



# Synergos

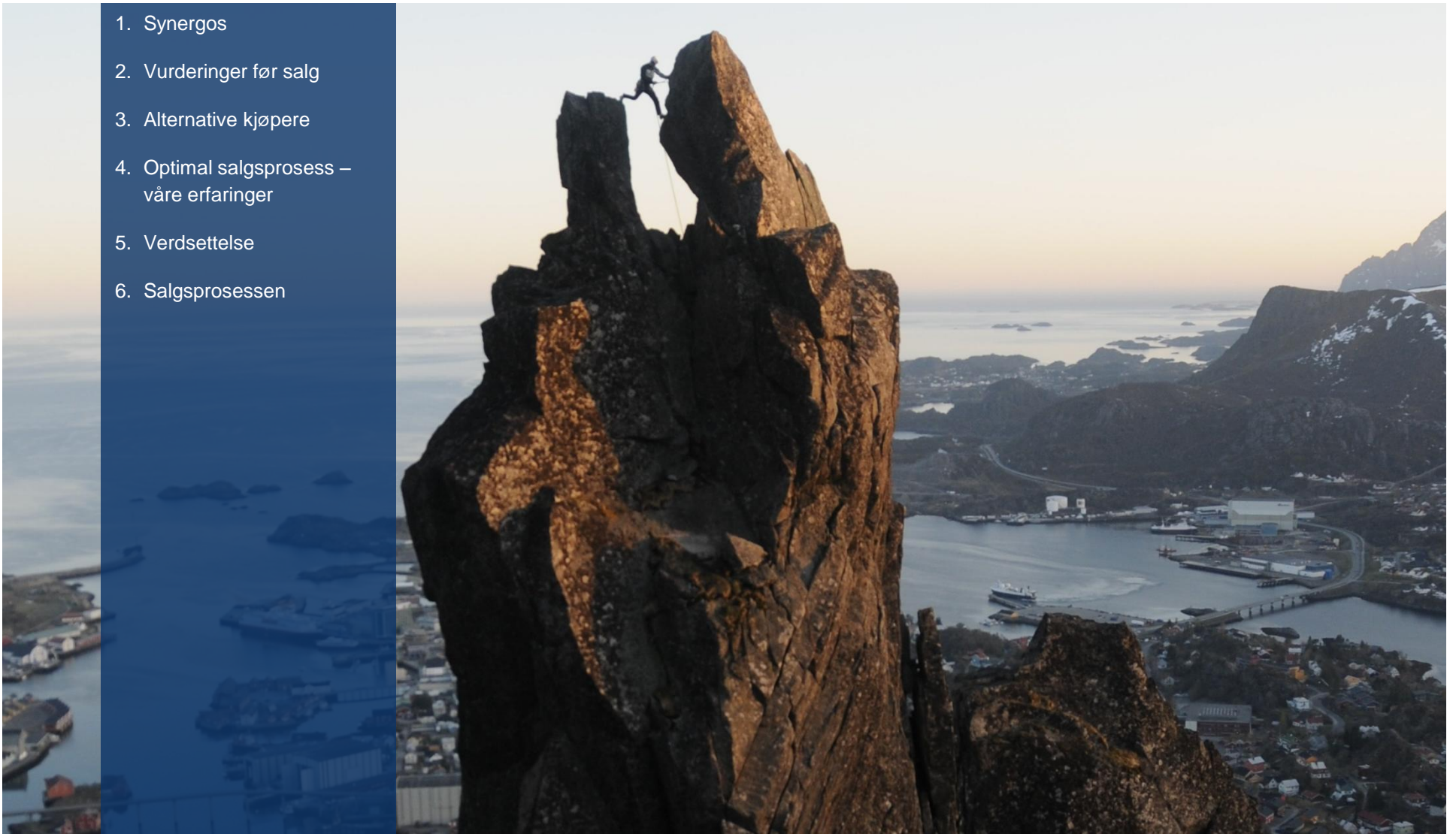
## ”Livsverk til salgs!”

Eierskiftealliansen i Oslofjorden Vest – Skien Næringsråd

Skien, Torsdag 20 mars, 2014

# Agenda

1. Synergos
2. Vurderinger før salg
3. Alternative kjøpere
4. Optimal salgsprosess – våre erfaringer
5. Verdsettelse
6. Salgsprosessen



# Synergos at a glance

## Introduction

- 1 Established in 2009
- 2 Focus on sell-side M&A/partner search\*
- 3 20 industry experts representing 12 different industries \*\*
- 4 8 project managers with both industrial and financial experience \*\*
- 5 All project teams are tailored to the individual project and normally includes both experienced M&A project managers and industry experts
- 6 Exclusive partner in Norway for a global M&A advisory firm, Translink Corporate Finance, with a presence in 30 countries with over 200 advisers



**Synergos combines industrial and financial experience and knowledge**

# Define sellers motives (objectives)






## Different motives

## ....leads to different transaction models

<b>1</b>	<b>Sale of company</b>	<ul style="list-style-type: none"><li>• Harvesting/cashing in</li><li>• Optimizing sales price</li></ul>
<b>2</b>	<b>Partner for growth</b>	<ul style="list-style-type: none"><li>• Initiate new growth strategy Growth in Scandinavia, Northern Europe</li><li>• Market channels – new markets</li><li>• Need technology, competence, ...</li><li>• Need for capital</li></ul>
<b>3</b>	<b>Revenue synergies</b>	<ul style="list-style-type: none"><li>• Better standing in sales and marketing activities</li><li>• Access to larger contracts</li><li>• Entering new markets</li><li>• Complementary products</li><li>• Larger sales force</li><li>• Expertise/know-how</li><li>• Increased R&amp;D capacity</li></ul>
<b>4</b>	<b>Cost synergies</b>	<ul style="list-style-type: none"><li>• Lower purchasing costs</li><li>• Lower operating costs</li><li>• Lower administrative costs</li></ul>

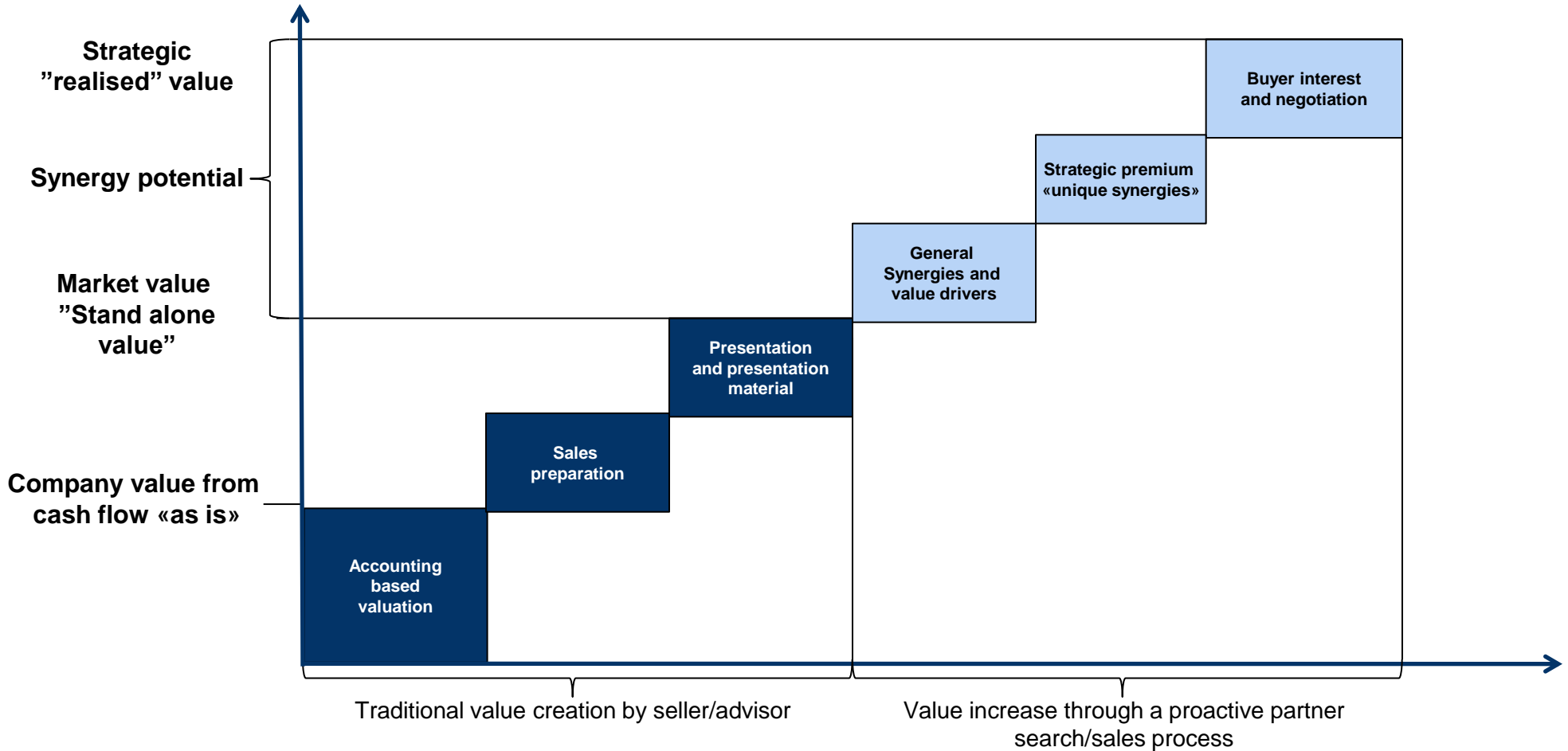
<b>1</b>	<b>Sale of 100%</b>	<ul style="list-style-type: none"><li>• Cash in</li><li>• Lose control</li></ul>
<b>2</b>	<b>Sale of majority (51 - 100%)</b>	<ul style="list-style-type: none"><li>• Some cash in</li><li>• Lose control</li><li>• Participate in further value creation</li></ul>
<b>3</b>	<b>Sale of minority (0 - 49%)</b>	<ul style="list-style-type: none"><li>• Maintain control</li><li>• Participate in further value creation</li></ul>
<b>4</b>	<b>Merger</b>	<ul style="list-style-type: none"><li>• Participate in further value creation</li></ul>

# Different seller motives leads to different buyer categories and buyer criteria (example from a real transaction)

Partner categories	Transaction model	Partner rationale	Assessment of interest
1. Industrial partners	A. Norwegian engineering companies	<ul style="list-style-type: none"> <li>Long term horizon, less concerned about short term trends</li> <li>Looking for 100% ownership</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen its own project management competence or building a new business area; project management</li> <li>Going into a new business area, e.g. from oil &amp; gas to construction or visa versa</li> </ul> 
	B. International specialized project management service companies	<ul style="list-style-type: none"> <li>Long term horizon, less concerned about short term trends</li> <li>Looking for 100% ownership</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a Nordic 'hub'</li> <li>Going into a new business area, e.g. from oil &amp; gas to construction or visa versa</li> <li>Take company's expertise ex. Norway</li> </ul> 
	C. International engineering companies	<ul style="list-style-type: none"> <li>Long term horizon, less concerned about short term trends</li> <li>Looking for 100% ownership</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a Nordic 'hub'</li> <li>Strengthen its own project management competence</li> <li>Establish new business area</li> <li>Going into a new business area, e.g. from oil &amp; gas to construction or visa versa</li> <li>Take company's expertise ex. Norway</li> </ul> 
2. Financial buyers (Might be combined solutions)	D. Financial buyers/ Private Equity	<ul style="list-style-type: none"> <li>Will demand majority ownership or strong shareholder agreement</li> <li>Possible value growth by continued ownership</li> <li>Normally 5 – 7 years ownership horizon</li> <li>Might be a solution in phase 1, maybe combined with MBO</li> </ul>	<ul style="list-style-type: none"> <li>Platform investment in project in project management services</li> <li>Combine company with other targets (initiate game plan), e.g. other players in existing segments, oil &amp; gas, take the company ex. Nordic, etc.</li> </ul> 
	E. Management Buy-out (MBO)	<ul style="list-style-type: none"> <li>A group of shareholders acquire the company by equity/debt financing. Some shareholders may wish to divest</li> <li>Possible value growth by continued ownership</li> <li>Divest to industrial buyers in phase 2 (3 – 5 years)</li> <li>Could be combined with a financial investor (PE)</li> </ul>	<ul style="list-style-type: none"> <li>Could be a solution if not satisfactory solution with an industrial partner</li> <li>Increase value before divestment to industrial partners</li> </ul> 

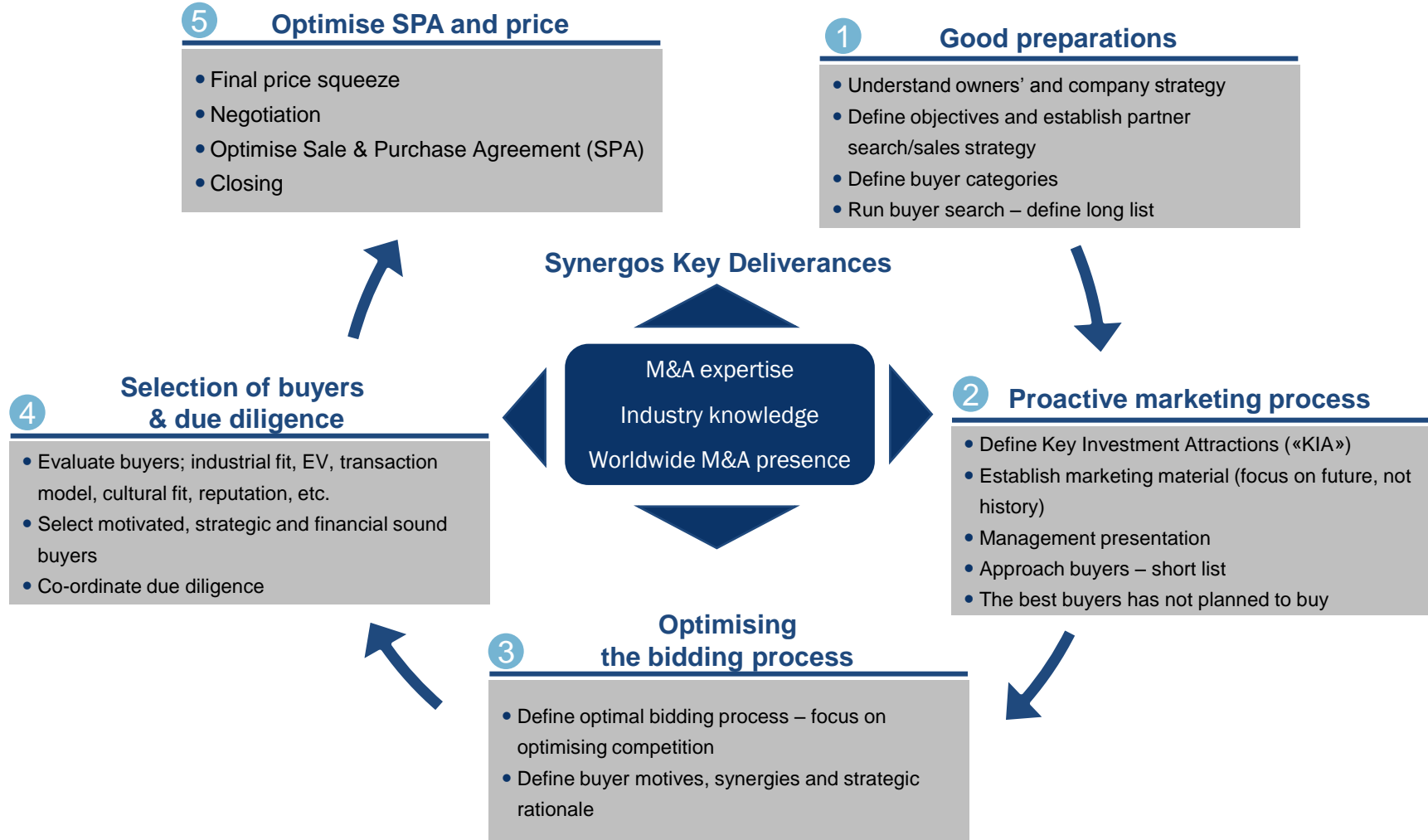
# Synergos' business concept

Maximizing value through a proactive partner search/sales process



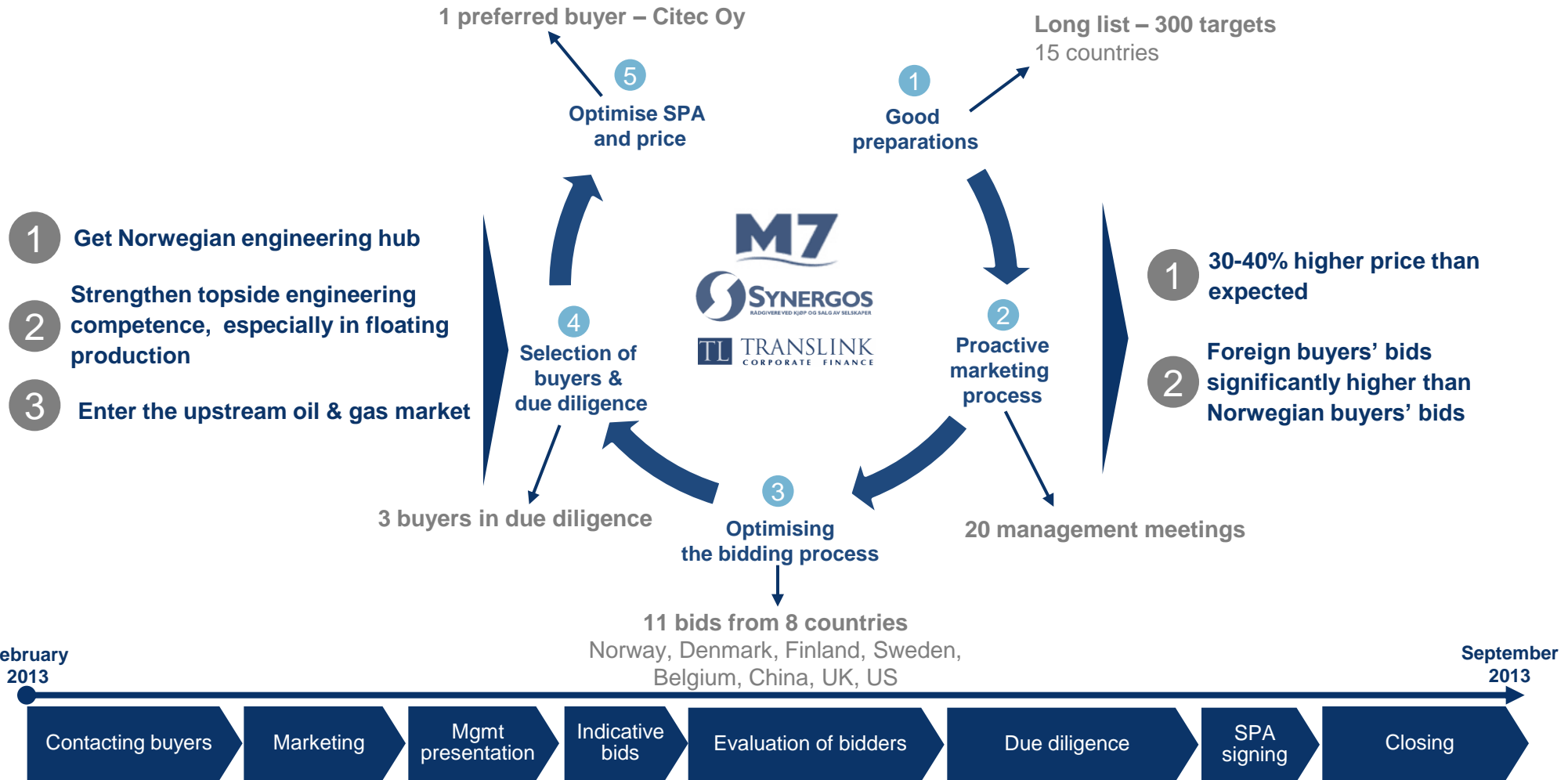
# Sales process - key learnings

## Overview





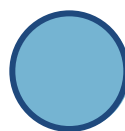



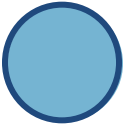


# Case study – M7 Offshore

Buyer groups rationale	Process	Outcome
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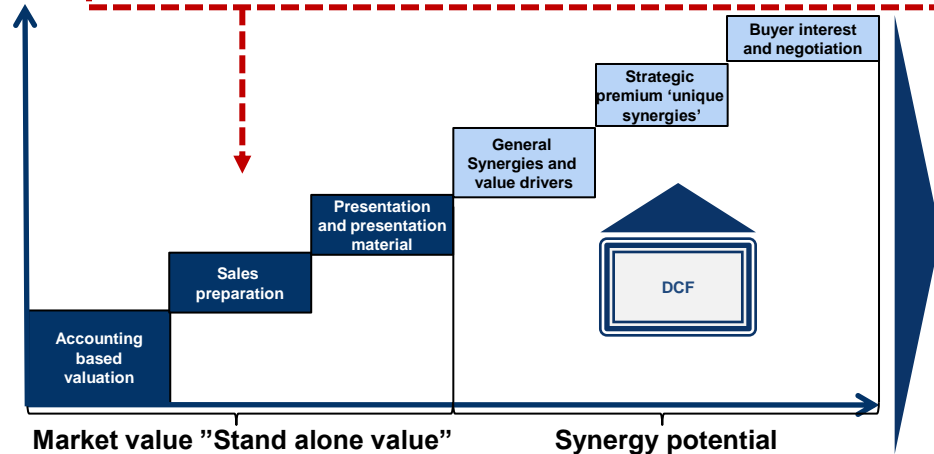


# 3 main alternative process structures

	Process	Competition – Speed – Confidentiality			Pros & Cons
<ul style="list-style-type: none"> <li>Choosing between the possible process structure alternatives is mainly a trade-off between <b>value maximization</b>, <b>speed</b> and <b>confidentiality</b></li> <li>However, there are opportunities to combine the best components of process structures (e.g. starting with one-to-one negotiations and moving to auction if the most potential acquirers are not interest in the acquisition opportunity)</li> </ul>	<div data-bbox="455 299 735 521" style="border: 2px solid #004a87; padding: 10px; text-align: center;"> <p><b>One-to-One Negotiations</b></p> </div>				<ul style="list-style-type: none"> <li>✓ Freedom of choosing preferred partner</li> <li>✓ High degree of confidentiality</li> <li>✗ Lack of competition improving negotiation situation</li> <li>✗ Process schedule may depend on potential acquirer</li> </ul>
<ul style="list-style-type: none"> <li><b>Focused auction</b> (10-20 targets)               <ul style="list-style-type: none"> <li>– Number of the most potential acquirers are already defined by Synergos and Translink and through previous divestment processes</li> <li>– Process schedule is controlled by us</li> <li>– Process time can be limited</li> </ul> </li> </ul>	<div data-bbox="455 628 735 849" style="border: 2px solid #004a87; padding: 10px; text-align: center;"> <p><b>Focused auction 10 – 20 targets</b></p> </div>				<ul style="list-style-type: none"> <li>✓ Increased value via larger number of bidders</li> <li>✓ Synergy potential with strategic bidders</li> <li>✓ Seller in control of the process schedule</li> <li>✗ Requires management to participate the process more than one-to-one situation (e.g. management presentations)</li> </ul>
	<div data-bbox="455 978 735 1199" style="border: 2px solid #004a87; padding: 10px; text-align: center;"> <p><b>Structured auction &gt; 30 targets</b></p> </div>				<ul style="list-style-type: none"> <li>✓ Maximized value via large number of bidders</li> <li>✓ Synergy potential with strategic bidders</li> <li>✗ May delay transaction due to difficulties keeping all the bidders in the process</li> <li>✗ Requires management to participate the process</li> <li>✗ Confidentiality is challenging</li> </ul>

# Valuation methodology

Method	Description	Pros / Cons
DCF	<ul style="list-style-type: none"> <li>Fundamental valuation of the company's projected financial performance</li> <li>Values the future stream of cash flow to all investors</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yields the fundamental value of Metier</li> <li>✓ Used to assess/"sanity check" of the valuation</li> <li>✓ Requires detailed forecasts for a 10-year period</li> <li>✗ Highly sensitive to changes in key variables, e.g. WACC, terminal growth and margins</li> </ul>
Peer trading multiples	<ul style="list-style-type: none"> <li>Comparison of key financials for the company with the implied valuation for listed comparable companies</li> <li>The most relevant valuation multiples are selected and subsequently applied on the company</li> </ul>	<ul style="list-style-type: none"> <li>✓ Provides an indication of the stock market valuation of Metier</li> <li>✓ Used by investors considering participating in the IPO</li> <li>✗ A perfectly comparable listed company does not exist for Metier in the Nordic market</li> </ul>
M&A transaction multiples	<ul style="list-style-type: none"> <li>Compares the implied valuations paid in M&amp;A transactions to key financials for the company</li> </ul>	<ul style="list-style-type: none"> <li>✓ Implied value of the company based on valuations in precedent transactions in relevant industries and geographies</li> <li>✗ M&amp;A transaction prices may include strategic premiums and synergies</li> <li>✗ A perfectly comparable transaction rarely exists and comparison might be hampered due to data availability and differences in e.g. market conditions</li> </ul>



- **Peer trading multiples and M&A transaction multiples** – valuing the company on a ‘stand alone’ basis
- A **DCF** valuation will give a better indication of the company’s ‘true value’ – as it includes potential synergies and other unique factors that may have relevance for the buyers
  - To do a proper DCF valuation you need a detailed input on key financials (i.e. adjusted financial figures, working capital, capital expenditures, projections on revenue growth and EBITDA margins)



# Contact details

## Overview



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