

How to position a business for growth capital

Module 1: Course introduction – and stories from real life

GCE Ocean Technology Course Programme winter 2021
by Idévekst Energi on behalf of GCE Ocean Technology

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Agenda – Module 1

Part 1: Introduction to the programme

- Background & objective
- Programme overview & modules
- Capitalization & sales process
- The investment landscape & what it takes – an overview
- Some key takeaways
- Q&A

Part 2: Stories from real life

- Introduction and some examples
- OCTIO's journey – by Bjarte Fagerås
- Q&A



Idévekst Energi – Short introduction



Independent advisory firm – focused on value creation for our clients

Growth, transaction, business development, operational support, interim management

Renewable energy, aquaculture, maritime, oil & gas, other ocean industries

**Asle Lygre**

Cand.real

> 30 years experience from R&D and offshore technology companies

**Jørgen Lorentz**

MSc in Engineering

18 years consulting (BCG / Idévekst) and 5 years private equity

**Cecilie Sælen**

MSc / Master of Management

> 20 years experience in oil & gas

(Norsk Hydro, Ross Offshore, Ridge / THREE60)

**Jan Frederik Namtvedt**

Université de Fribourg – CH

> 30 years experience in oil & gas

(Dresser Industries, Baker Hughes, FMC Technologies)

**Dag Breistein**

MSc / MBA:

> 20 years in business development and consulting, incl. PWC and BKK

**Anette Killingrød-Kristiansen**

> 20 years consulting and IT experience from EY, KPMG, Miles, EY, DnB

> 250 projects completed since 2006 – some examples



Transactions	Business development	Strategy development	Operations, cost, effectiveness, interim management

Programme overview – 5 modules



Feb 16	Module 1: Intro and real-life examples	<ul style="list-style-type: none">• Introduction to the programme: Background & objective, Capitalization & sales process, Programme overview & modules, The investment landscape & what it takes – an overview• «Stories from real life»: by OCTIO ved Bjarte Fagerås
Feb 24	Module 2: Preparations and business plan	<ul style="list-style-type: none">• Preparations for a capital / transaction process: Why? What? How?• Business plan: Which topics to cover? How? Some examples. Capital need / funding plan• Focus example: SARSIA Seed by Jon Trygve Berg
Mar 9	Module 3: Investors and the investment process	<ul style="list-style-type: none">• Different types of financial investors – and their characteristics: Business angels, seed, venture capital, buyout, family offices• The investment process: Preparation, marketing, transaction (negotiations, due diligence, execution)• Investors – an external perspective : Argentum by Ingibjörg Meyer-Myklestad
Mar 16	Module 4: Investor presentation	<ul style="list-style-type: none">• Elements of a good investor presentation• Giving an investor presentation• Other documentation needs• Telling and selling the story:
Mar 23	Module 5: Growth and exit	<ul style="list-style-type: none">• What does it mean to work with active owners to implement a growth and value creation plan• Preparations for exit: Part or 100% sale of the company• An active owner's perspective: Earth Science Analytics by Jarle Kvamme

Capitalization or sale – typical process



Preparation

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



Marketing

- Investor presentation / marketing material
- Contact
- Non-disclosure agreements (NDA)
- Meetings / management presentation
- Questions & Answers
- Indicative offers



Transaction

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

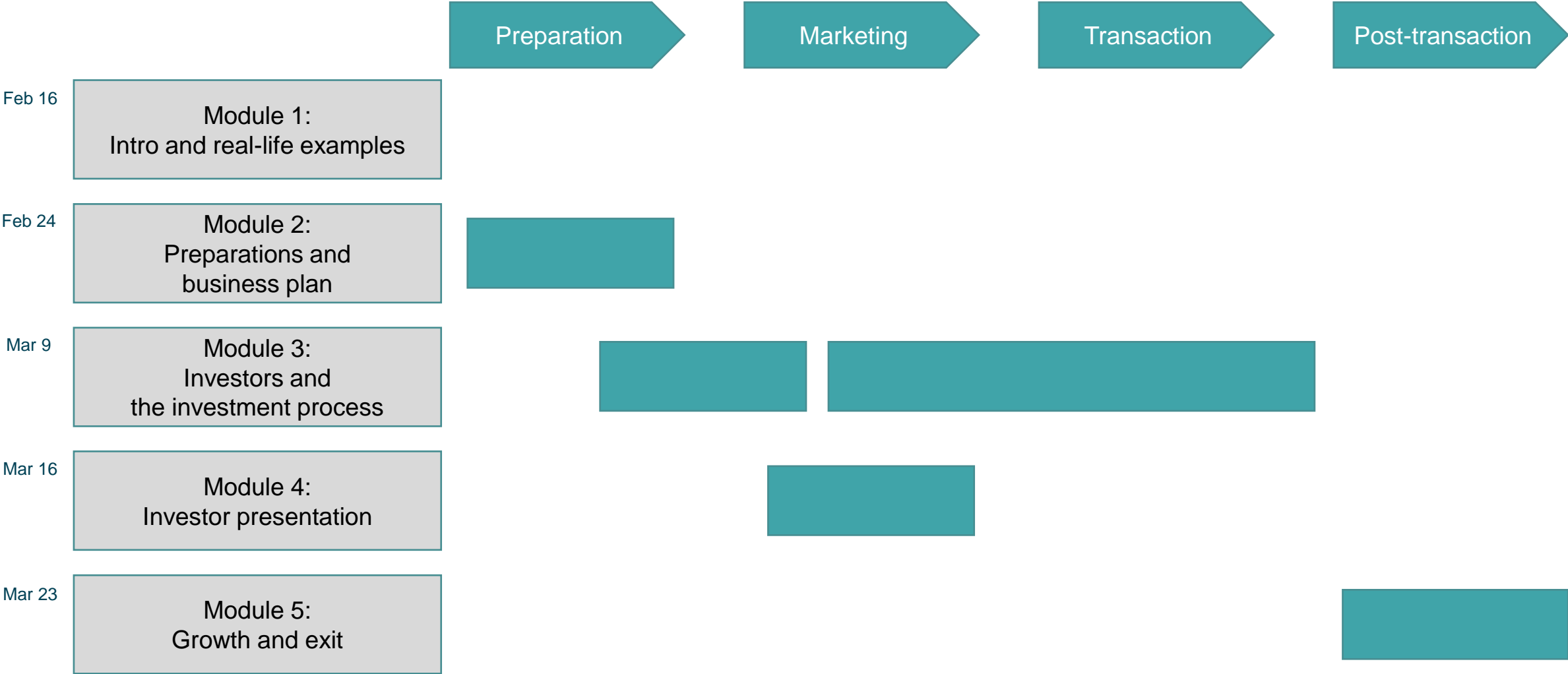


Post-transaction

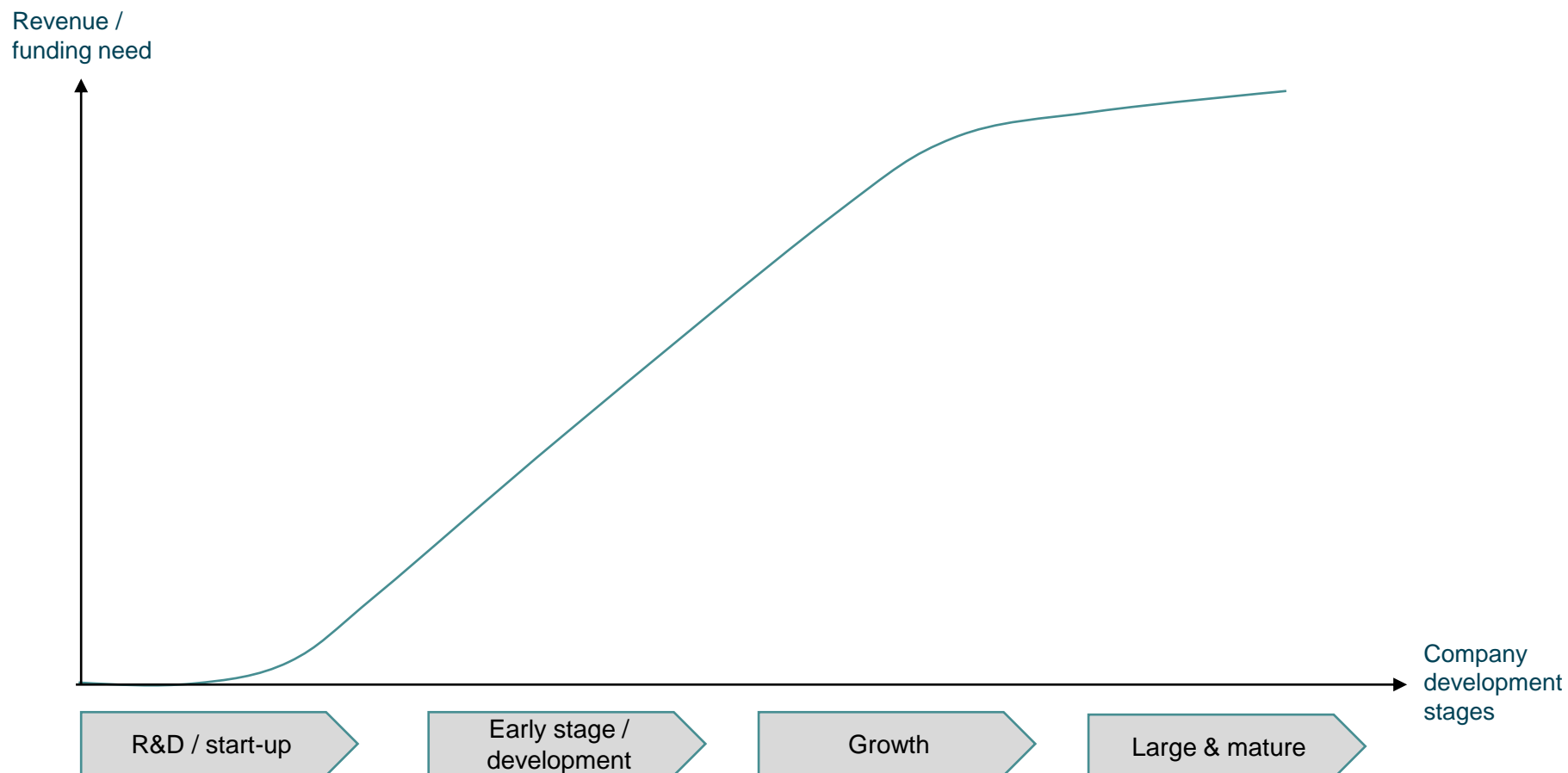
- Development with new owner(s) to grow and create value



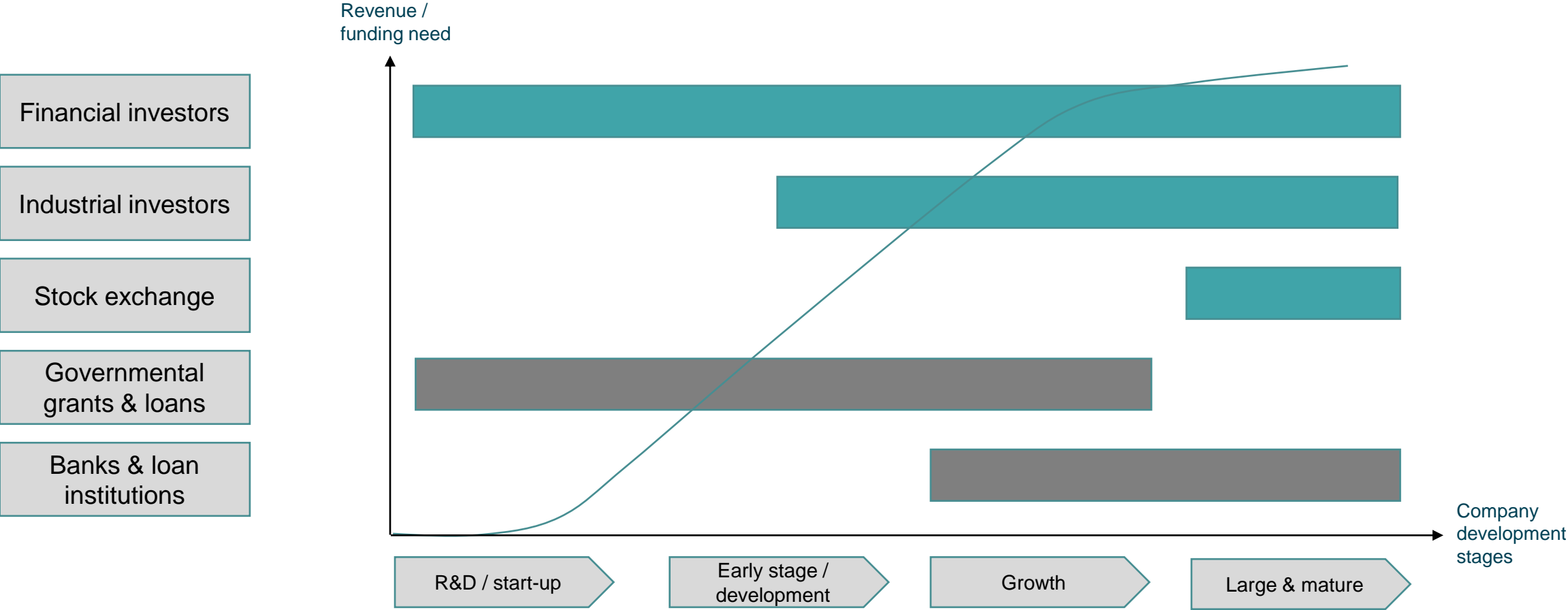
Programme overview – 5 modules



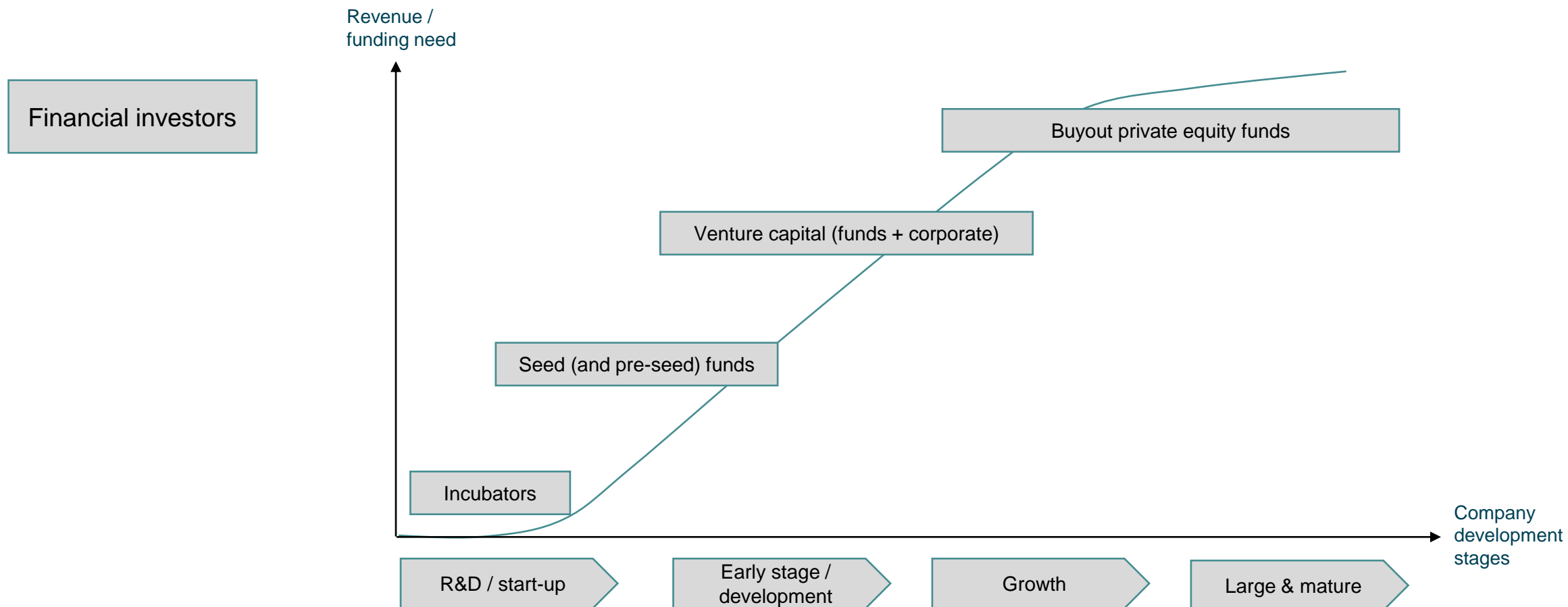
The investment landscape – Company needs



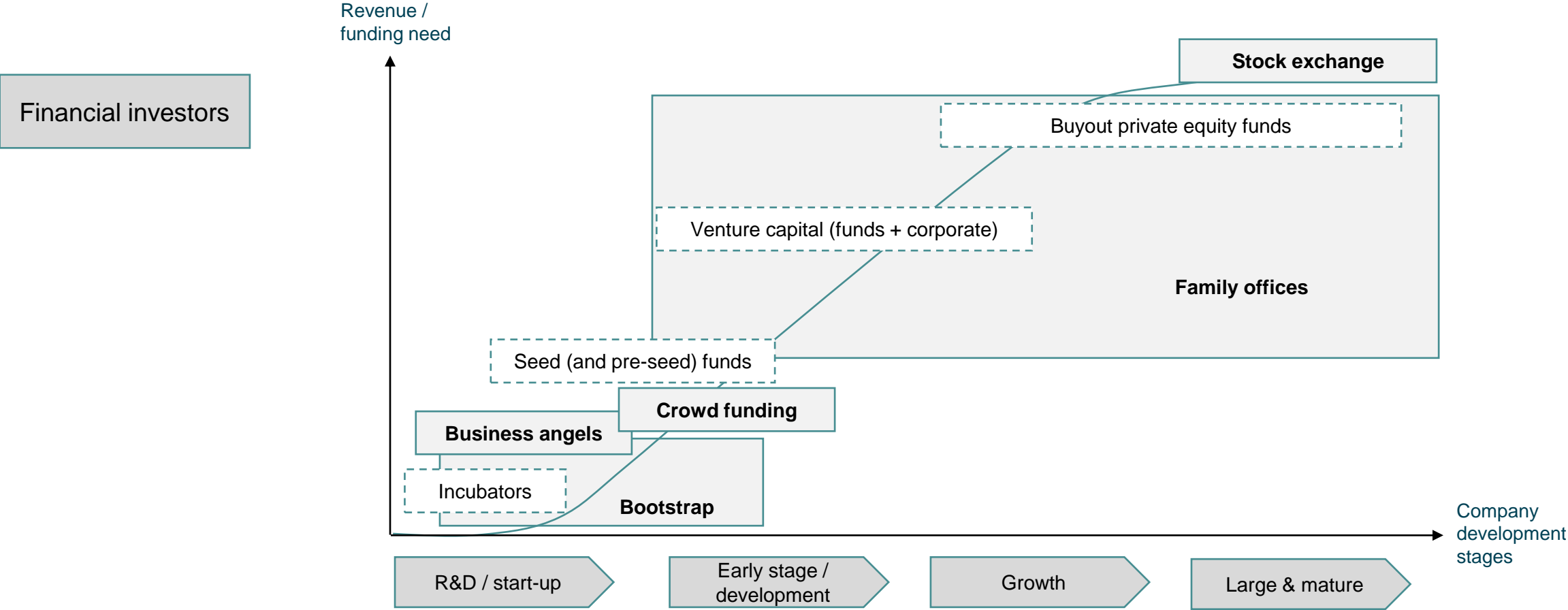
The investment landscape – Sources of capital



Financial investors – Investment funds



Other financial investors



Nordic private equity – Some key 2019 numbers

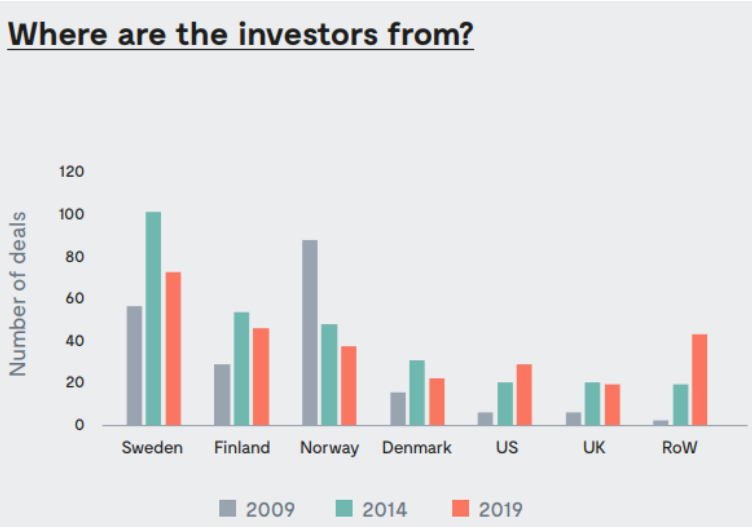
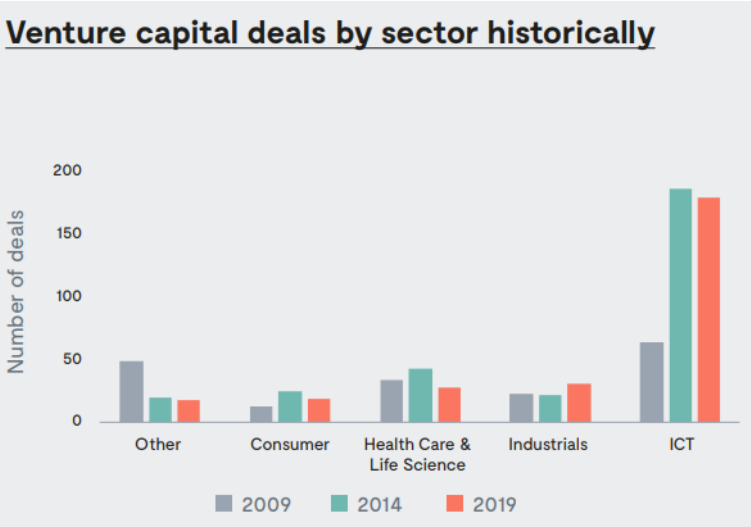
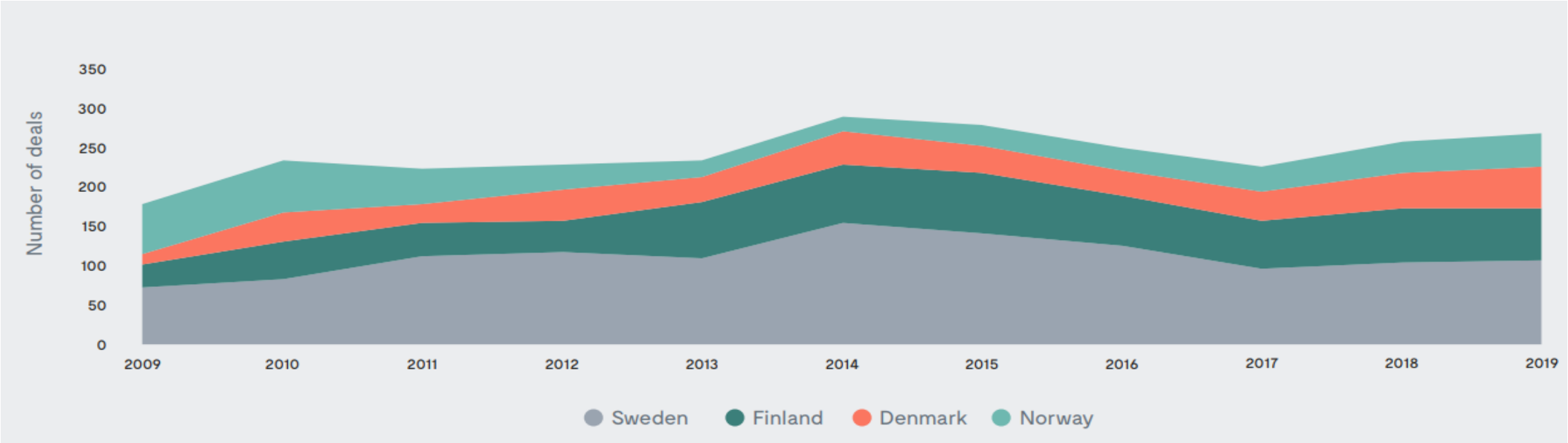


	VENTURE	BUYOUT
Equity invested [MEuro]	1 200	7 800
Number of deals	268	104
Capital raised [MEuro]	3 000	4 100
Number of exits	48	80

Venture funds invest in early stage and emerging companies with a high growth potential

Buyout / PE funds take control in more mature companies with still a high growth potential

Nordic venture capital deals by home country of company



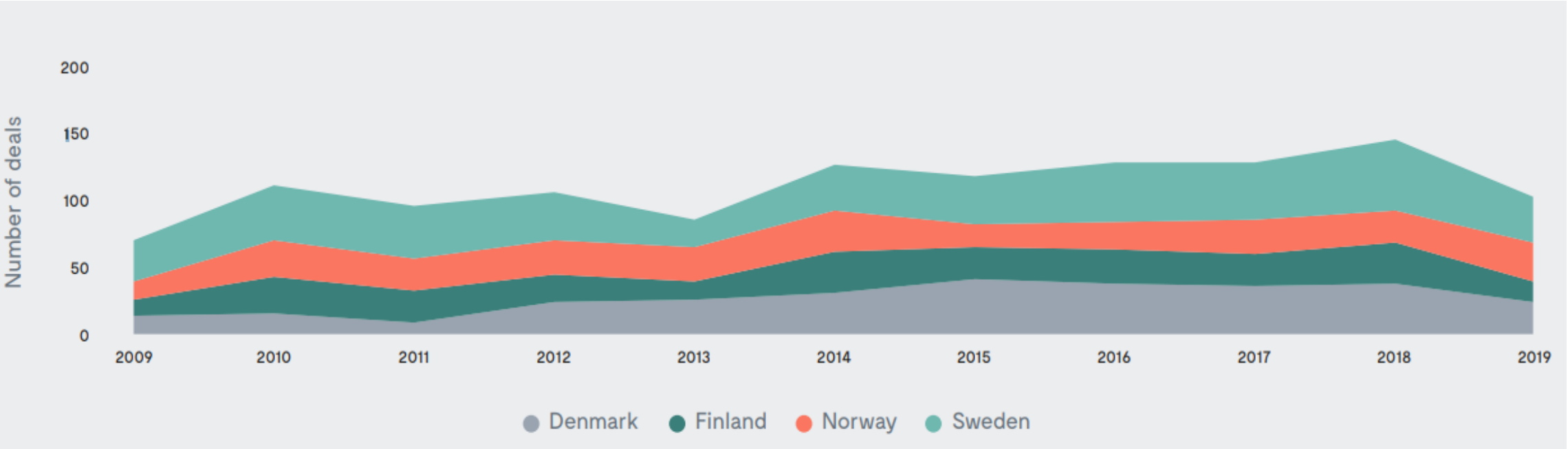
2019

deals: 268

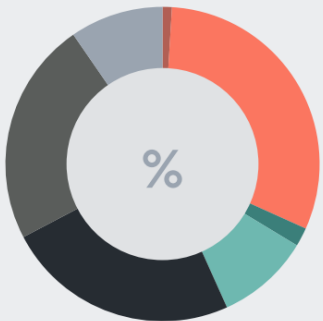
Average deal size: MEUR 4.4

Source : Argentum

Nordic buyout deals by home country of company



Buyout deals, share per sector, 2019



- Cleantech, 1%
- Consumer, 31%
- Energy, 2%
- Health Care & Life Science, 10%
- ICT, 24%
- Industrials, 32%
- Other, 10%

2019

No of deals by home country of investor

Sweden	38
Norway	18
Denmark	14
UK	10
Finland	9
ROW	25

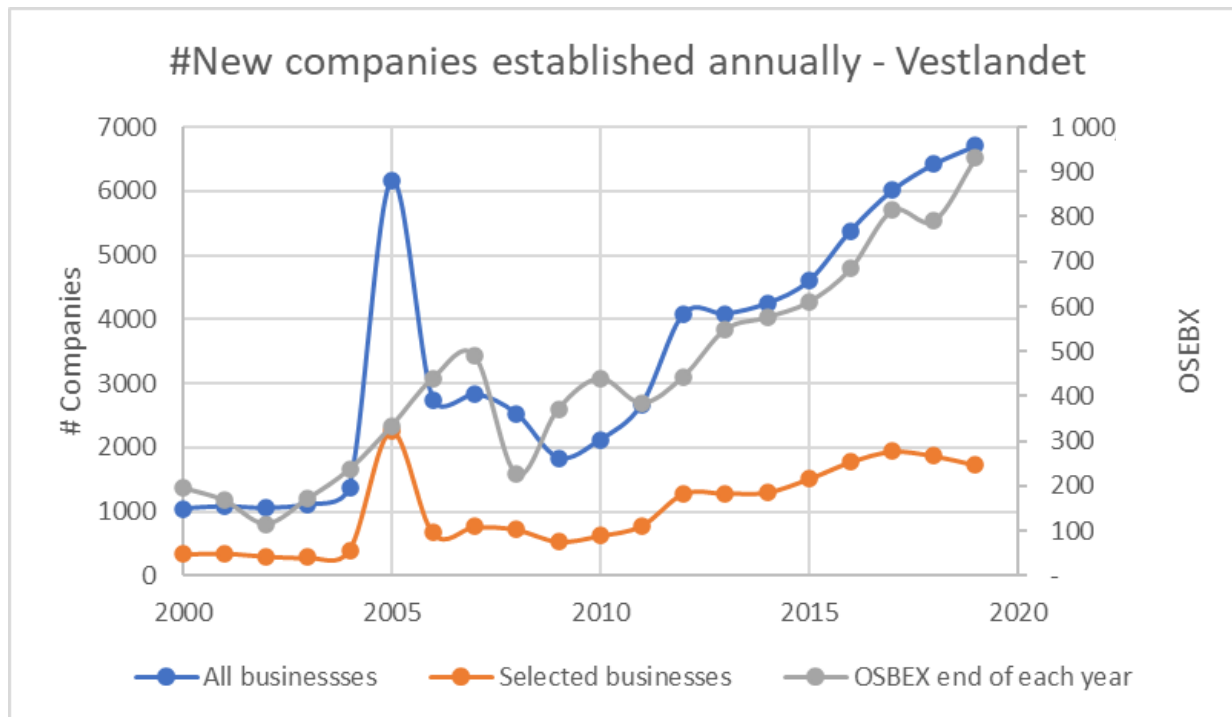
2019

deals: 104

Average deal size:
MEUR 75

Source: Argentum

Number of new companies is increasing



Considerable # of public agencies supporting start-ups and innovation

- SIVA: 33 Incubators, 74 Innovation companies, 40 “Næringshager”, 5 Catapults
- Innovation Norway: Grants and loans financing innovation, Pre-seed funding
- Research council (Forskningsrådet)

Selected businesses include:
Industry, Oil & Gas, IT, Aquaculture & Fisheries, Consultancies

Sources: Proff Forvalt, SIVA

Not all start-ups succeed – 12 reasons why...



CBInsights’ study of 101 failing start-ups

No market need	42%
Ran out of cash	29%
Not the right team	23%
Get outcompeted	19%
Pricing/cost issues	18%
User un-friendly product	17%
Product without a business model	17%
Poor marketing	14%
Ignore customers	14%
Product mis-timed	13%
Loose focus	13%
Disharmony among team/investors	13%

Some additional challenges to consider

COVID-19 & the downturn in the oil market lead to increased uncertainty and reluctance to invest

The stock exchange may be a safer haven than start-ups

Start-ups fail for multiple reasons and consequently the numbers add to more than 100%

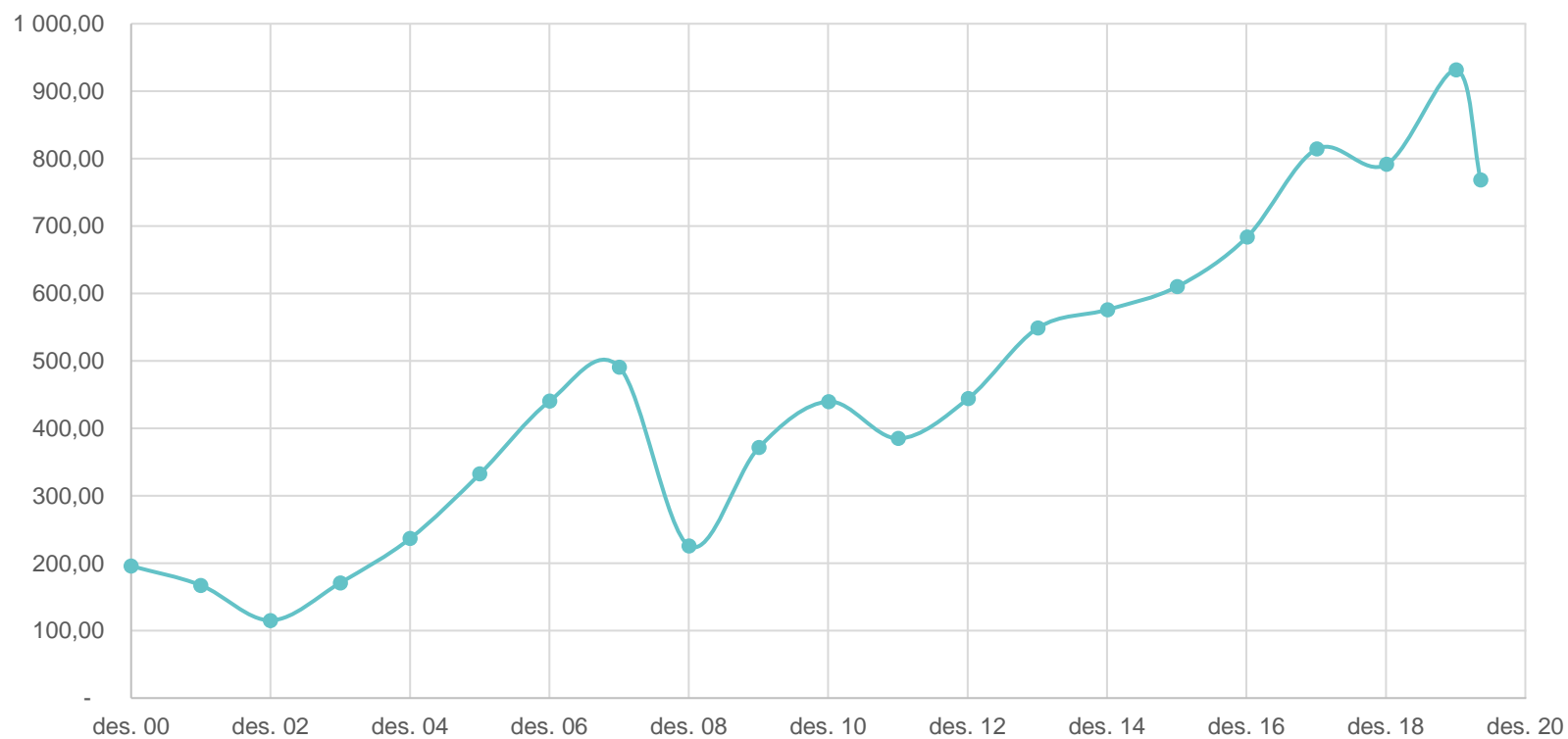
Source: CBInsights



The stock exchange is a competitor to private equity!



OSEBX at the end of each year 2000 – 2019



Source: Oslo Børs

Oslo Stock Exchange:

Dec 2000 – Apr. 2020

Average annual return: 7,4%

Private Equity:

Average annual return > 10%

Caution should be taken when comparing stock exchange return to PE-return which may vary depending on how return is calculated

Private equity investments typically imply higher risk – and therefore need to generate higher return – to compete with the stock markets



Source: [Bain](#); [Financial Times](#); [State Street Private Equity Index](#)

Some megatrends to consider



Climate change and
increasing environmental
concern



- Capital is moving away from fossil energy towards sustainable businesses
- Young professionals prefer sustainable businesses
- Customers expect / demand suppliers to become more sustainable

“For several years, we have driven an active ESG agenda across our portfolio companies. 2019 is the year that ESG went from being compliance-driven to becoming a real investment opportunity”

Per-Ola Baalerud, Norvestor

Technology shifts



- The digital transformation fosters new business models
- Autonomous systems will gradually replace manual operations

COVID-19 and the
downturn in the oil
market



- Short term effects well understood, but what is the new normal and how can industry adapt?

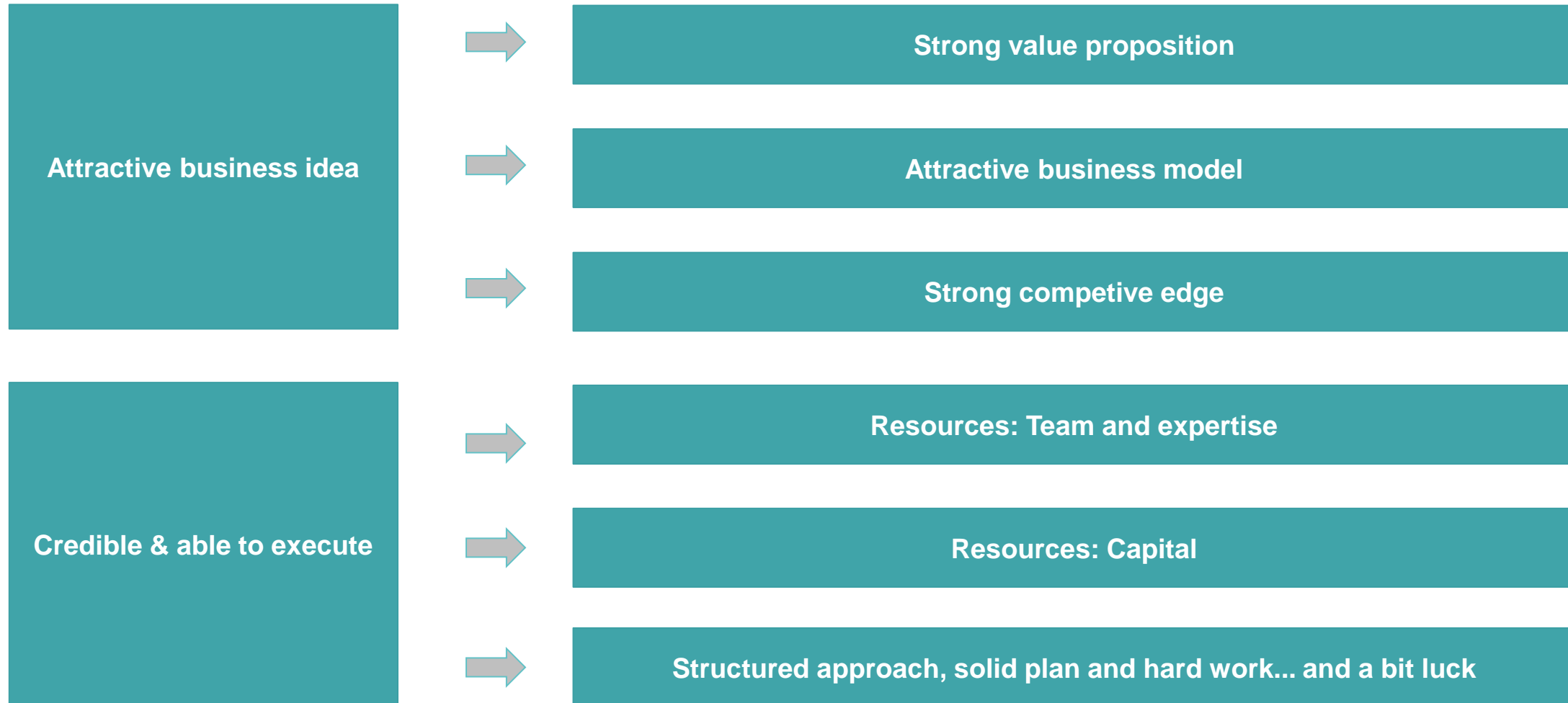
The momentum of a
fossil fueled world



- Fossil fuels will be needed for many decades

Note: ESG = Environmental, Social and Governance

Some “key takeaways” I ... that we will get back to more in detail later



Some “key takeaways” II



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!

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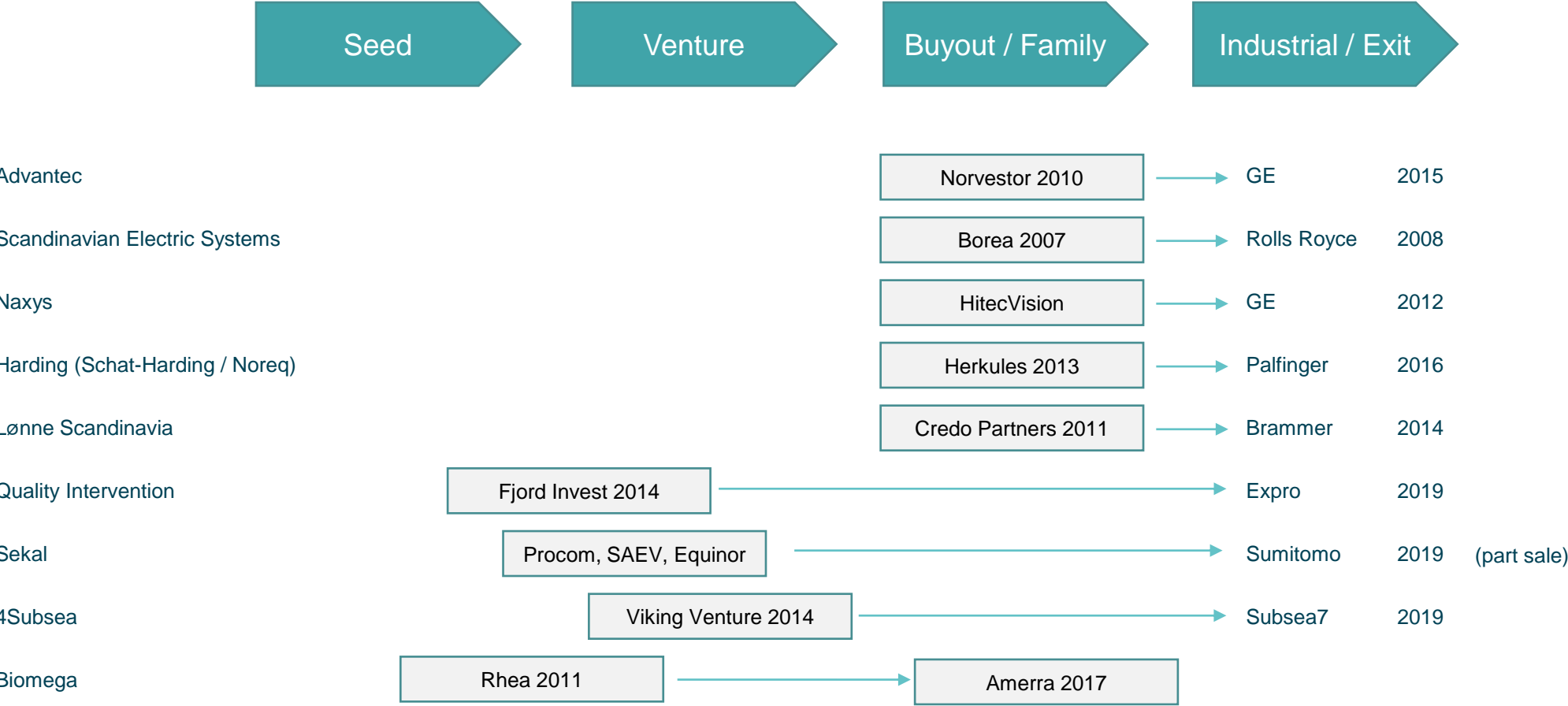
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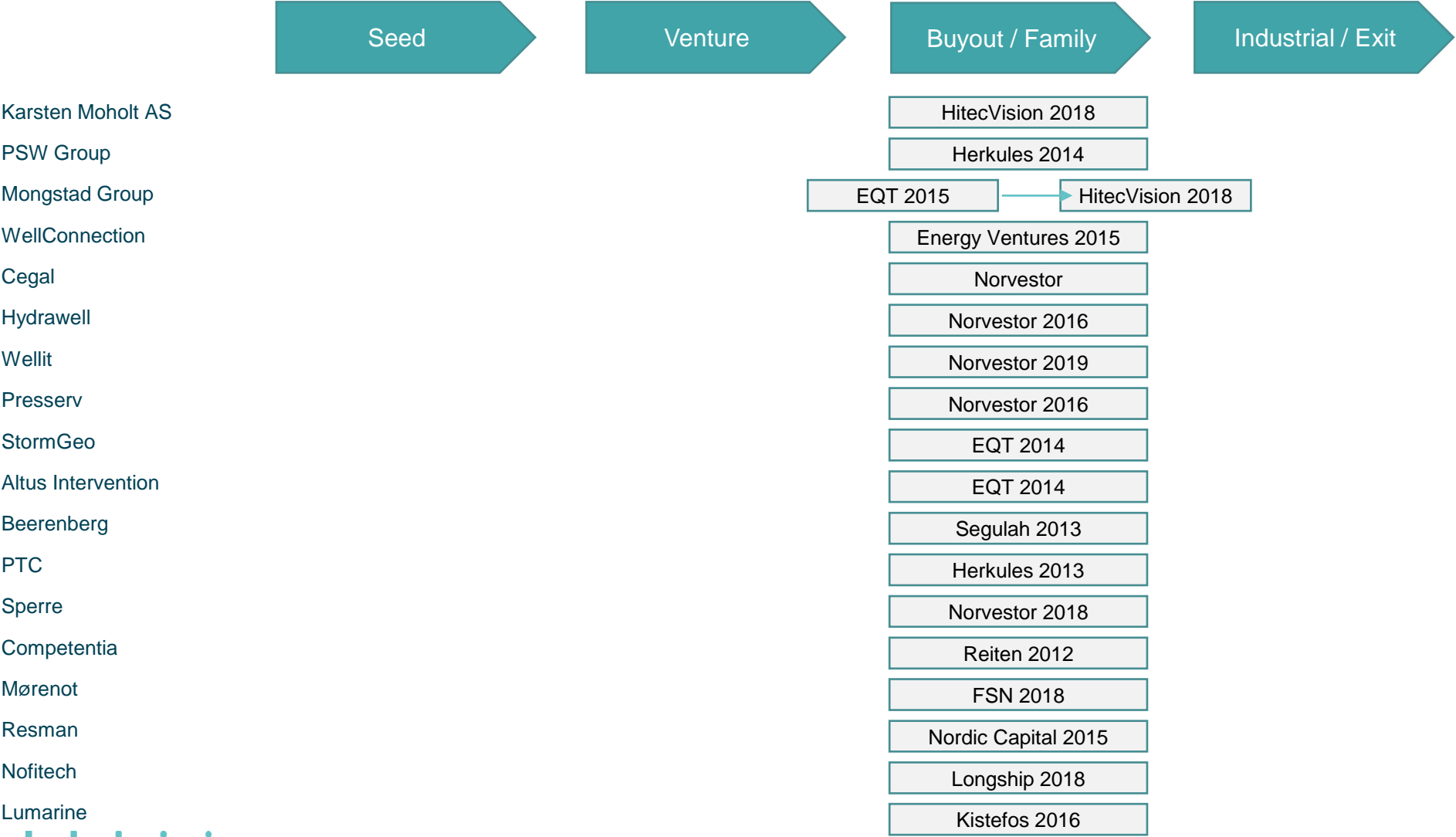
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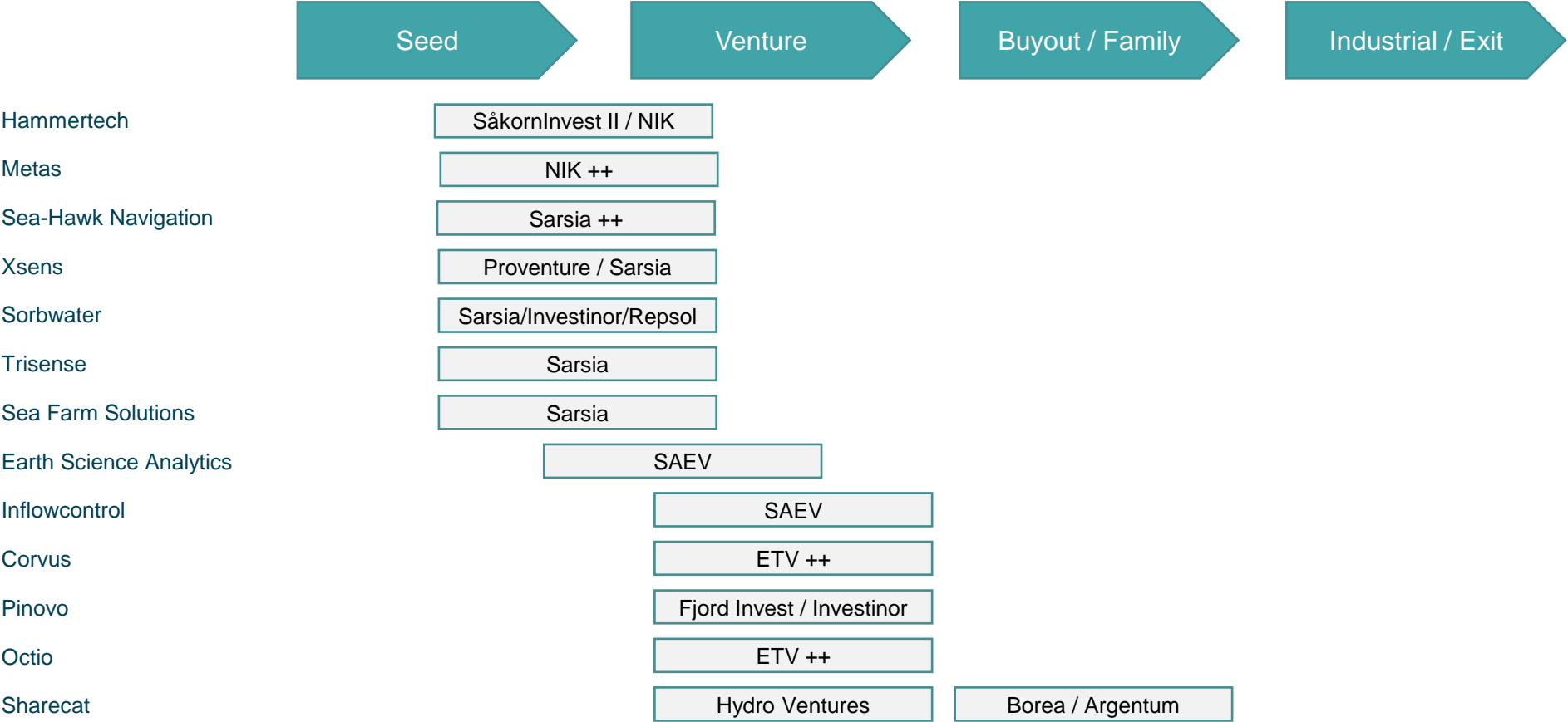
Examples of companies that have attracted financial investors



Examples of companies that have attracted financial investors



Examples of companies that have attracted financial investors





OCTIO's journey – by Bjarte Fagerås

Who is Bjarte Fagerås



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Preview Module 2 - May 26

Part 1: Preparations for a capital or transaction process

- Why?
- What and how?
- Q&A

Part 2: Business plan

- What should a good business plan cover?
- Run-through of the most important parts of the business plan
- Some examples
- Funding need and plan
- Q&A



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