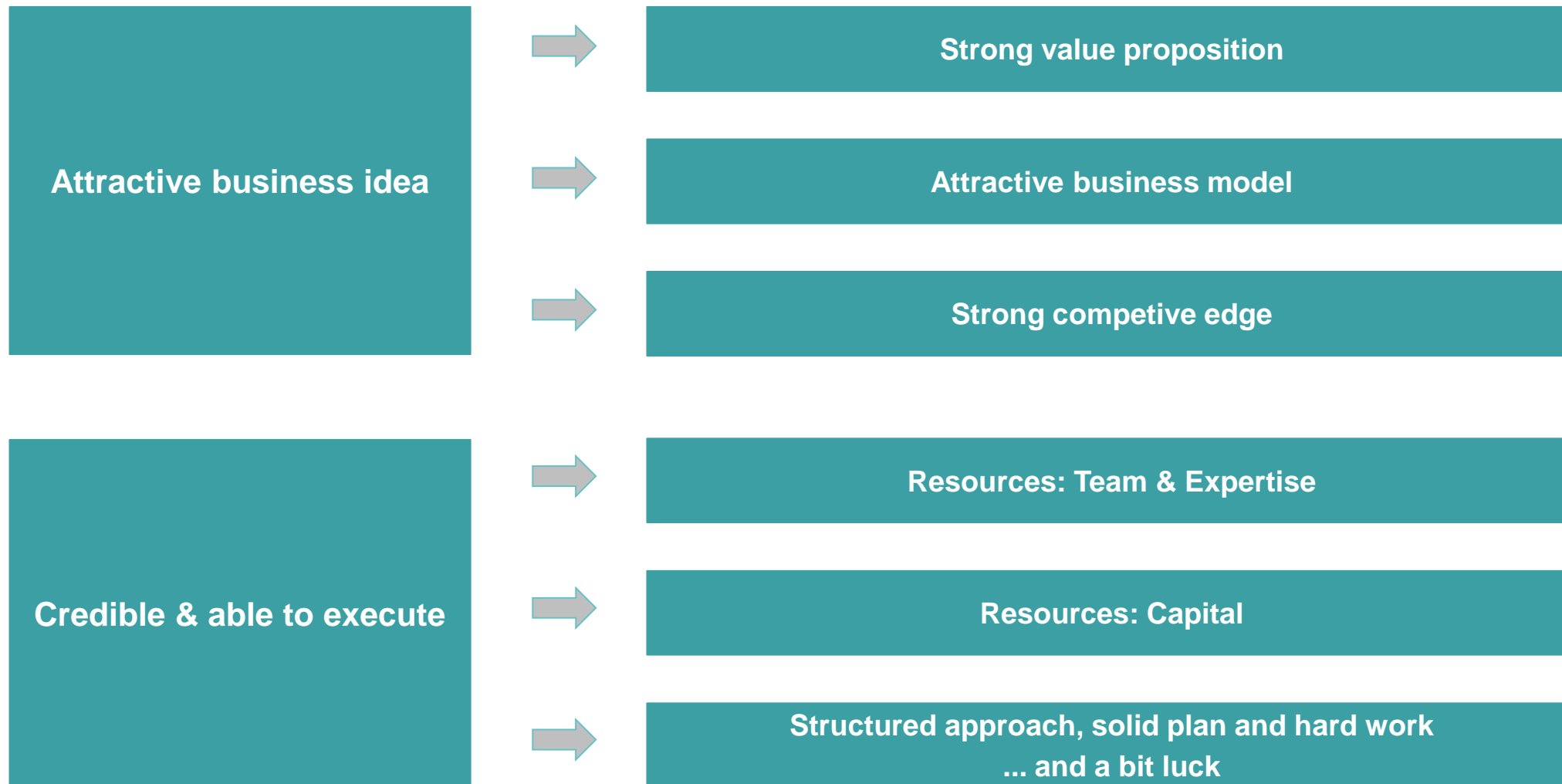
June 16

## Module 5: Value creation, growth and exit

- **C. Sælen, Idevekst Energi, Previous experience from working with active owners:**  
An active owner: Requirements and a resource  
CEO role is critical – important to balance between owners' and employees' expectations  
New demands increase workload – be pro-active and discuss how to meet & prioritize new requirements



## Recap: What are investors and buyers typically looking for?





## Recap: Process - some “key takeaways”

### Think it through:

- Analyze growth opportunities and what it takes in detail
- Consider alternative sources for growth capital
- Implications of getting a new owner on board?
- Implement value adding improvements if possible



Preparation

Marketing



### Be honest and ambitious:

- What you claim will be checked during DD!
- Take ownership to your growth ambitions!
- The highest bidder is not necessarily the best match

### Stay safe:

- Hire a legal advisor with extensive transaction experience
- Agreements are made for rainy days
- Eliminates unnecessary future use of resources and professionalizes cooperation



Transaction

Post-transaction



### Be proactive:

- Use your investor as a sparring partner
- Deal with issues before they turn into problems!
- Never present challenges without proposing solutions!

## Some final reflections and advice



- A transaction process will take time
  - Think through what you want early on (you may be «selling your baby» - but at the same time the right active owner can be a great tool to help the business succeed)
  - Start preparations early
  - Respect the steps in the process
- Mobilize adequate resources
  - Get help from process / transaction expertise – and good legal advice (with transaction experience)
  - Involve key employees in the process (the team is an important part of what you are selling – and instrumental in creating value under new ownership)
  - Dedicate enough resources both to the transaction process and at the same time daily operations
- Communication is key to making your new owners want to buy your business
  - Think through your sales pitch – highlighting your business edge and value potential for your investor or buyer
  - Be open, honest, and fact-based – no short cuts. What you say will be verified in a DD
  - Strong focus on ESG from most investors and buyers
  - Establish a communication plan - and take Q & A seriously



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