

# OCTIO – A technological success seen from an investment perspective

Bjarte Fagerås: Founder and ex-CEO of OCTIO





# Smarter monitoring solutions

## gWatch

4D gravity monitors contact movements and maps aquifer influx

## ResWatch

full-coverage PRM for cost-efficient time-lapse seismic

## DrillWatch

real-time seismic monitoring provides efficient and safer drilling

## DepthWatch

seafloor deformation unveils undrained reservoir segments

## WellWatch

real-time injector surveillance increases recovery and enhances safety





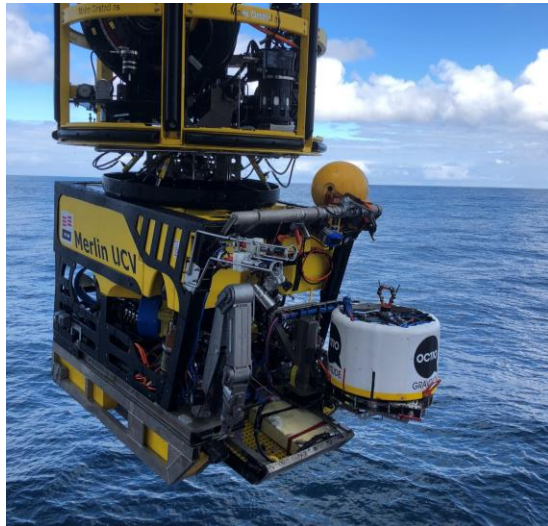
# OCTIO in 60 seconds



Permanent Reservoir Monitoring

**History**

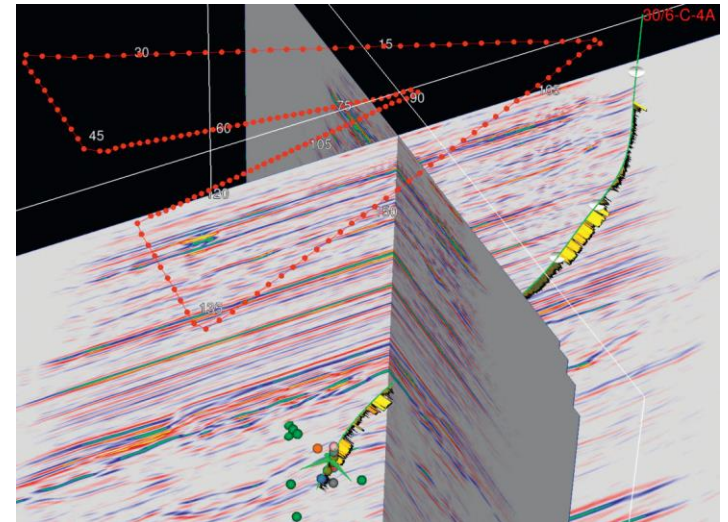
Special “in-ice” 2D seismic



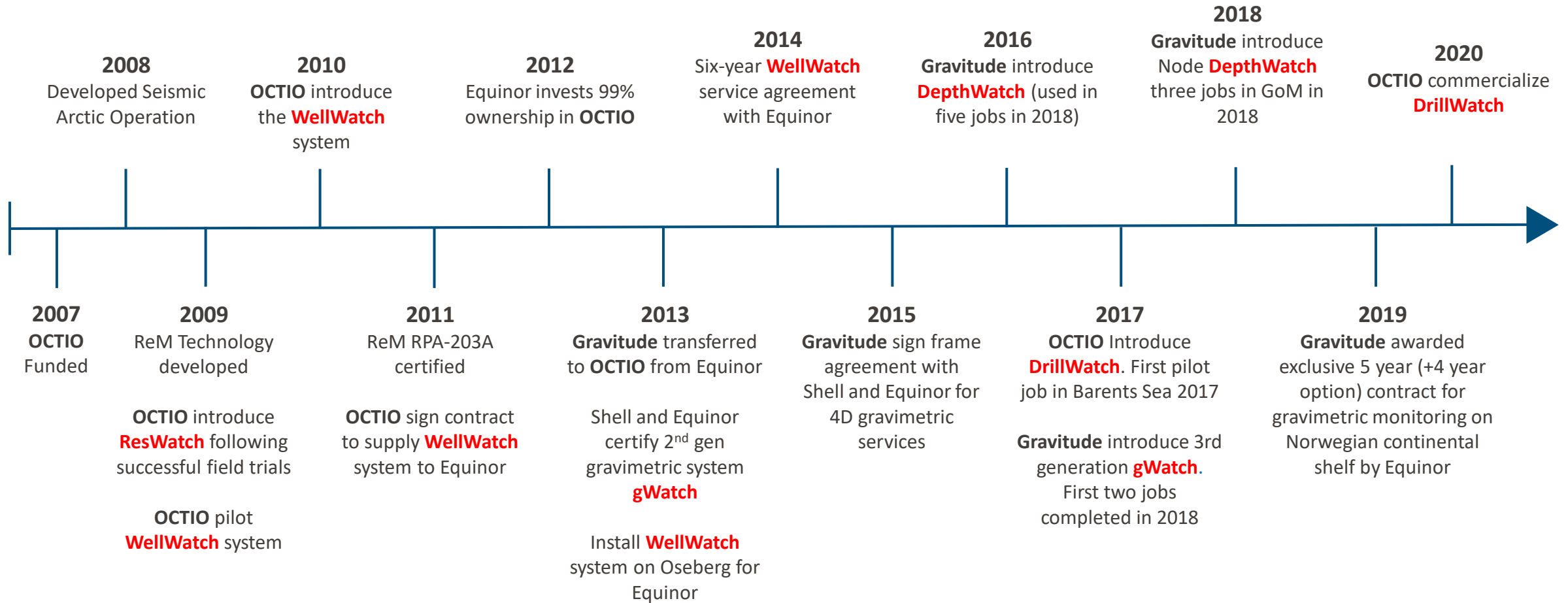
4D Gravity & Subsidence

**World Leader**

Microseismic from wells and reservoirs  
&  
Look-Ahead of drillbit



# OCTIO in 60 seconds



# Investment timeline

- OCTIO established in 2006 with first external investors in 2007:
  - Hydro Technology Ventures
    - Why: In addition to the cash required to execute design and testing phase, they «guaranteed» a pilot installation at one of their offshore oil fields
    - How much: 1/3 of the company for 10mill NOK
  - ION Geophysical Ltd
    - Why: To get access to necessary IP and differentiating technology
    - How Much: 1/3 of the company for IP and seconding (at cost only) of up to 40 people during a 3 years R&D program
- In 2008 GC Rieber Shipping invested cash and a seismic vessel
  - RISH became majority owner and focus changed from Reservoir Monitoring to vessel operation
    - Why: Generate revenue and cashflow to fund extensive R&D of new technology in a new market



# Investment timeline

- In 2012 RISH decided to sell OCTIO due to change in management and strategy in RISH
  - Corporate finance house was selected to handle the sales process
  - After a screening process of potential buyers, the shortlist consisted of two industrial buyers, both proposed and introduced by the OCTIO management.....
  - Final negotiation with one larger oil service company successfully completed after long DD process
  - **5 days before closure and takeover, the mother company of the buyer gets a new CEO that put all M&A on hold for 6 months.....**
    - RISH decide to «cold stack» OCTIO (a la vessels) until the M&A process could restart, and sent resignation letter to all employees.....
    - Equinor (then Statoil) who in the meantime had merged with Hydro and become a minority shareholder in OCTIO, realised that for all practical purposes OCTIO would disappear and be dismantled during the 6 months of cold stack. At the same time OCTIO was completing an important monitoring system for Equinor that would most likely not be delivered unless they did something
    - After an intensive DD process with more lawyers involved than employees in OCTIO, Equinor bought nearly 99% of the shares, the resignation letters were cancelled (only two weeks left of the 3 months resignation period) and new cash was invested



# Takeaways from the OCTIO (and similar) process

- Find investors that bring more than cash
  - Support in piloting / testing / market introduction
  - Support through complementary competences in BoD positions
- Be careful with industrial investors too early in the lifespan of the company
  - Can disrupt the planned strategy and vision of the company
  - Can limit the exit possibilities to other industrial buyers
- Get all agreements in writing in clear text, avoiding future interpretations
  - People change jobs and leaves the company so Corporate Memory is very short



# Takeaways from the OCTIO (and similar) process

- Be careful when using Corporate Finance House
  - For some transactions they are essential, for some they are good, but for some transactions they are not worth the money
  - Think very carefully through what you can do yourself and through existing shareholders or consultants you can hire on hourly basis
  - If you decide to use this kind of service and spend serious money on it, do a thorough DD of them to select the one that has the network you need to find the right investors. There is a huge span in quality
- Be tough and dare to shut down products and services that doesn't have good margins or markets
  - Technology startups gets in love with the technology or a product: DANGEROUS
  - OCTIO held too far on to the hope that the PRM market would come one day. We didn't get the right tractions on the new products and services before PRM formally was killed
  - Make sure you get the whole organization to understand the rationale and accept the decision to avoid future "skunk work"





# Takeaways from the OCTIO (and similar) process

- **Keep your house in order at all times!**

- Due Diligence processes can be lengthy and thoroughly and any deviation from documentation or rules and regulations will result in either lower valuation or in worst case no deal
- Build strong defenses towards bribery and corruptions, both in processes and procedures as well as in culture and behavior
- Make sure that agents, partners and subcontractors all have similar defense system in place and do a IDD (Integrity Due Diligence) of them regularly to ensure that they comply

**If OCTIO hadn't been clean in 2012, Equinor would not have been able to buy the company, and it would all have ended between Christmas Eve and New Year Eve the year of 2012**



# Thanks for the attention

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