

## 4. Train the Trainer Presentations

- General schedule
- Corporate Competitiveness
- Governance Strategies
- Innovation Management
- Business transfer
- Labour market
- Business Transfer Motivation
- Corporate Transitions
- Case Study

# Train-the-Trainer Seminar

## Training as an Entrepreneur

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Presentations

Vytautas Magnus University

[https://www.youtube.com/watch?time\\_continue=1&v=ST3Kv\\_7R3d4](https://www.youtube.com/watch?time_continue=1&v=ST3Kv_7R3d4)

[https://www.youtube.com/watch?time\\_continue=84&v=IAIt2SRa254](https://www.youtube.com/watch?time_continue=84&v=IAIt2SRa254)

And some facts about Lithuania

<https://www.youtube.com/watch?v=8KRjb5hL2Lk>

<https://www.youtube.com/watch?v=WH9mTk1mxkl>

<https://www.youtube.com/watch?v=RPO4tbV4UHK>

<https://www.youtube.com/watch?v=8ri6Bmuciac>

[https://www.youtube.com/watch?v=L\\_AGOIsphpE](https://www.youtube.com/watch?v=L_AGOIsphpE)

<https://www.youtube.com/watch?v=9Yxwjy4pvsM>

# Day 1

Time	Event
08:00 - 08:45	Welcome and Introduction. Presentation of the participants. Overview of the programme of the 1 <sup>st</sup> day
08:45 – 13:00	Training
13:00 - 14:00	Lunch
14:00 - 18:00	Training
18:00 - 19:00	Free time
19:00 – 22:00	Joint dinner and international exchange of experiences Meeting point - ARTIS Centrum Hotel Lobby, walk to the restaurant



## Day 2

Time	Event
08:00 - 12:15	Overview of the programme of the 2 <sup>nd</sup> day  Training
12:15 - 13:15	Lunch
13:15 - 14:45	Training

# DAY 1

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# DETERMINING CORPORATE COMPETITIVENESS

## Train-the-Trainer Seminar

**Mr. Nerius Jasinavičius**  
Founder “TOC sprendimai”

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Coffee break

10:15 – 10:30

# DEVELOPING CORPORATE GOVERNMENT STRATEGIES

## Train-the-Trainer Seminar

**Mr. Nerius Jasinavičius**  
Founder “TOC sprendimai”

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Lunch

12:00 – 13:00

# INNOVATION MANAGEMENT – KNOW-WHY AND KNOW-HOW

## Train-the-Trainer Seminar

**Dr. Kastytis Gečas**  
Innovation Expert

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania



# Coffee break

14:30 - 14:45

# BASIC COMPUTER SKILLS, BOOKKEEPING USING COMMERCIAL SOFTWARE

## Train-the-Trainer Seminar

**Ms. Kirsten Jensen**  
IBC

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# PREPARING, COMPLETING, EVALUATING START-UP, TAKEOVER ACTIVITIES

## Train-the-Trainer Seminar

**Audrius Zabotka**  
VMU

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Dinner

19:00

# DAY 2

## Day 2

Time	Event
08:00 - 12:15	Overview of the programme of the 2 <sup>nd</sup> day Training
12:15 - 13:15	Lunch
13:15 - 15:45	Training

# LABOUR MARKET 2020-2050: CHALANGES AND TRENDS

## Train-the-Trainer Seminar

**Ms.Laura Duksaitė-Iškauskienė**  
Partner at Master Class LT

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# GROWING BUSINESS SUCCESSORS. WITH SPARKLES IN THEIR EYES, PLEASE!

## Train-the-Trainer Seminar

**Mr. Balys Narbutas**, Communication Consultant  
at Fabula Hill+Knowlton Strategies

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania



# Coffee break

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# TOOLS FOR CORPORATE TRANSITION

## Train-the-Trainer Seminar

**Mr. Karolis Pocius**  
M&A Professional

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Lunch

12:15 – 13:15

# TOOLS FOR CORPORATE TRANSITION

## Train-the-Trainer Seminar

**Mr. Karolis Pocius**  
M&A Professional

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# FAREWELL COFFEE & EXCHANGE OF EXPERIENCE

**Thank you!**



EUROPEAN UNION

EUROPEAN  
REGIONAL  
DEVELOPMENT  
FUND



INBETS BSR



VYTAUTAS MAGNUS  
UNIVERSITY  
— MCMXXII —

# MODULE A1

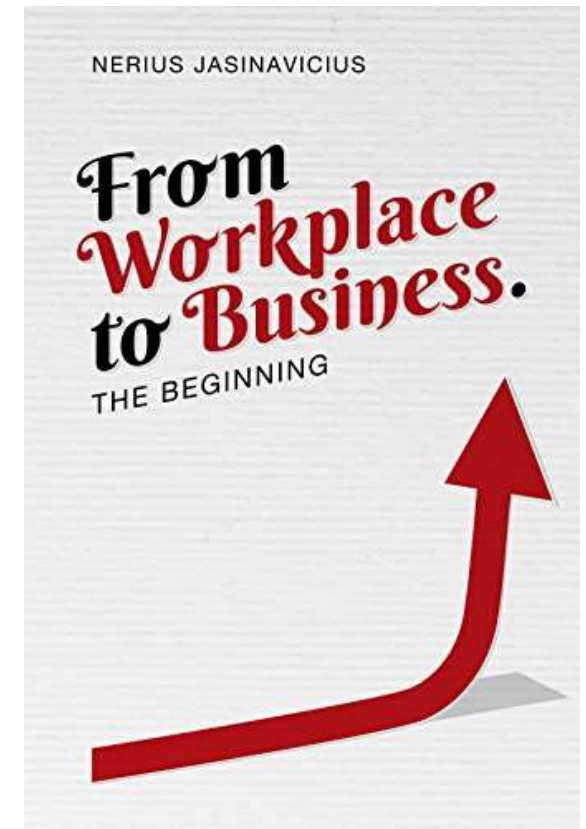
# DETERMINING CORPORATE COMPETITIVENESS

Nerius Jasinavicius



# Nerius Jasinavicius

- ♣ Founder of TOC sprendimai
- ♣ Board member of Achema Group
- ♣ Consultant for unique clients
- ♣ Certified TOC and LEAN expert
- ♣ Certified Management Consultant
- ♣ Author of “From Workplace to Business. The beginning”



<https://amzn.to/2PSAsoh>

# Agenda

1. Corporate goal system
2. What does determine value of the company
3. Creating long-term competitiveness
  - a) Market analysis
  - b) SWOT
4. Corporate culture

What is the goal of the company ?

Making money  
now as well as in the future

# Necessary conditions

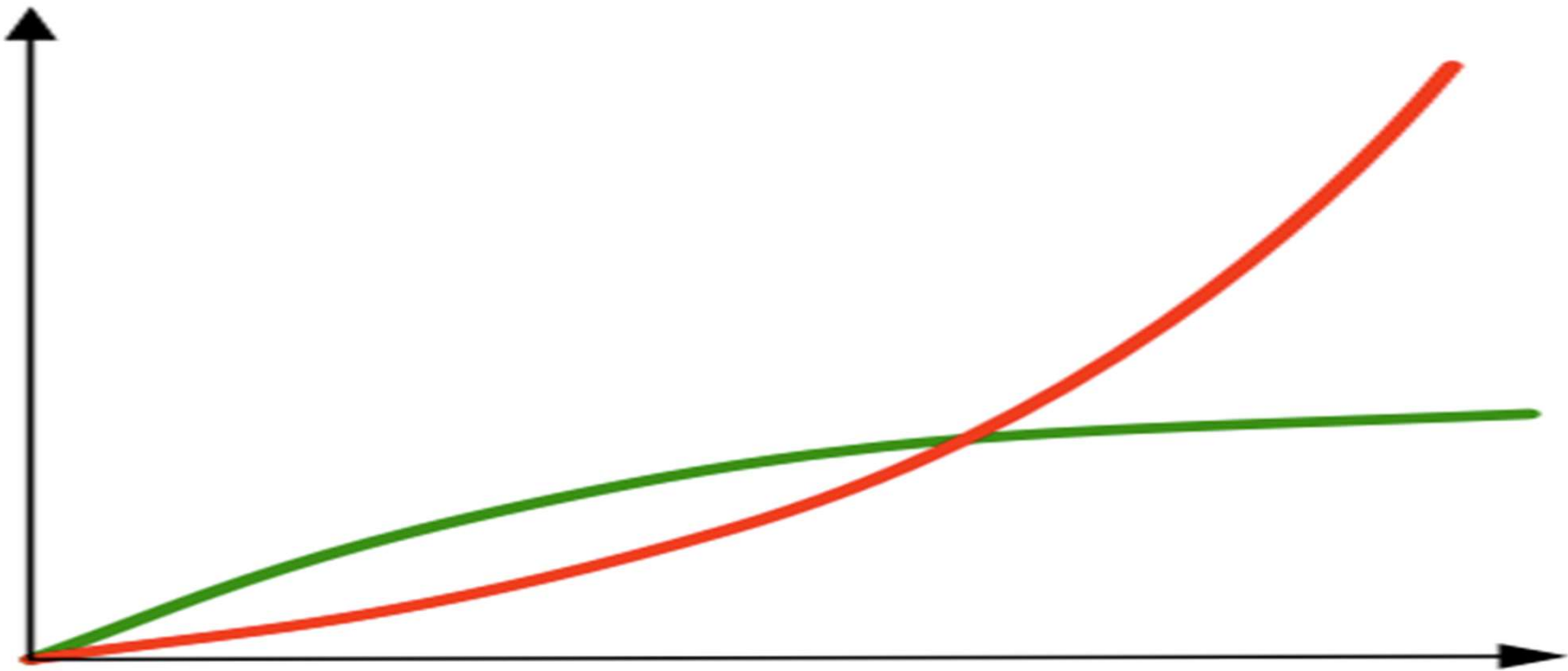
- ♣ Satisfied employees
- ♣ Satisfied environment
  - ♣ Clients
  - ♣ Suppliers
  - ♣ Society



## Return on Investment

$$ROI = \frac{T - OE}{I}$$

# Growth of the Company



# Corporate goal system



“tell me how you measure me  
and will tell you how I will  
behave. If you measure me in  
an illogical way... do  
not complain about illogical  
behavior.”

- Eli Goldratt





# Danger of local measurements



# Agenda

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# Value of the company

- ♣ Business Valuation - a general process of determining the economic value of a whole business or company unit. Business valuation can be used to determine the fair value of a business for a variety of reasons, including sale value, establishing partner ownership, taxation, and even divorce proceedings.

But in reality

- ♣ Company's Value – amount of money Buyer is ready to pay for the company

# Methods of Valuation

- ♣ Market Capitalization – is calculated by multiplying the company's share price by its total number of shares outstanding
- ♣ Times Revenue Method – a stream of revenues generated over a certain period of time is applied to a multiplier which depends on the industry and economic environment.
- ♣ Earnings Multiplier (P/E ratio) Method – a profit generated over a certain period of time is applied to a multiplier.
- ♣ Discounted Cash Flow (DCF) Method – based on projections of future cash flows, which are adjusted to get the current market value of the company.
- ♣ Book Value – the value of shareholders' equity of a business as shown on the balance sheet statement.
- ♣ Liquidation Value – the net cash that a business will receive if its assets were liquidated and liabilities were paid off today.

# Readiness of the company for sale (or transfer)

- ♣ Financial transparency

  - ♣ Accounting

  - ♣ Personal expenses

- ♣ Non-dependence of the company

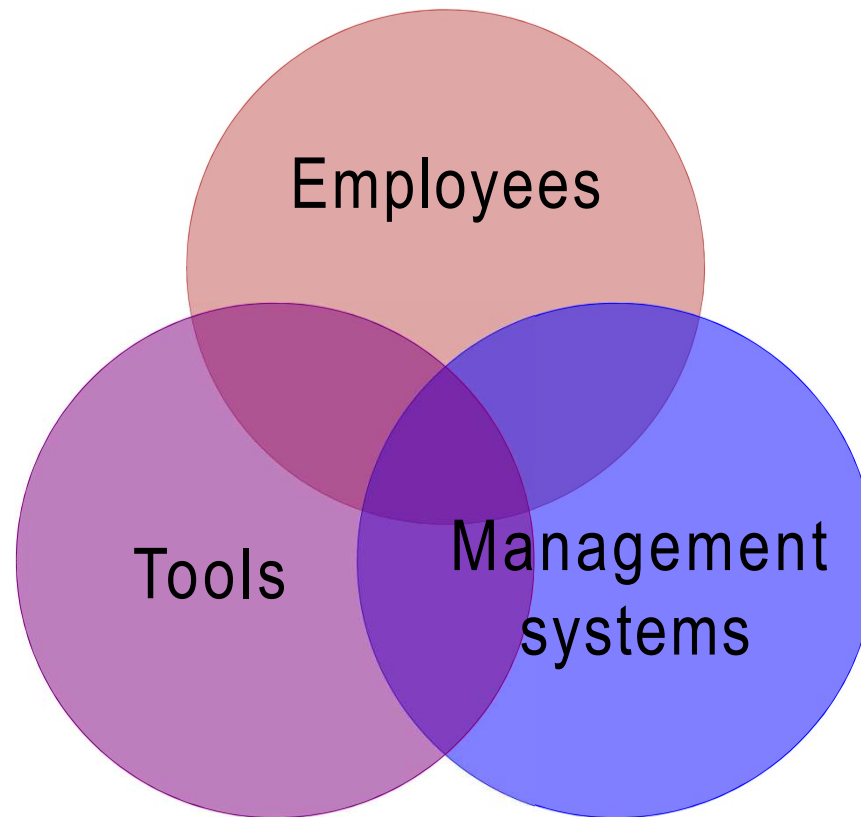
  - ♣ Non-dependence on owner's participation

  - ♣ Non-dependence on any single factor

# 3 Pillars of Value

- ♣ Net Profit (or EBITDA)
- ♣ Stability and Growth of Sales and Profit
- ♣ (In)dependence of the company

# Key success factors



# Agenda

1. Corporate goal system
2. What does determine value of the company
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## Ever-flourishing company

- ♣ For the Company to become ever-flourishing its Throughput must grow (and continue to grow) much faster than Operating Expenses.
- ♣ Exhausting the Company's resources and/or taking too high risks severely endangers the chance of becoming ever-flourishing.

# Ever-flourishing company

## Tactics

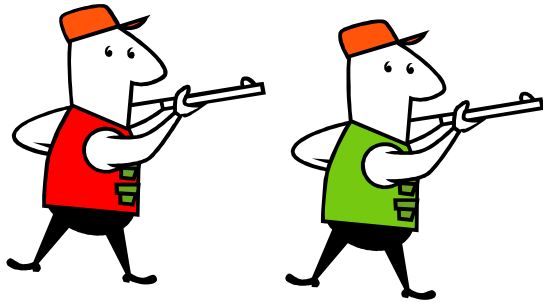
- ♣ Company has to build a decisive competitive edge and the capabilities to capitalize on it, on big enough markets without exhausting the Company's resources (sustain) and without taking real risks.

## Decisive Competitive Edge

The way to have a decisive competitive edge is to satisfy a client's significant need to an extent that no significant competitor can.

Building a decisive competitive edge is not easy;  
building the capabilities to capitalize on it is not less difficult.  
But, sustaining these two elements is the real challenge.

# Decisive Competitive Edge



# Examples of DCE

- ♣ Cost Leadership
- ♣ Reliability / Operational excellence
- ♣ Technological / patent
- ♣ Brand
- ♣ Focus on niche market
- ♣ Value Offer

<h1>S</h1> <h2>STRENGTHS</h2>	<h1>W</h1> <h2>WEAKNESSES</h2>	<h1>O</h1> <h2>OPPORTUNITIES</h2>	<h1>T</h1> <h2>THREATS</h2>
<ul style="list-style-type: none"> <li>• Things your company does well</li> <li>• Qualities that separate you from your competitors</li> <li>• Internal resources such as skilled, knowledgeable staff</li> <li>• Tangible assets such as intellectual property, capital, proprietary technologies etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Things your company lacks</li> <li>• Things your competitors do better than you</li> <li>• Resource limitations</li> <li>• Unclear unique selling proposition</li> </ul>	<ul style="list-style-type: none"> <li>• Underserved markets for specific products</li> <li>• Few competitors in your area</li> <li>• Emerging need for your products or services</li> <li>• Press/media coverage of your company</li> </ul>	<ul style="list-style-type: none"> <li>• Emerging competitors</li> <li>• Changing regulatory environment</li> <li>• Negative press/media coverage</li> <li>• Changing customer attitudes toward your company</li> </ul>

# Agenda

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# Culture is how organizations 'do things'

Robbie Katanga



# Corporate culture

The values and behaviors that contribute to the unique social and psychological environment of an organization.

1. the ways the organization conducts its business, treats its employees, customers, and the wider community,
2. the extent to which freedom is allowed in decision making, developing new ideas, and personal expression,
3. how power and information flow through its hierarchy, and
4. how committed employees are towards collective objectives.

# Corporate culture



# Cultural fit



# Questions



# MODULE A2

# DEVELOPING CORPORATE GOVERNANCE STRATEGIES

Nerius Jasinavicius

# Agenda

- ♣ Long-term perspective and daily control
  - ♣ Vision, Mission and objectives
  - ♣ Operating figures and performance indicator systems
  - ♣ Costs and revenues management and control
- ♣ Core processes of the company
  - ♣ Sales and marketing
  - ♣ Production
  - ♣ Supply / Procurement
  - ♣ Projects
- ♣ Finance management
  - ♣ Cash-flow
  - ♣ Planning of investments, financial and liquidity planning
  - ♣ Types of financing (including alternative)

What is the goal of the company ?

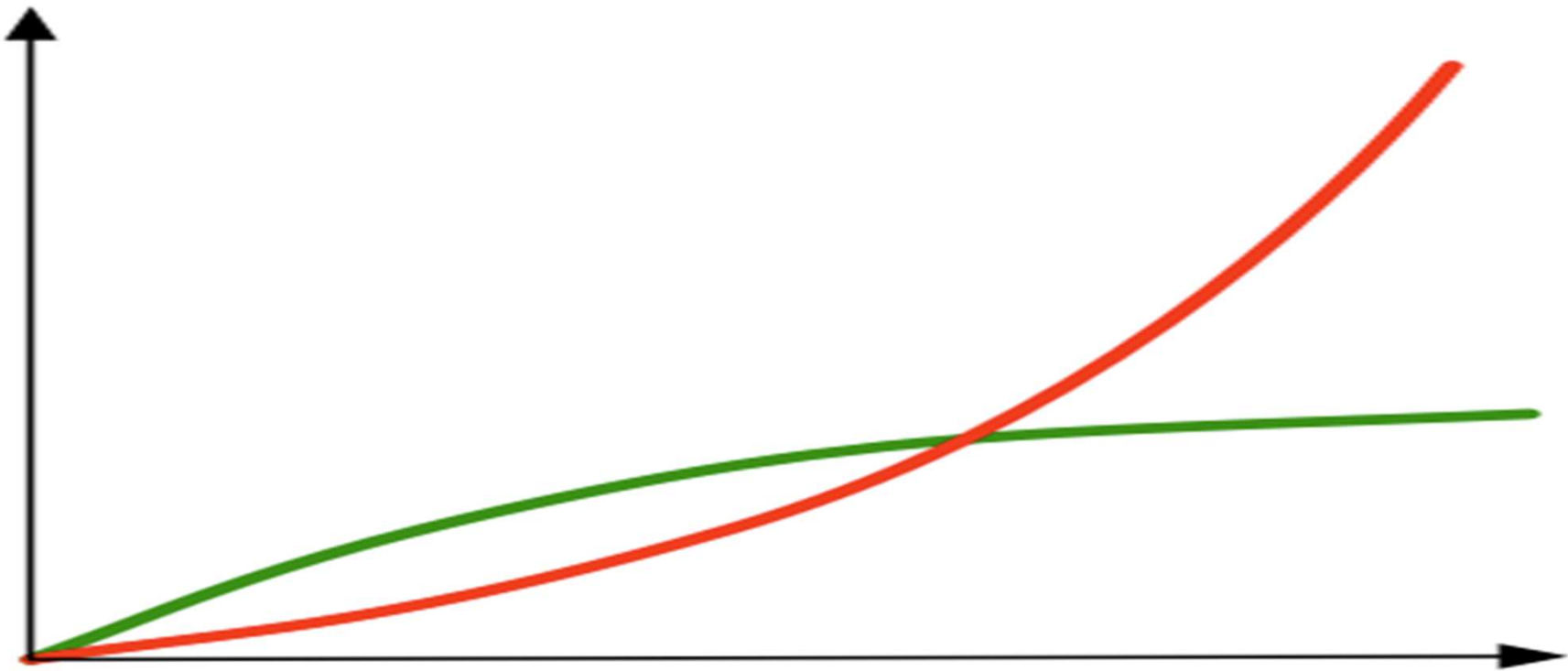
Making money  
now as well as in the future

## Return on Investment

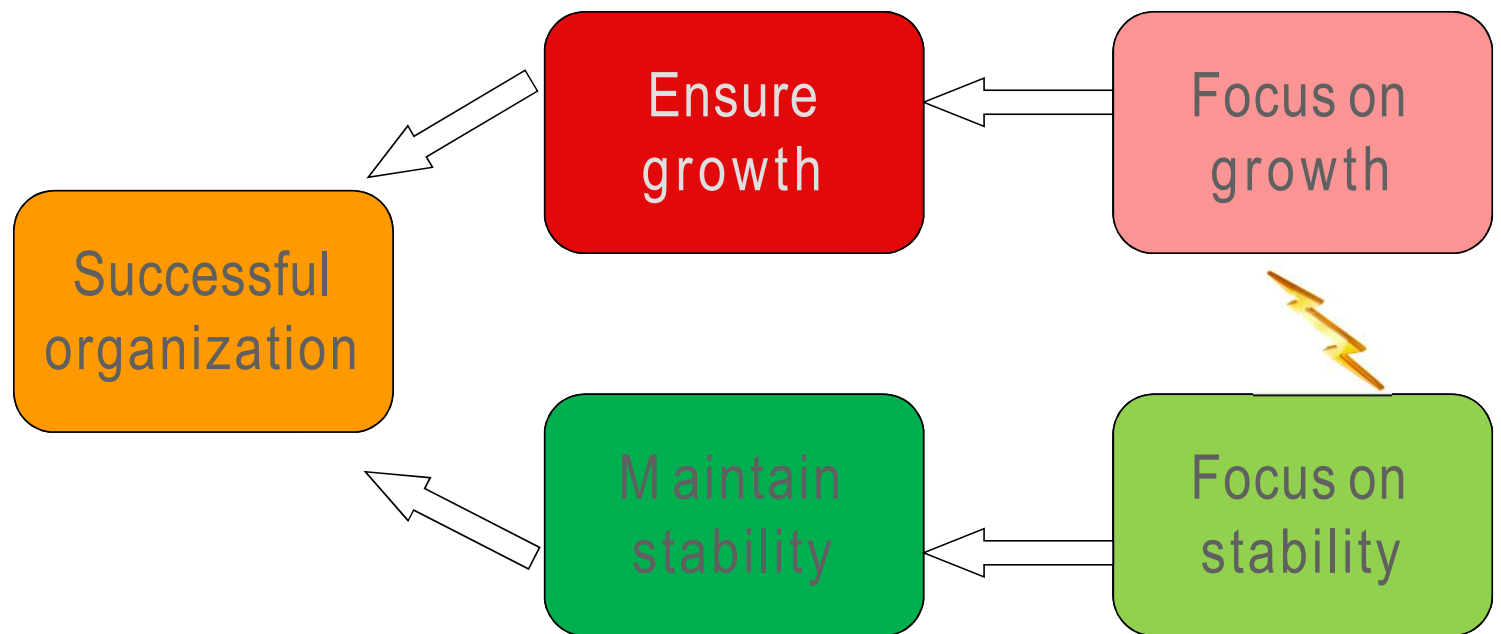
$$ROI = \frac{T - OE}{I}$$



# Growth of the Company



# Core organizational dilemma



# VISION

Why do we need ?

If one does not know to which port one is sailing, no wind is favourable.

Lucius Annaeus Seneca

# Why do we need Vision?

Companies with written Vision:

30%

Bigger

25%

Higher  
Shareholders'  
Value

50%

Faster  
Growth

# Vision Statement

A vision statement describes the organization as it would appear in a future successful state. When developing a vision statement, try to answer this question: If the organization were to achieve all of its strategic goals, what would it look like 10 years from now?



# MISSION

# Mission Statement

A mission statement explains the company's reason for existence. It describes the company what it does and its overall intention. The mission statement supports the vision and serves to communicate purpose and direction to employees, customers, vendors and other stakeholders.



# Misijų pavyzdžiai



At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.



Apple designs Macs, the best personal computers in the world, along with OSX, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App store, and is defining the future of mobile media and computing devices with iPad.

# OBJECTIVES

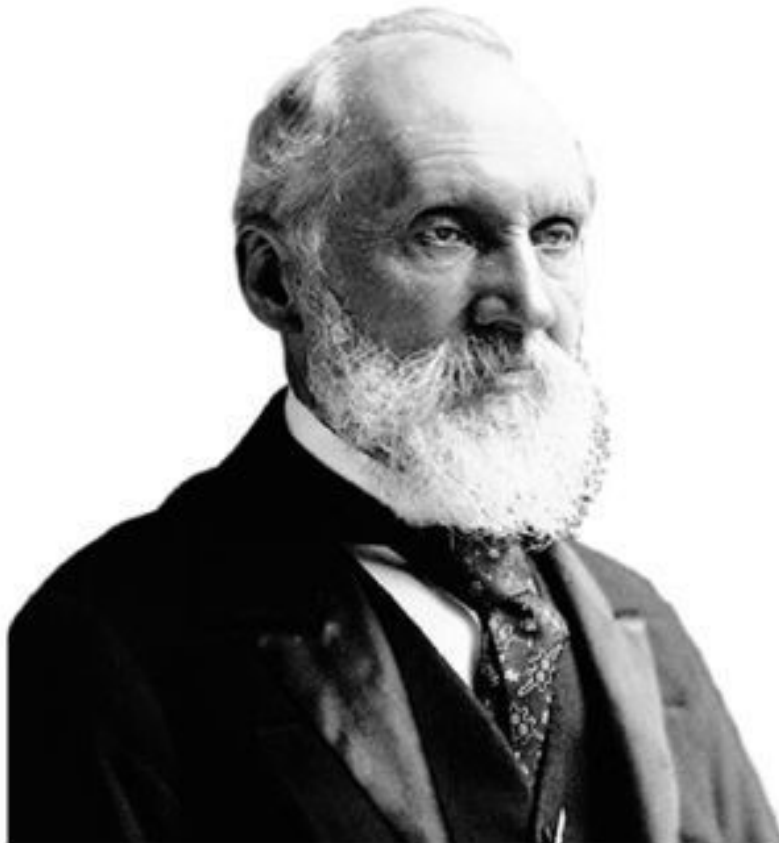
# Objectives

The specific objectives are focused on achieving that Vision. Objectives refer to specific measurable results for the initiative's broad goals. An organization's objectives generally lay out how much of what will be accomplished by when.

# Operating figures and performance indicator systems



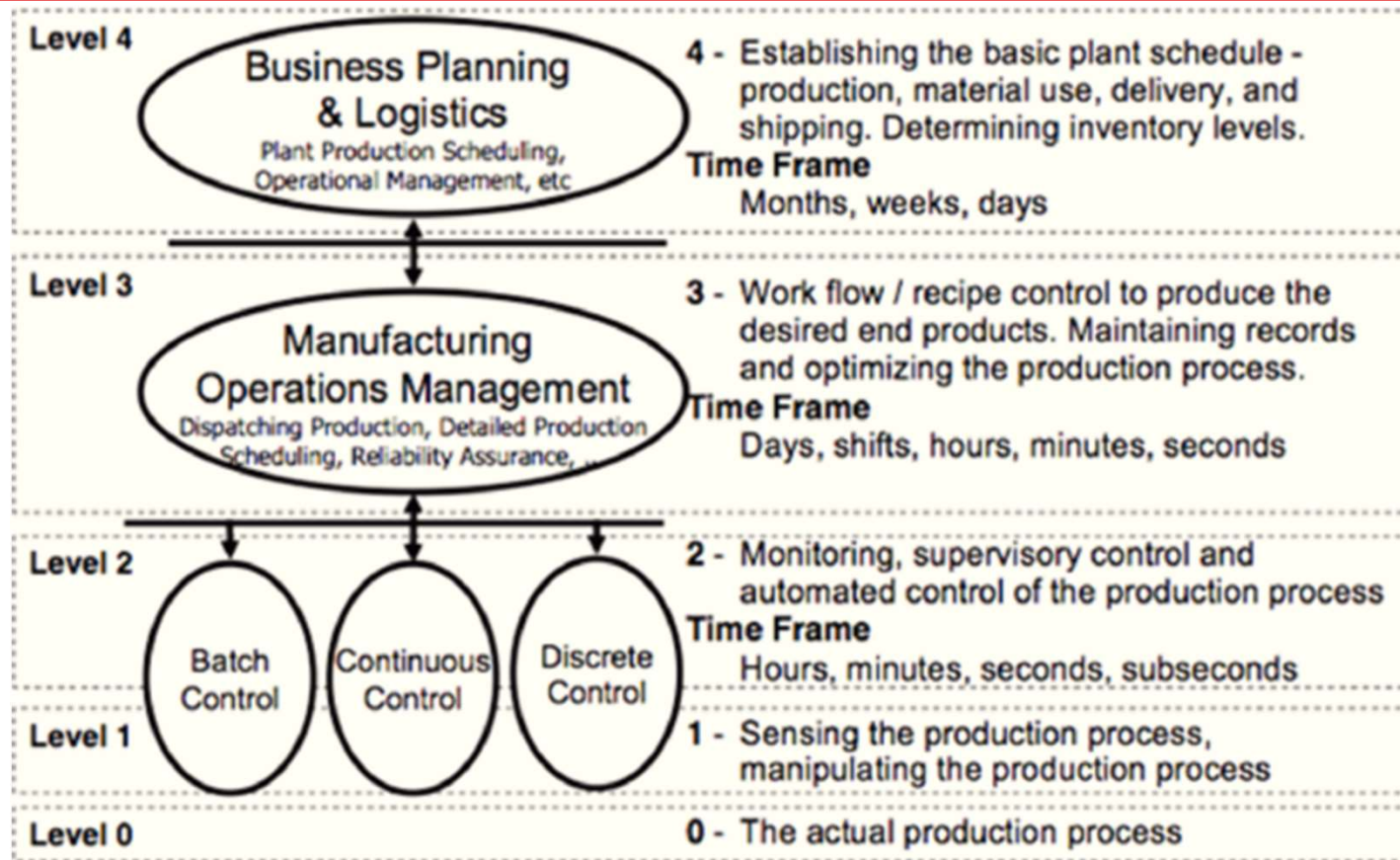
# Why do we need measurements and indicators?



To measure  
is to know.  
If you can not  
measure it,  
you can not  
improve it.  
– Lord Kelvin

- ♣ Performance measurement is the process of collecting, analyzing and/or reporting information regarding the performance of an individual, group, organization, system or component.
- ♣ A performance indicator or key performance indicator (KPI) is a type of performance measurement. KPIs evaluate the success of an organization or of a particular activity (such as projects, programs, products and other initiatives) in which it engages.

# Example: KPI from ISO 22400-2:2014





# Costs and revenues management and control

♣PL

♣Operational Budget

♣Income / Sale

♣TVC

♣Operating Expenses



# How to do the budgeting?

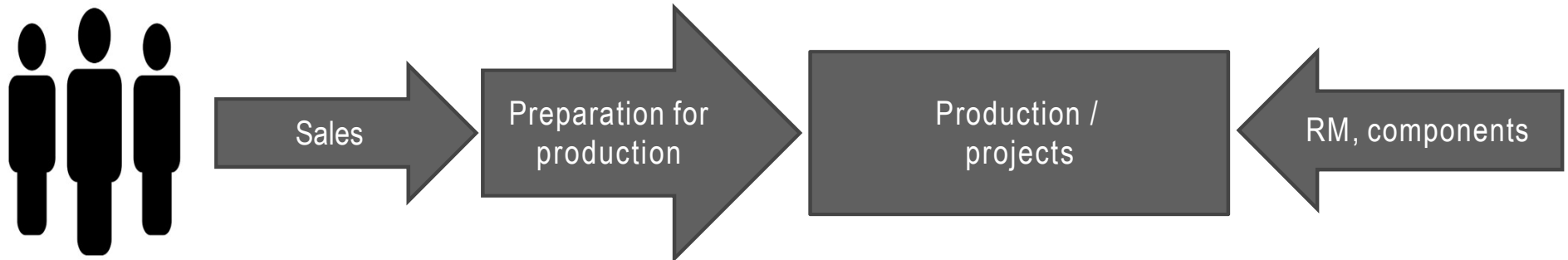
- ♣ Start from the end (How much profit?)
- ♣ Operating Expenses
- ♣ How much Throughput is needed?
  - ♣ What Throughput is generated by each product/service/project?
  - ♣ What should be product mix?
  - ♣ What could affect Throughput?
- ♣ Sales
  - ♣ Do we have enough production capacity?
  - ♣ Do we have enough sales capacity, opportunities, market?
  - ♣ Do we have enough inventory/supply?

# Core processes of the company

- ♣ Sales and marketing
- ♣ Production
- ♣ Supply / Procurement
- ♣ Projects

# Typical processes in company

Leads

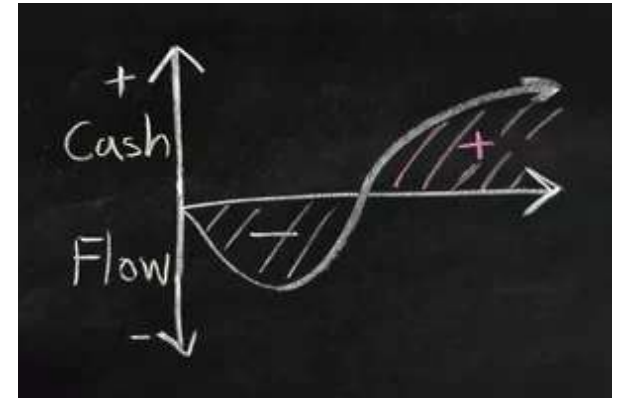


# Finance management

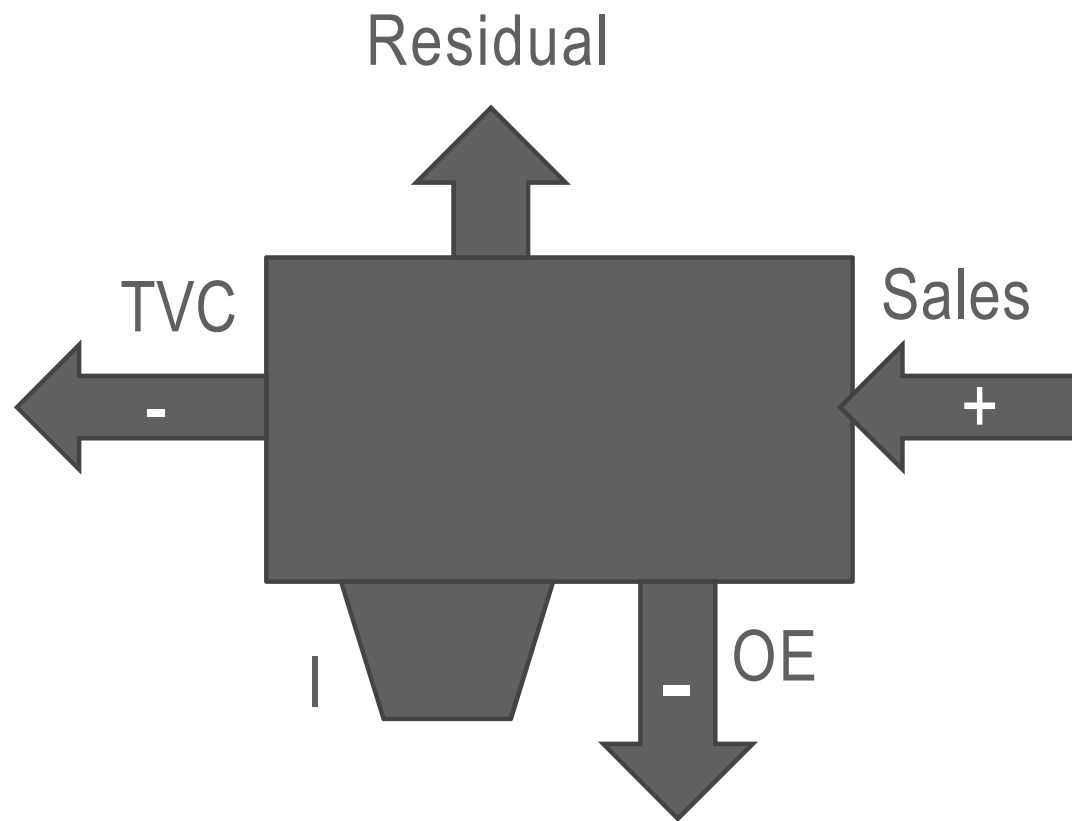
- ♣ Cash-flow
- ♣ Planning of investments, financial and liquidity planning
- ♣ Types of financing (including alternative)

# Cash-flow management

- ♣ Not making profit kills company slowly – like a cancer. Lack of cash kills company instantly – like a heart attack.
- ♣ Cashflow management is the process of tracking how much money is coming into and going out of your business
- ♣ The most important rule in business – DROOM – Don't run out of money



# Cash flow management



# Rules of cash flow management

1. Manage a cash flow budget
2. Maintain a cash reserve
3. Be realistic with your sales volume estimates
4. Focus on your invoices
5. Keep a tight rein on your spending

## Planning of investments, financial and liquidity planning

$$ROI = \frac{T - OE}{I}$$



# Planning of investments, financial and liquidity planning

- ♣ Liquidity planning means nothing less than ensuring that a company remains solvent at all times for the foreseeable future. Liquidity planning also gives an overview of how much free liquidity can be managed in the short, medium, and long term.

# Types of financing (including alternative)

- ♣ Bank loans
- ♣ Business lines of credit / overdrafts
- ♣ Equipment loans / leasing
- ♣ Invoice factoring
- ♣ Supplier/customer financing
- ♣ Alternative
  - ♣ Crowdfunding
  - ♣ Grants
  - ♣ Mezzanine lenders
  - ♣ Private equity
  - ♣ Sweat Equity

# Questions



# Train-the-Trainer Seminar

Innovation Management – Know-why and Know-how

Dr Kastytis Gečas, Innovation Expert

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# CONTENTS

- Part 1. Innovative Company Development
  - What innovation is
  - Why it's important
  - How innovation
- Part 2. Discussion: How to Sustain Innovation while Transferring Business

# What innovation is

# Innovation?

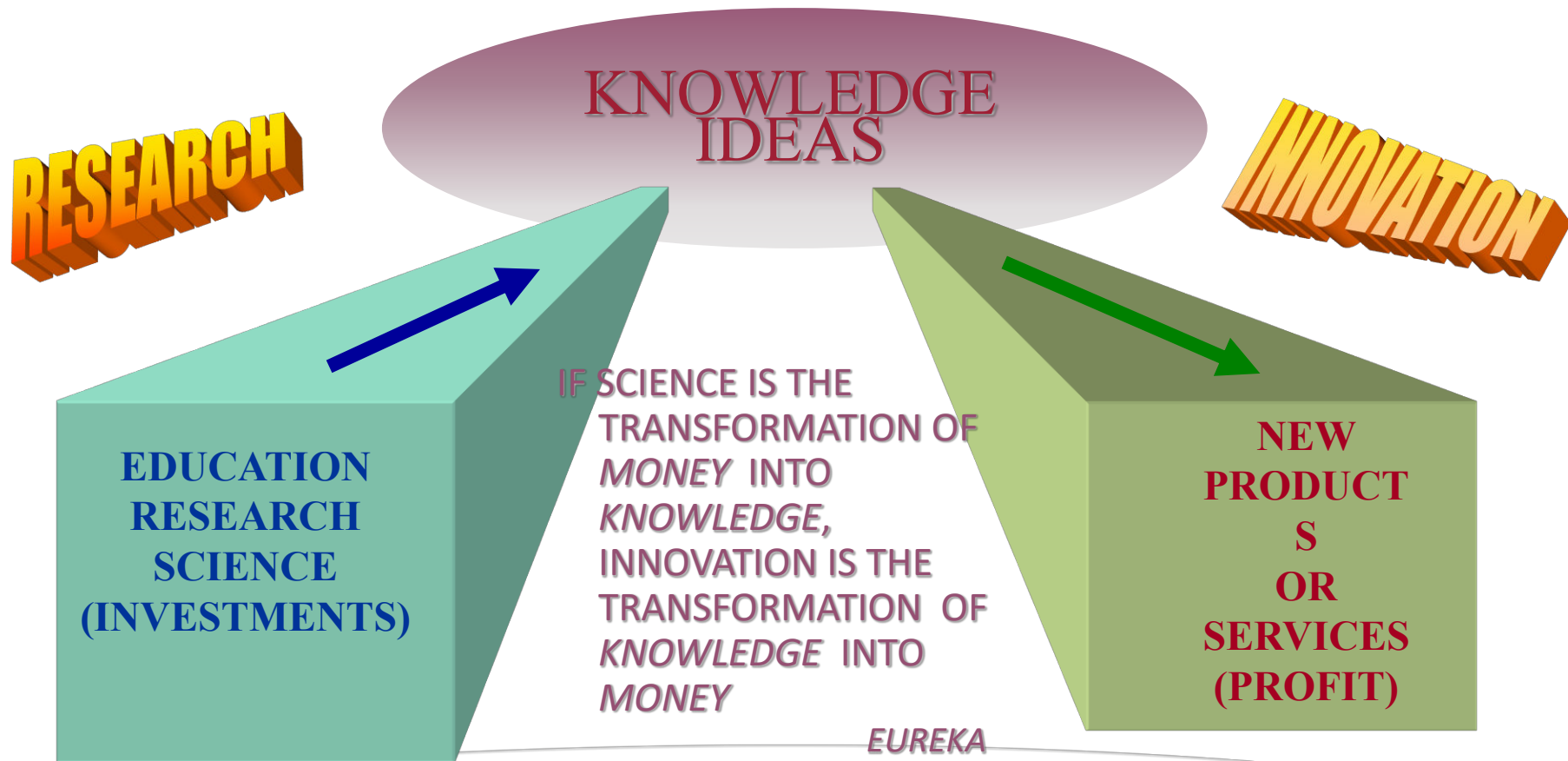
**Innovation has its origin from the word "inovacyon" used in mid-France already in XV century, that means "renewal", renovation, update, etc. In English, we may find "innovation" or "novation"; in Russian – "инновация" or "нововведение".**

## **Double use:**

**Innovation (as a result) ~ novelty**

**Innovation (as a process) ~ brings novelty**

# Innovation – knowledge perspective





## Innovation – novelty perspective

**Innovation happens when an invention is commercialized in a way of manufacturing or it causes significant improvement**

**Innovation is a functional, essential, cutting-edge novelty that focuses on replacement of old by something new**

**Innovation includes generation of new ideas and their implementation, giving the market new products or services, and/or renewed processes. Innovation leads to both the national economic and employment growth, and to profit growth of a company**

# Innovation – formal (statistical) perspective

An **innovation** is a new or improved product or process (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process).

**Innovation activities** include all developmental, financial and commercial activities undertaken by a firm that are intended to result in an innovation for the firm.

A **business innovation** is a new or improved product or business process (or combination thereof) that differs significantly from the firm's previous products or business processes and has been introduced on the market or brought into use by the firm.

An **innovative firm** is the firm that has at least one innovation in the observation period (typically, 1-3 years.)

Oslo Manual - 2018; OECD/Eurostat

## Innovation – business perspective

- Innovation is related to a **process**
  - connecting
    - knowledge and technology with the exploitation of market opportunities for
      - new or
      - improved products, services and business processes
        - compared to those already available on the common market,
- and encompassing a certain degree of risk.

*Community Framework for State Aid for Research and Development and Innovation, EC Staff Paper, Preliminary Draft, 20/4/2006*

## Two sides of the ‘entrepreneurship’ coin

Innovation is a mindset. It is the mindset how to **do business**  
**in a new way!**

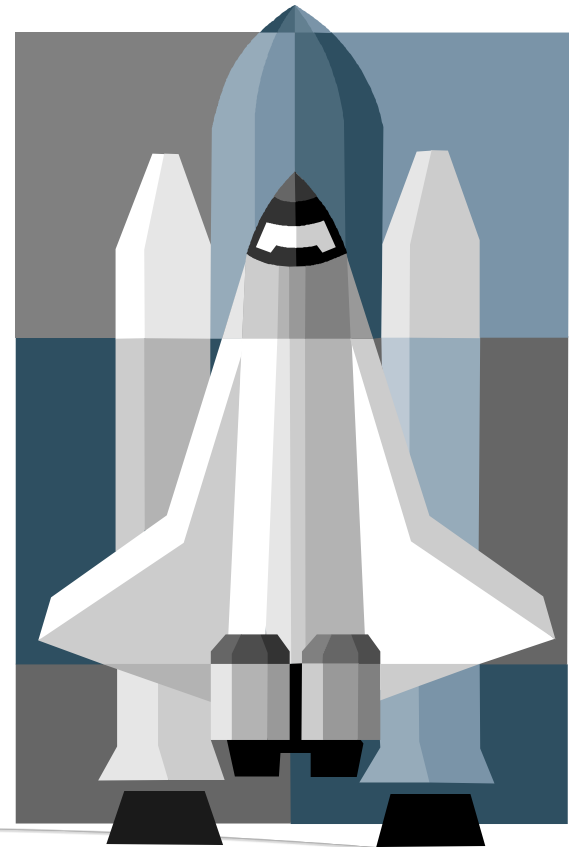
Innovation in business =  
(New) knowledge + Commercial application

# Why it's important

## Two competitiveness drivers

“...the business enterprise has two—and only two—basic functions: **marketing** and **innovation**. Marketing and innovation produce results; all the rest are costs.”

*Peter Drucker*



## Why it's important – macro-level

*According to United Kingdom Dept. Trade and Industry:*

- Innovation reduces waste and environmental damage
- Innovation creates growth, increases productivity, and economic wealth (avoids stagnation)
- Innovation provides better goods and services at a cheaper price – higher standard of living
- More interesting work for employees
- Old strategies get replicated and, consequently, margins get squeezed
- **Survival!**

## Why it's important – company level

- **Value innovation!**
- An innovation can increase profits on the value side (customers value an innovation enough to pay more for it)...
- ...or the cost side (the company produces a product offering in a more efficient way).
- Either way, value is created for the firm and the consumer.



# How innovation

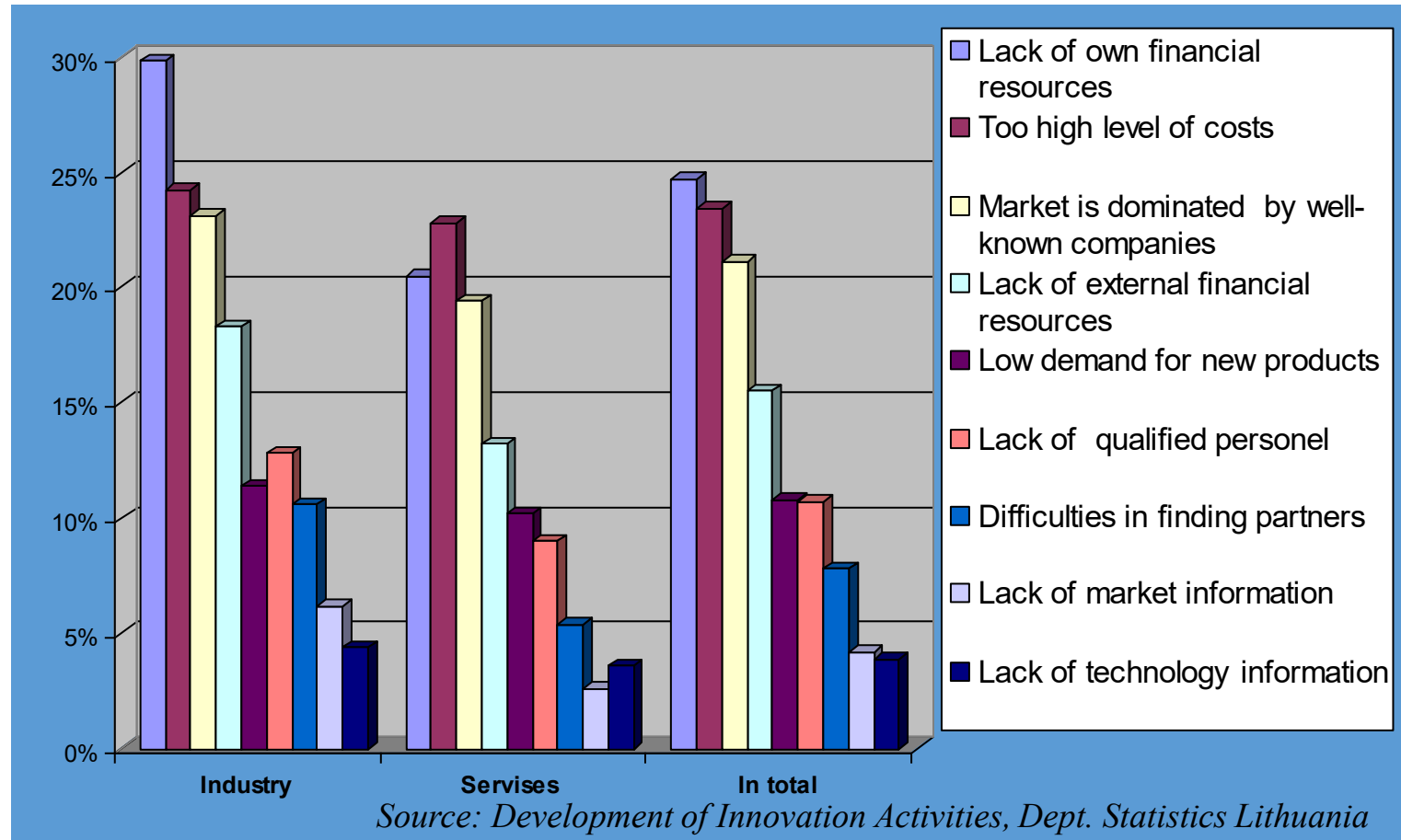
## Innovation is needed – but it's not easy

- Innovation is not a natural process in our culture – **imitation and adaptation are**.
- Risk-taking and change-making are not praised values in our societies – **stability is**.
- Open competition and entrepreneurship are not (yet) assets in our economies – **protectionism and well-establishment (still) are**.

# Innovation iceberg



# Obstacles to innovation



# Innovation management – the object of management discipline

**On the other hand,** it is **crosscutting** – it embraces the areas as diverse as

- strategy planning,
- organizational management, incl. marketing
- production management, incl. product development
- financial management,
- personnel management,
- technology management,
- logistics and distribution management,
- ...etc.

# Innovation management – five activities

1. Establishing and maintaining a **business environment** that values innovation or stronger performance.
2. Creating a corporate **structure** where innovation is the **top priority**.
3. Developing a **company strategy** that encourages realistic innovations that will prove successful in the market.
4. Figuring out **where to find innovative ideas** and how to implement them once they are found.
5. Pursuing innovative ideas with full **company support and resources**.

# Changing things – innovation classification by content

## Product

*New end-products - capital goods (e.g.machinery), consumer goods, material or intellectual products, etc.), creation of production and use*

## Technological

**New technologies (production methods) - development and application of various activities**

## Social/nontechnological

**New economic, managerial, organizational and other structures and forms of development and implementation of various activities incl. design**

## Complex

**Synthesis of product, technological and social innovations**

# Innovation classification by level/scale of implementation - (what is new for...)



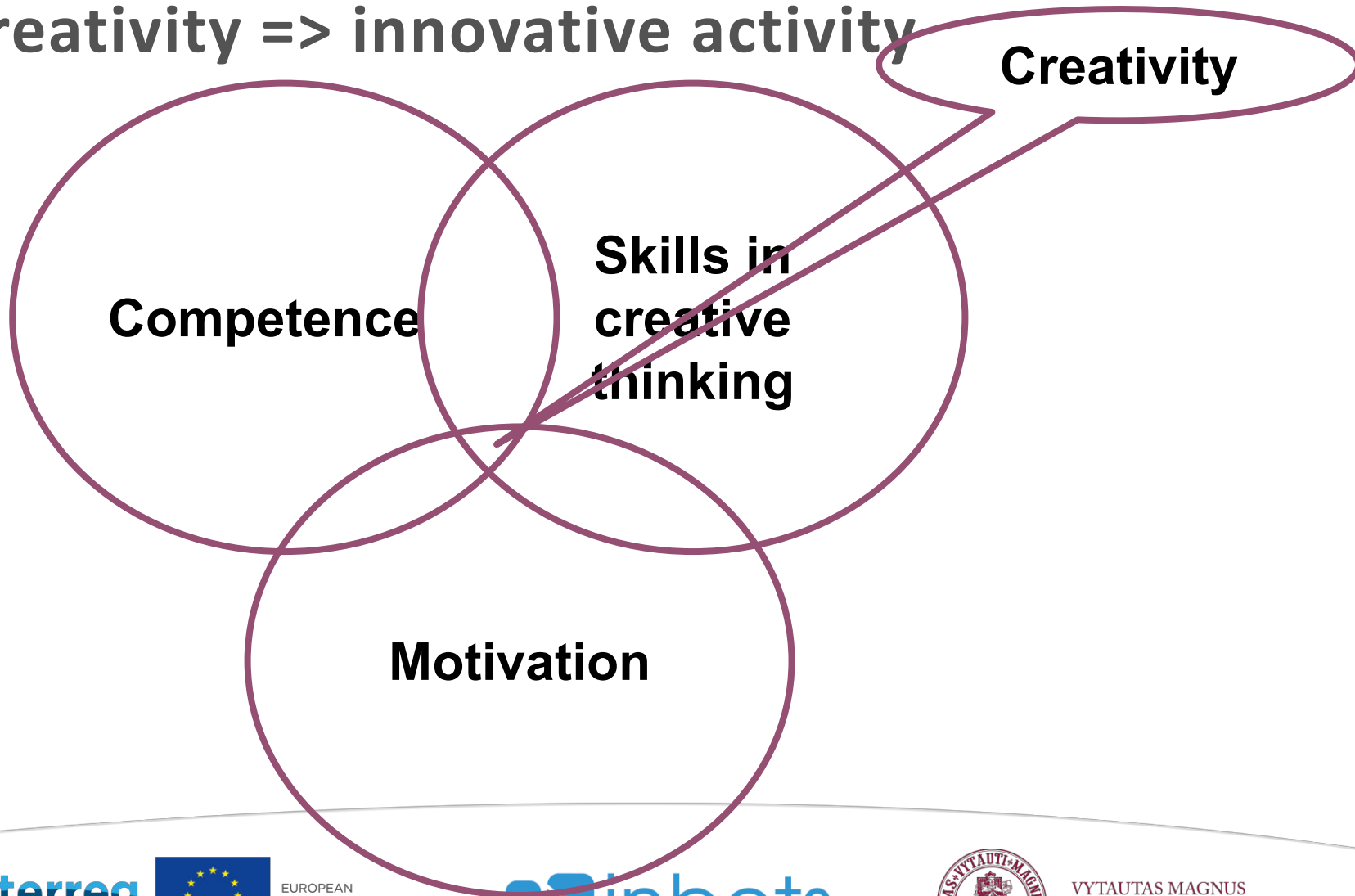


# Why creativity

## BTW, innovation is brought by people 😊

- Innovation is a **practice**, a ***mindset*** and a set of **skills...**
- Innovation is a **team activity** and **ability of an organisation**
- determined by **innovation leadership** and the collective **innovative capacity** of the team members and the people they collaborate with.
- Innovation is not a routine, it is made by targeted **projects**

# Creativity => innovative activity





# What's the difference between tigers?

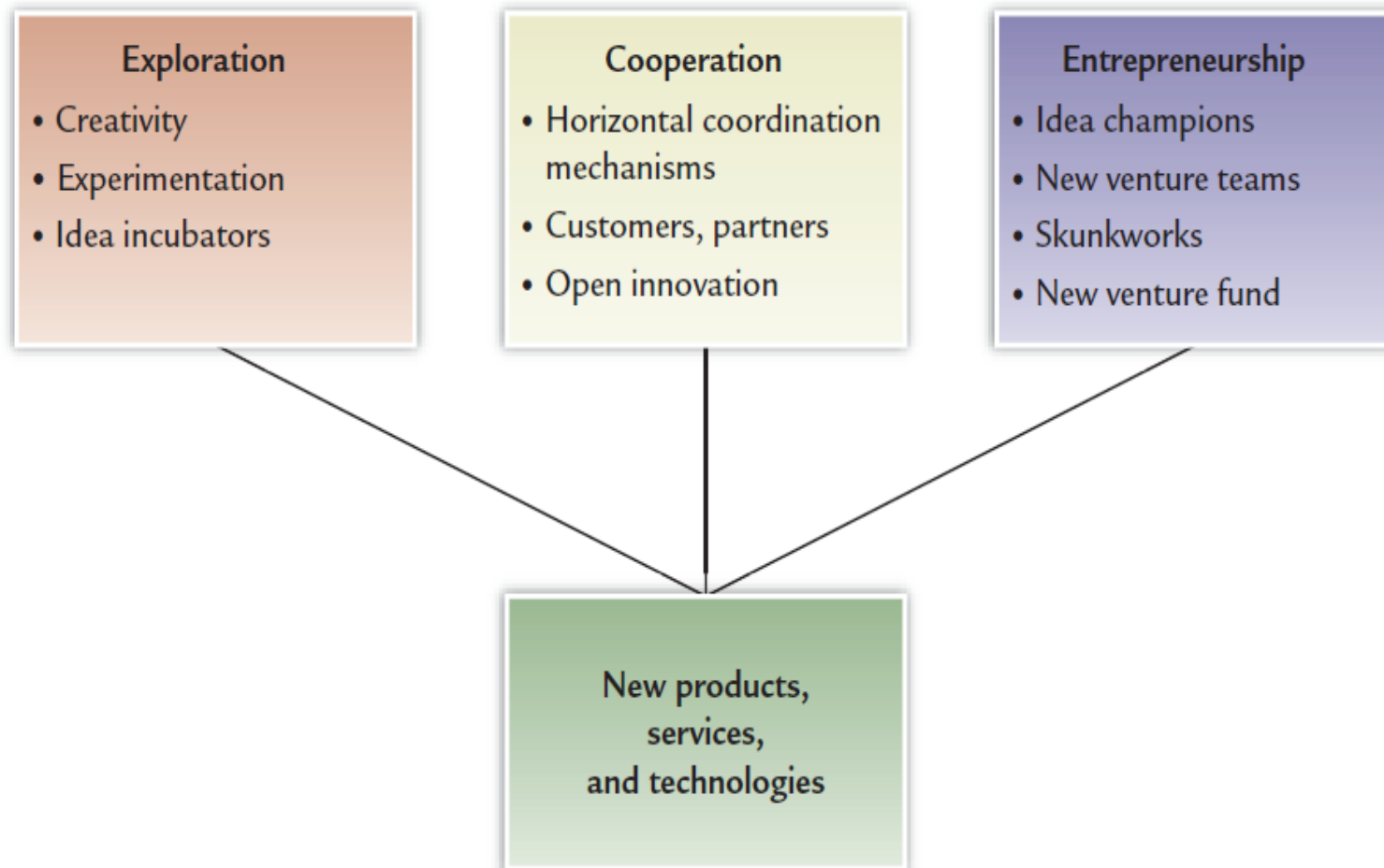




## HR: roles in the innovation process

- Innovation benefits from a diversity and experimentation, and also leadership
- Processual roles:
  - Idea generators – creativity, expertise
  - Champions – coordination, project management, etc.
  - Shapers
  - Gatekeepers – information, analysis, resources, critics
  - Coaching
- Sponsoring - resources

# Three Innovation Strategies



The Creative Individual	The Creative Organization or Department
1. Conceptual fluency Open-mindedness	1. Open channels of communication Contact with outside sources Overlapping territories; cross-pollination of ideas across disciplines Suggestion systems, brainstorming, freewheeling discussions
2. Originality	2. Assigning nonspecialists to problems Eccentricity allowed Hiring outside your comfort zone
3. Less authority Independence Self-confidence	3. Decentralization, loosely defined positions, loose control Acceptance of mistakes; rewarding risk-taking People encouraged to challenge their bosses
4. Playfulness Undisciplined exploration Curiosity	4. Freedom to choose and pursue problems Not a tight ship, playful culture, doing the impractical Freedom to discuss ideas; long time horizon
5. Persistence Commitment Focused approach	5. Resources allocated to creative personnel and projects without immediate payoff Reward system encourages innovation Absolution of peripheral responsibilities



# Innovation is for “everyone” and “everywhere”, isn’t it?

## Moving FROM...

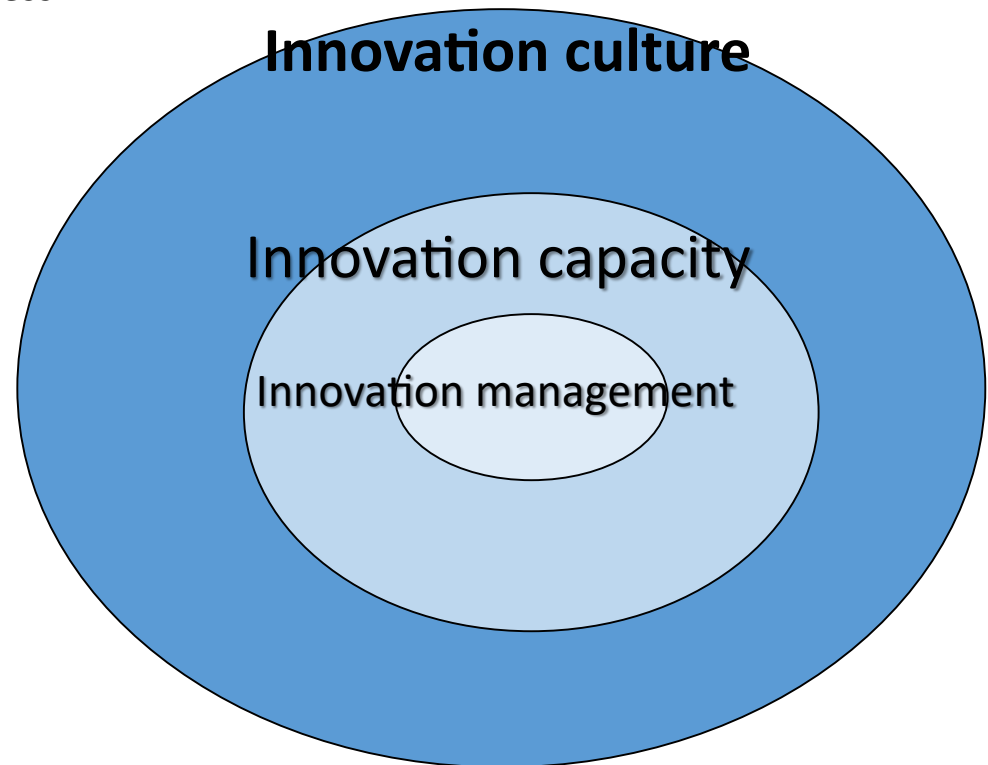
- Top down decisions
- Little tolerance to ambiguity
- Short-term operational focus
- Worry in (re)making mistakes
- Work within ‘own’ functions/tight rein on resource allocation
- Inside-out focus – current platforms/products, then client needs
- We have a lot of ‘good ideas’

## Moving TO...

- Co-creation of programs&initiatives
- Patience for messiness, risk, uncertainty
- Longer term promise
- Emphasis on learning
- Move freely/part-time mind share
- Outside-in focus – value innovation, user needs, brand promise, new technology
- Focused - portfolio approach

# Innovative enterprises – key aspects

- *New/extra added value* – the competitiveness driver
- New products/new processes
- Non-technological innovation
  - Management, marketing, logistics, distribution, design, etc.
- Exploitation of knowledge
  - Internal assets
  - Partnership/networking
- Team work, collective thinking, creativity
- Risk-taking, tolerance
- Struggling resistance
- Innovation management



# **Discussion.**

## **How to sustain innovation in business**

## Innovation Activity in Business – Key Driving Factors

### *Concepts*

- Processes
- Change
- Risk
- Productive knowledge
- Cultural environment
- Market
  - Trigger
  - Commercial success

### *Features*

- Innovation capacity & management
- Novelties - New products & new processes
- Mitigation capacity and favourable financing
- Access to knowledge and technology and knowledge transfer
- Innovation culture
- Market challenges
  - Access & partnerships
  - Value for Clients

## Questions/topics for discussion

1. Actions to preserve innovation activities during transfer
2. How and who initiates change(s)?
3. Do we accept the risks of change?
4. Can we put knowledge as assets on a balance sheet?
5. Can we be innovative in our (national, regional, local) environment?
6. “Innovators do not satisfy market needs, they create them”
7. Success in market - fruits of temporary monopoly (because of innovation)

# ... innovation does not wait

Good luck in  
transferring business  
innovation



## Thank you!



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EUROPEAN  
REGIONAL  
DEVELOPMENT  
FUND



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— MCMXXII —

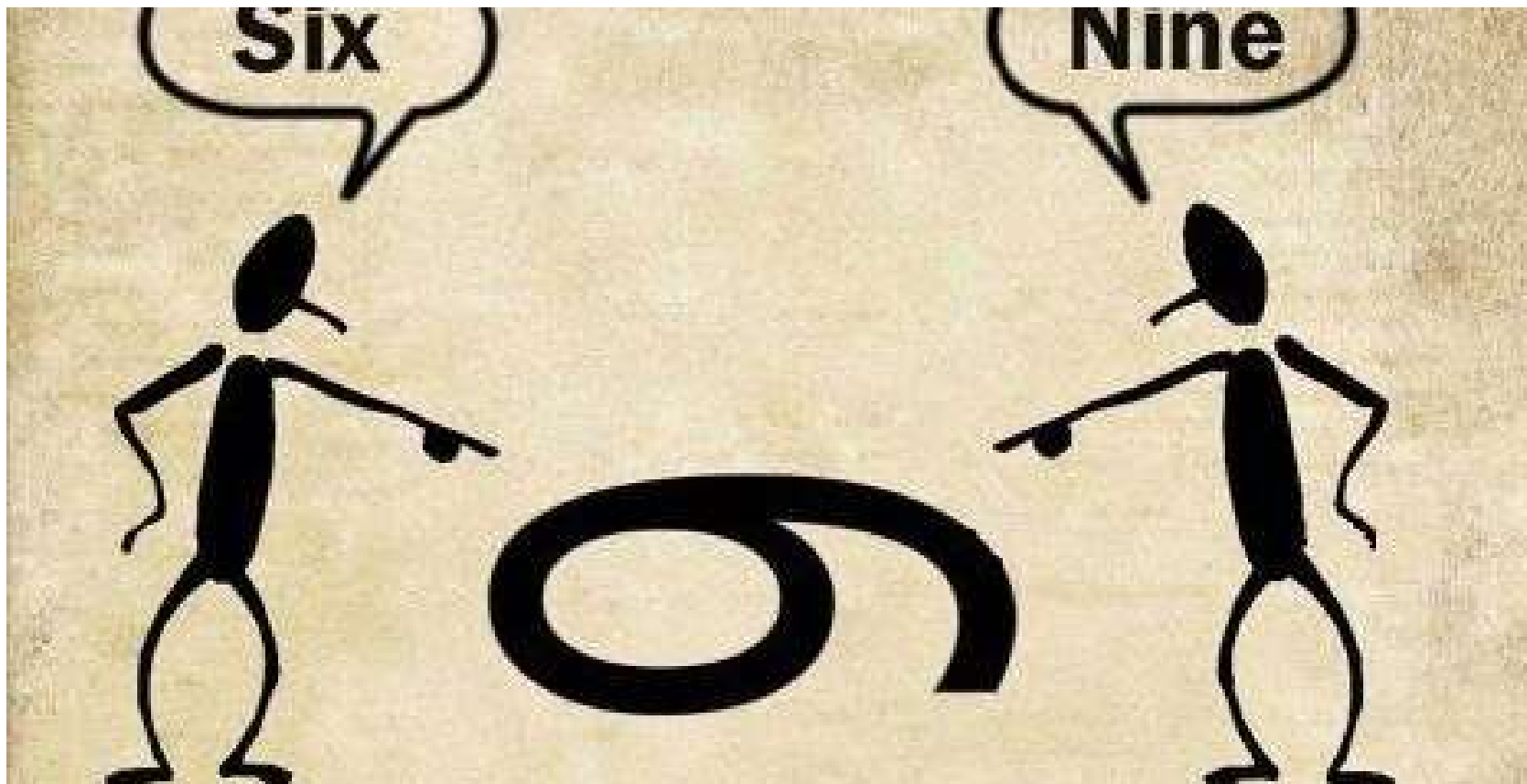
# Preparing, completing, evaluating start-up, takeover activities

## Train-the-Trainer Seminar

Audrius Zobotka, Project Content Coordinator,  
VMU, PP12

INBETSBSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

You just do not see the things from my side?





# MAIN MODULES OF ENTREPRENEURSHIP TRAINING CURRICULA

1. Determining corporate competitiveness;
2. Developing corporate government strategies;
3. Innovation management;
4. Basic computer skills, bookkeeping using commercial software;
5. Preparing, completing and evaluating start-up and takeover activities;
6. Human resources management & vocational education knowledge.

## 5. PREPARING, COMPLETING AND EVALUATING START-UP AND TAKEOVER ACTIVITIES

(sub-modules)

1. PREPARING, COMPLETING AND EVALUATING START-UP AND TAKEOVER ACTIVITIES;
2. ORGANISATION;
3. CORPORATE SUCCESSION;
4. ENTREPRENEURSHIP/ COMPANY START-UP;
5. THE RELIABLE DETERMINATION OF THE PURCHASE PRICE OF THE COMPANY TO BE TRANSFERRED;
6. FINANCING OF BUSINESSTRANSFER MODELS;
7. BUSINESSTRANSFER MODELS;
8. MATCHMAKING BETWEEN TRANSFEROR AND TRANSFEREE;
9. TRANSFER OF KNOWLEDGE.

# Model for the structure and sequence of the training and coaching program

Month from ... - until ...	Assessment	Individual Plans	Determining corporate competitiveness	Developing corporate government strategies	Innovation Management module	Basic Computer skills, bookkeeping using commercial software	Preparing, completing and evaluating start-up and takeover activities	Human Resources Management and vocational training	Examination	Coaching & Consultations
1										
2										
3										
4										
5										
6										
7										
8										
9										

# START-UP AND TAKEOVER ACTIVITIES

## Discussion

What criteria characterize the successful business transfer?

# START-UP AND TAKEOVER ACTIVITIES

## Discussion

Can the business take-over happen  
successfully without external  
consultancies?

Why (Y/N)?

# START-UP AND TAKEOVER ACTIVITIES

## Discussion

How to increase demand for business transfer?

Well done!

Thank you!



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# Labour Market 2020-2050: Changes and Trends



LABOUR MARKET  
IS A MYSTERIOUS THING



THIS IN 28 YEARS!

FUTURE PRESUMPTION



ONE CHANCE



LINK TO FUTURE



THE FUTURE IS NOT  
A MYSTERY



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# Labour Market 2020-2050: Changes and Trends



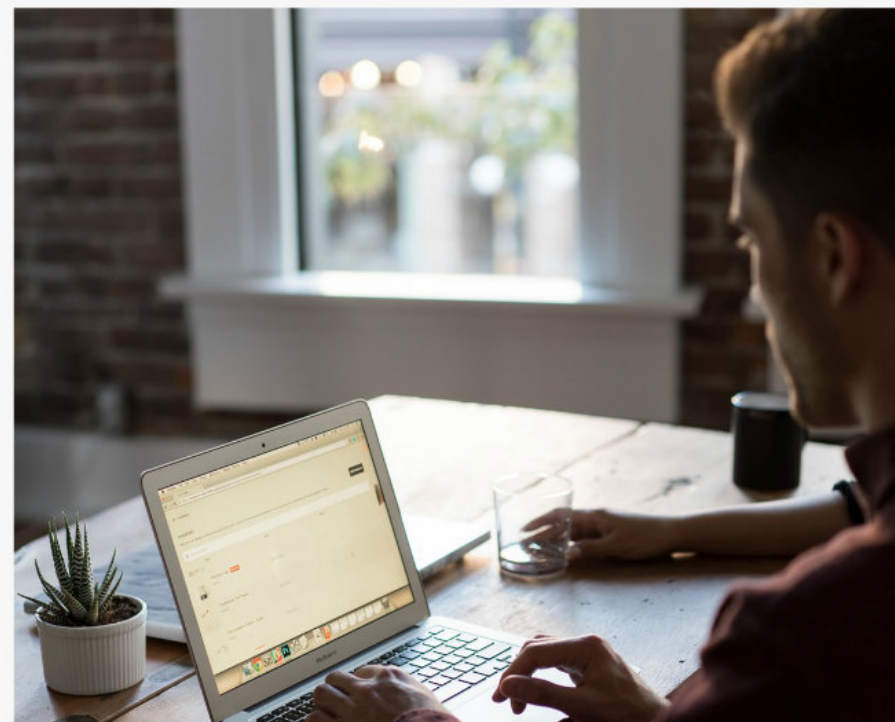
MASTER CLASS LIETUVA

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VADOVŲ PAIEŠKA

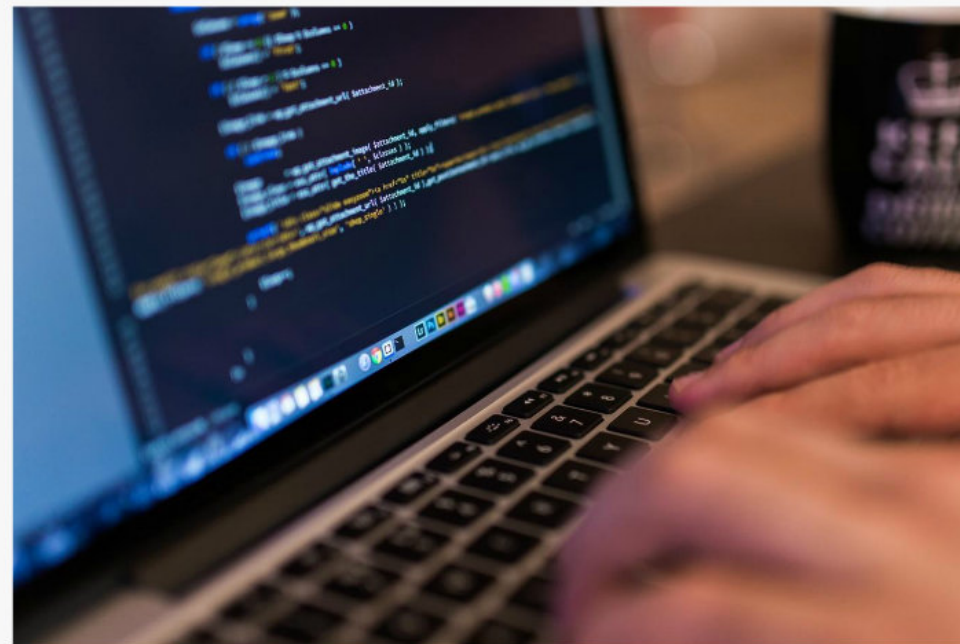
Laura Dukšaitė - Iškauskienė  
Master Class Lietuva

LABOUR MARKET  
IS A MYSTERIOUS THING











THIS IN 28 YEARS!

# FUTURE PRESUMPTION



ONE CAREER





# LOYAL TO PROFESSION



# PARTNERSHIP AT WORK

BORN IN THE 21ST  
CENTURY  
WHAT WILL THEY DO?

A man in a dark suit and light blue shirt is sitting at a wooden table in a dimly lit room, possibly a bar or restaurant. He is looking thoughtfully to the side, with his hand near his chin. On the table in front of him is a glass of amber-colored liquid, a book, and a bottle. The background shows wooden chairs and a rustic interior.

BETTER ENTREPRENEURS - LESS  
EMPLOYED, MORE INDEPENDENT





## NEEDS AND POSSIBILITIES AT WORK

# DURATION OF EMPLOYMENT IN ONE ORGANIZATION





# EXPECTATIONS FOR THE FUTURE



# VIETA, KURIOJE UGDOMI ATEITIES LYDERIAI

1991 m. įkurtas LCC tarptautinis u  
įsitvirtino ne tik mūsų šalyje, bet ir  
25-uosius gyvavimo metus pasitinka  
versiteto bendruomenė – auditorijose  
iš trisdešimties šalių, dirbantys kartu  
rikos, Kanados, Skandinavijos ir kitų  
ma, Lietuvos. Universitetas nuo pat  
vavo amerikietiškojo tipo *artes libera*  
visapusiškai ugdantį asmenybę.

Rasa Stamkauskienė

25 YEARS  
OF INTERNATIONAL  
EDUCATION





2050

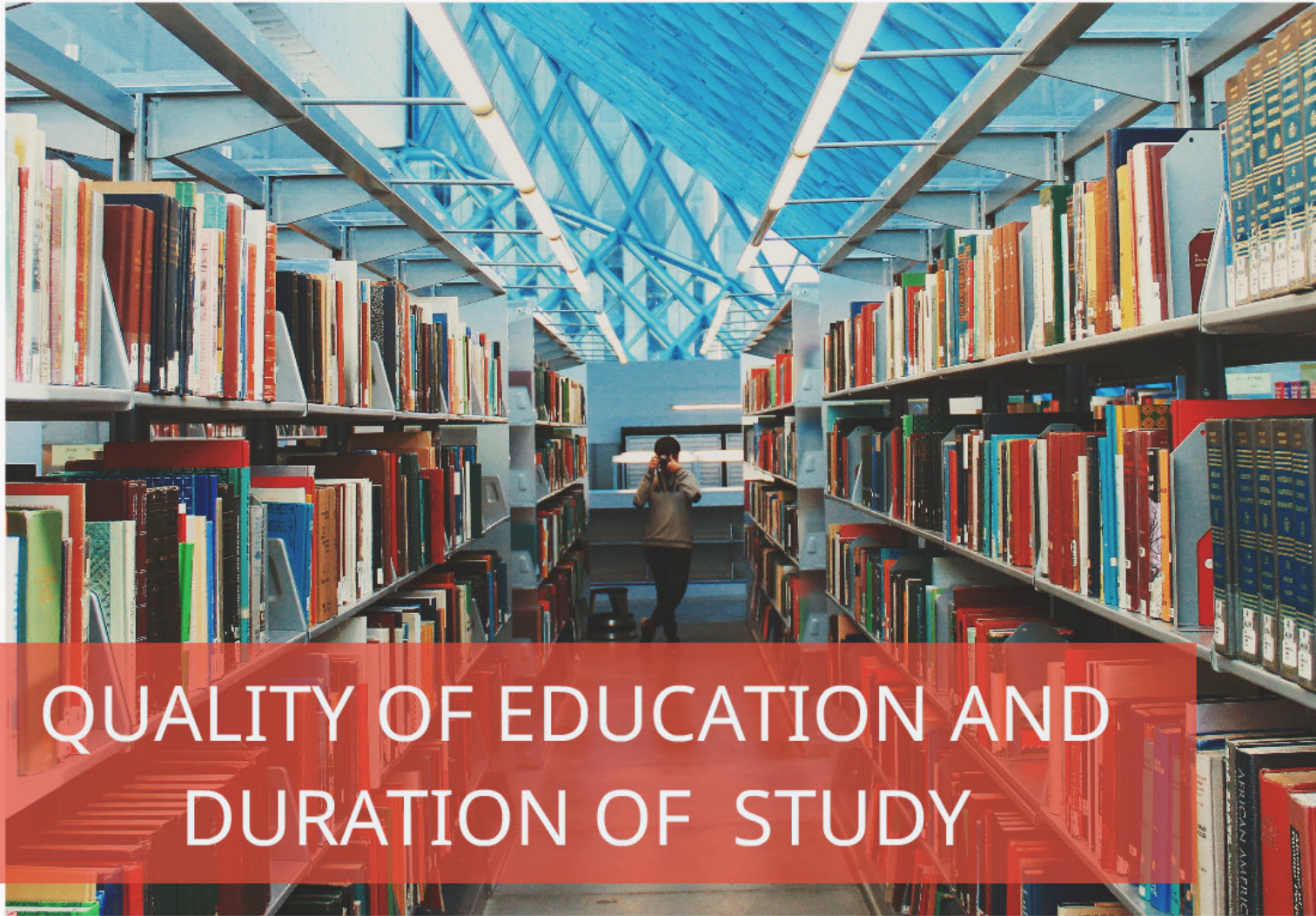


# HIGH INFLUENCE OF PARENTS



SOPHISTICATED IN TECHNOLOGY,  
FEW SOCIAL CONTACTS





# THANK YOU!

Laura Duksaitė – Iškauskienė  
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[www.masterclass.lt](http://www.masterclass.lt)



**MASTER CLASS LIETUVA**

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VADOVŲ PAIEŠKA



Growing Business  
Successors.  
With sparkles in their  
eyes, please!



„This will never happen to us..“





A simple fact many of us tend to ignore





35% of Fortune 500 companies are family owned businesses.

More than 30% of all family-owned businesses make the transition into the second generation.

12% will still be viable into the third generation.

Only 3% of all family businesses operating at the fourth-generation level and beyond.

<https://www.familybusinesscenter.com/resources/family-business-facts/>

Photo by [Vance Osterhout](#) on [Unsplash](#)





Photo by Vladimiras Ivanovas, "Verslo žinios"




"If this is such a crucial element of good business planning that it requires the attention of the boards of the world's largest companies, it is no less important for a small privately owned business where the 'bench' usually isn't very deep. Yet, it is quite possibly the last thing most owner-managers want to face."



Otis W. Baskin, Ph. D.,  
The Family Business  
Consulting Group



An aerial photograph of a four-way road intersection in a forest. The roads are light-colored and cross at the center. A small dark car is at the intersection. The surrounding forest is dense with trees showing autumn colors of brown, orange, and yellow. There are three semi-transparent grey boxes with white text overlaid on the image: 'SELL' in the top-left quadrant, 'PASS OWNERSHIP AND MANAGEMENT' in the bottom-center, and 'RETAIN OWNERSHIP, NOT MANAGEMENT' in the top-right quadrant.

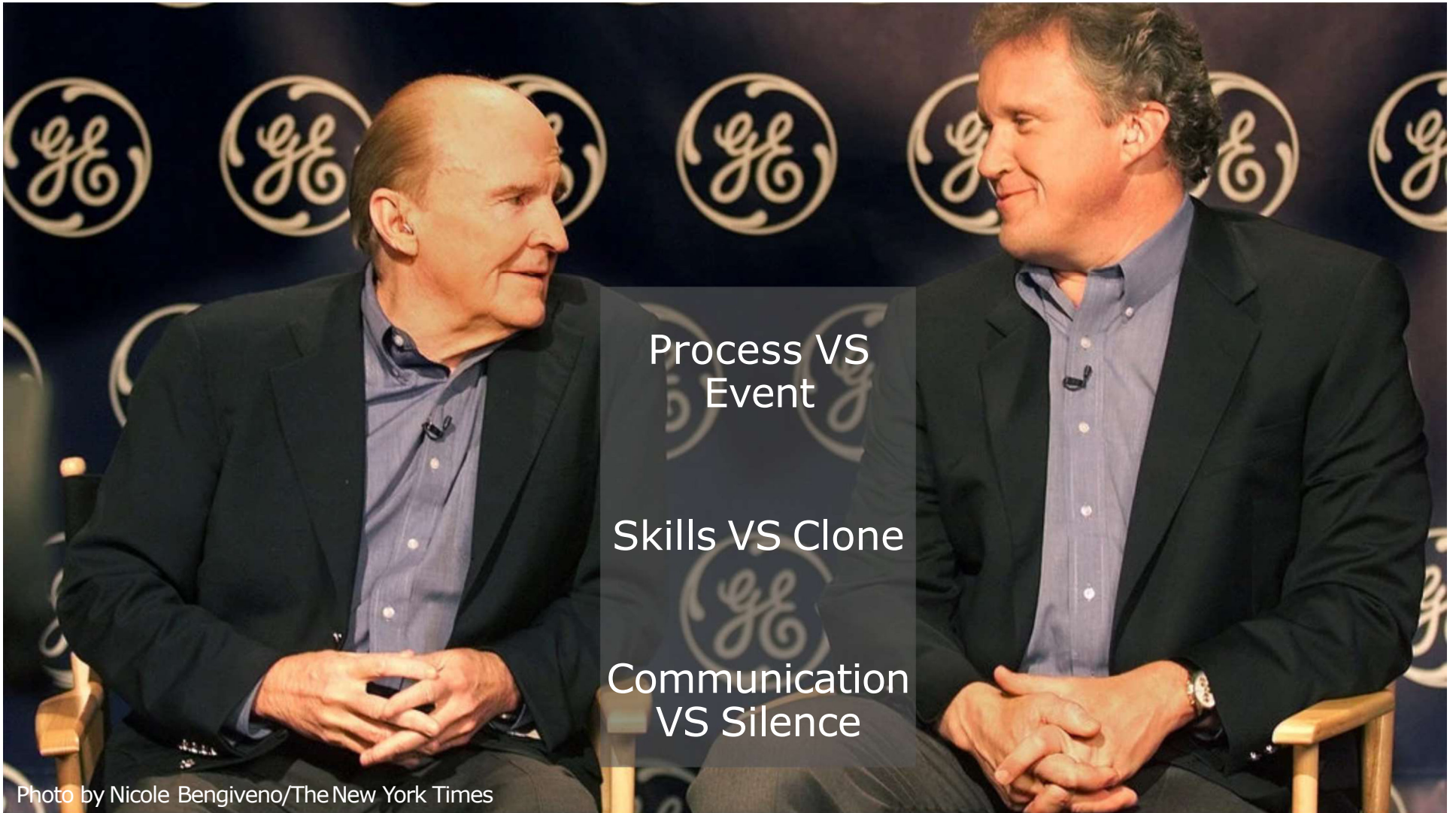
SELL

RETAIN  
OWNERSHIP, NOT  
MANAGEMENT

PASS OWNERSHIP  
AND  
MANAGEMENT

Photo by [Marc Schäfer](#) on [Unsplash](#)






Process VS  
Event

Skills VS Clone

Communication  
VS Silence

Photo by Nicole Bengiveno/The New York Times

A photograph of a person standing on a tall, narrow ladder that extends from the bottom left towards the center of the frame. The person is seen from behind, wearing a light-colored t-shirt and dark shorts, with their right arm raised towards the sky. The background is a vast blue sky filled with soft, white clouds. On the right side of the image, there is a semi-transparent dark grey rectangular box containing white text.

ANTICIPATE your  
needs  
GROW your leaders  
ASSESS their  
performance  
PREPARE potential  
successors  
GET GOING!

Photo by [Samuel Zeller](#) on [Unsplash](#)



## Are You Growing Great Leaders?

*A checklist for senior executive teams*

1. Have you crafted a clear policy that encourages employees to develop expertise and vision outside their current business units, functions, and regions?      yes ☐      no ☐
2. Do you seek candidates from other units when trying to fill key openings?      yes ☐      no ☐
3. Have you created formal mechanisms (such as leadership groups or task forces) that bring together high-potentials from across your company so managers can discuss the natural tensions and conflicts inherent in leadership?      yes ☐      no ☐
4. Are leaders rewarded for sending talented employees outside their domains and for accepting individuals from other areas for developmental purposes?      yes ☐      no ☐
5. Will strong individual contributors and successful business builders who fail to pay attention to broad enterprise priorities continue to make it to the senior executive team in your company?      yes ☐      no ☐

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Source: <https://hbr.org/2004/12/how-to-grow-great-leaders>

But there's a problem **sometimes...**

---

~~~~~  
~\\_(\ツ)\\_/  
~~~~~  
**MEH!**



technologijos.lt g you to eat fish...

---

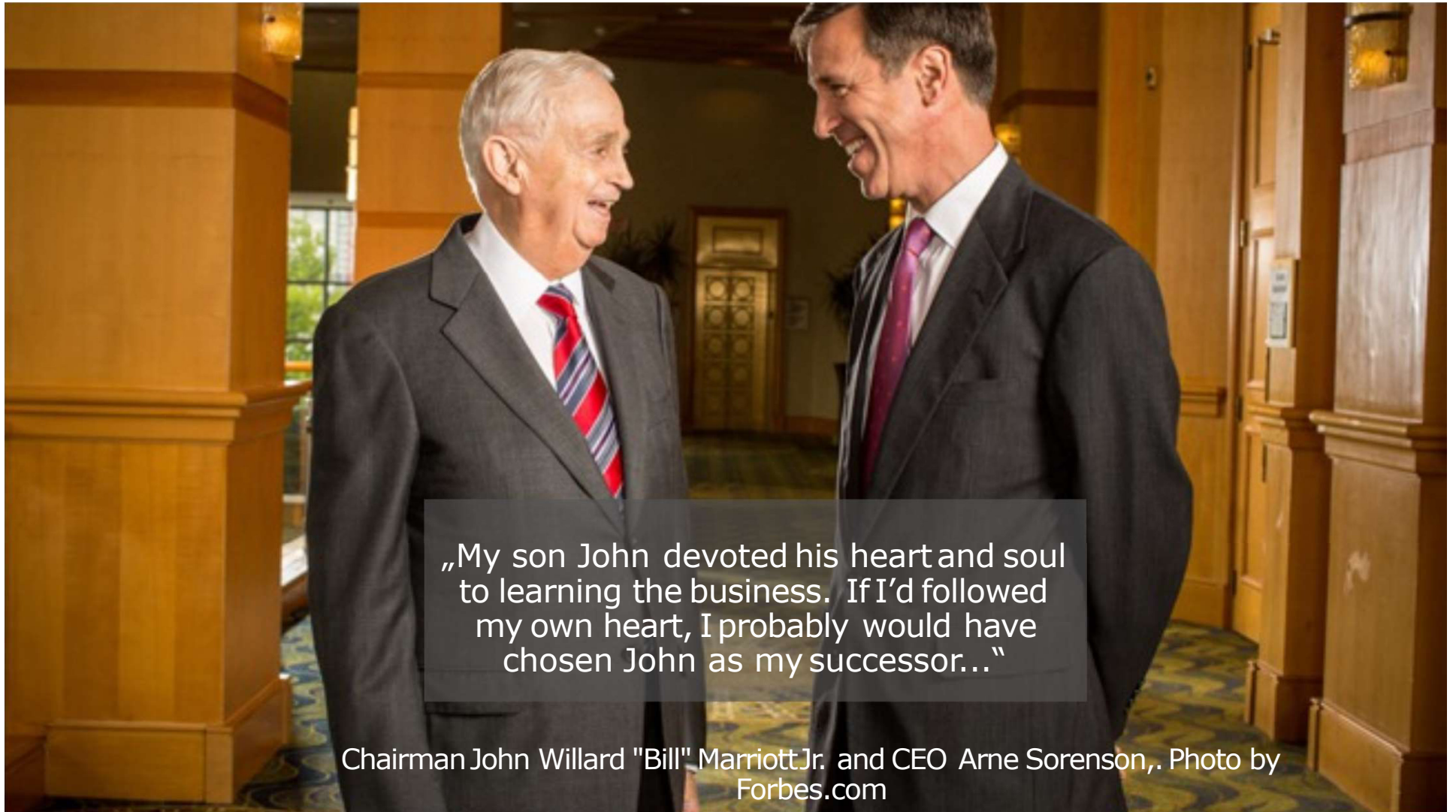


"Architecture was my dream, but father slammed his fist to table: I must study management! He was really concerned that me and my brother follow his footsteps. And I can't say, that I'm angry about it, not at all. When you are 16, it's hard to figure out, what you want in life".

"I used to say: father, how can you imagine me working for you since I don't even like fish? And he replied: I'm not asking you to eat fish, you need to sell it!"

Dainius Matijošaitis, brand manager,  
„Vičiūnai“.





„My son John devoted his heart and soul to learning the business. If I'd followed my own heart, I probably would have chosen John as my successor...”

Chairman John Willard "Bill" Marriott Jr. and CEO Arne Sorenson,. Photo by Forbes.com



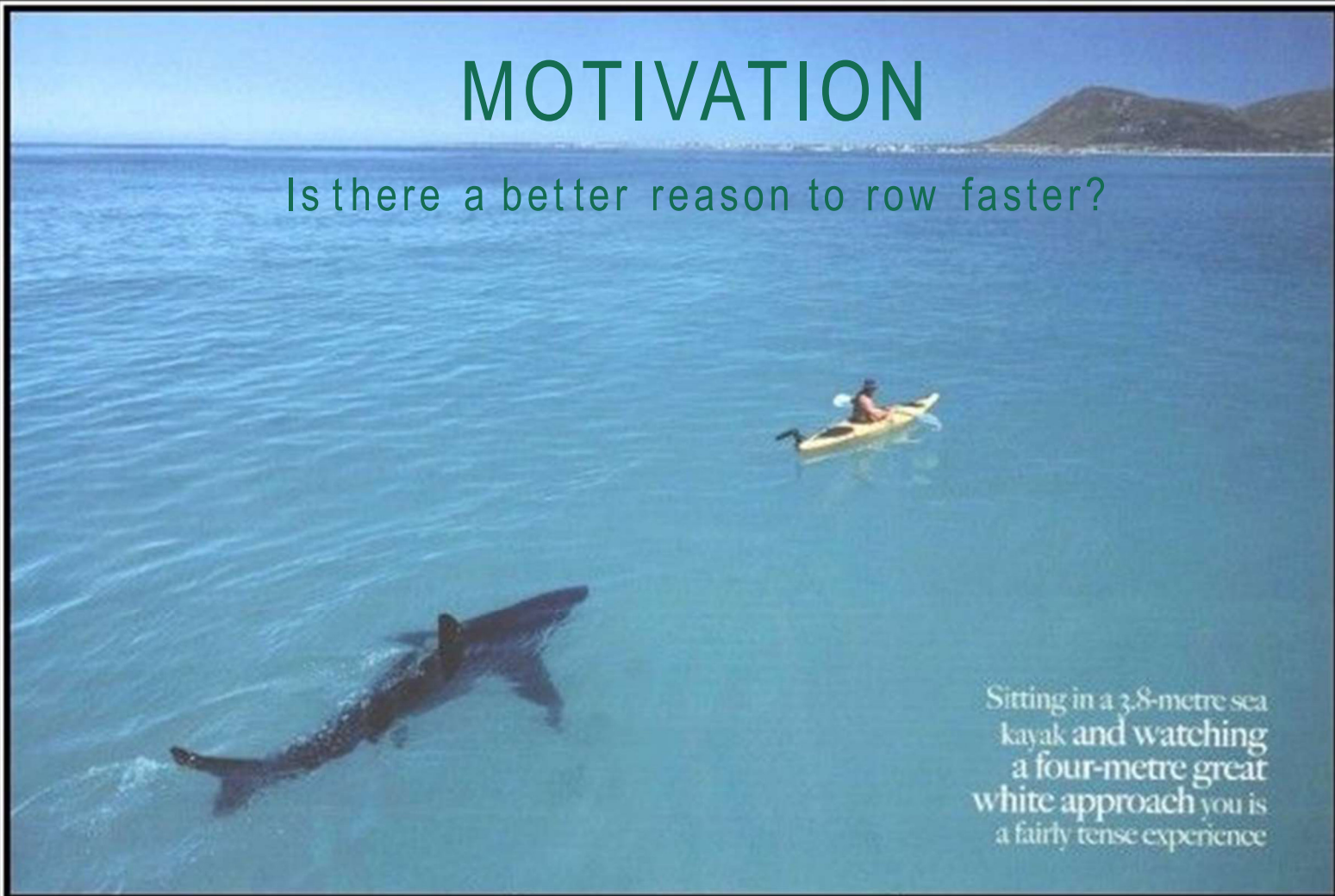


PASSION LED US HERE

Photo by [Ian Schneider](#) on [Unsplash](#)

# MOTIVATION

Is there a better reason to row faster?



Sitting in a 3.8-metre sea  
kayak and watching  
a four-metre great  
white approach you is  
a fairly tense experience





Juliauskalinsko/15min.lt nuotr./Petras Masiulis

18 © Fabula Hill Knowledge Strategies





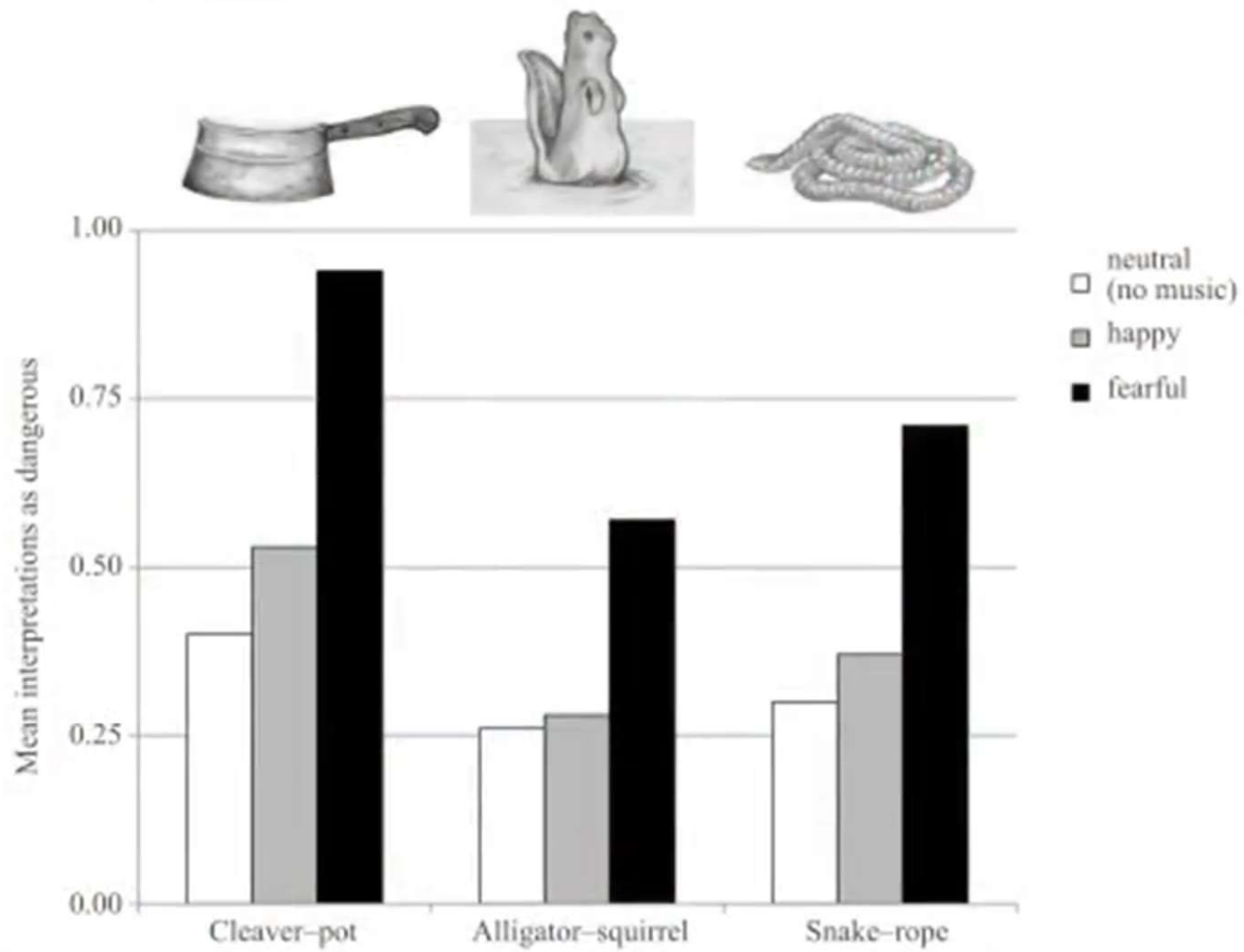
(a)



(b)

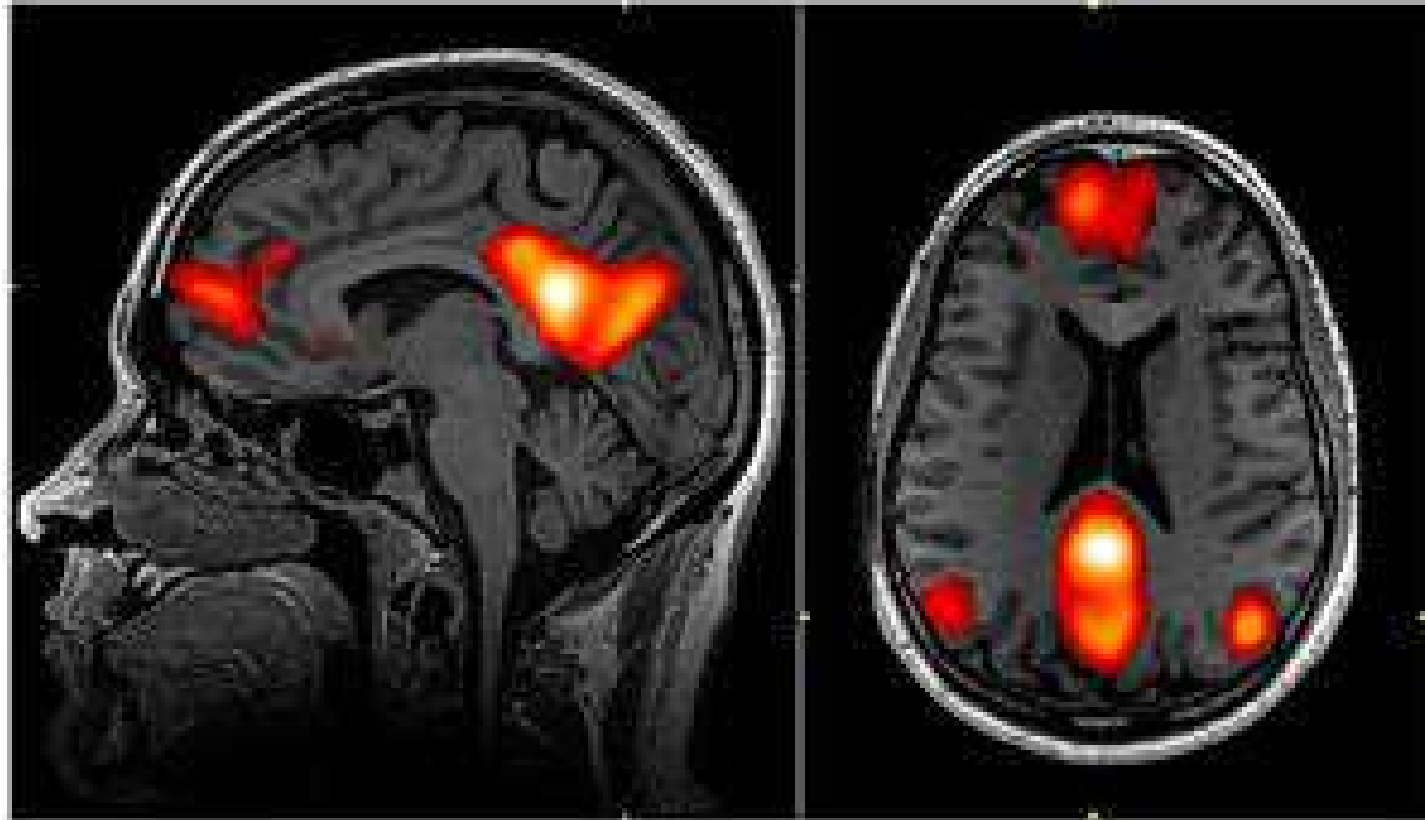


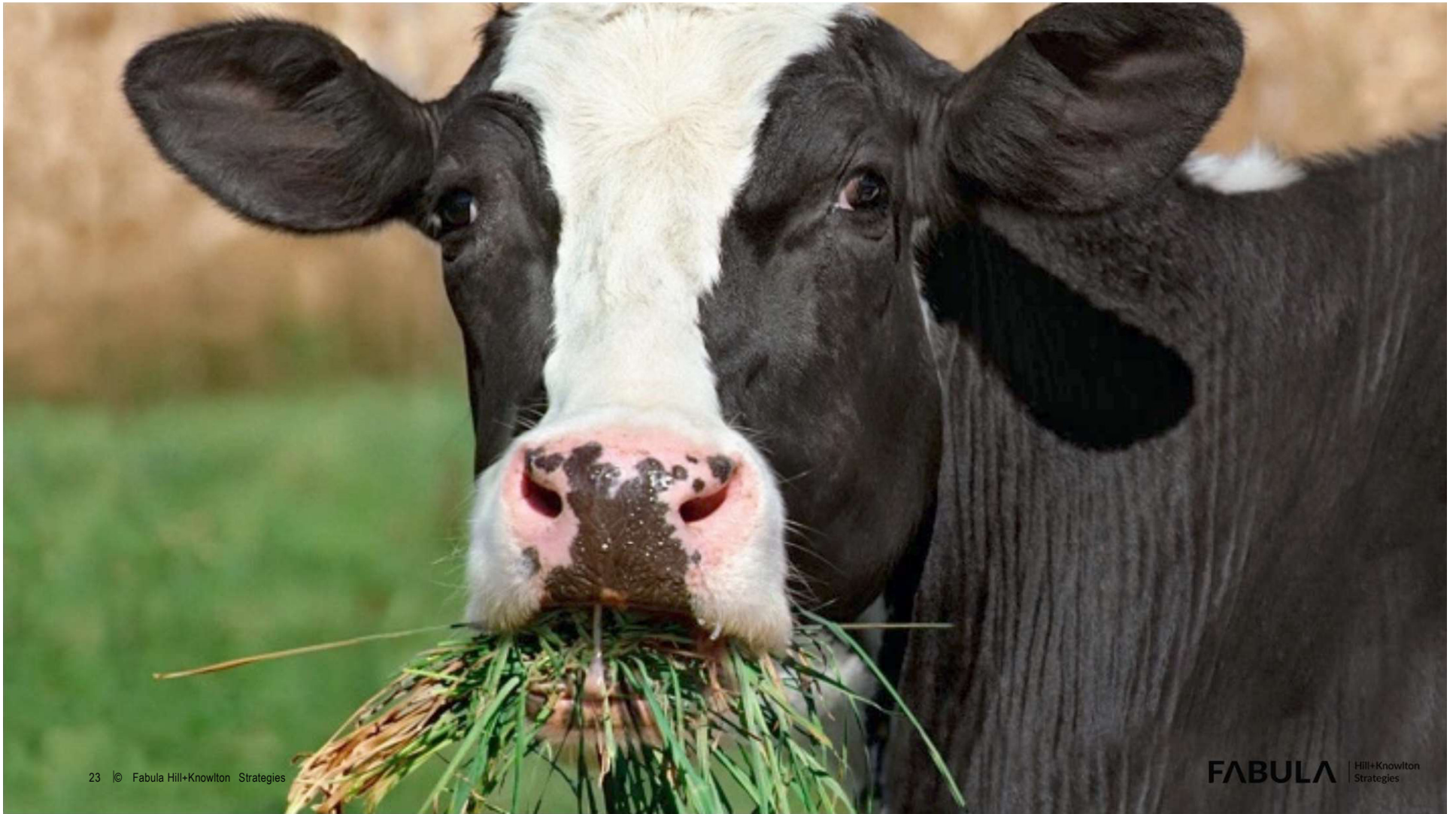
(c)





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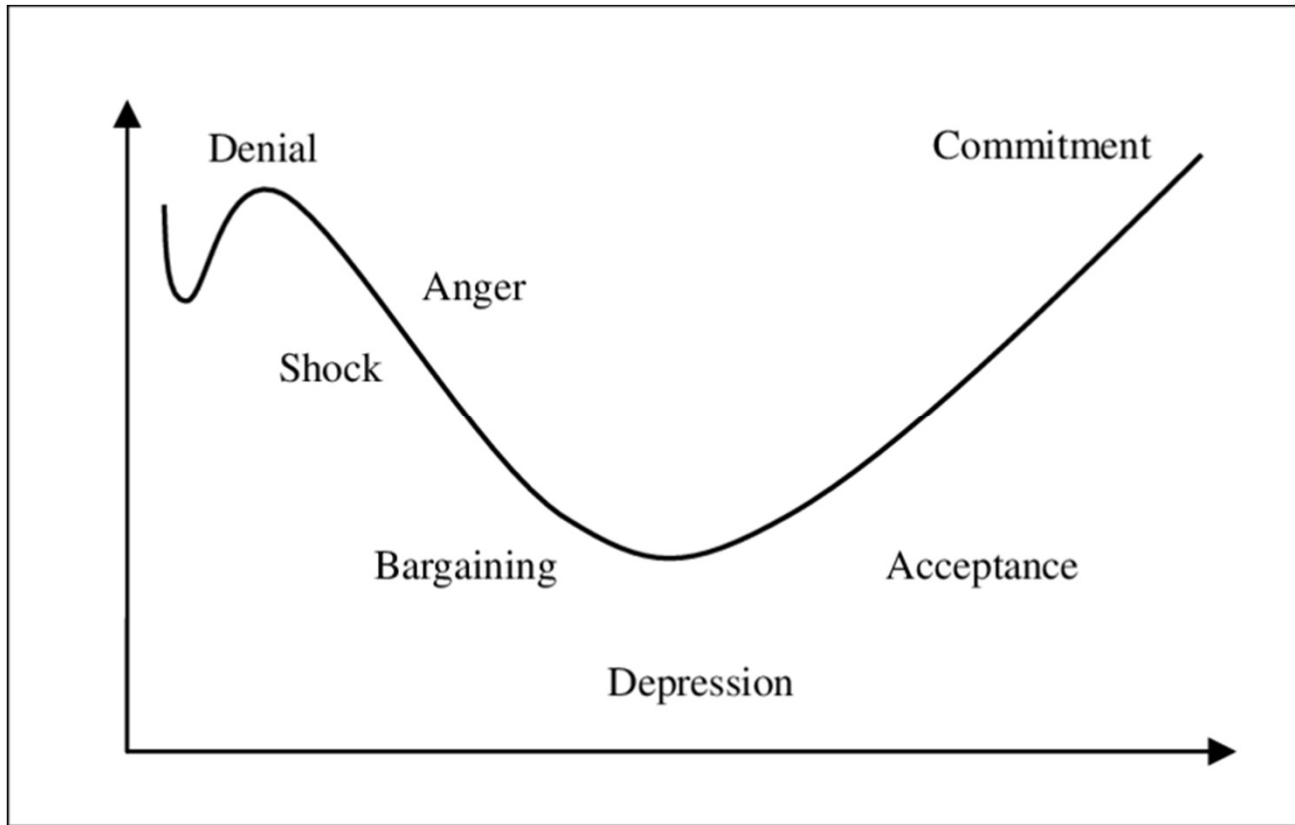






BN1

## Our Typical Reaction to Change



Kübler-Ross, Change Curve (1969)

















Implications for growing a leader?

---

1. Set clear goals.
2. Provide constant feedback.
3. Help him or her believe that the goal is achievable



# THE MOUNTAIN MAN

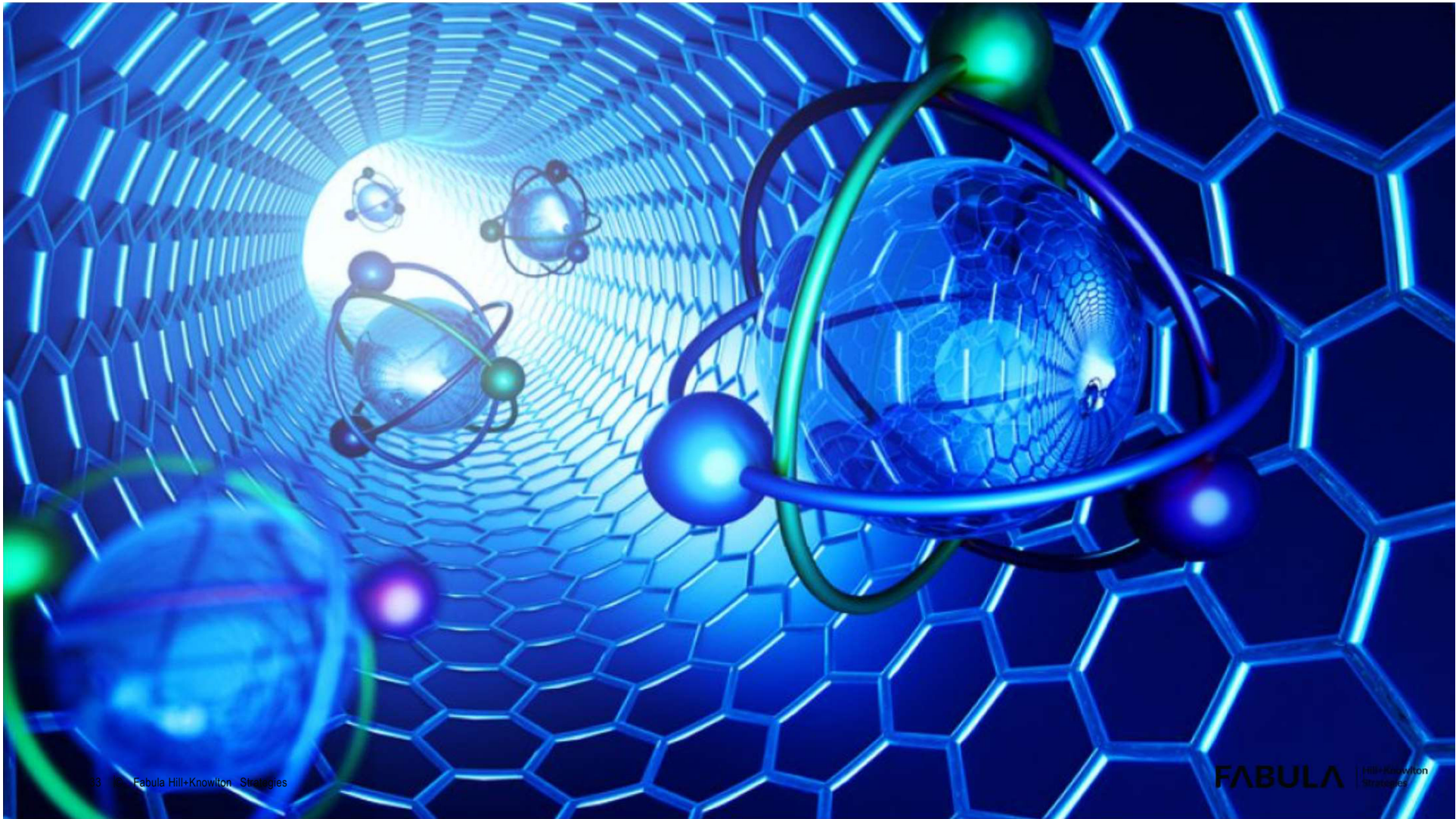
*Dashrath Manjhi*

iDishoom

[www.ignitingminds.co.in](http://www.ignitingminds.co.in)

owlton  
ies







## In practice

---

1. Design a new car
2. Create a movie worthy of an Oscar
3. Fly humans to Mars
4. Stop climate change
5. Cure cancer
6. You Name It...

## Implications for growing a leader?

---

1. Set clear goals.
2. Provide constant feedback.
3. Help him or her believe that the goal is achievable.
4. Convey meaning.

## Because meaning is what the future leaders seek

89% define success as having a positive impact upon society and others

63% share the view that too many businesses avoid taking a stand

67% said that business success depends on developing a set of soft skills – most importantly problem-solving, communication, decision-making and leadership skills.

Source: <https://www.sbs.ox.ac.uk/news/future-leaders-motivated-sense-purpose-according-new-oxford-said-survey>

The rest of people too...

**70%**

*want to work for  
an organisation  
with a powerful  
social conscience*

**73%**

*see a positive future – up  
from 66% in 2014*

### ***Ready to take action – if they have to***

Three-quarters of people said they were 'Ready to learn new skills or completely re-train in order to remain employable in the future'. Older workers with less years left in the workforce, were not quite so ready to think about a whole new set of skills – but 59% of Baby boomers globally (aged between 53 and 71 in our study) said they would do so if necessary. People in the UK (62%) and Germany (65%) were less willing to retrain.

## **Workforce of the future**

*The views of 10,000 workers*



### ***Leaders for today and tomorrow***

Sixty-nine percent of people surveyed think they have leadership skills. In line with gender stereotypes, more men (73%) say they would make good leaders than women (66%) – but there is a bigger difference in the numbers between genders in the UK, US and Germany. In India and China the sexes rank their leadership skills equally – but the population in India is again much more confident of their skills.

But what makes good leaders? The sexes reverse when it comes to a question of emotional intelligence with 80% of women saying they have this attribute against 72% of men.

## Meaning and motivation: a matter of values





## A FIT BETWEEN INDIVIDUAL AND ORGANIZATIONAL VALUES AND ITS IMPLICATIONS FOR EMPLOYEES' JOB SATISFACTION AND PERFORMANCE

Danuta Diskienė, Vytautas Goštautas \*  
*Vilnius University, Lithuania*

Managers of the companies should invest more in communicating the organizational values to the employees from the beginning of job relations; the opinion of the employees about the company values should be developed, and the awareness of it should be encouraged through training, coaching, and development initiatives.

The employer should try to explore the values of the employees and to level them with the organization's values to attain the best possible match between person and organization. In a small company, this task can be easily done by managers, whereas in a large-scale organization these processes should be done by top management through leadership skills and by the HRM department by day-to-day operations.

## Focus on what matters

---



Jonathan Gilinski, serial entrepreneur,  
executive director of CapsCanada, and  
founder of Capsuline

Pursuing your dreams will help you avoid distracting temptations and enable you to focus on the subjects that mean the most to you.

Find a passion that inspires you to achieve greatness. Follow it and run with it, pushing out any obstacles and distractions that impede you from reaching your goal. Keep your eye on the prize! It's easy to succumb to temptation when your energy is not completely focused.

Pharmaceuticals and drug development are my abundant sources of inspiration. I implore you to go out and discover your own.

Source: <https://articles.theoracles.com/11-ways-to-stay-motivated-according-to-highly-successful-business-people-b350e92a36a>



Accountability	Creativity	Fluency	Loyalty	Service
Accuracy	Curiosity	Focus	Making a difference	Shrewdness
Achievement	Decisiveness	Freedom	Mastery	Simplicity
Adventurousness	Democraticness	Fun	Merit	Soundness
Altruism	Dependability	Generosity	Obedience	Speed
Ambition	Determination	Goodness	Openness	Spontaneity
Assertiveness	Devoutness	Grace	Order	Stability
Balance	Diligence	Growth	Originality	Strategic
Being the best	Discipline	Happiness	Patriotism	Strength
Belonging	Discretion	Hard Work	Perfection	Structure
Boldness	Diversity	Health	Piety	Success
Calmness	Dynamism	Helping Society	Positivity	Support
Carefulness	Economy	Holiness	Practicality	Teamwork
Challenge	Effectiveness	Honesty	Preparedness	Temperance
Cheerfulness	Efficiency	Honor	Professionalism	Thankfulness
Clear-mindedness	Elegance	Humility	Prudence	Thoroughness
Commitment	Empathy	Independence	Quality-orientation	Thoughtfulness
Community	Enjoyment	Ingenuity	Reliability	Timeliness
Compassion	Enthusiasm	Inner Harmony	Resourcefulness	Tolerance
Competitiveness	Equality	Inquisitiveness	Restraint	Traditionalism
Consistency	Excitement	Insightfulness	Results-oriented	Trustworthiness
Contentment	Expertise	Intelligence	Rigor	Truth-seeking
Continuous	Exploration	Intellectual Status	Security	Understanding
Improvement	Expressiveness	Intuition	Self-actualization	Uniqueness
Contribution	Fairness	Joy	Self-control	Unity
Control	Faith	Justice	Selflessness	Usefulness
Cooperation	Family-orientedness	Leadership	Self-reliance	Vision
Correctness	Fidelity	Legacy	Sensitivity	Vitality
Courtesy	Fitness	Love	Serenity	



The oldest and strongest emotion of  
mankind is fear, and the oldest and  
strongest kind of fear is fear of the  
unknown

— *H. P. Lovecraft* —

AZ QUOTES





Photo by Senia Rizvić on Unsplash

# Group discussion



What are your stories and experiences? What motivated you to come where you are today? This hall? Your profession?

How would you even start a conversation about succession with a business owner?

Who should assume responsibility  
for education of future business  
leaders in the company?



In your opinion and experience:  
what works and what doesn't work  
when trying to motivate someone to  
become and/ or do something?

What process, tools and methods would you suggest for a company to grow its future leaders? How could you help?

What would your group suggest to increase general SME's awareness and readiness to delve into the succession matter?

# Dirbkime kartu!

Fabula Hill+Knowlton Strategies

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# Train-the-Trainer Seminar

## Tools for Corporate Transition

Karolis Pocius, Corporate Finance and M&A Professional

INBETS BSR Project Seminar, 6-7 May 2019 Vilnius, Lithuania

# Topics for today

## I. Corporate M&A Market

## II. Conditions for the deal to happen

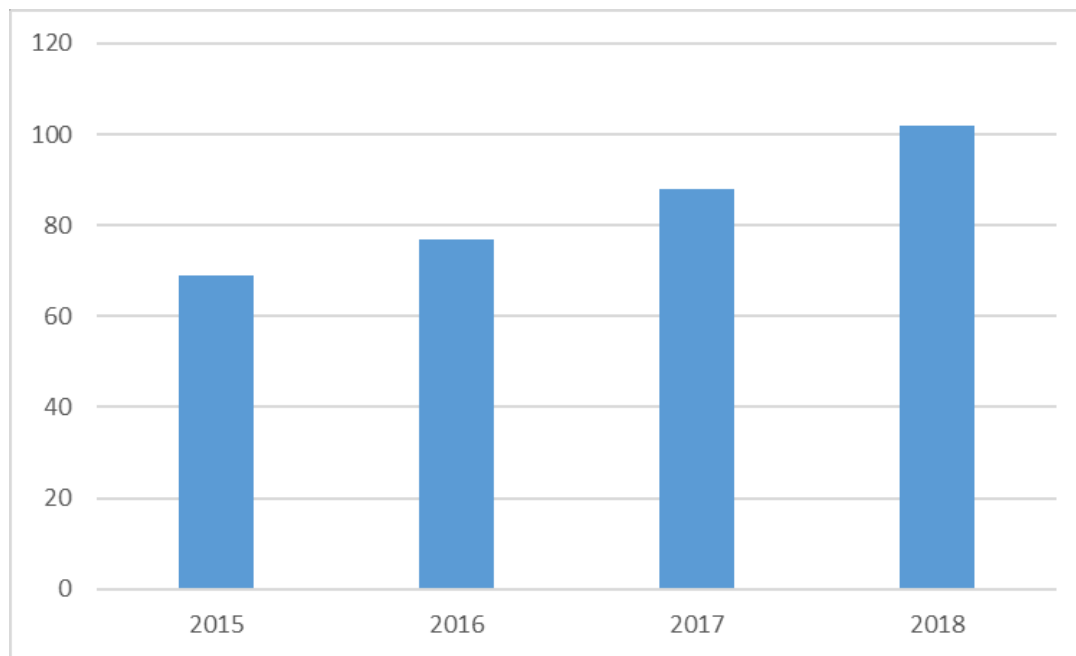
### Case analysis: Milkman & Co

## III. Transaction process

## IV. Why transfers fail

# I.1 Corporate M&A market activity 2015 - 2018

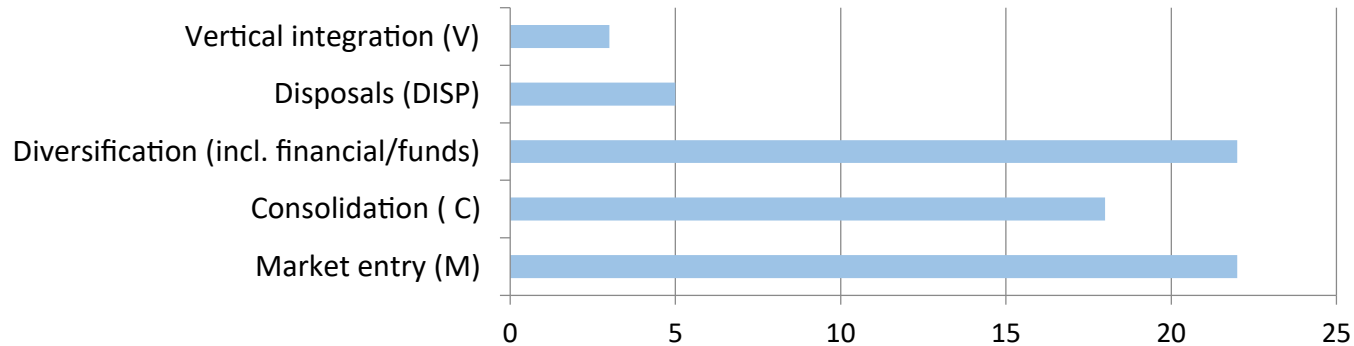
## M&A Transactions over 0.1 million EUR (2017)



Source: vz.lt, FAA



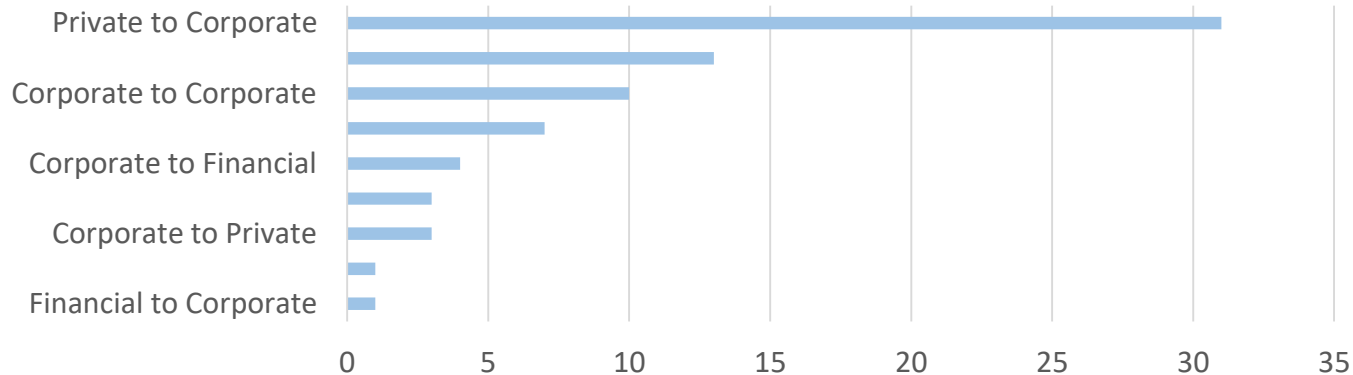
## I.2 M&A Transaction by Purpose of Investment (2017)



Data: 2017 /  
Source: FAA  
(finansai.lt)  
own analysis

Legend	
Vertical integration	Companies acquiring to integrate towards the clients (downstream) or resources (upstream)
Disposals	Corporate spin-offs, sales of subsidiaries
Diversification	Acquisitions in slightly or not related business segments, including acquisitions by financial institutions, funds
Consolidation	Acquirers consolidating their positions in the market
Market entry	Acquiring core businesses in foreign geography for the first time

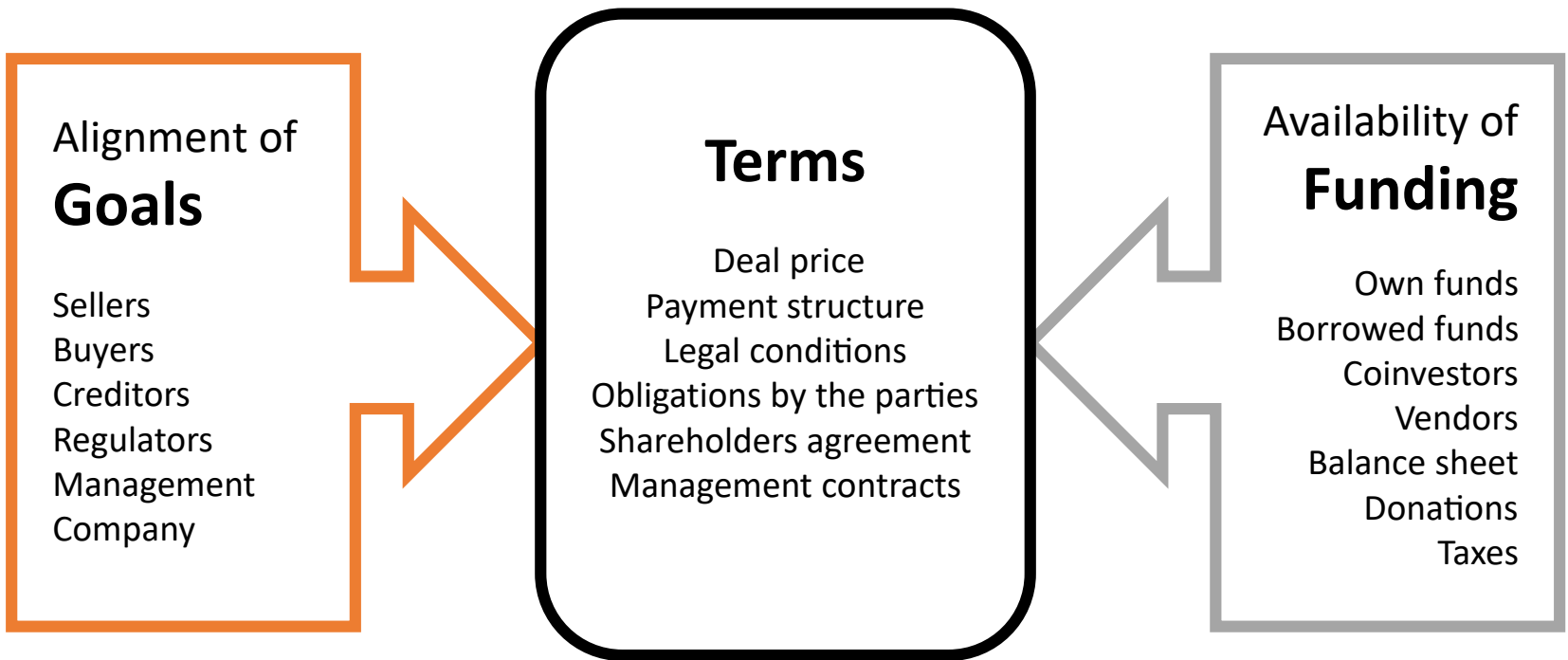
## I.3 M&A Transactions by Transfer Model (2017)



*Data: 2017 /  
Source: FAA  
(finansai.lt)  
data; own  
analysis*

Legend		
Private to	Corporate:	Private owners selling to companies or groups
	Financial:	Private owners selling to funds
	Private:	Private owners selling to private owners
Corporate to	Corporate:	Corporates selling to corporate investors
	Private:	Corporations selling to private owners
	Financial:	Corporates selling to funds
Financial to	Corporate:	Funds selling to corporates
	Financial:	Funds selling to funds
Management buy-out/in	Sort of transfer to private owners - managers, usually with an aid from financial investors or creditors.	
	* Buy-out happens when existing managers buy out other shareholders;	
	* Buy-in happens when shares are sold to outside team of managers	

## II. Conditions for the Deal to Happen



## II.1 Alignment of Goals

Stakeholders	May want to achieve:	
Sellers	<ul style="list-style-type: none"> <li>• Higher exit price</li> <li>• Faster payment schedule</li> <li>• Less post- deal obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Or, retention of their legacy</li> <li>• Disproportionate return vs. inactive shareholders</li> </ul>
Buyers	<ul style="list-style-type: none"> <li>• Smaller entry price</li> <li>• Slower payment schedule</li> <li>• Risk reducing covenants</li> </ul>	<ul style="list-style-type: none"> <li>• No burdening takeover conditions</li> <li>• Motivated management</li> </ul>
Managers	<ul style="list-style-type: none"> <li>• Security of their positions</li> <li>• Remuneration for the achieved exit</li> <li>• Acceptable reputation of the new owners</li> </ul>	<ul style="list-style-type: none"> <li>• Forward – looking compensation scheme</li> <li>• Smaller financial burden</li> <li>• Clear/balanced strategic and financial goals</li> </ul>
Employees/ Company	<ul style="list-style-type: none"> <li>• Job security</li> <li>• No additional workload without compensation</li> <li>• Sustainable strategy and goals</li> </ul>	<ul style="list-style-type: none"> <li>• Acceptable reputation of the owners</li> <li>• Clear transition plan and implementation</li> <li>• Union rights and influence retention</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• No abnormal concentration</li> <li>• No reputational hazards</li> </ul>	<ul style="list-style-type: none"> <li>• Work place retention</li> <li>• No environmental or social hazards</li> <li>• No State security hazards</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>• No reputational risks</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable servicing plan</li> </ul>

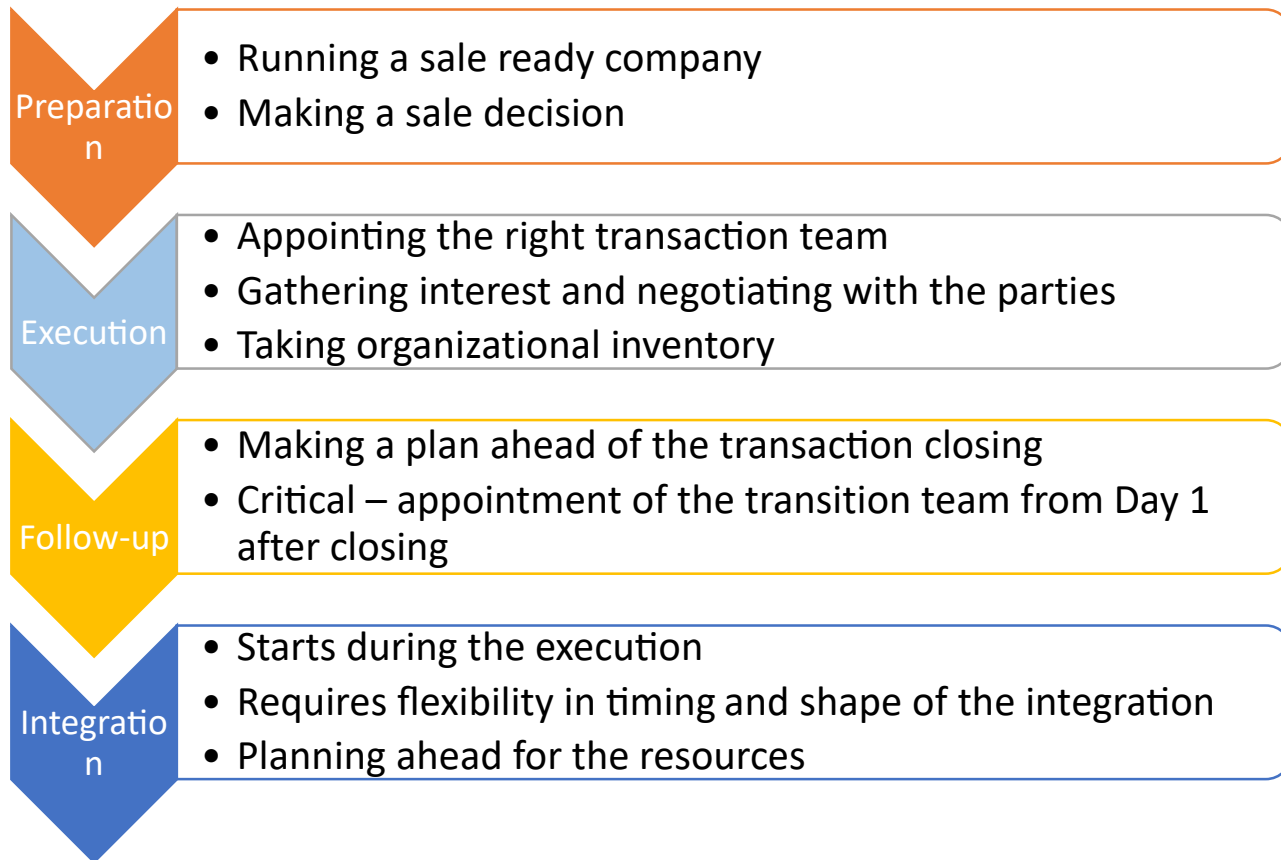
## II.2 Availability of Funding

Financing	Typical Sources:	
Own funds (Equity)	<ul style="list-style-type: none"> <li>• Buyer's own readily available funds</li> <li>• Buyer's ability to issue new equity and use proceeds to finance the deal</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer's ability to pay in its own shares</li> <li>• Buyer's ability to issue new debt independently from the target Company</li> </ul>
Borrowed funds (Leverage)	<ul style="list-style-type: none"> <li>• Possibility to increase leverage of the Company and repay debt from operational cash flow or asset sell-out</li> </ul>	
Vendor loan and earn-out	<ul style="list-style-type: none"> <li>• Possibility to borrow from the seller, i.e. pay the price over time</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility to acquire shares gradually, i.e. using forward pricing formula, call options, etc.</li> </ul>
Balance Sheet	<ul style="list-style-type: none"> <li>• Possibility to raise financing from the Company by selling out unnecessary assets, subsidiaries or operations, or transforming its working capital</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility to explore quick synergies, i.e. selling redundant Buyer's assets</li> </ul>
Subsidies and Donations	<ul style="list-style-type: none"> <li>• Possibility to apply for State support, either in form of cash, guarantees or cheap credit, tax holiday etc.</li> </ul>	

## II.3 Deal Terms and Conditions

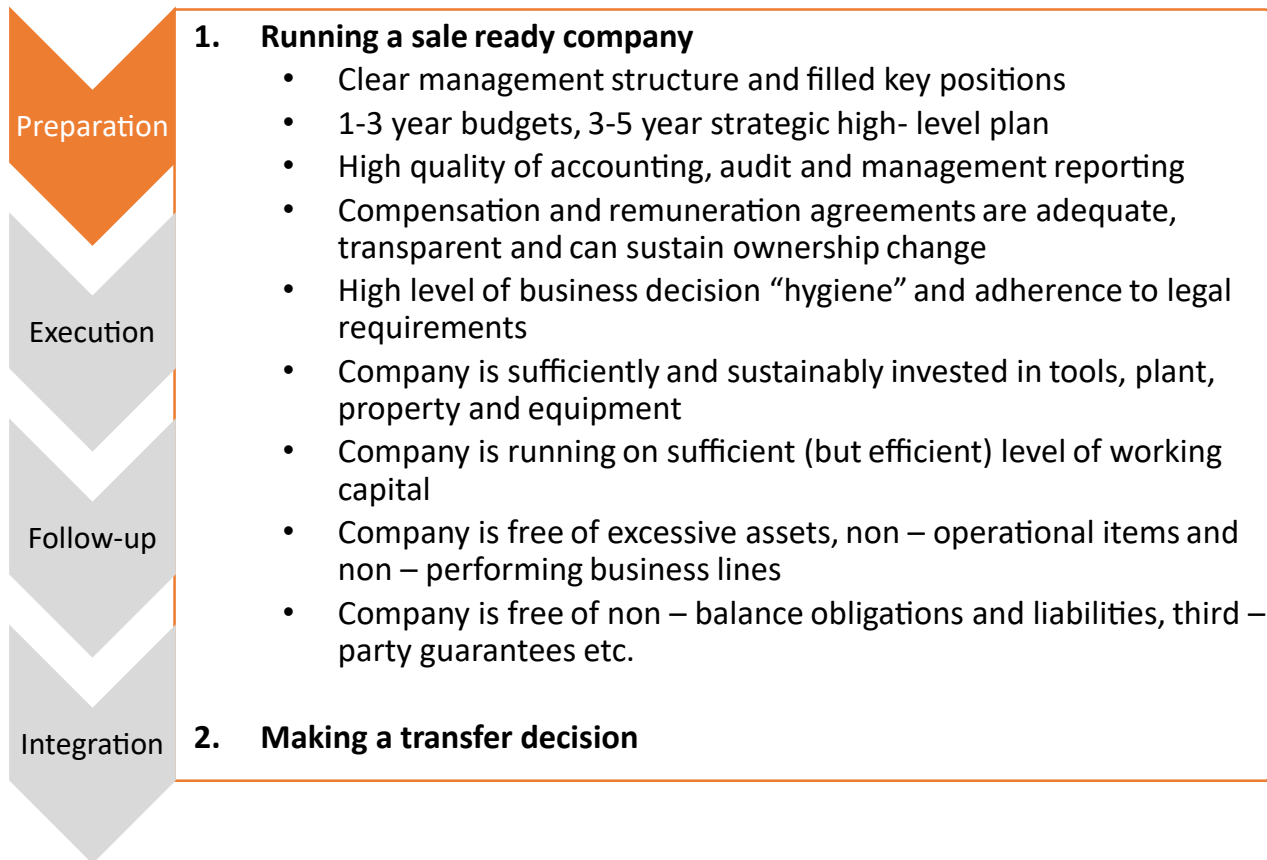
Terms	Comments	
Transaction price	<ul style="list-style-type: none"> <li>• Can be determined as a constant or as a changing amount depending on closing mechanism</li> <li>• Can be based on past, or tied to future performance</li> <li>• Can include listed stock price fluctuation reducing or increasing mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Forms as a result of balance between different stakeholder interests, rather than by a mathematical exercise!</b></li> <li>• As a result, can change dramatically over the course of negotiations and later</li> <li>• Represents JUST ONE of the terms among many important for each transaction!</li> </ul>
Payment structure and terms	<ul style="list-style-type: none"> <li>• Can include cash, stock, bond, asset swap and other payment means</li> <li>• Can be paid in full at closing, paid over several years</li> </ul>	<ul style="list-style-type: none"> <li>• <b>If skillfully applied, can be used to balance several conflicting goals and agendas</b></li> </ul>
Legal conditions	<ul style="list-style-type: none"> <li>• Form essential risk mitigation mechanism between buyer and seller</li> <li>• Serve as a basis for post – deal liability, representations and warranties by the seller</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Although largely depend on local laws, can be in a major way supplemented by mutual agreement of the parties</b></li> </ul>
Management contract	<ul style="list-style-type: none"> <li>• Can be negotiated as a package to the deal</li> <li>• Increases deal transparency and fairness to both the management and the buyer</li> </ul>	<ul style="list-style-type: none"> <li>• Can, however, appear an undue obstacle if management takes aggressive position</li> </ul>
Shareholder agreement	<ul style="list-style-type: none"> <li>• Governs joint shareholding, management and exit beyond the by-laws</li> </ul>	<ul style="list-style-type: none"> <li>• Allows implementation of deferred payment, option and buy-back structures</li> </ul>

### III. Transaction process [total time: 3-5 years]

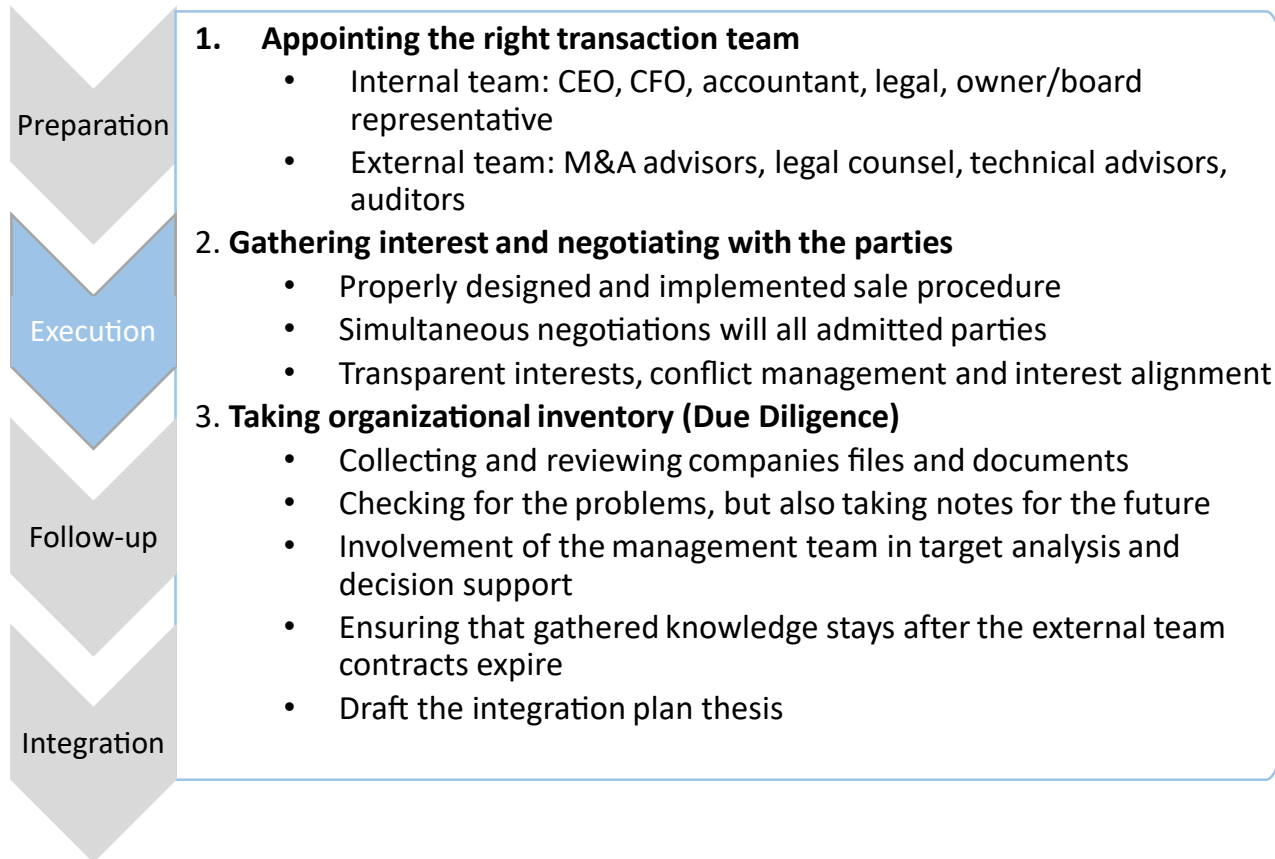




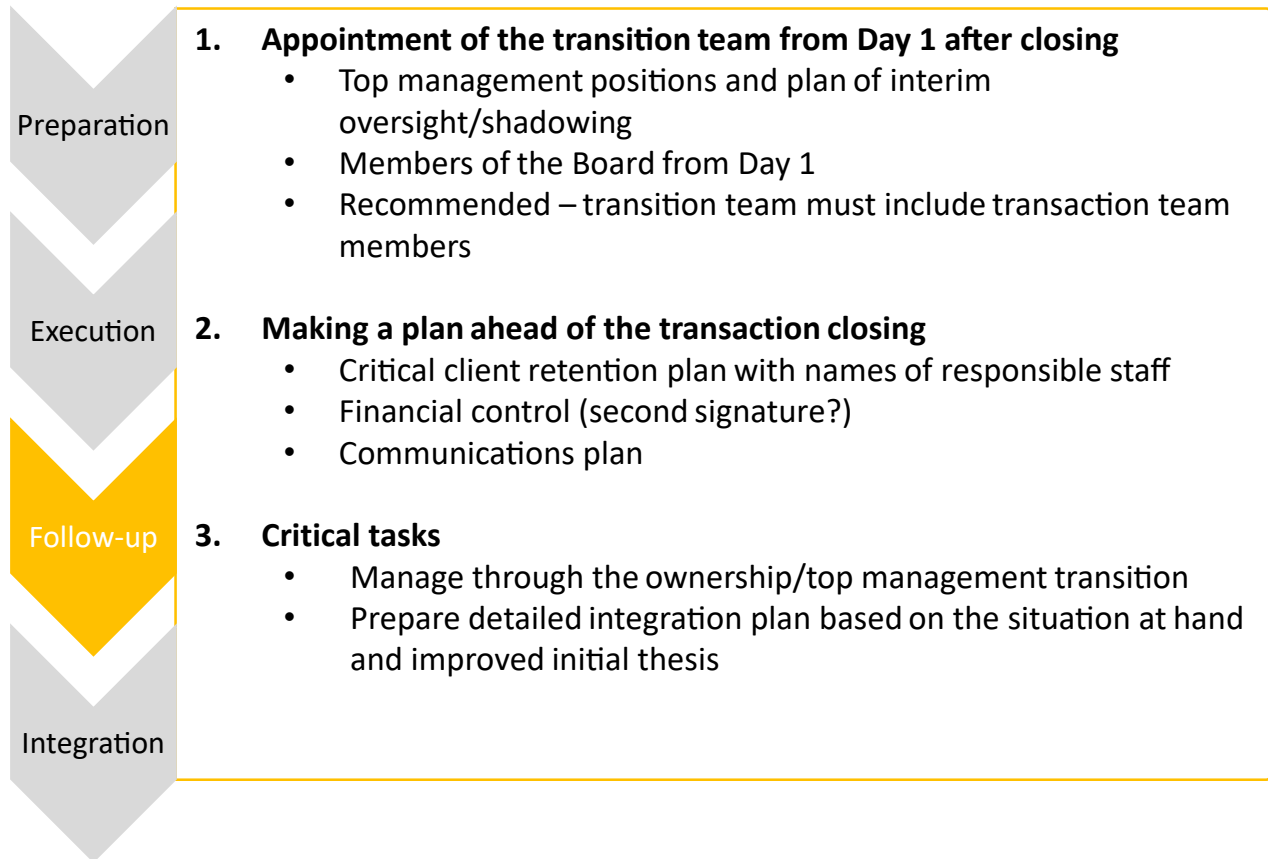
## III.1 Preparation [time: 1-3 years]



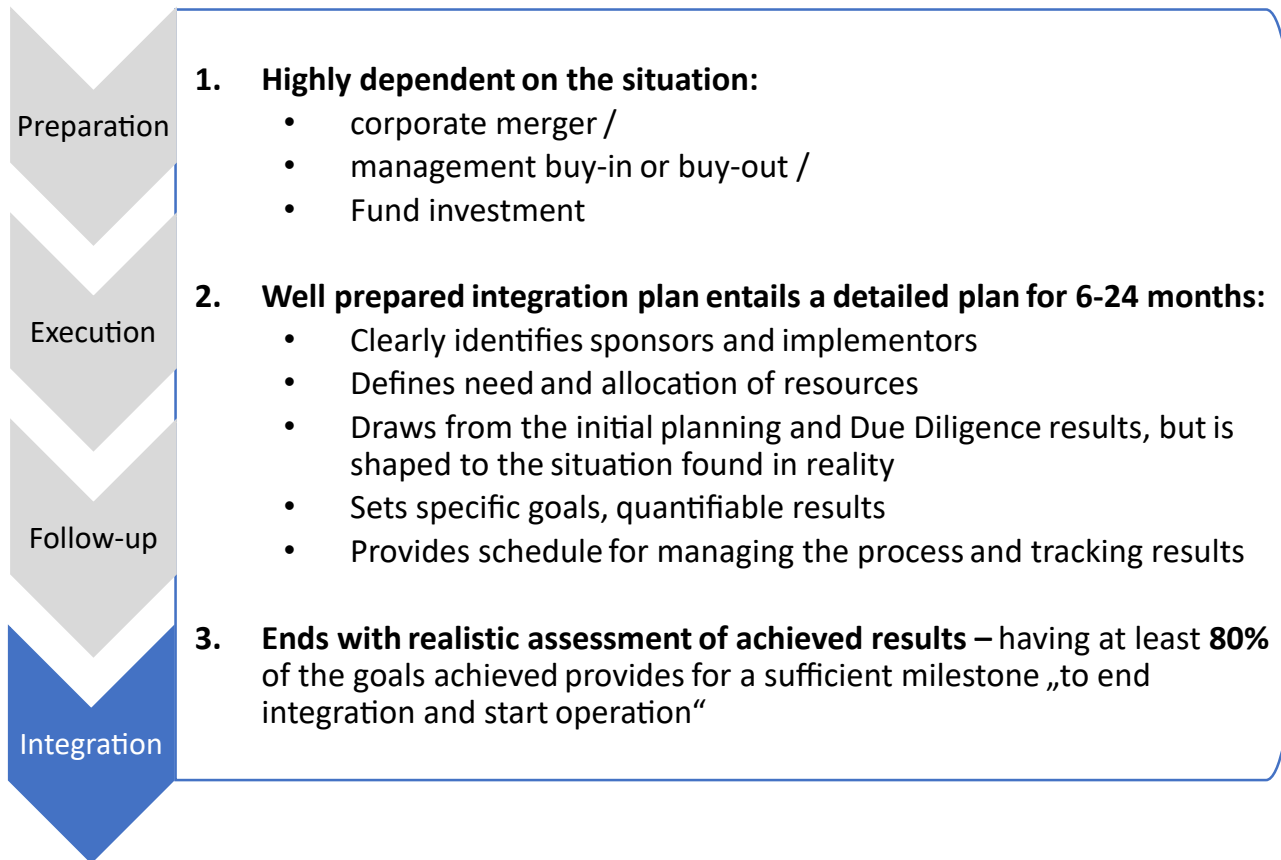
## III.2 Execution [time: 6-12 months]



## III.3 Follow – up [time: 3-6 months]



## III.4 Integration [time: 1-2 years]



## IV. Why mergers, takeovers fail?

### Unrealistic expectations

- Several of the stakeholders have unrealistic expectations and power to „stop the show“



**There has to be rigorous discussion between the power holders to agree on the parameters OR the procedures to reach the agreement**

### Poor preparation and/or execution

- Lack of power- sponsors, commitment, resistance to change or too ambitious, overly eager stakeholders often fail to secure efficient transaction



**Preparation has to become mainstream agenda, and implementation has to have proper team and resources**

### Failure to plan the transition and appoint leaders

- Massive value destruction can happen immediately after the transaction



**It is imperative to have a quick fix plan from Day 1**

### Under or over planned integration

- Under planned integration usually lacks schedule, resources and commitment
- Over planned integration is too stubborn to accommodate real situations



**It is important to plan and be flexible at the same time**

# Thank you!

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# Train-the-Trainer Seminar

## Case study – Milkman &Co

Karolis Pocius, Corporate Finance and M&A Professional

INBETSBSRProject Seminar, 6-7 May 2019 Vilnius, Lithuania



# Milkman & Co

## Case Description (1)

Mr. Milkman Senior (MS) is in his late 70s considering transfer of the ownership in his 40 years ago created business, Milkman & Co (ticker- MKMC) where he is a Chairman of the Board, having transferred executive powers to his son from the first marriage, Mr. Milkman Junior (MJ). They both control part of the shares through a JV "Milkman Family Fund", but essential ownership control over the Company is in MS's hands. After leaving the daily management, MS has explored his other interests, including acquisition of resort estates and activities as a patron of the local church community. All these endeavors along with growing 3 children from the second family consume significant financial resources which he can not ignore. For example, new church project will consume at least 5 million, and his resort estate projects another 10 million EUR during next couple of years.

The choice is not easy, as there are serious considerations for and against any decision that he would take. Although the business is in steady and slightly growing state, it has outgrown domestic markets and is struggling to build a sustainable export activity. Although large on the local scale, it is no match for the European or world-wide corporations, which outsell MKMC by the factor of 10-50 times. For example, their long term partner and recent 10% shareholder Fonterra Cooperatie has a sales revenue of AUS20 billion, with an EBIT of 0.9 billion for the last year. At the same time, MKMC benchmark ratios are lagging behind the industry averages, as much large competitors explore economy of scale effects unachievable for relatively small operation. As a result, some of the influential institutional shareholders are pushing to look for a strategic sale opportunities which may bring significant operational synergies and pay a significant premium over today's unimpressive valuation.

His advisors from regional investment bank agree that the Company is somewhat undervalued in the market and strongly encourage him to launch a full scale trade sale of Company's controlling stock of shares. They argue, that any of the willing parties should have a chance to offer their terms for the Company, which will assure that neither of the potential investors will be unduly marginalized and the sale will bring best price offer for the selling parties. Although quite rational proposal, Mr. Milkman is hesitating to take it as it will definitely involve his company, family and current business partners in a several month roller-coaster with an unknown outcome and results.

# Milkman & Co

## Case Description (2)

Mr. Milkman Senior is therefore facing several options:

1. Sell his shares to his son from his first marriage, Mr. Milkman Junior (MJ). MJ, now in his late 50, proved to be a capable manager being a CEO of the Company for a decade now. He enjoys respect from his team of managers and employees and would be a secure option for the Company to continue in its current pace. He however does not possess significant individual wealth and could bring to the table about 10 million of his own cash, raised by mortgaging his private real estate holdings. His banker suggested, that they could safely increase the debt of the Company at least x2.5 from the current level with the Company being able to service it, however higher debt would result into additional financial risk.
2. Negotiate further gradual sale to Fonterra, which in the beginning was quite enthusiastic about the cooperation and further involvement. By now, however, their focus is somewhat redirected as they faced significant regulatory challenges in the local dairy market, burdened by excessive regulation and contact interventions by the Government trying to regulate each and every aspect of milk sourcing and pricing for the raw material. If interested, they would be paying a discounted 5-6x EBITDA valuation and obviously has no financing constraints for relatively small transaction.
3. Accept unofficial bid offer from the large institutional investor Investco, which has recently assembled new PE fund to invest into several export-oriented businesses. MS suspected, that such offer would only mean a temporary ownership, which will most probably mean further consolidation and merger transactions while trying to build a national champion out of 3-4 equally positioned companies. Question is, whether such plan would be approved by the antitrust authorities, and if not, what fate would the Company assume in the next round of the ownership change. Although their financial muscle is up to 50 mEUR per transaction, they usually use Company's balance sheet to put on additional debt. On the other hand, MS considers their current offer at market valuation a low – balled one.
4. There are several other potential suitors, involving major competitor Stars and Legends, which was a long term rival and one of the least desirable acquirers of the business from the emotional point of view. At the same time Mr. Milkman acknowledged, that a combination could bring both businesses to a next level, allowing more efficient operation and more export power. Their over the dinner back of the envelop calculation showed about 5 mEUR of annual synergies to be brought by the merger. S&L has a financial spear of 10 million EUR and ability to borrow additional 20 million. At the same time, S&L would achieve immediate listing by a combination with listed MKMC and see an additional equity issue of 20 million EUR to finance the transaction as a serious option.

# Milkman & Co

## About the Company

It is the most efficient dairy producer in the region and a dairy leader in the country in terms of the quantity of processed milk and cheese production. The company's sales are wide spread covering the export to both East and West markets, as well as wide range of fresh dairy products designed for the local market and neighborhood markets.

Over 2/3 of the Company's production is exported. Cheese is the main export product. The Company is one of the largest and most famous cheese producers in the Central and Eastern Europe. It produces more than 30 thousand tons of fermented cheese per year. There are over 1500 employees in the group.

Shareholder information	Ownership interest (%)
Mr. Milkman Senior	46,54%
Mr. Milkman Family (50/50 Senior and Junior)	24.84%
Fonterra Coöperatie	10%
INVESTCO	5.44%
Shareholders smaller than 5%	13.18%

# Milkman & Co

## About the Company – Financials

Per share analytics	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Share price (EUR)	1.77	1.42	1.38	1.59	1.40
Capitalisation (mEUR)	63.48	50.93	49.49	57.03	50.21
EPS: Earnings per Share (EUR)	0.290	0.110	-0.012	0.264	0.235
P/E: Price/Earning	6.07	13.08	-	6.01	5.94
P/BV: Price to Book	0.52	0.44	0.50	0.57	0.55
Net profitability (%)	4.6	2.0	-0.1	3.8	3.7
ROA: Return on Assets (%)	7.3	2.8	-0.3	6.6	6.3
ROE: Return on Equity (%)	8.9	3.8	-0.4	10.0	9.7
Income statement					
Sales Revenue (mEUR)	226.19	196.50	249.25	249.46	230.65
Growth (%)	15.1	-21.2	-0.1	8.2	15.8
Net Profit (mEUR)	10.45	3.89	-0.384	9.49	8.46
EBITDA	19.17	11.92	6.50	18.50	17.50
Balance sheet (mEUR)					
Fixed Assets	60.62	56.32	44.97	54.83	48.20
Current Assets	81.78	98.28	90.49	94.87	83.39
Equity	122.06	115.63	98.34	99.74	90.87
Liabilities	20.34	38.97	37.12	49.95	40.72
Source: www.traders.lt					
Employees	1 577	1 643	1 665	1 720	1 688

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