

How to position a business for growth capital

Module 5: Value creation, growth and exit

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

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Programme overview



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»
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
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)
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
Mar 23	Module 5: Value creation, 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

Agenda – Module #5 – Mar 23

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

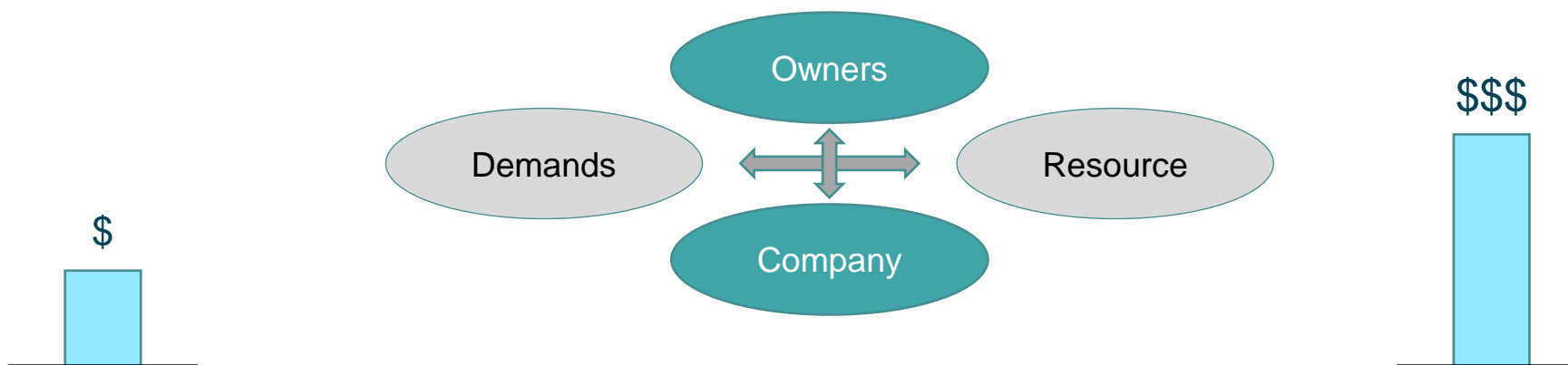
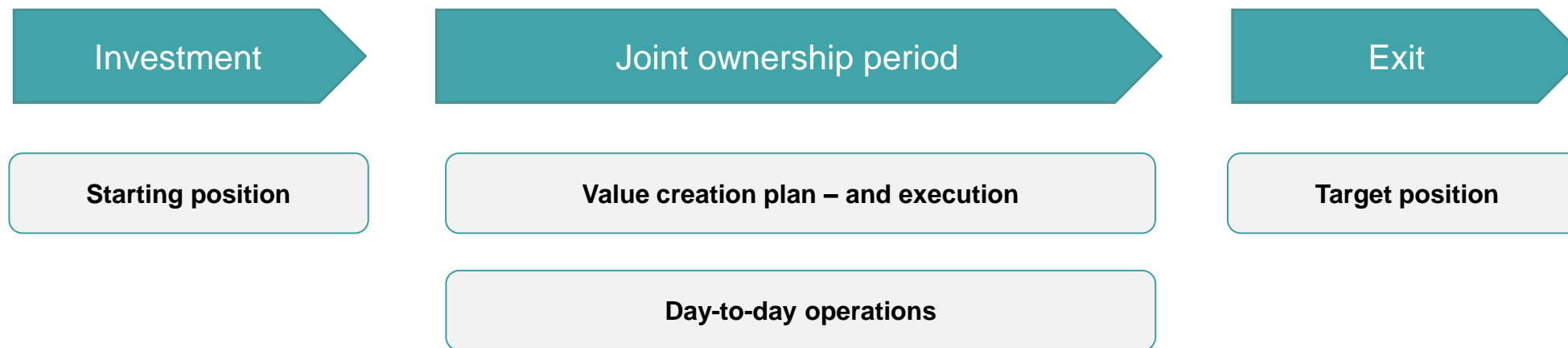
Part 3: An active owner's perspective

Q & A

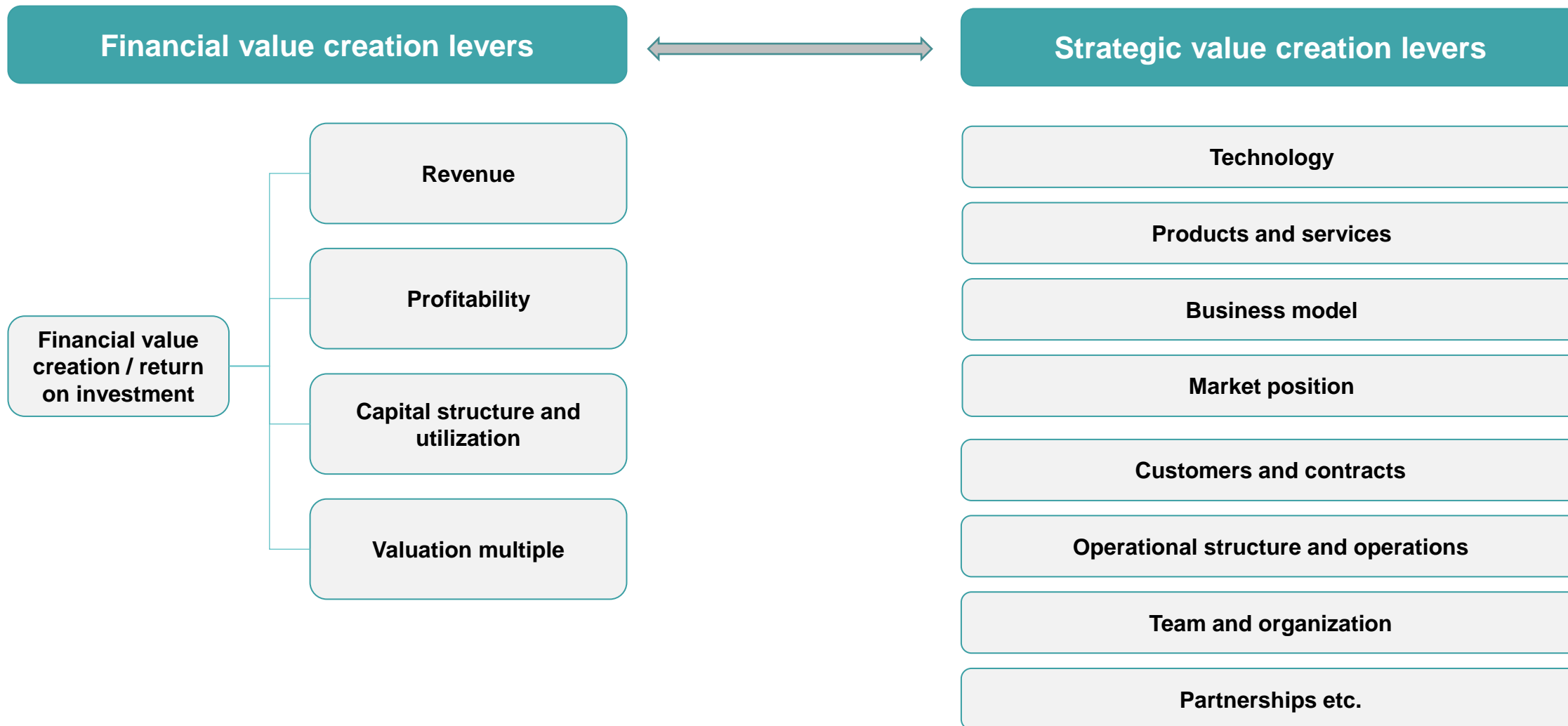
Part 4: Programme wrap-up



Working with an active owner to realize a value creation plan



Value creation levers



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

Example

		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

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

New product X and Y

Market analysis completed – confirming demand
Norway customers AAA and BBB wants support also on UKCS

Geographic expansion - 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

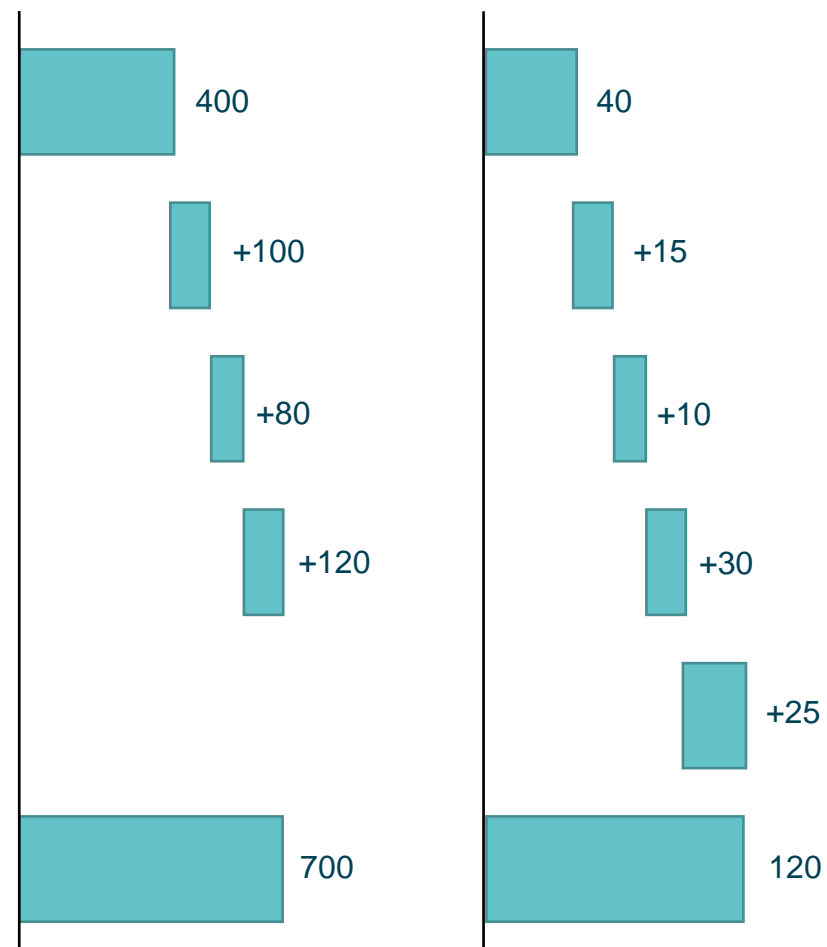
Streamline manufacturing setup and logistics

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

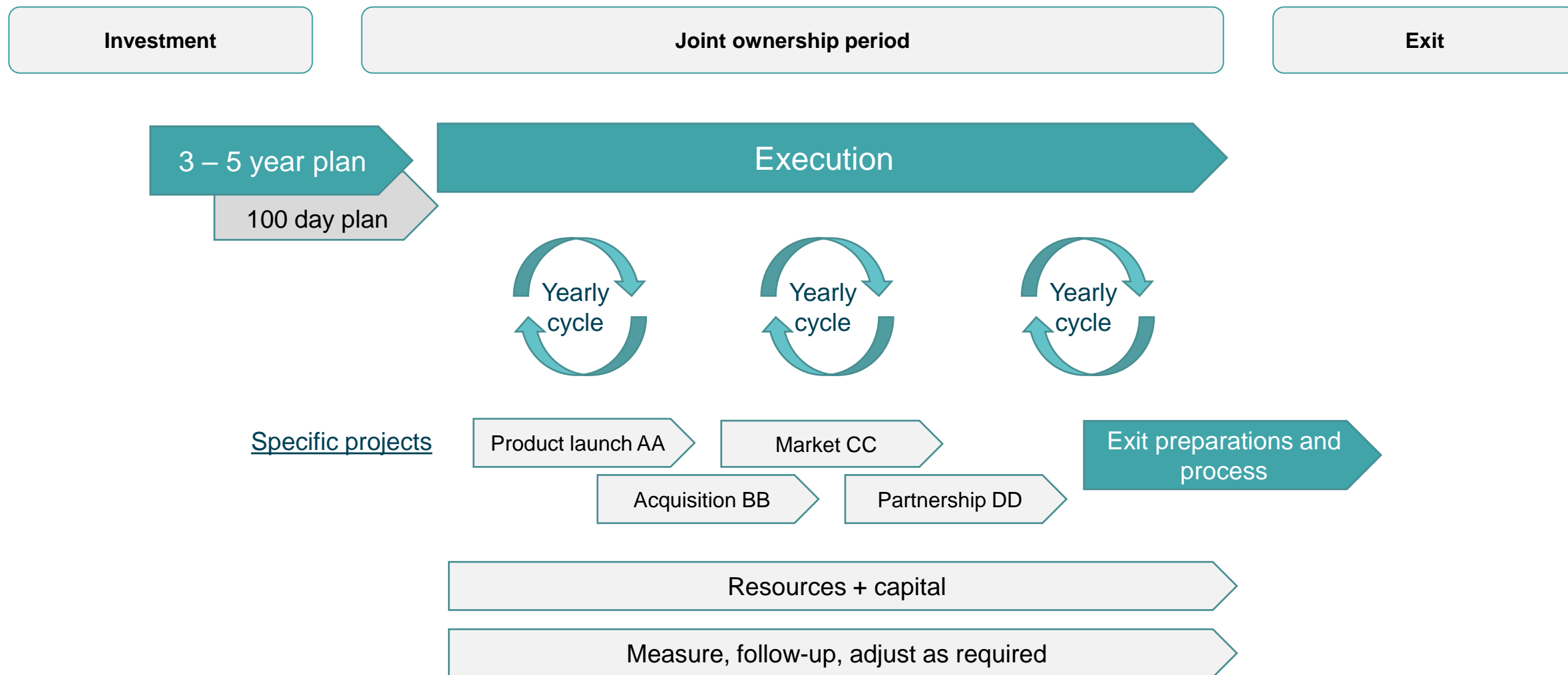
Company XX – 2022 target position

Revenue

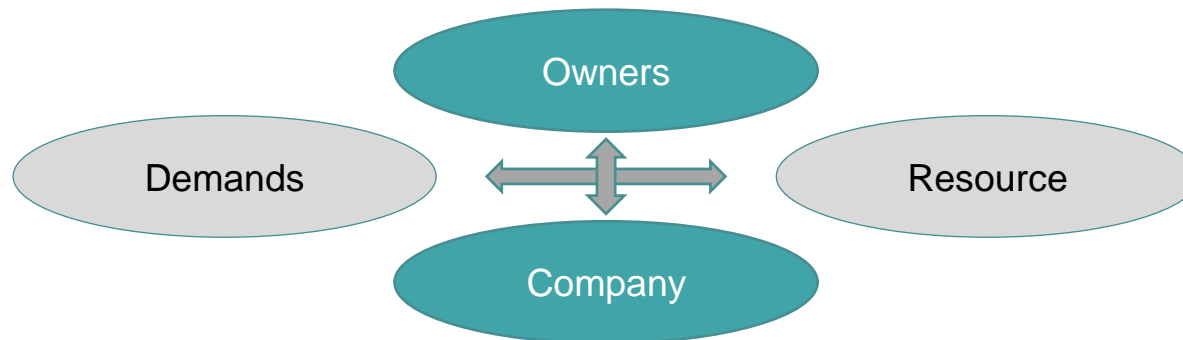
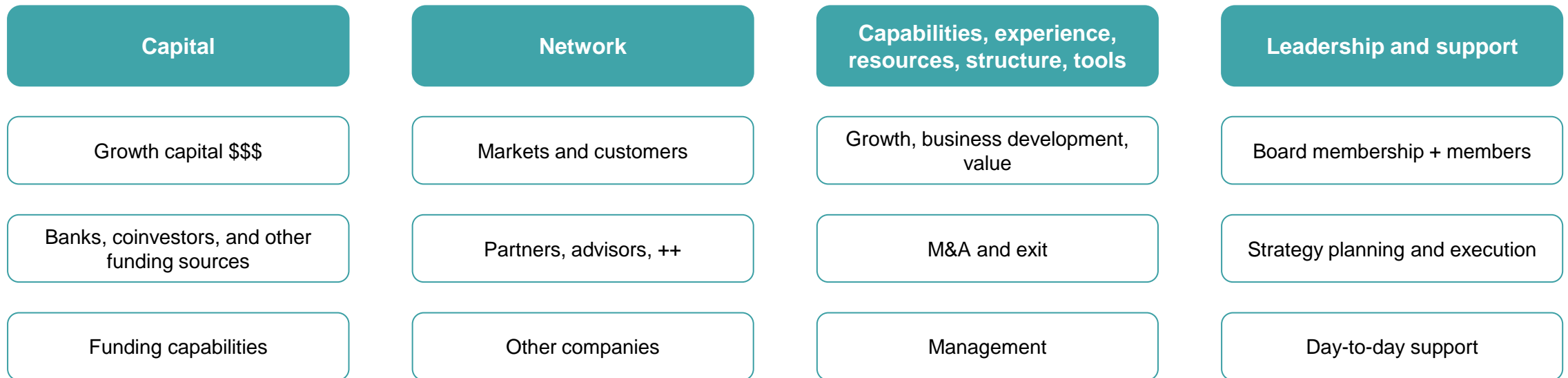
EBITDA



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



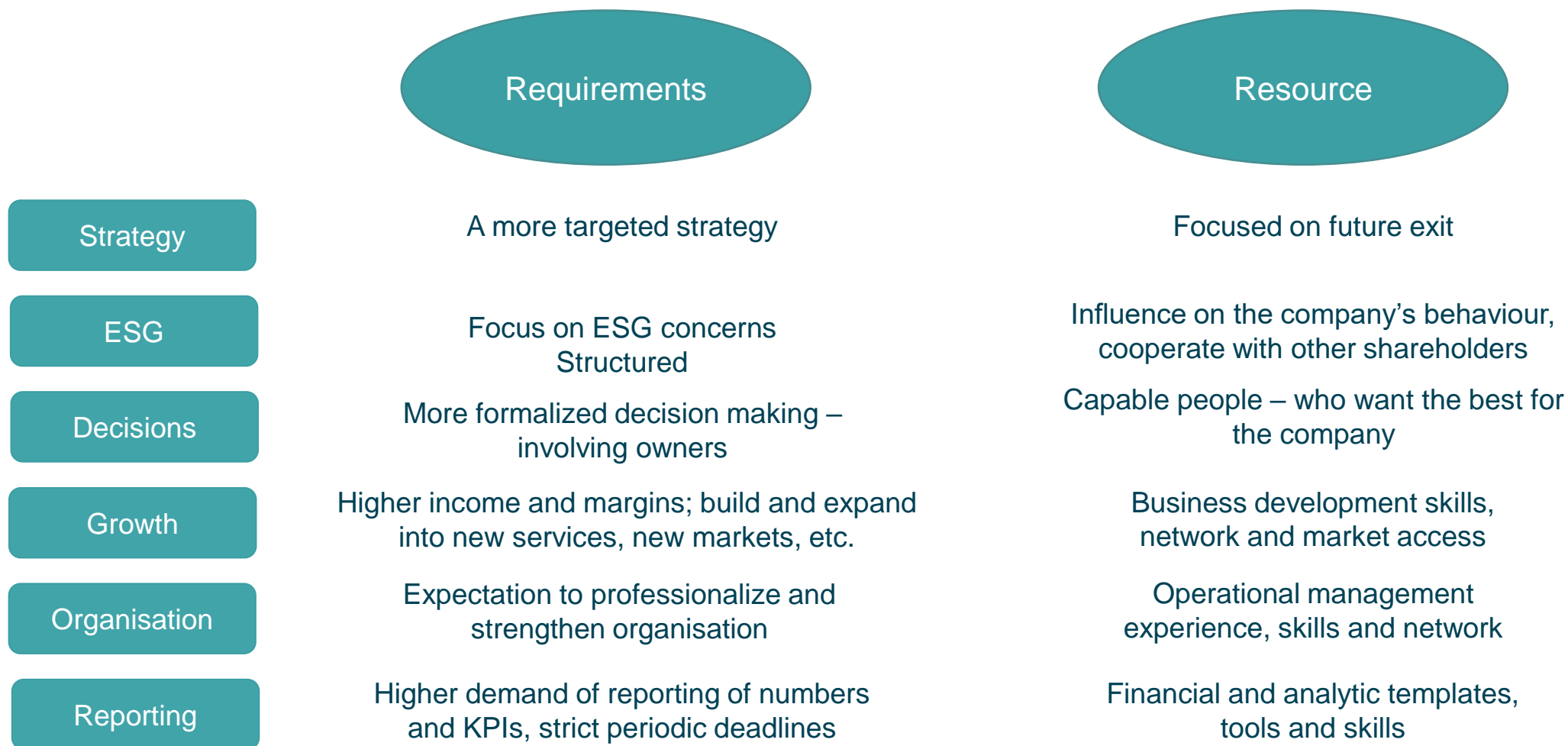
Ownership development

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

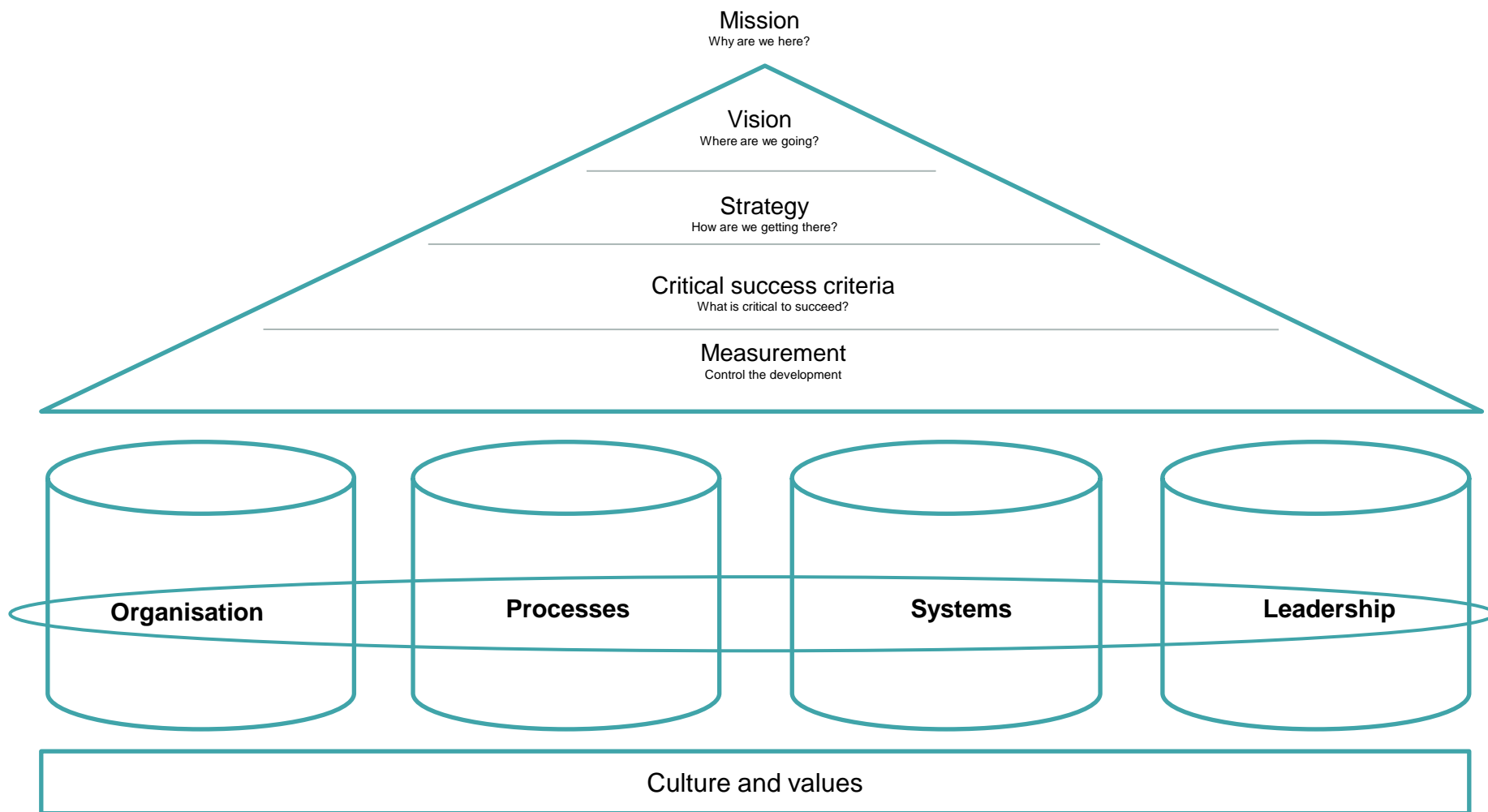
Lessons learned

- 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!

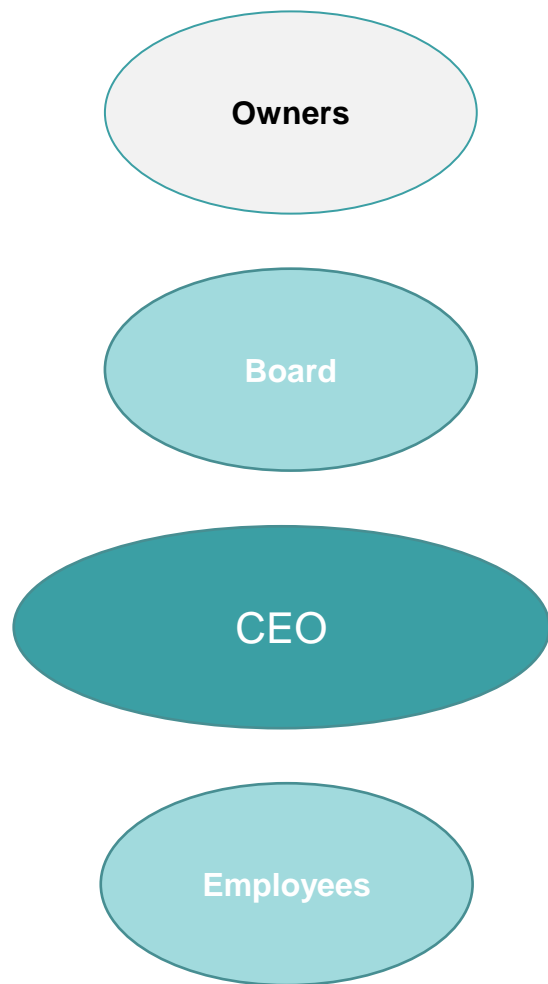
Working with an active owner on a day-to-day basis



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



Earth Science Analytics

Jarle Kvamme

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Recap: Some important takeaways from the 5 modules

Feb 16

Module 1: Intro and real-life examples

Bjarte Fagerås OCTIO (ex), “stories from real life”:

- Focus on finding an investor that bring more than cash to the development of the company
- Be tough and dare to shut down products and services that doesn't have good margins or markets
- Keep your house in order at all times, understand the importance of ESG

Feb 24

Module 2: Preparations and business plan

Jon Trygve Berg Sarsia Seed, Business plan core content:

- Start the process of raising capital early enough, it takes always longer time that you think
- The Cap Table and a good plan for milestones is for them and all investors very important information and need planning
- Do not focus too much on technology, aim to balanced technology, business model, the team and the development plan

Mar 9

Module 3: Investors and the investment process

Ingibjörg Meyer-Myklestad, Argentum, Nordic venture & PE funds:

- There are many actors in the Nordic Venture market investing across the Nordic borders
- 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

Mar 16

Module 4: Investor presentation

Hilde Støle Pettersen, Momentum Partners, The pitch deck essentials:

- Analyze and adjust your company presentations to the investor you're talking to, if it is a financial or industrial investor
- The company presentation must be well structured making it easy for the investor to read and understand. Do not forget that the investor are evaluating many cases every week.

Mar 23

Module 5: Value creation, growth and exit

Jarle Kvamme Earth Science Analytics, 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?

Attractive business idea



Strong value proposition



Attractive business model



Strong competitive edge

Credible & able to execute



Resources: Team & Expertise



Resources: Capital



**Structured approach, solid plan and hard work
... and a bit luck**



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

World Class Ocean Technology from Norway

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