

Freedom2Act

Private Equity/M&A



Freedom2Act and Private Equity/M&A

- **Guarantees increased profitability**
- **Quick and efficient**
 - **Business health check**
 - **Commercial due diligence**
- **Lower acquisition costs**
- **Jumpstart takeover / integration**
- **Mid-way business health check**
- **Protect Exit earnings multiple**



A Few Facts...



Ernst & Young

- 61% largest value losses were due to **strategic risks**, and 33% to **operational risks**.
Yet, focus is mostly on financial and hazard risks!

Copenhagen Business School

- Half of 160 of the largest Danish corporations experienced major "surprises" the preceding 5 years.

McKinsey Quarterly

- 30% probability that a company in the industry's upper quarter will not be there in five years!

Freedom2Act Strategy Review™

“The road to achieve goals is paved with stones, some small, some large, some boulders

.....removing large “stones” increases the success rate!”



Quick and efficient generation of a “Roadmap” to the future

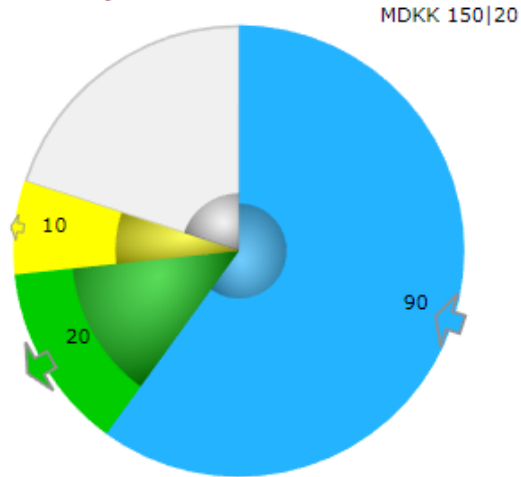
Citation: Johan Mellin, Commercial Risk Manager, TeliaSonera



What a Difference a Few Hours Can Make

Overview of businesses

Business Map




BUSINESS AREA

- 60% I. Affärsområdet #FS
- 13% II. Business Area #CA
- 7% III. Forretningsområdet #ST
- 20%

PRODUCT LINE

1. air freight services
2. ground freight services
3. logistics
4. sea freight services

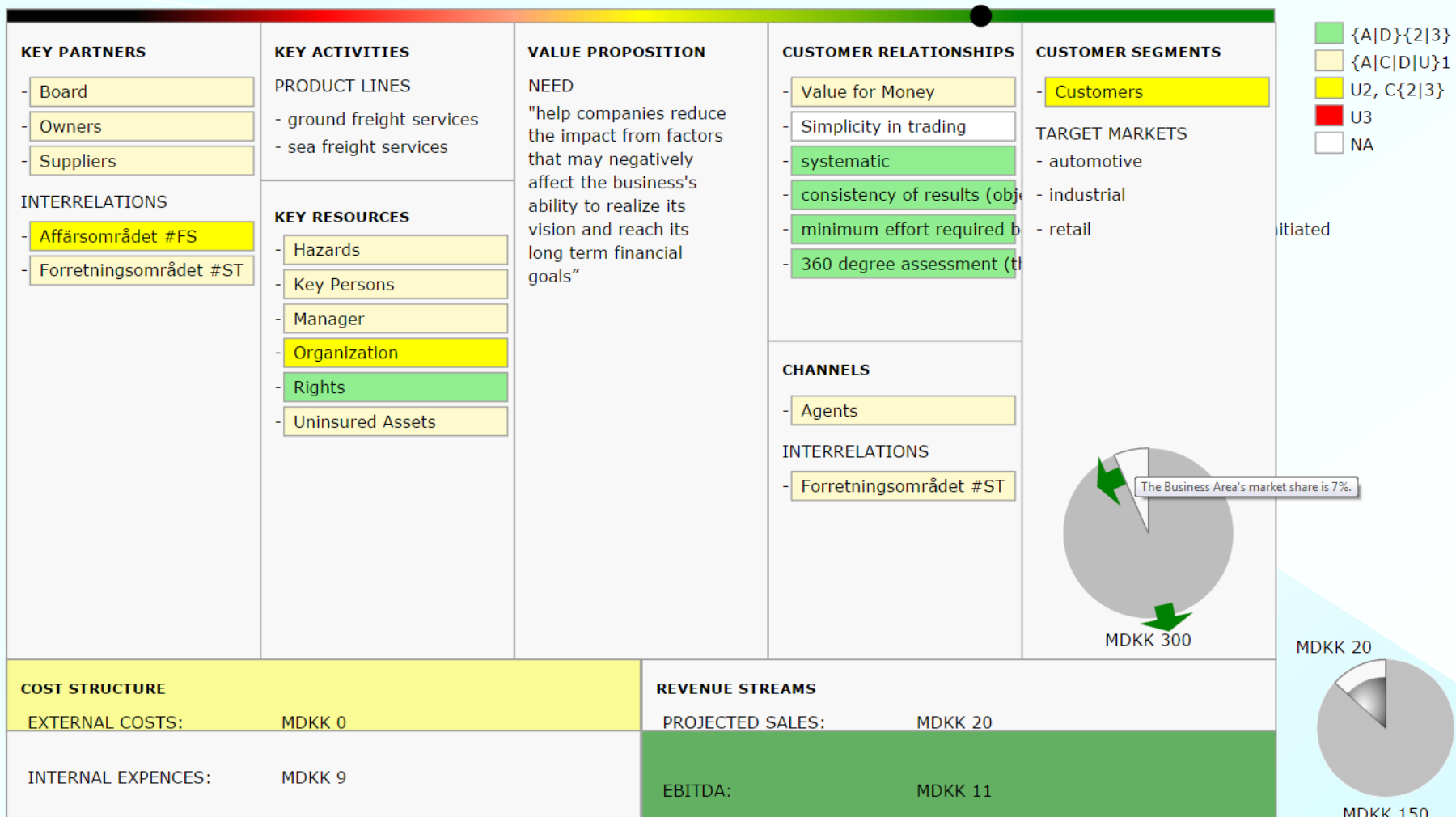
DEFINE BUSINESS AREA

PL+TM MDKK New Business Area Edit Definitions Add cells Remove cells 

Target Market	Product Line			
	1	2	3	4
A. automotive	-	II	-	II
B. consumer	-	I	-	-
C. financial institutions	-	-	-	-
D. industrial	-	II	III	II
E. insurance	-	-	-	-
F. life science/healthcare	I	-	I	-
G. medico	I	-	I	-
H. public	-	-	-	-
I. retail	-	II	-	II
J. technology	I	-	III	-



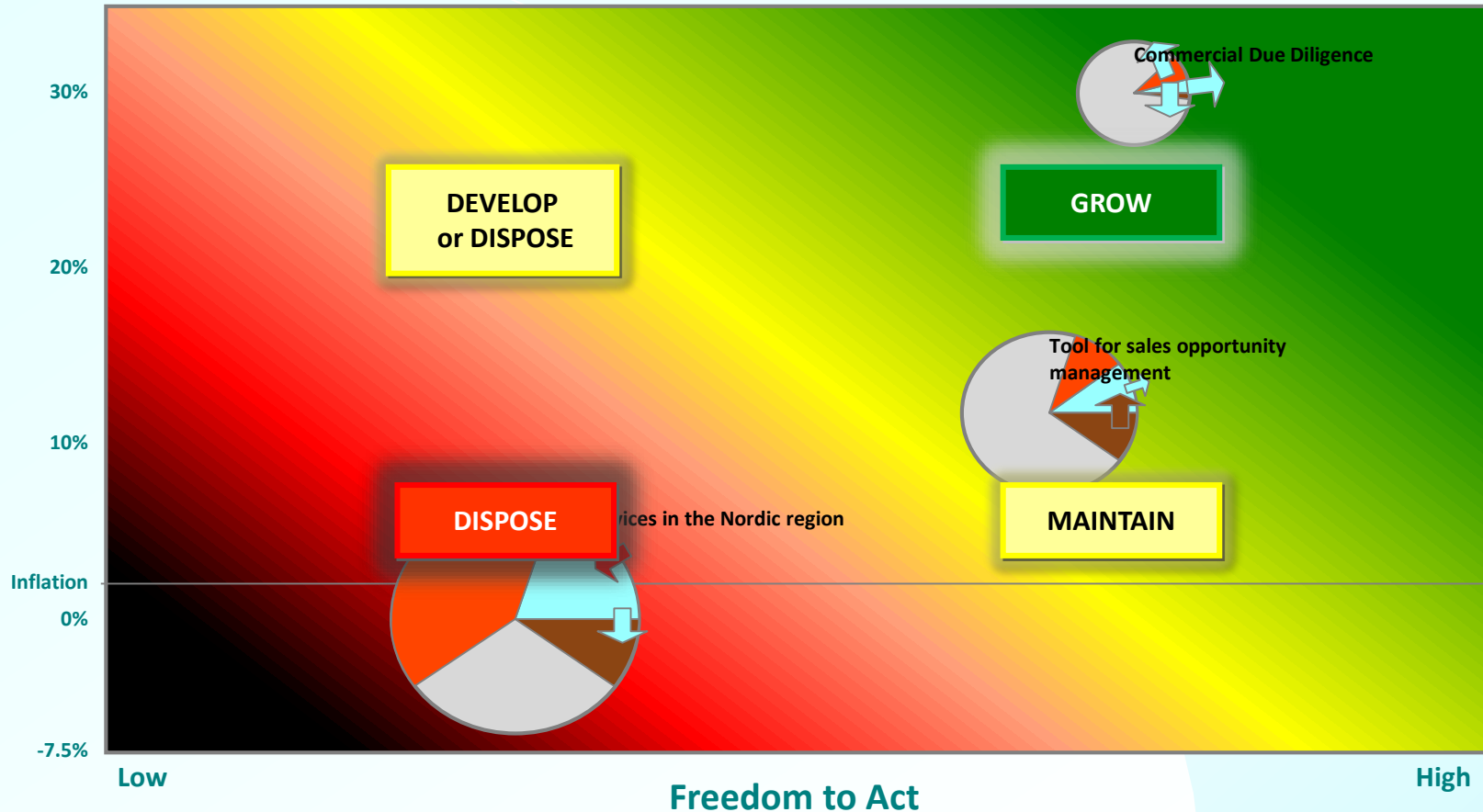
Business Model Canvas



What a Difference a Few Days Can Make

Overview of strategic opportunities and threats

Market Growth Rate



Better Understanding of the Business

- Multiple-choice Test
- Enforces shared answer
- Questions posted adapt to previous answers
- *“Down-to-earth questions”*
- *“Very commercially minded”*
- *“Governed by reality rather than theory”*

Business Area: Commercial Due Diligence (20 | 20 | 11) XYZ Inc

Uninsured Assets

UNINSURED ASSETS
How big is the biggest single uninsured asset used within the business area that occurs during the next 12 months?

EXAMPLES: The sum of all customer claims to the same company; sum of equities, debt and other securities of another company; inadequate transportation insurance.

1. The biggest single uninsured asset is less than MDKK 2.2.

2. The biggest single uninsured asset is between MDKK 2.2 and 20.

3. The biggest single uninsured asset is greater than MDKK 20.

Set a check if the answer shall apply to all business areas.

1

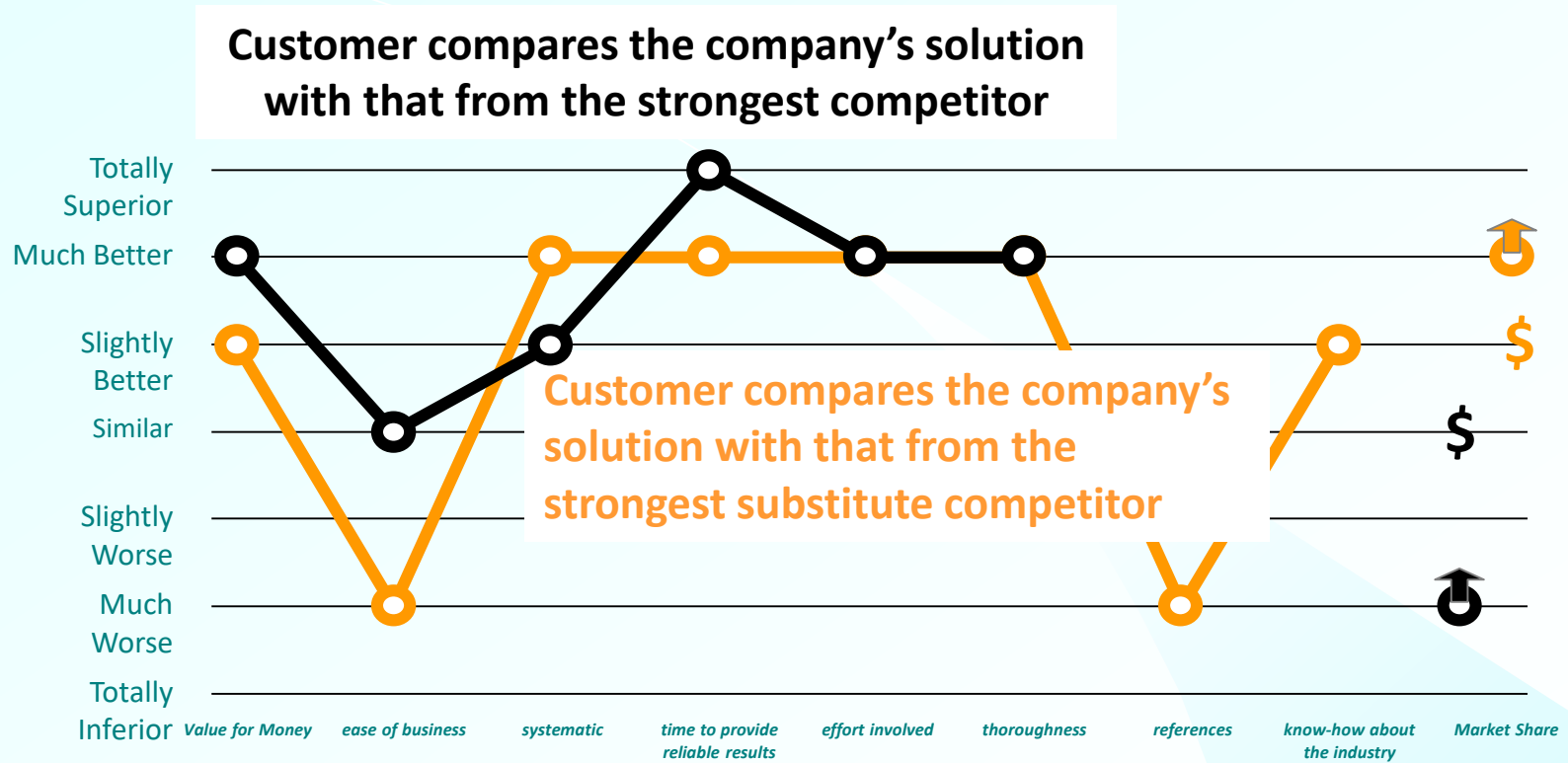
#2:BalanceItems

Close Reload Previous Jump Next

Testimonials by Group President in global shipping, logistics and marine services provider



Better Understanding of the Competitive Situation



The Customers' Unique Buying Points™



Quick Launch of Improvement Initiatives

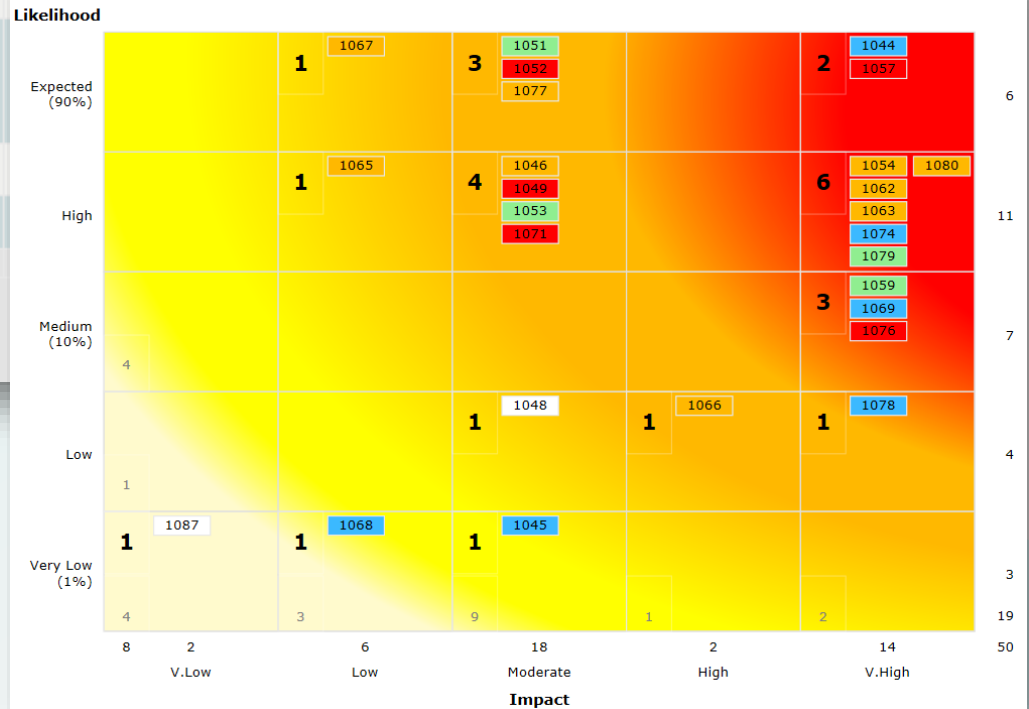
Create overview and reduce losses from non-financial risks

Deadlines/Milestones													
Owner	-	Accepted	Deadlines for Planning Phase							Deadlines for Implementation Phase			
			Overdue	0-2 weeks	2-4w	4-6w	6w-2m	2-3m	3+m	Overdue	0-1 month	1-2m	2+m
	1097	1087 1055 1060 1088 1092	1061	1056 1073 1082 1086 1094	1048			1050 1072 1085	1070				
CEO				1077									
FR		1046	1059 1062 1063 1065 1096	1054 1069 1066 1067 1068	1074 1078 1045 1058			1044					
NN		1043 1090	1080	1083 1084									
WHO			1064	1075 1081									
Summary	1	8	8	15	5		4	1					

Risk

-	Low	Moderate	High	Critical
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Risk Map



Risk Management

Help to identification, planning, prioritization and monitoring

- Automatic generation of risk level
- User controlled prioritization
 - Ability to control
 - Impact
 - Likelihood/probability
 - Risk level
 - Risk urgency
- Delegation management

Risk Item Management

Risk ID: 1059 Created: 14-02-2014
Planning started: 01-04-2014
Plan approved: 22-05-2014

Risk Name: ?

Gedroogde bloemen æøå
UNIQUE BUYING POINT™
The customers consider Leading internet shop to outperform the business area "Gedroogde bloemen æøå" with respect to "many choices".

Rating: U3

1. IMPACT AND LIKELIHOOD

1.1 Impact: 1.2 Why/rationale (impact):

1.3 Likelihood: 1.4 Why/rationale (likelihood):

2. PRIORITIES AND OPTIONS

Risk: V.High 2.1 Urgency: 2.2 Ability to Control: 2.3 Owner: 2.4 Due:

2.5 Possible Methods: ?

3. DECIDED ACTIONS AND DESIRED RESULTS

3.1 Early Warning Indicators:

3.2 Decided Actions:

3.3 Desired Result(s): 3.4 Due:




3.5 Impact after: 3.6 Probability after: Risk Level After:

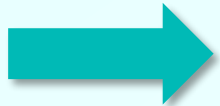
3.7 Cost Benefit Analysis: 3.8 Approved by:

Risk Item Progress Management



Overview

Planning Phase

-  Lack of owner/due date
-  Planning initiated
-  Planning delayed

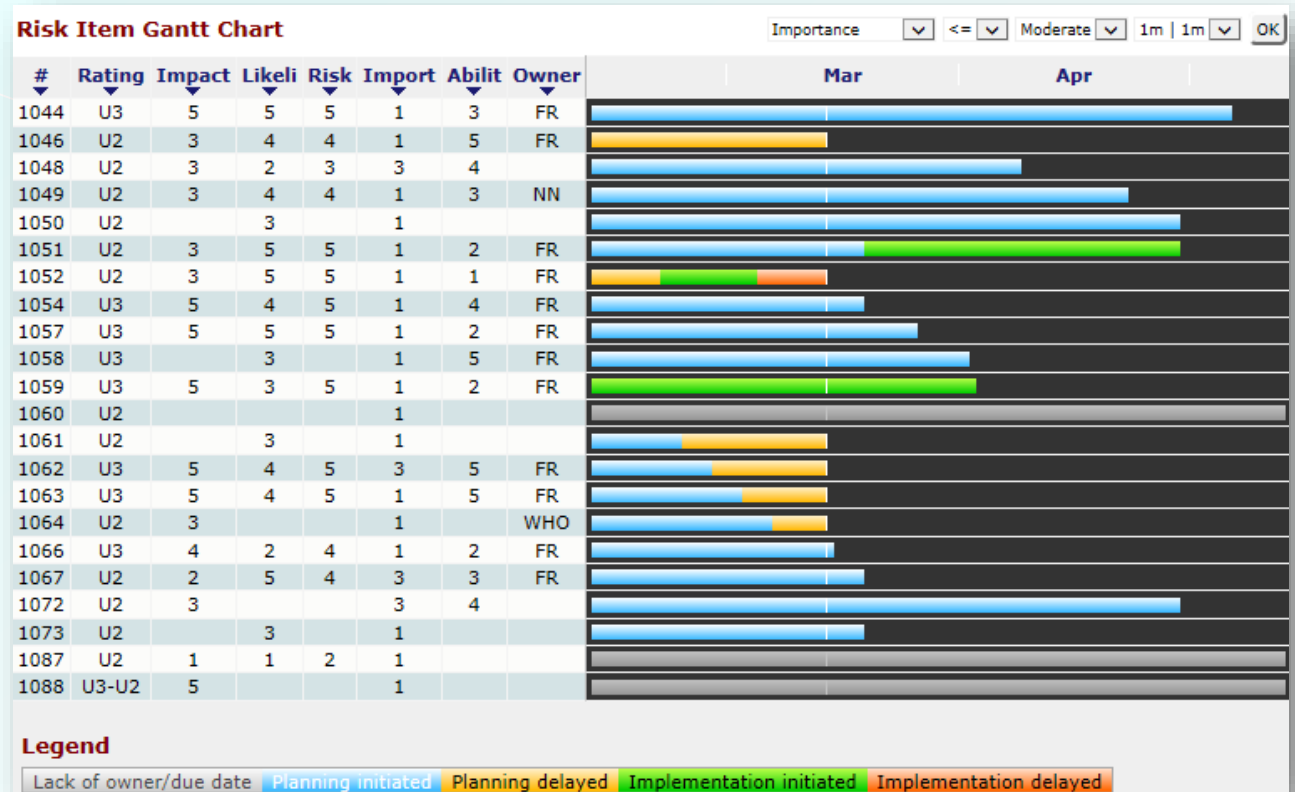


Implementation

-  Implementation initiated
-  Implementation delayed



Quick identification of delays



Strategy Review™ Process and Its Objectives

Commercial Due Diligence	Freedom2Act Strategy Review™
½-1 day interview of CEO/CFO/CCO	3 day workshop with management team
-	Market driven definition of business areas <ul style="list-style-type: none"> • Market segmentation from the customer's point of view • Unique Selling Points vs. Unique Buying Point™
Identification and evaluation of factors that may affect the company's ability to realize its vision and reach its long term financial goals <ul style="list-style-type: none"> • Assessment of competitiveness • Interview including 149 business-related factors for each analyzed business area SWOT Analysis: <ul style="list-style-type: none"> • Rating of the 149 business-related factors • Identification of significant strategic and operational risk areas 	
-	Agree on action plan mitigating identified critical risk areas



Freedom2Act Strategy Review™ and M&A

ACQUISITION

Acquisition	Initial 100 Days
Commercial Due Diligence	Strategy Review
1-day workshop	3-day workshop
CEO + CCO	Management team and other key persons
Objectives: <ul style="list-style-type: none"> • Identify risk areas that may lower acquisition price • Come to a more strict business case • Rapid identification of problem areas • Fast transfer of know-how of important business-related factors • Visibility of the acquired company's capabilities 	Objectives: <ul style="list-style-type: none"> • Jumpstart takeover/ integration processes • Create shared view on business • Create shared view on critical risk areas • Develop action plan mitigating identified critical risk areas • Strengthen robustness

SELLING

Mid-way	Before Sale
Strategy Review	Strategy Review
3-day workshop	3-day workshop
Management team and other key persons	Management team and sales team
Objectives: <ul style="list-style-type: none"> • Identify top performers and cash cows • Kick-off initiatives mitigating critical risk areas that may affect sales price negatively • Strengthen robustness 	Objectives: <ul style="list-style-type: none"> • Identify risk areas that may affect sales price downwards • Prepare response for retaining targeted sales earnings multiple • Come to a more strict business case



Proven Technology

Proven on more than a thousand businesses
large and small
in
Northern Europe



Selected References and Testimonials



Johan Mellin, Commercial Risk Manager, TeliaSonera:

“Fast and efficient generation of a “Roadmap” to the future.”

SVP, International Fire Service, Falck :

“Contains what is required to analyze a company and come to concrete actions.”

“The analysis is based upon internal knowledge.”

“Provides a more strict business case.”

“Visibility on competences.”

“Rapid identification of problem areas.”

“Good to jumpstart integration processes.”

“May affect multiplier from 6½ to 7.”

Senior Director, Novozymes:

“A tool that is very relevant in companies that do not master strategy processes.”

“Extremely useful for commercial due diligence processes in acquisitions.”

“Quick and effective transfer of knowledge from the acquired company to purchaser.”



Who are We?

Freedom2Act ApS

- Founded 2001
- Strategy reviews
- Risk identification and assessments
- Risk mitigation
- Portfolio segmentation

Partners

- Bluecon
- IIB Executive Consultants

Finn Ritslev, founder and CEO

- M.ScEE, DTU, Denmark
PED, IMD Business School, Switzerland
- Software development,
project management,
marketing and sales,
business development, and
strategic planning

