



Introduction to Operational Restructurings

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SOS Event (Helsinki) / June 2024

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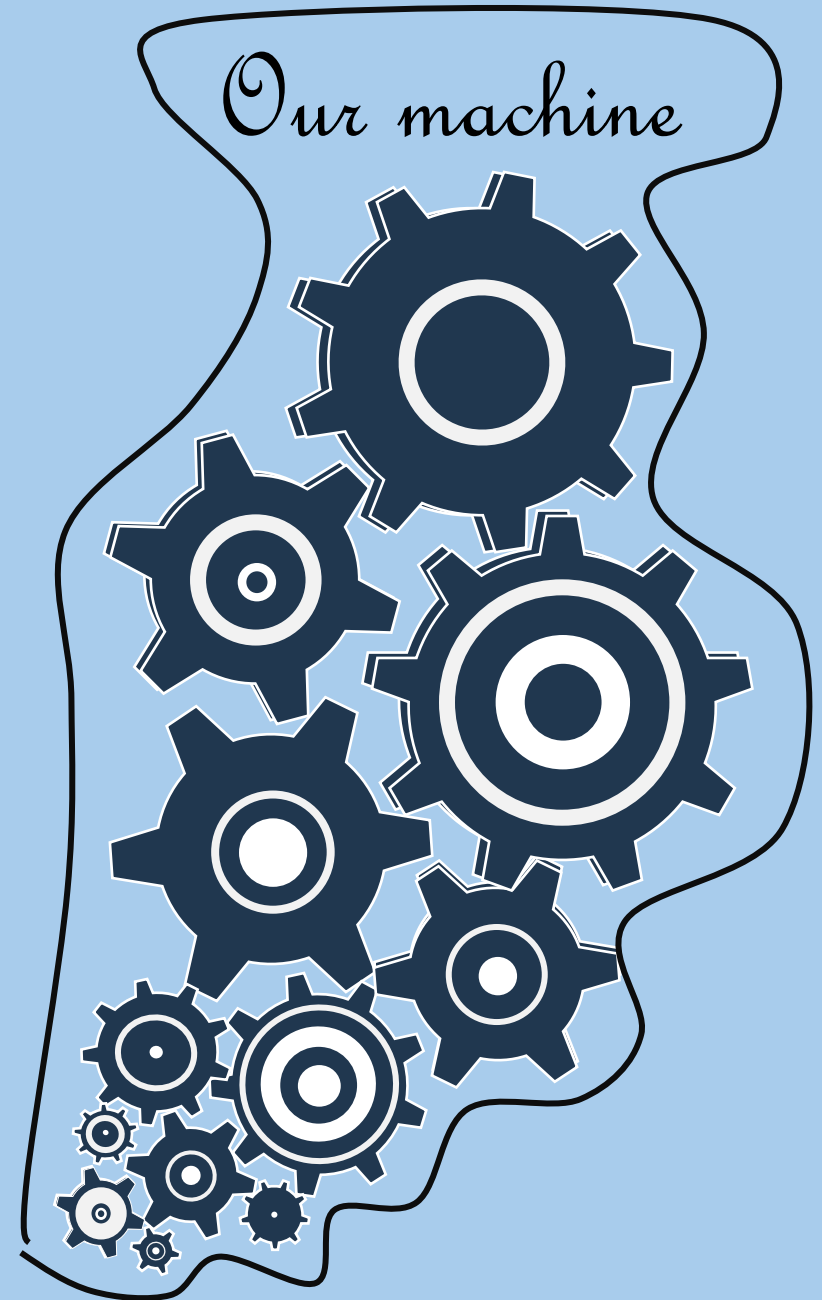
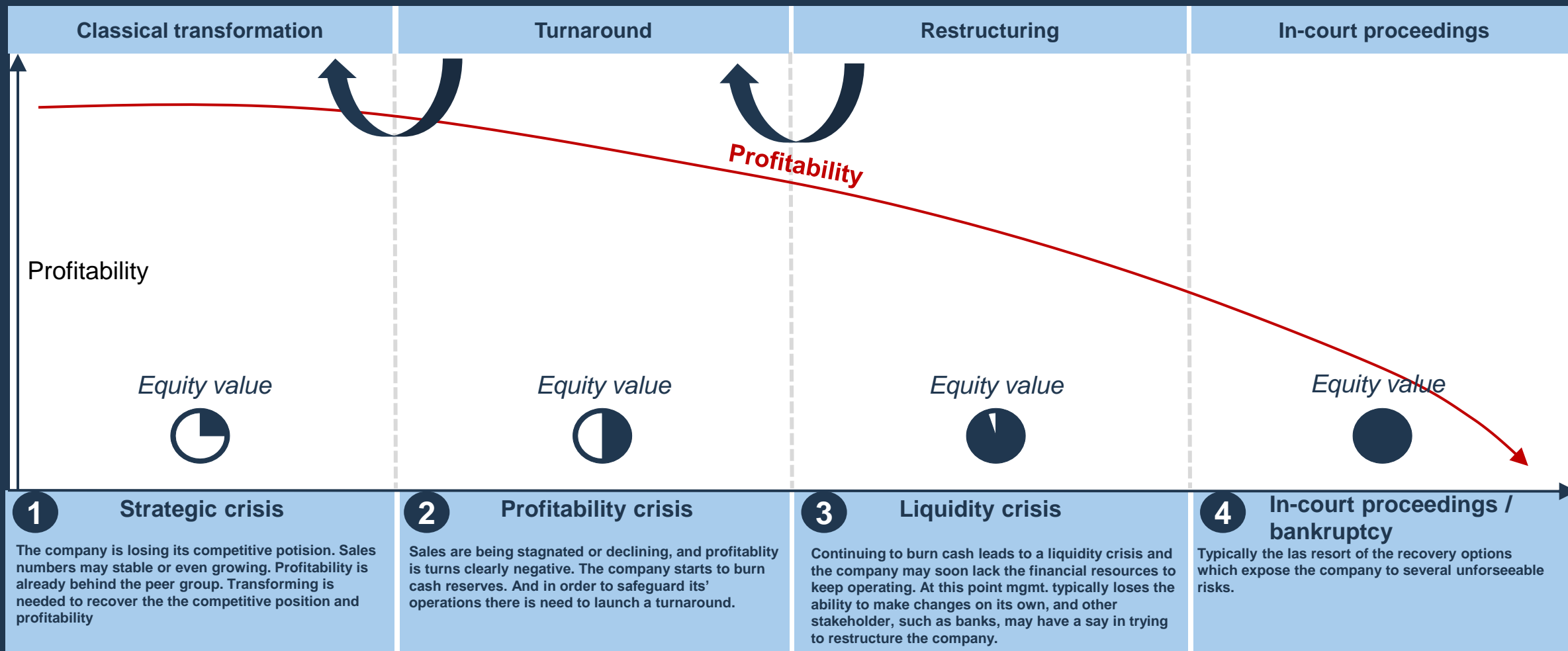


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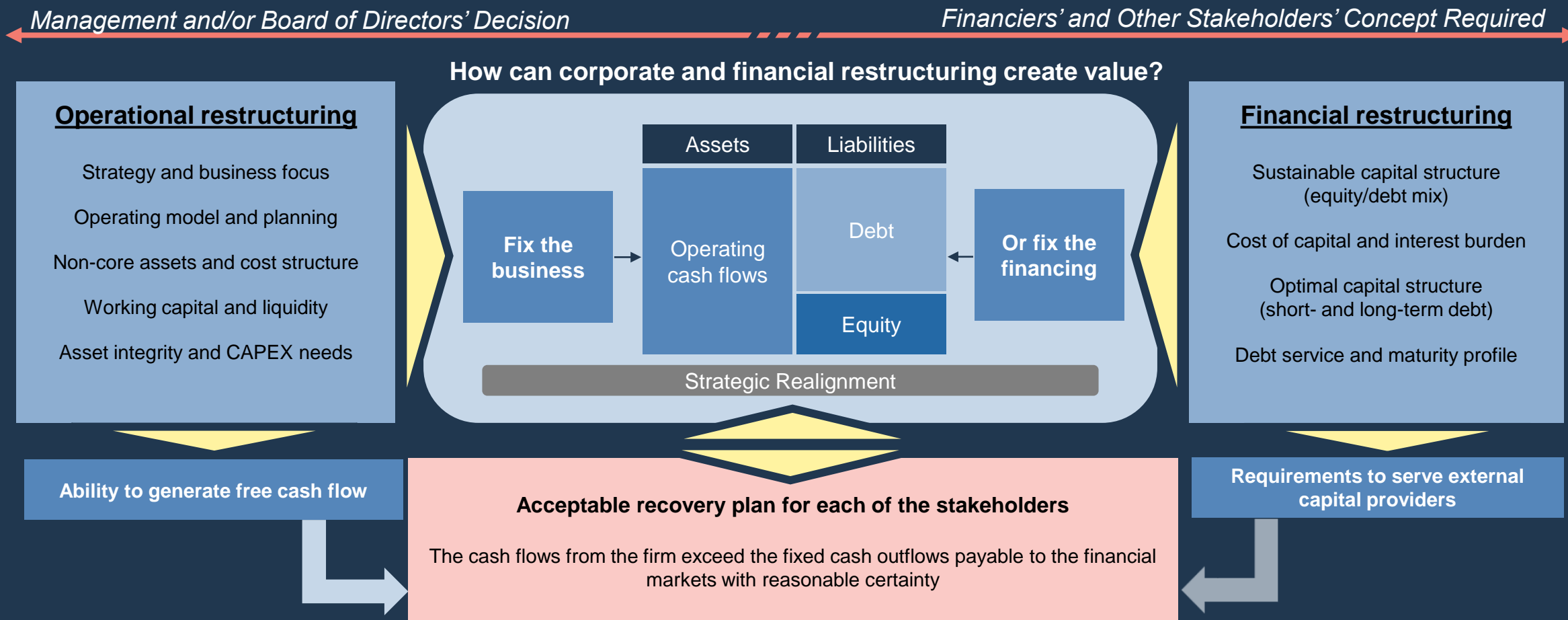
Why operational restructurings matter?

In liquidity crisis stage owners are typically already holding out-of-money option instead of equity



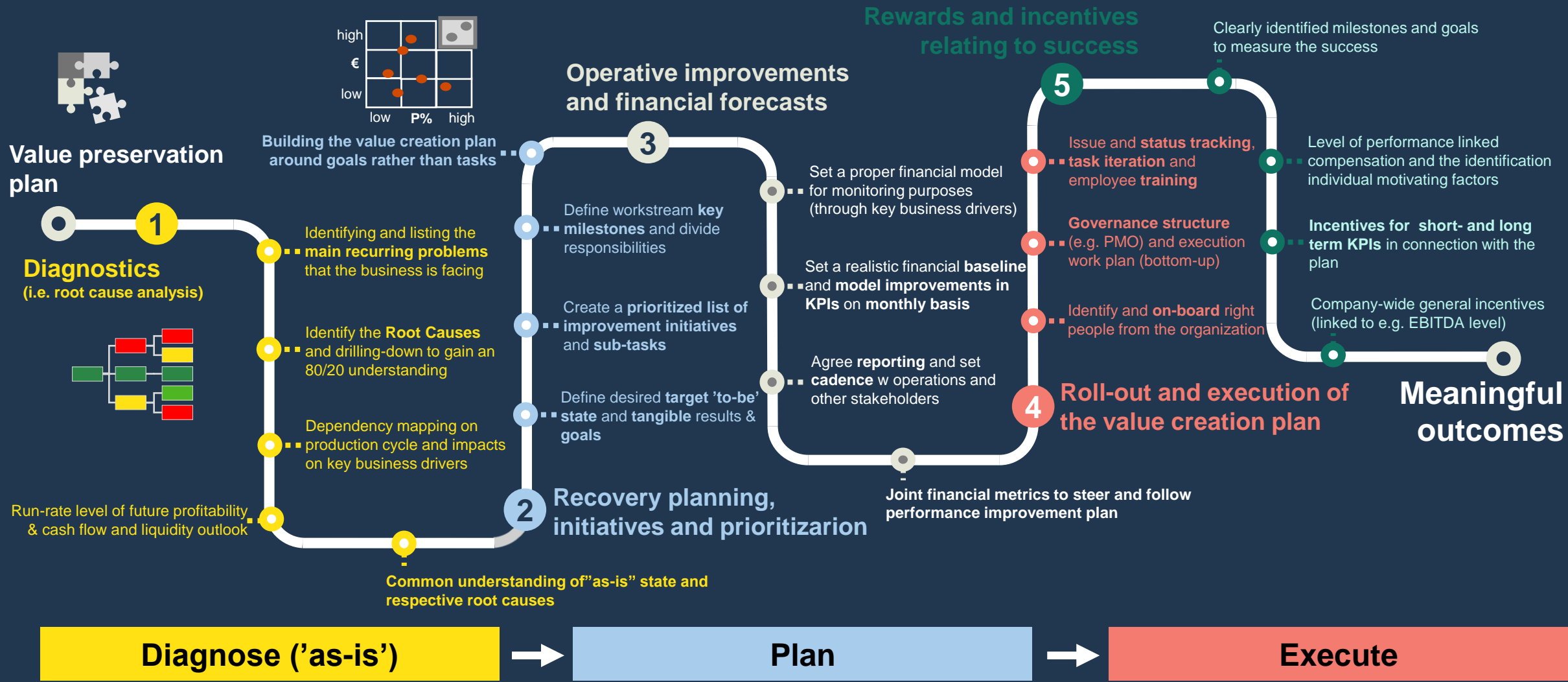
The difference between operational and financial restructurings

Nothing will change if you just fix the balance sheet



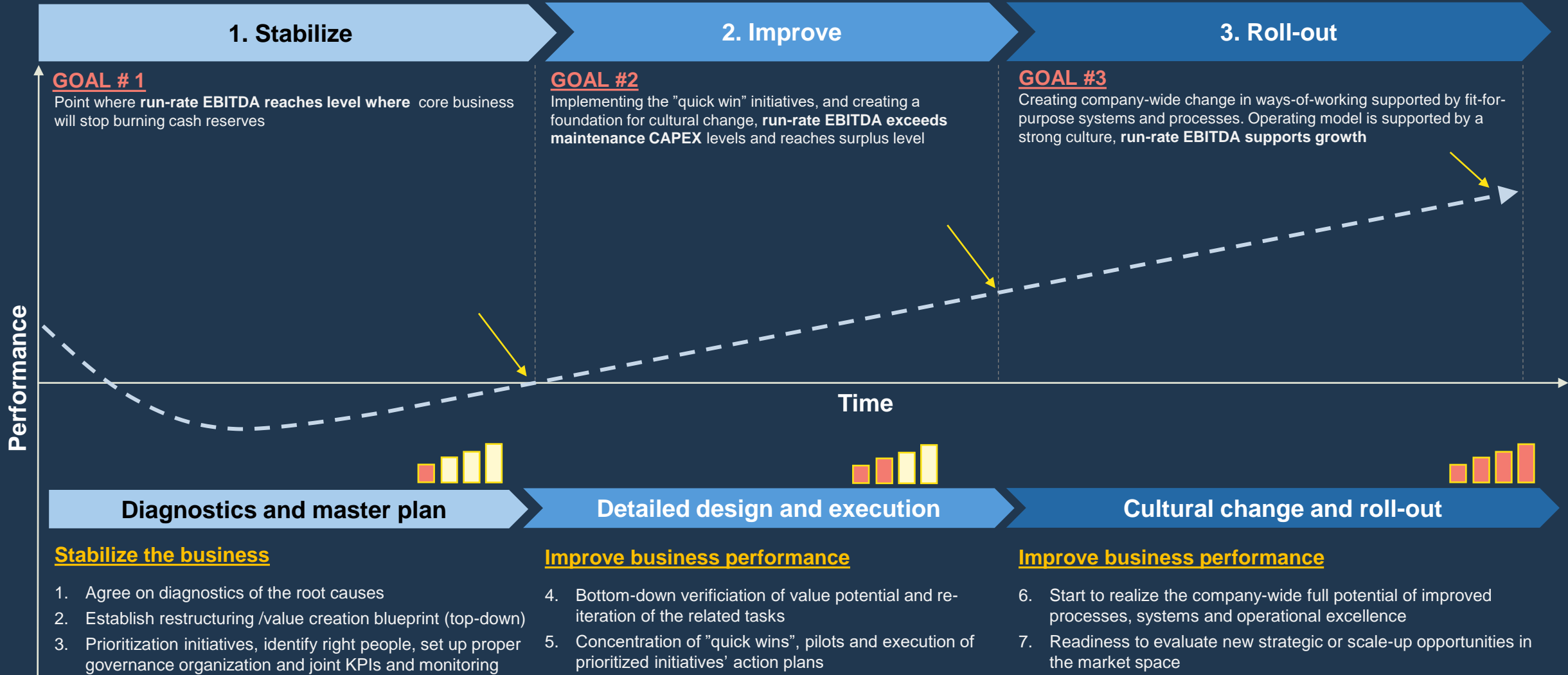
Example of building operational restructuring roadmap

Typically standardized process is required to minimize the value leakage and maximize the outcome



Different stages of the operational recovery process

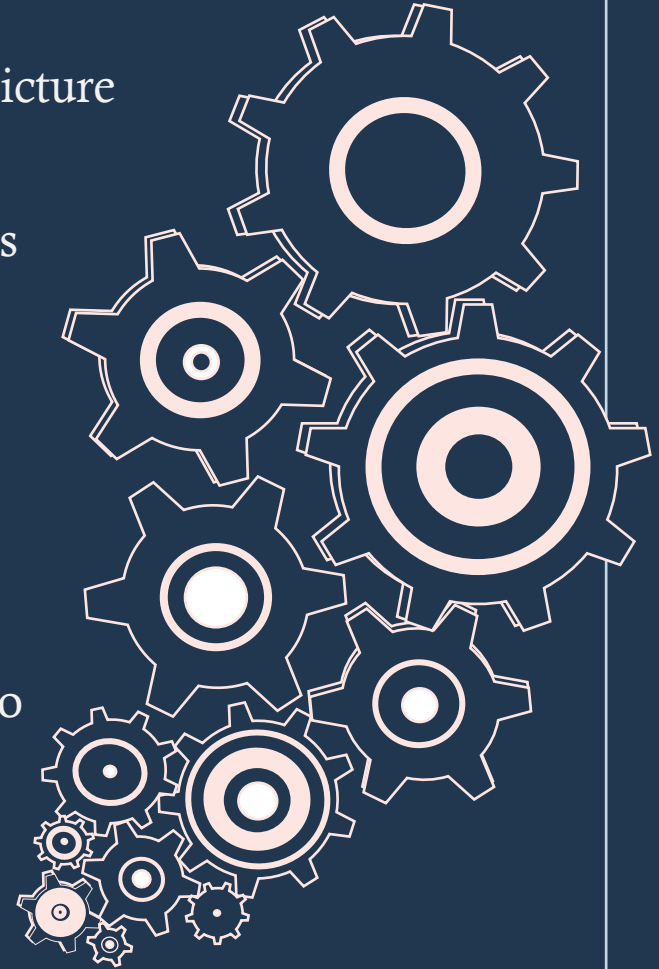
The aim is that everyone's nose is pointing to the same direction



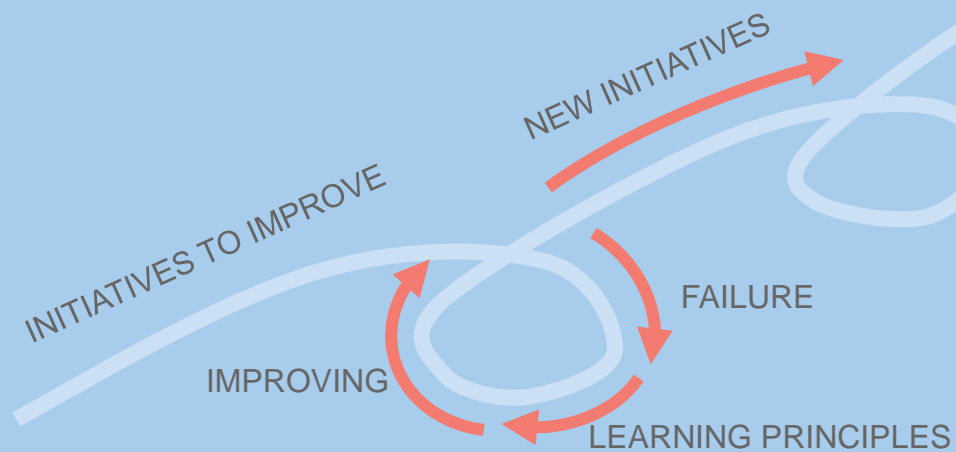
Lessons learned

My key takeaways and principles for operational restructuring situations

1. Strategy needs to be right – growth and profitability seldomly fit to the same picture
2. Financing is based on business plan and strategy – not overall creditworthiness
3. What will change is the most crucial question – otherwise no change
4. External forces too easy to blame – root causes are typically internal
5. Prioritization is crucial – it is about what you don't do rather than what you do



THANK YOU



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Do not hesitate to contact if you need further
insights how to apply the framework

FULL PRESENTATION ->

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Introduction to Operational Restructurings and Case Study

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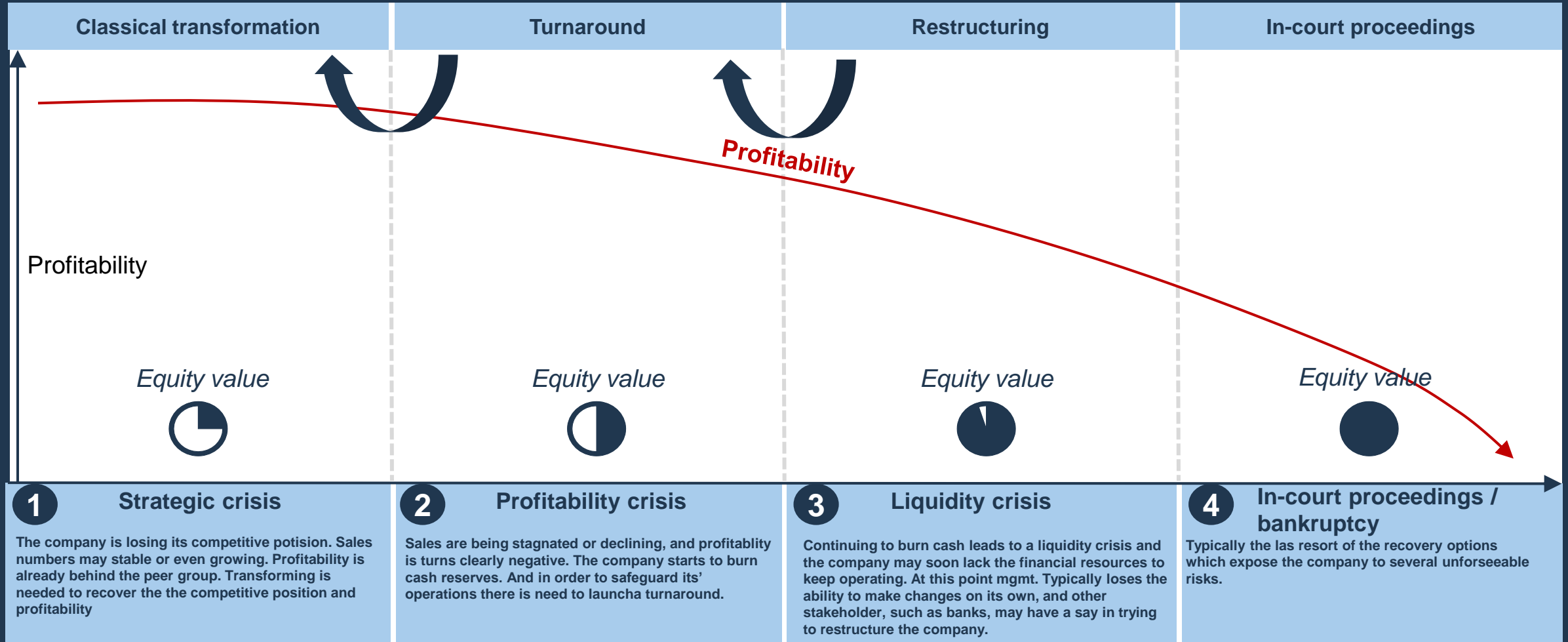


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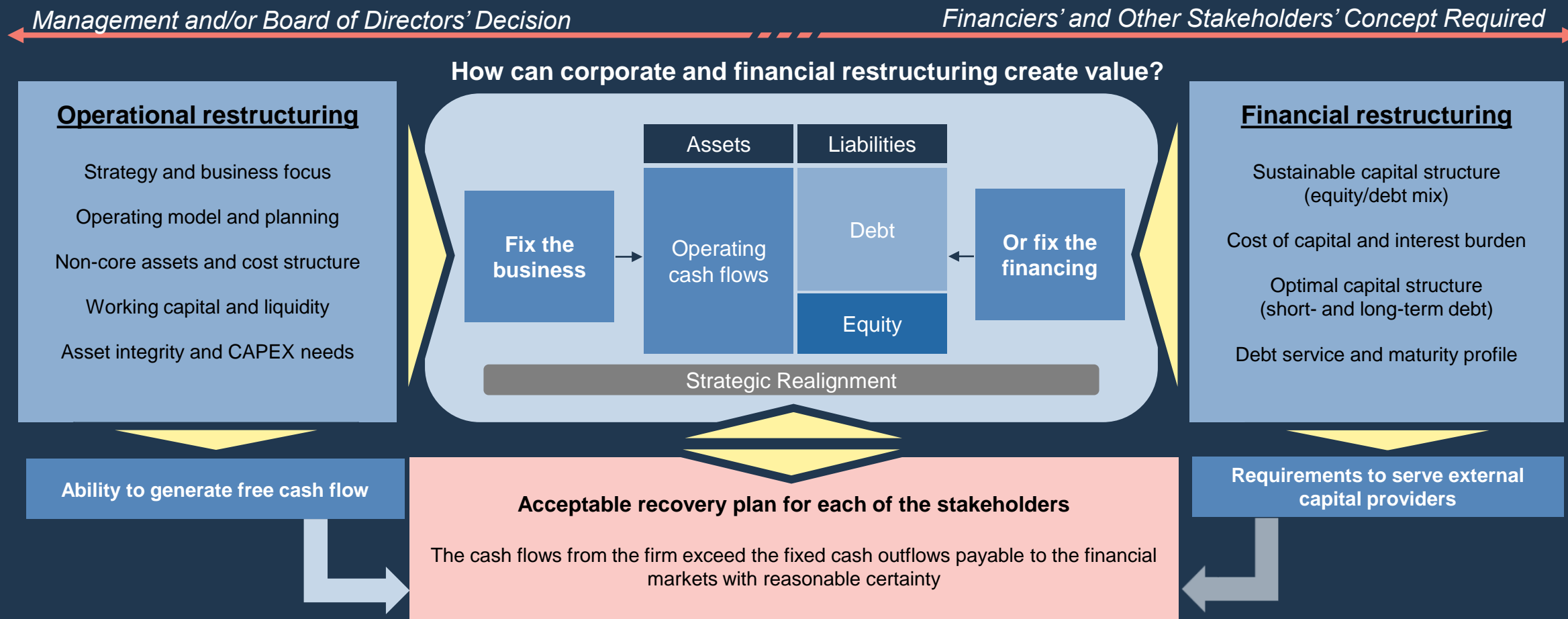
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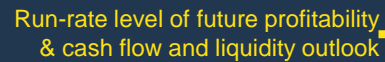


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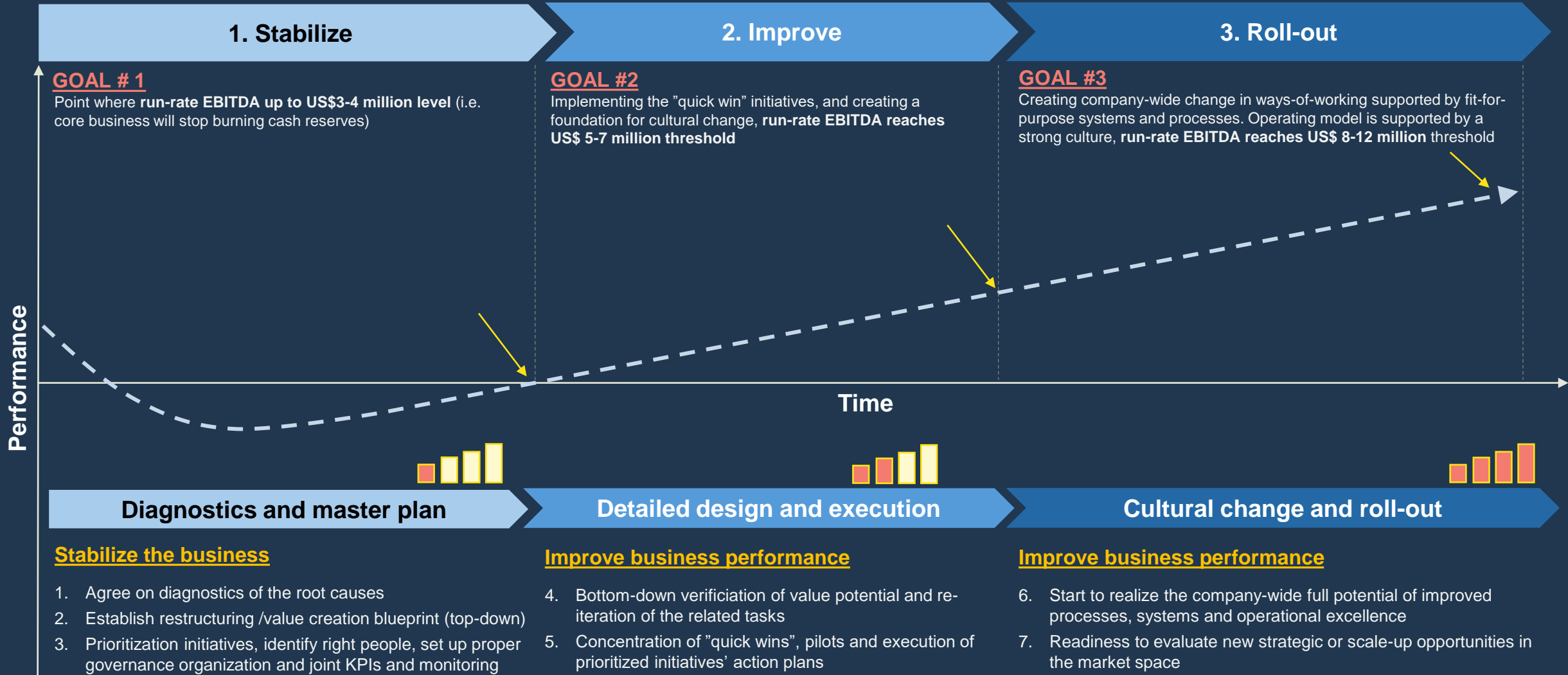


Typically standardized process is required to minimize the value leakage and maximize the outcome



Different stages of the operational recovery process

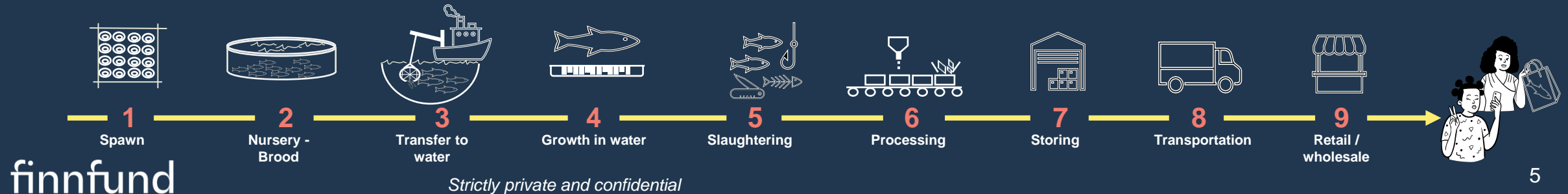
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Background - Aquaculture value chain operational restructuring

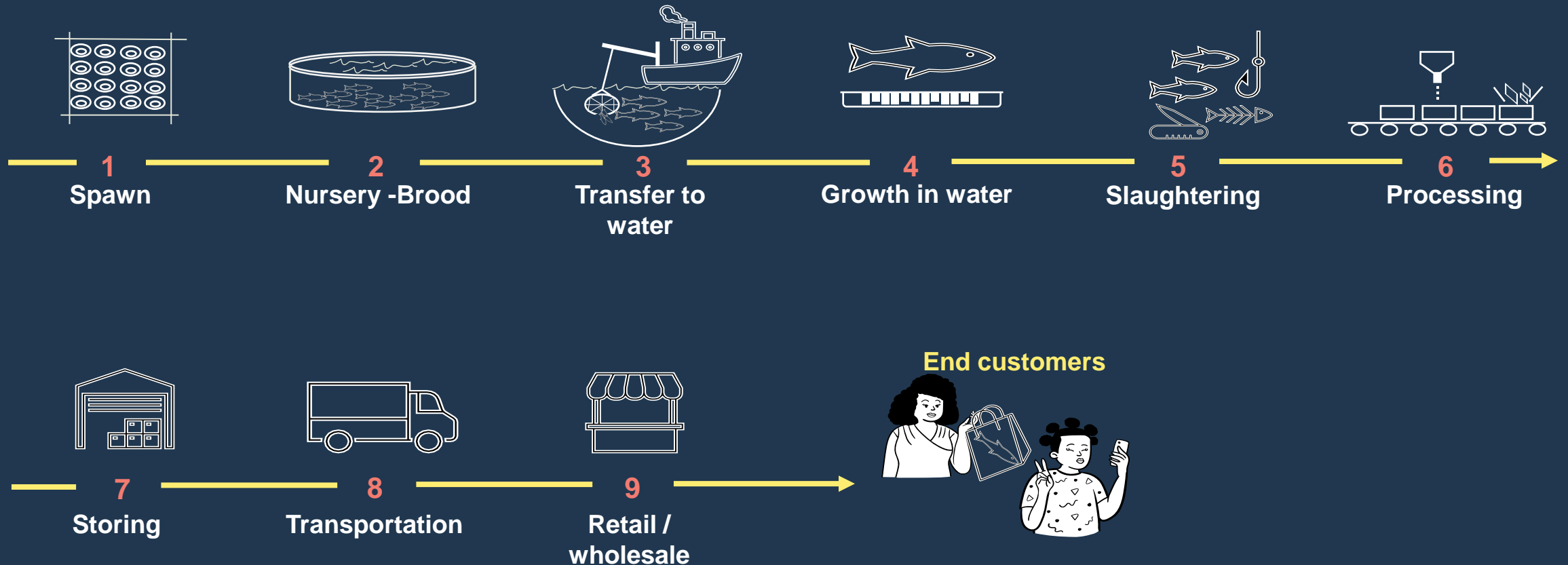
In this example financial restructuring was completed first followed by operational restructuring

- Vertically integrated aquaculture company controlling full value chain (operating three opcos)
- Revenue more than USD 50 million with more than 1500 FTEs
- Complex capital structure with USD 65 million debt
- Financial restructuring done in fall 2022 (incl. recapitalization and debt-to-equity swap)
 - Original founders were forced to exit as a part of financial restructuring
- Finnfund with other lenders became common shareholder at Holco level
- Converting lenders agreed that Finnfund will take a lead to interact with new majority shareholder and support in operational restructuring efforts
- Operational restructuring started Jan 2023 and still continues
 - New majority owner has shown exceptional ownership and skills to drive the change
- Finnfund time spent on financial restructuring 150 hrs in Q4/2022 and operational restructuring 300 hrs in 2023



The life of fish or production cycle (approx. 12 months)

Identifying the root causes and creating similar buffers through out the value chain



Selected initiatives to become aquaculture and cold chain experts

All these initiatives boil down to company's competitive advantage and its' reason to exist

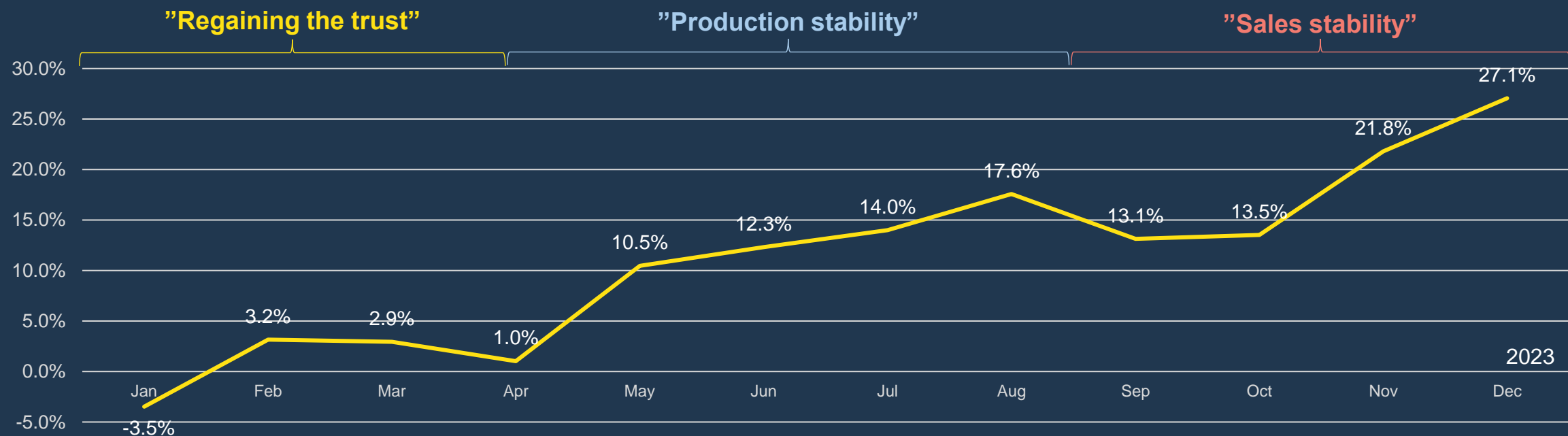
External situation	Business impact	Internal response	Outcome
Seasonal fluctuation in water level	Lower production & harvesting volumes (nets broke etc.)		
Freezing and ice capacity constrains and broke downs	Production bottleneck resulting second grade fish		
Fish disappear in value chain (e.g. Thefts)	Value chain losses >7 %		
Fluctuating end market demand	Sales people were giving guidance to production		
Weakening FX againts USD	ASP per kilo in dollares fluctuated with FX		

ASP – Average Selling Price

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Monthly performance by EBITDA margin and actions

EBITDA improvements are almost fully driven by the items above gross margin

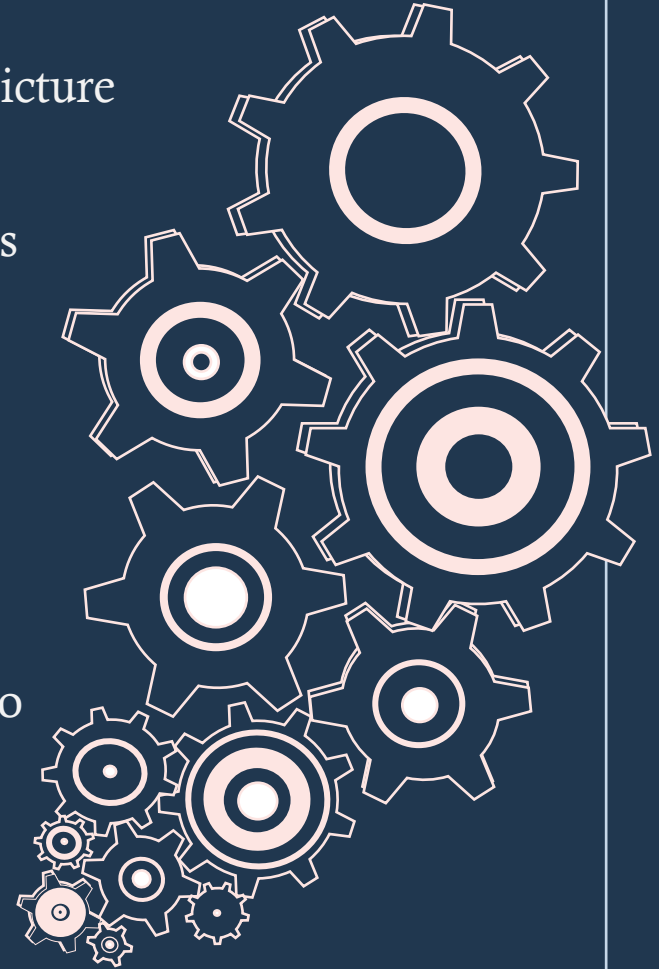


Diagnose	Plan	Execute
<div>✓ Strategy → No growth before business operations are stabilized</div> <div>✓ Linking improvement initiatives to business drivers, P&L and build up of monitoring metrics (PowerBI)</div> <div>✓ Evaluating risk buffer levels across value chain</div>	<div>✓ Expansion outside fresh fish category i.e. new product segments with longer shelflife (e.g. frozen)</div> <div>✓ Production plan and respective guidelines for freezing the fish</div> <div>✓ Ability to control daily supply volumes to the markets</div>	<div>✓ First performance linked salary increase to blue collar workers in September</div> <div>✓ Ability to control price and sales footprint expansion</div> <div>✓ Realistic baseline and budgets for year 2024</div>

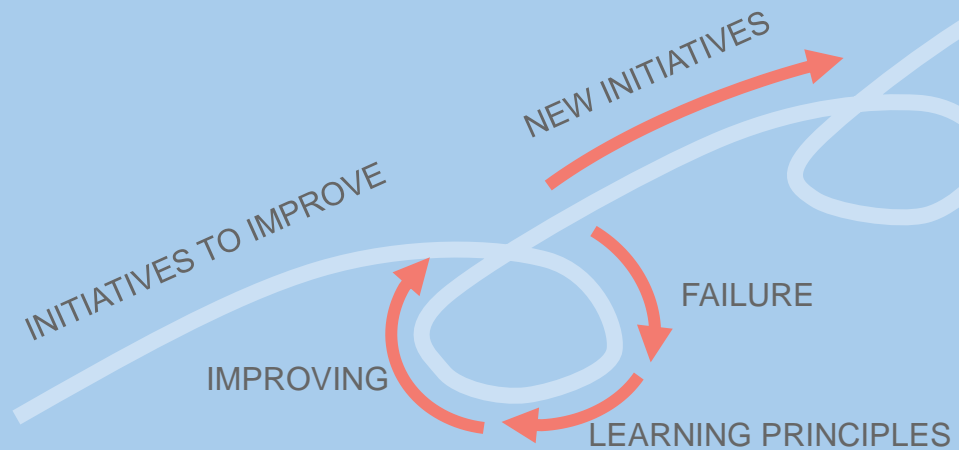
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