



INVESTOR READINESS THE PALGROVE STORY

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PRESENTED BY PRUE BONDFIELD AND MARGAUX BEAUCHAMP

INVESTOR READINESS PROGRAM

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INTRODUCTION

1. Introduction to the speakers
2. Palgrove answers the four big questions for capital raising
3. Key documents to help answer the four big questions
4. What was required for Palgrove to be investor ready
5. Searching and selecting the perfect investor
6. Post match summary

INTRODUCTION



▶ PRUE BONDFIELD, General Manager, Director, Palgrove

- Day to day business operations, HR, governance, risk and marketing for Palgrove
- Previously owner/operator of Palgrove for 30 years
- Non-executive Director Regional Investment Corporation (C'th Govt Authority);
- Experienced Director of government and private company entities;
- Background in law and securities.



▶ MARGAUX BEAUCHAMP, Executive Director, BDO

- Corporate, capital and value advisor to the Food and Agribusiness industry for more than 30 years
- Has advised on well over 100 transactions with a combined value of more than \$3 billion. The transactions involved a number of food and agribusiness divestments, acquisitions, IPOs, takeovers, and takeover defence mandates.
- Experience working with a merchant bank and private equity
- Non-executive Director Consolidated Pastoral Company (large cattle company), Mulgowie Fresh (large horticultural company), and Australian Rural Leadership Foundation
- Owns and operates cattle properties in Western Queensland.



THE FOUR KEY QUESTIONS INVESTORS SHOULD ASK

1. What does your business do?
2. How much money do you want, and what are you going to do with it?
3. What do I get?
4. When do I get my money back?

You must have a clearly defined response with supporting materials.

1. WHAT DOES PALGROVE DO?

Key Concepts

- Seemingly the easiest question to answer but is actually very tricky
- Your why vs your what
- What is the purpose of your business?
- What problem are you trying to solve?
- How do you execute your plan?
- What initiatives are required to execute your strategy?

Requirements to be Successful

- Needs **clarity in the your vision and story** for the business
- People like an exciting story. **Take them on your journey**
- A business plan is a story to help articulate your vision

Other Considerations

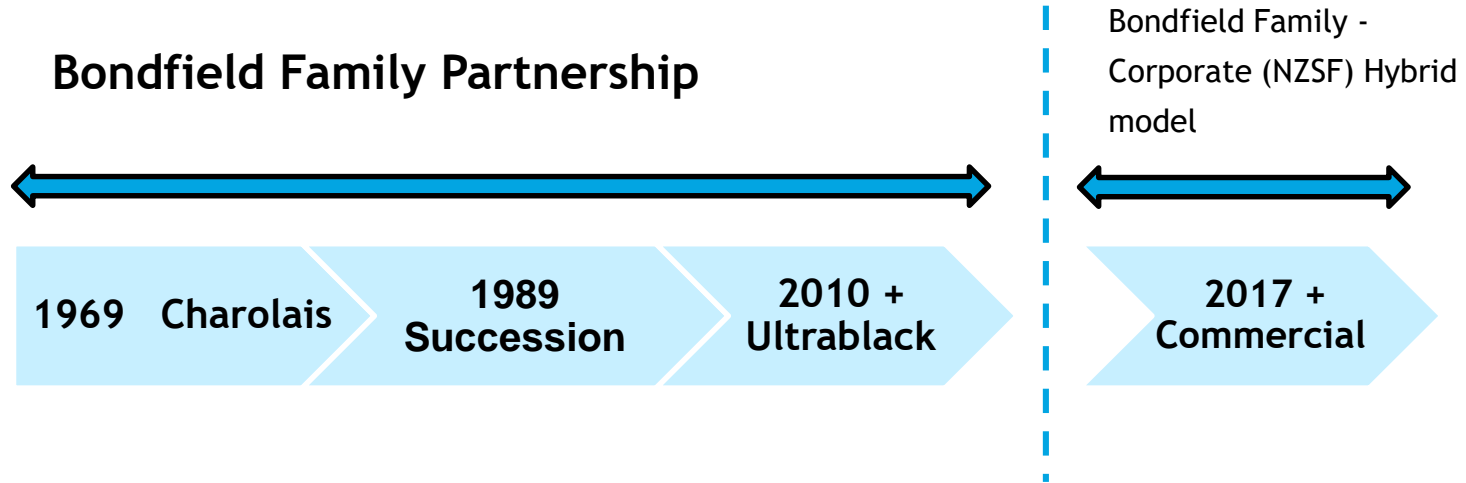
- **You are competing for investor dollars** so make your story more exciting than others
- Your **story needs to compliment the numbers**
- **Answer the 'Why' question** - this is far more important than the 'What' Question - See video!
 - Example - do you want to buy my pen?

Question to answer	How to answer
<ul style="list-style-type: none">• What is your purpose?• What problem are you trying to solve	Strategy document
<ul style="list-style-type: none">• How do you execute your plan?• What initiatives are required to execute your strategy?	Business plan



'Start with Why' - Simon Sinek

THE STORY OF PALGROVE



THE VISION AND WHY YOU WANT TO BUY MY PEN

- Business with a growth strategy that was too extensive for debt finance
- An established, financially successful seedstock business to leverage up to a large scale commercial cattle operation
- Strategically situated, quality properties in NSW and Qld
- Exclusive Intellectual Property
- Established workforce with strong safety culture

2. HOW MUCH MONEY DO YOU WANT AND WHAT ARE YOU GOING TO DO WITH IT?

Key Concepts

- Otherwise known as the ‘use of funds’
- Investor wants comfort that **your plan makes sense** to them
- Need to be clear on type of growth:
 - **Organic:** Using funds to grow by **building** capabilities
 - **Inorganic:** Using funds to grow by **acquiring** capabilities.
- Investors with sector familiarity are more equipped to make an informed decision and more likely to get comfort in your assumptions.

Requirements to be Successful

- Critical that you **align the business plan with the financial model**
- Need to **connect historical performance with projected performance**
- **Allow flexibility for ‘use of funds’** to impact future performance based on key performance drivers
- Many assumptions will be made. **Assumptions need to be believable** as investors will test them so plan to **support your views**
- Beyond investors, you will need to prove your views to other vendors including banks and accountants.

Other Considerations

- Modelling mechanics are assumed if prepared by a professional.

Question to answer	How to answer
<ul style="list-style-type: none">• How will the money you raise impact your business?	Financial model



3. WHAT DOES THE INVESTOR GET?

Key Concepts

- A business valuation is implied by the % ownership that you as the owner will exchange in return for the money invested.
- Understanding **what makes a good partner**. Some investors bring more than just cash to the table and may be rewarded accordingly
- Investment ultimately considered on a **risk vs. reward basis**

Requirements to be Successful

- Clarity on what is driving the investor decision. Do they prioritise:
 - **Capital Appreciation**: Focused on investment growth over time (e.g. house purchase)
 - **Yield**: Seeking regular ongoing cash flows (e.g. apartment).
- Clear agreement across both parties on the level of control:
 - **Active**: An investor who wants to contribute to the strategic direction and execution of the business plan
 - **Passive**: An investor who will monitor performance but is willing to relinquish control in delivering on the business plan.

Other Considerations

- Will the **investor hold a role**? Executive? Non-exec?
- **What salary / benefits** will be paid to an investor, if any?

	Pre-money		Post-money	
	Value	%	Value	%
Entrepreneur	\$4m	100%	\$4m	80%
Investor	-	-	\$1m	20%
Total	\$4m	100%	\$5m	100%

Total \$4m 100% \$5m 100%

- A** *How much money do you want?*
- B** *What are you willing to give up to get it?*
- C** *Tell me what my post-money value is*
- D** *Tell me what my pre-money value is*

4. WHEN DOES THE INVESTOR GET THEIR MONEY BACK?

Key Concepts

- Investors want to know **how they will get out before they get in**

Requirements to be Successful

- Need to be clear about **who** is investing and **why** they are investing
- Close ties to the response to 'what's in it for me'. Key insight is difference between **yield** and **capital appreciation**
- Who are we planning to sell to? How are we making ourselves attractive to them?

	Initial capital		Pre-money		Post-money	
	Value	%	Value	%	Value	%
Entrepreneur	\$4m	80%	\$12m	80%	-	-
Investor 1	\$1m	20%	\$3m	20%	-	-
Trade buy	-	-	-	-	\$15m	100%
Total	\$5m	100%	\$15m	100%	\$15m	100%

- A** *The business is sold for a price 3 years later*
- B** *Tells me what each investor is owed*
- C** *Tells me the capital appreciation over time*

The investor and entrepreneur earn 3x their money over 3 years!



KEY DOCUMENTS TO ANSWER INVESTOR QUESTIONS

1. Strategy document
2. Business plan
3. Financial model
4. Valuation

IDENTIFY YOUR STRENGTHS

Examples:

- Unique company assets, strong balance sheet, large turnover
- Brand with ability to add value eg. sustainability credentials
- Track record, history of sound risk management
- Employer of choice - ability to attract and retain staff
- Understanding of markets, industry and business profit drivers
- Other soft assets such as IP, R & D, reputation, integrity
- Ability to scale up business model in workable strategic plan.

IDENTIFY YOUR WEAKNESSES

Examples:

- Not enough scale (repeated to us many times) - counter with a growth strategy
- No corporate management experience, including reporting
- Unable to demonstrate a clear vision for the future
- Your succession pathway may not fit with investor's horizons
- No control over commodity pricing and low margins in industry.



WHAT WAS REQUIRED FOR PALGROVE TO BE INVESTOR READY

CORNERSTONE ELEMENTS OF PALGROVE'S INVESTOR READINESS

Operate like a 'corporate' prior to a successful investment

Strategic and Business Planning

- Find a trusted advisor who can assist with the journey, not your taxation accountant, use an advisor familiar with the investment space
- Skill up - extend your knowledge of corporate agriculture, macro finance trends, commodity cycles, competitors, financial modelling, industry outlooks. You become the expert in your industry, because the investor is relying on you.
- Plan, Monitor and Review Plans, modelling and proposals
- Network, network, network - be visible and engage with people who can assist to extend your knowledge or make introductions eg. government agencies, investment conferences and trade events.

Financial Acumen

- Understand the financial drivers of your business and know how to improve your returns over a ten year period, not one or two.

Legal

- Ensure the business has the structure that makes it attractive to an investor and ensure the investment proposal stands up to robust questioning.

CORNERSTONE ELEMENTS OF PALGROVE'S INVESTOR READINESS



People

- If you are a family - schedule meetings; create structure, governance and communicate progress
- Divide clear corporate responsibilities between members of the team eg. Finance, Risk, Delegations.

Processes

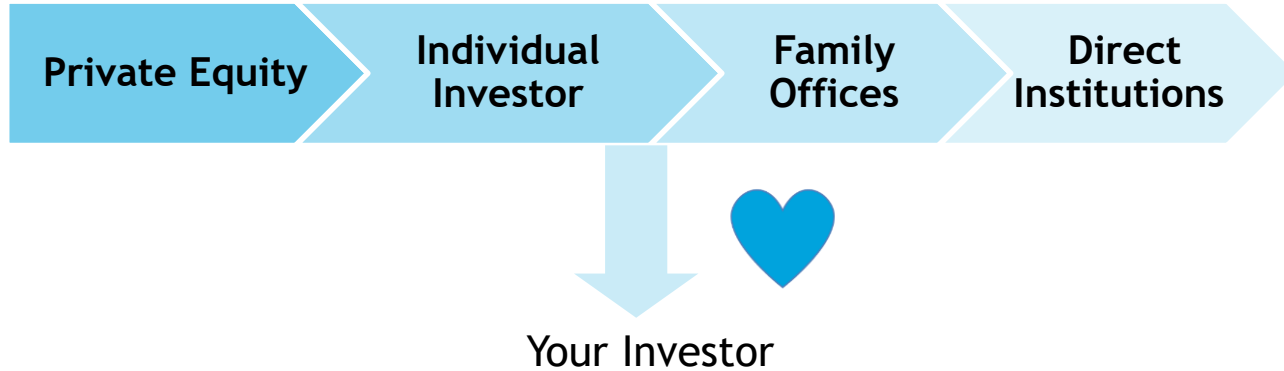
- Operate a business not a lifestyle - structure operations
- Ensure compliance with regulations eg WHS, employee entitlements.



SELECTING THE PERFECT INVESTOR

SEARCHING FOR THE PERFECT PARTNER

Process requires an understanding of the investor markets and patience!



- Agriculture requires patient long term capital that can withstand the short term profit curves
- Understanding the investment criteria (ROI, capital growth, IRR) of your chosen investor is essential
- Be prepared for a roller coaster ride.

WHAT TO DO BEFORE ACCEPTING AN INVESTOR

- Before accepting investment, it must be a cultural fit to ensure a long term relationship can be maintained
- Seek expert legal and tax advice from providers who operate in the space
- All stakeholders should agree the responsibilities and understand any compliance requirements
- Ensure proper on boarding if you are staying in the business to understand reporting and expectations
- Communicate with your new partner often - it builds trust on both sides.



PALGROVE'S POST MATCH SUMMARY

POST-MATCH SUMMARY

- Institutional investors require compliant reporting - usually monthly, quarterly or if a high risk event
- WHS and HR compliance and best practice are assumed, not optional
- If you can influence the governance, boards should cover skills identified in a matrix agreed by all parties
- Your business venture will be funded by another entity's money - don't forget the responsibility that goes with that
- Agree an exit plan if that's what is desired by the investment.



QUESTIONS?

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