

# Strategy@Risk Ltd

Presentation to:

*Risk and Performance Management achieves a sustainable increase in enterprise value over time. It represents an important tool for planning as well as for performance measurement and for controlling purposes .*

*“S@R has set out to create models that boost income and save our clients time and money. Our models can give answers to both deterministic and stochastic questions, by linking dedicated ebitda models to holistic balance simulation taking into account all important factors describing the company. The basis is a real balance simulation model – not a simple cash flow forecast model.”*

# Why S@R

The S@R models provides:

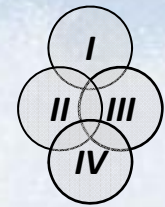
1. Comprehensive financial valuation models

*State of the art P&L and Balance  
simulation models*

2. The possibility to add uncertainty to all  
variable and calculations

*Valuation under uncertainty*

# S@R Value Based Risk and Performance Management

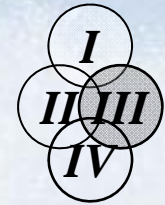


1. Enterprise wide – *value based with all areas in scope and supports business decision making*
2. All risk categories – *financial, operational and strategic*
3. Integrated – *captures interactivity on a consistent and integrated basis, at enterprise and business segment level*
4. Finance oriented -- *Ties finance with risk*
5. Aggregated – *enterprise level risk exposure and appetite*
6. Dynamic planning – *to develop and evaluate strategies*
6. Decision making – *not just risk reporting*
7. Risk versus return – *mitigation and risk exploitation*
8. Risk disclosures – *integrates ERM information*
9. Value impacts – *includes enterprise and value of equity*
10. Stakeholder focus – *not only rating agency driven*

## S@R adds value

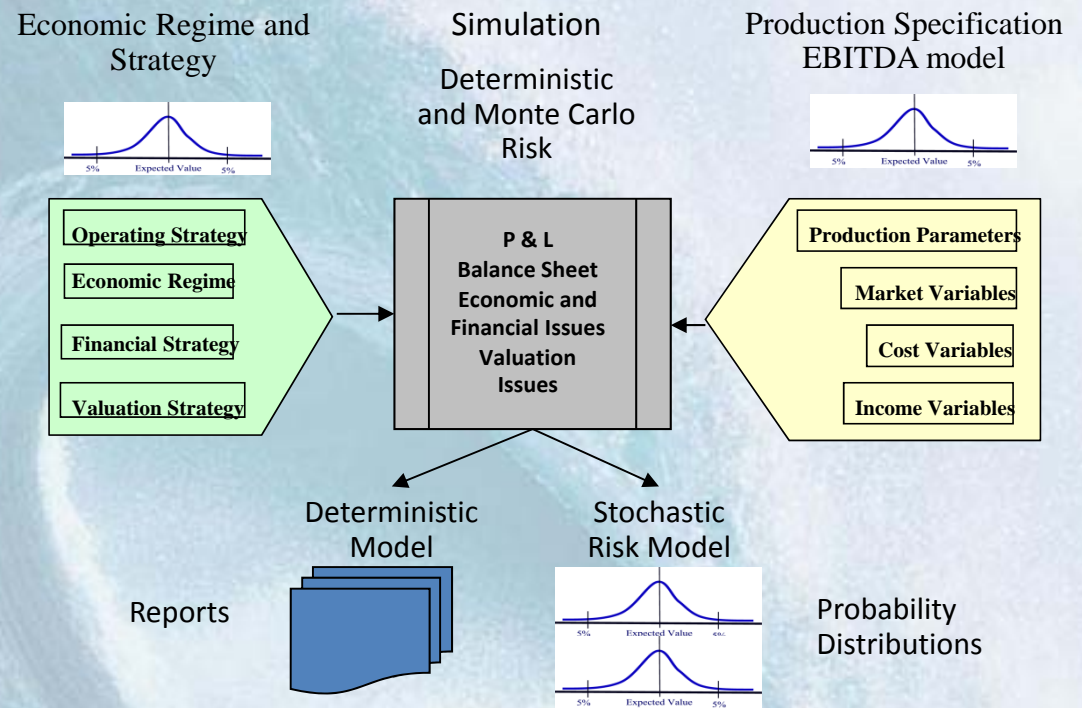
- Traditional approaches struggle to quantify operational and strategic risks.
- S@R gives you strategic risk management capabilities that can be aligned with growth strategies, and help companies achieve their business priorities and goals.
- Achieve integration of strategic planning and risk management.
- Establish risk tolerance for the enterprise, and align risk appetite both for individual projects/investments as well as for the enterprise.
- Improve ways to assess and analyse risk capacity.
- Align risk management with the overall business strategy, respond to regulatory demands and improve their modeling and analytics capabilities.
- Create shareholder value from risk management

# Result: S&R Generic Simulation Model for Strategic Decision Support

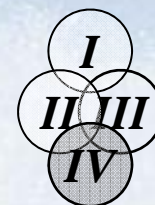


We deliver:

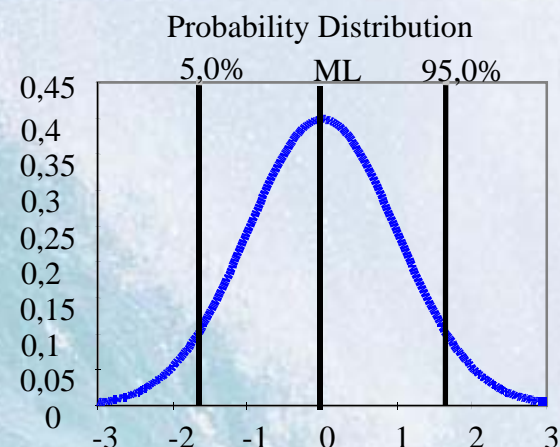
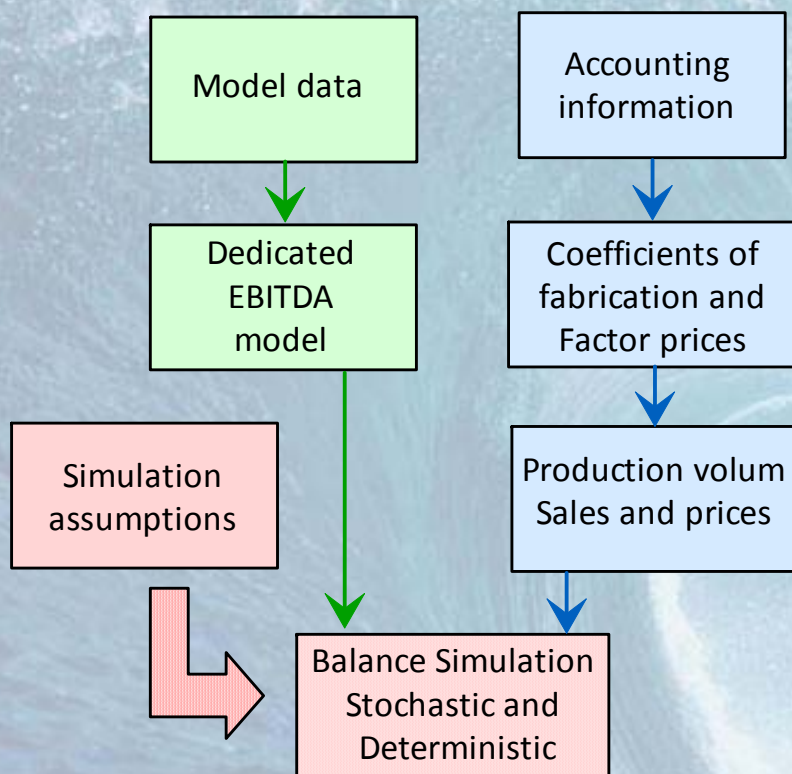
- ✓ A Monte Carlo simulation model tool that easily links to your report and consolidation tools.
- ✓ A customer tailored simulation model ready to use for a range of problems. Or standard industry models.
- ✓ Services ensuring implementation, user friendliness and training of key personnel.
- ✓ We understand, design and implement with no strain on the organization – you are up and running in short time with our full support.



<http://www.strategy-at-risk.com/2009/10/19/where-do-you-go-from-risk-mapping/>



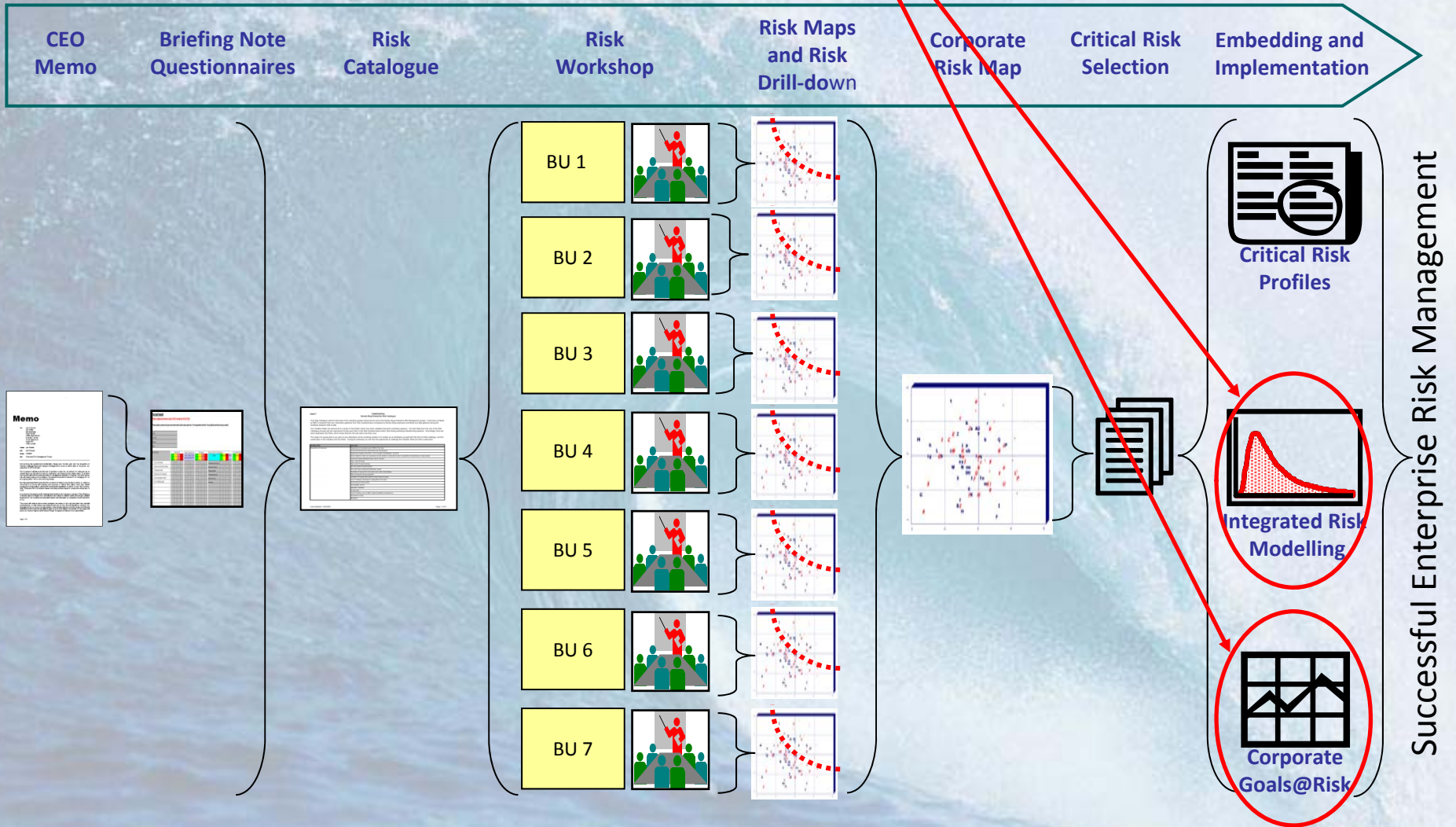
## The two types of Input Methodology



### Input required per variable/assumption:

- 5% worst outcome
- 5% best outcome
- ML (Most Likely)
- Shape of the probability distribution curve

# Making better business decisions with S&R



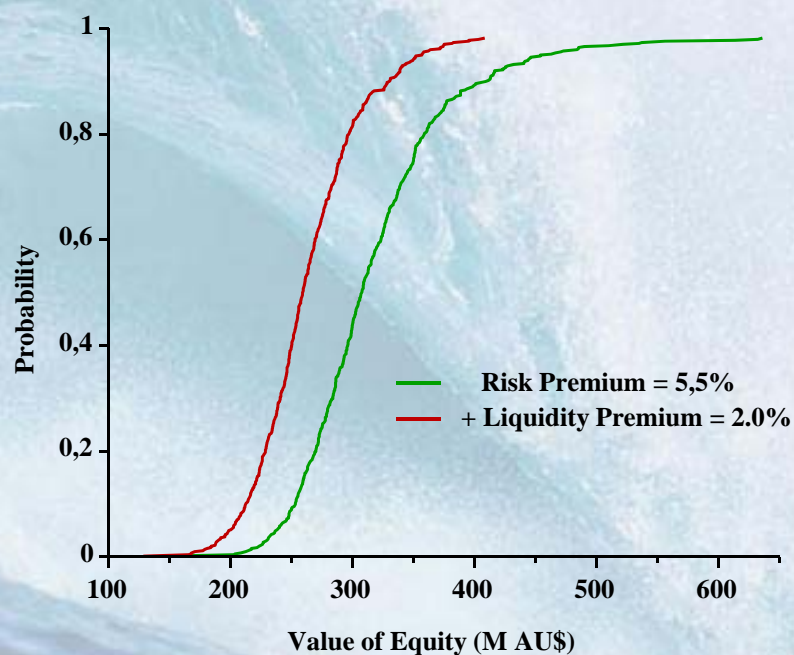
Successful Enterprise Risk Management



# Model Output

- PROFIT AND LOSS ACCOUNT
- FOREIGN EXCHANGE EFFECTS
- DEBT AND EQUITY CALCULATIONS
- PRODUCTION, SALES AND INVENTORIES
- CONTRIBUTION ANALYSIS
- OPERATING AND WORKING CAPITAL
- EBIT, NOPLAT AND FREE CASH FLOW
- COST AND VALUE OF DEBT AND EQUITY
- ECONOMIC PROFIT
- NPV AND IRR ANALYSIS
- FREE CASH FLOW VALUATION
- ECONOMIC PROFIT VALUATION
- TRANSLATION HEDGE
- CURRENT AND DEFERRED TAXES
- CASH FLOW REPORT
- FINANCING REPORT
- VALUE DRIVERS
- CLOSING BALANCE CHANGES
- ETC.

1. In all 27 different reports with more than 70 pages describing operations and the economics of operations.
2. In addition the probability distributions for all input and output variables are produced





Services	Application area	Use	Results
Financial Planning and testing	Budgeting	Stress-testing	<p>Cost and capital savings. Stabilize results. Align budgets and results better. Get an organization that better hits targets, reveal over-or under achievements. Make correct market/outlet choices. Communicate better with the investors and financial market. Know your expected multi-period investments necessary to increase sales. Reveal market/product potential. Evaluate financial hedging strategies. Understand the future cash-flow volatility of company and the individual BU's. Find the financial leverage that is most appropriate for the firm.</p>
	Upside/downside potential and risk	Multi period uncertainties	
	Financial planning	Evaluate your market position and potential for growth	
Financial modeling	Balance simulation, holistic Risk/opportunity models	<p>Analyzing Financial risk:</p> <ol style="list-style-type: none"> <li>1. Currency risk</li> <li>2. Transaction risk</li> <li>3. Translation risk</li> <li>4. Interest rate risk</li> <li>5. Credit risk</li> <li>6. Financing risk</li> </ol>	<p>Making the company capable to perform detailed strategic planning. Executing earlier and more apt actions against risk factors. Make the right and most profitable strategic choices in line with company risk appetite and tolerance. Get precise and correct multi-period market weighted cost of capital.</p>
		<p>Analyzing Operational risk:</p> <ol style="list-style-type: none"> <li>1. Implementation risk</li> <li>2. Country risk</li> <li>3. Repatriation of funds risk</li> </ol>	
		<p>Balance risk:</p> <ol style="list-style-type: none"> <li>1. Liquidity</li> <li>2. Solvency</li> <li>3. Equity/entity value</li> </ol>	

Services	Application area	Use	Results
Business Development	Production processes	Compare strategic choices.  Estimate necessary capital and investment requirements.	Make the right investment choice. Compare investments, M&A actions, their individual value, necessary commitments and impact on company Get todays and future capital requirements right.
	Plant location and plant sizing		
Business Strategy	Investments	Comparing business units, country units or product lines – decide allocation and need for resources.	Be able to compare effectiveness, robustness and results from different sales channels and suppliers. Be able to chose focus and invest resources in the right products, countries and production by understanding their requirements and contribution to the group. Be able to make better investment/divestment decisions. Boost results by analyzing and acting on revealed and transparent risk and opportunity simulations. Risk priced transactions - Improved allocation - Optimized costs and efficiencies
	Choice of sales channel		
	Choice of supplier	Compare risk, opportunity and expected profitability.	
	Markets uncertainty	Carry out professional demand modeling.  Be able to analyze and incorporate markets uncertainties.	
Decision support	Product pricing – asset pricing	Valuations, capital cost and requirements, individually and effect on company	Benchmark M&A candidates profiles, M&A initial and future estimated capital requirements Identify and benchmark an investment portfolio and/or individual business units' risk profiles Improve predictability in operating earnings at risk that may impact corporate financial position and performance
	M&A		
	Contracts	Due Diligence	
	Divestments/ Asset sales		
Risk/ Opportunity Management	ERM quantification	Act on and plan based on your whole Risk-opportunity situation	Plan and act according to risk strategy Establish risk tolerance and risk appetite Develop risk mitigating strategies

# Deliverables

- State of the art analysis incorporating all risk and uncertainty factors
- Complete and correct simulation models based on full accounts, financial and strategic regime, full cost and income structures
- Analyzing full effect of strategies on project level as well as consequences for entity/group
- More than 60 different financial reports
- Recommendations and conclusions on designated topics
- Full visualization of findings and results
- Tailor made simulation model for client use – or standard industry models
- Complete data sets for simulations

**Tore Olafsen**  
**Senior Partner**  
Email: [to@strategy-at-risk.com](mailto:to@strategy-at-risk.com)

**Paal Fredrik Olafsen**  
**Senior Partner**  
Email: [po@strategy-at-risk.com](mailto:po@strategy-at-risk.com)  
Phone: +47 90775433