

# CREATING VALUE THROUGH POSITIVE CHANGES

BUSINESS is about making money and creating value. How a company navigates towards achieving those objectives is unique as there is never a single blueprint on how to create a successful company.

Experience certainly is a great teacher, and Ekuiti Nasional Bhd (Ekuinas) can attest that the process of creating value is always a learning process. It is never complete and one only gets better with time and success.

With the private equity fund now well on its way in nurturing and building successful companies for their next phase of their corporate journey, the entire process has imbued Ekuinas with the knowledge of what a company needs to do to improve itself, and that does not start after an acquisition in a company is made.

Ekuinas CEO Syed Yasir Arafat Syed Abd Kadir says the private equity firm always engages business owners intensively prior to taking a stake in a private company. The only question is the length both parties will take before drafting a pre-acquisition plan to extract greater value from a company.

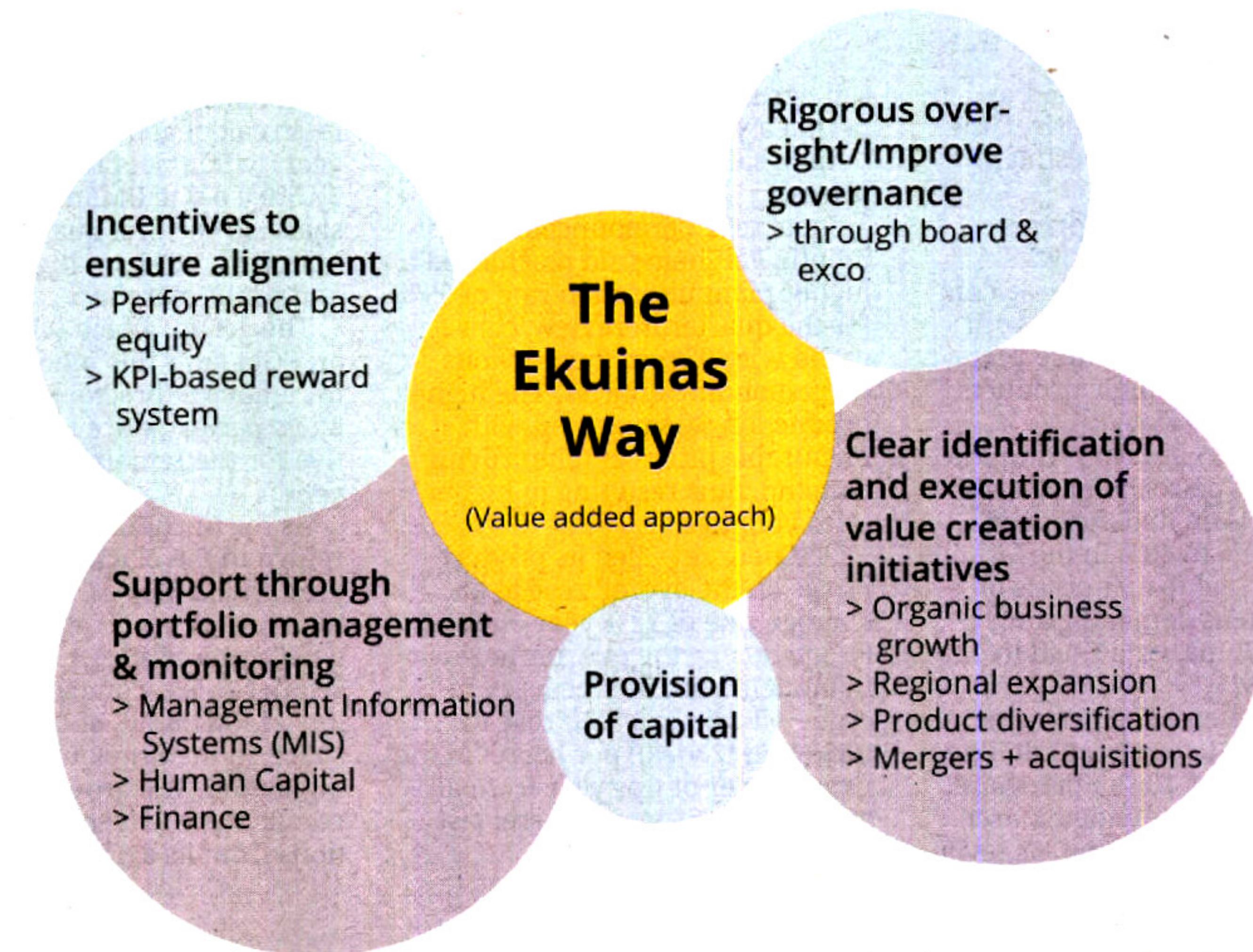
In that time, Ekuinas engages with the owner and CEO of the company it is acquiring. "It can be as short as 3-6 months and in some cases, it was six years. Entrepreneurs typically will have limits in terms of what they are able to achieve. Beyond that, they will need a partner to move up to the next level," he says.

What Ekuinas will convince any prospective new partner is the positive change it can bring to an organisation.

During the pre-investment phase, Ekuinas will conduct a due diligence on various aspects of the company, including its commercial, financial and tax positions. One key feature of all of that is to look at the opportunity to create value in the company. Value creation plan is prepared on the outset based on outside-in view to ensure it is shared with business owners and management for validation and alignment.

"Part and parcel of the evaluation will include the business plan post-acquisition. The 100-day plan is to kick-start the process," he says. The idea behind the 100-day plan is to get the value creation process running as soon as possible by focusing on a few key initiatives.

Ekuinas tests the effectiveness of its plan through detailed financial models and by



trying to understand what the company's business drivers are. In that time, it will also get input from the business owner or CEO of the company it is acquiring. Their contribution is essential as the parallel interests of both parties is to build value following the entry of Ekuinas in the company.

The 100-day plan creates momentum of change within the company but there are other phases where Ekuinas will institute at later stages within the timeframe of its ownership that aims to catapult its value creation process into higher levels.

"Intensity of the work is typically in the first couple of years on the investment," he says.

There is no cookie-cutter approach to value creation as the fruits of endeavour can come at different stages of the acquisition's lifespan. "It is a function of the intensity of the initiative. In some cases, it will take time to change the infrastructure and systems," says Syed Yasir Arafat.

Inertia to change sometimes causes a lag in how fast change can be made. For entrepreneurs who have felt that they might

know best as they have been running the company for the longest time, what Ekuinas does is to engage in stewardship and even hand holding.

"People management is a big part of value creation. The portfolio companies are the ones that will create value and they have to believe in the plan that they have agreed with us. We are there to facilitate and not run the company day-to-day," he says.

There are various things Ekuinas recommends changing for the better to extract value. Be it optimisation of IT systems, consolidation of supply chain, product/services diversification or even relooking at existing contracts, what Ekuinas offers is knowledge of how those changes have brought value in other companies it co-owns.

"On a broader headline item, there is a playbook. But when it comes to details, each company has to be treated separately.

"To increase revenue, there are certain things you need to do across the board for all companies but the actionable items under each category will be very different. Each company has a different cost structure," he

says.

"In the food business, you have to continuously re-invent your product to be relevant to your customers. One of the things we have done with Revenue Valley is the consolidation of the back office because it has regional operations and streamlining the back room operations from Singapore to Malaysia has saved costs," he says.

Value creation does not, however, stop with each single company. As Ekuinas owns a plethora of different companies, there are always ways to leverage off the operations of the different companies within its portfolio.

One great side effect from value creation within its companies is not just the extra profit those companies will generate. Society too gains as operations get more efficient from the business plans Ekuinas implements. Clients will get a better service and employees, such of those in the oil and gas industry, will gain from better health and safety checks and the assets of the company will be better managed.

"The quality of the assets will be enhanced and in F&B, this will translate to better products. Across the board in the value chain, the staff are better trained.

"It is the improvement of the eco-system. You are creating a better culture and have trained better managers and employees when a sale happens," he says.

The other benefit Ekuinas is now seeing from the years of building value in companies is the approaches it gets from entrepreneurs who want to partner with the private equity firm.

Learning to create value has also led to Ekuinas setting its eyes on new core businesses it might one day get involved in.

"We have not really invested in manufacturing and we continue to look at those opportunities. In the past, we didn't invest in the consumer or the retail space and we took a conscious effort to look at investing in Al-Ikhsan.

"Learning from what we have done in the past gives us more confidence to embark into new areas of investment," Syed Yasir Arafat says.

Ekuinas has invested in education, food and beverage companies, oil and gas, services, education, food manufacturing, healthcare, retail, and fast moving consumer goods.