

# Horizon Growth Planning: How to Drive Valuations of Private Equity Portfolio Companies

Webinar

6.25.20

© 2020

Mark Coronna

Area Managing Partner & CMO

[mcoronna@chiefoutsiders.com](mailto:mcoronna@chiefoutsiders.com)

612.554.0081



# Introduction: “Change is Inevitable, Growth is Optional”

- ✓ Understand the connection between strong revenue and profit growth and valuation
- ✓ Learn why a growth engine far exceeds the value of a growth plan
- ✓ Recognize the value of the stage gate approach to opportunity identification and development
- ✓ Identify key “horizon growth” principles and best practices

Quote from John C. Maxwell

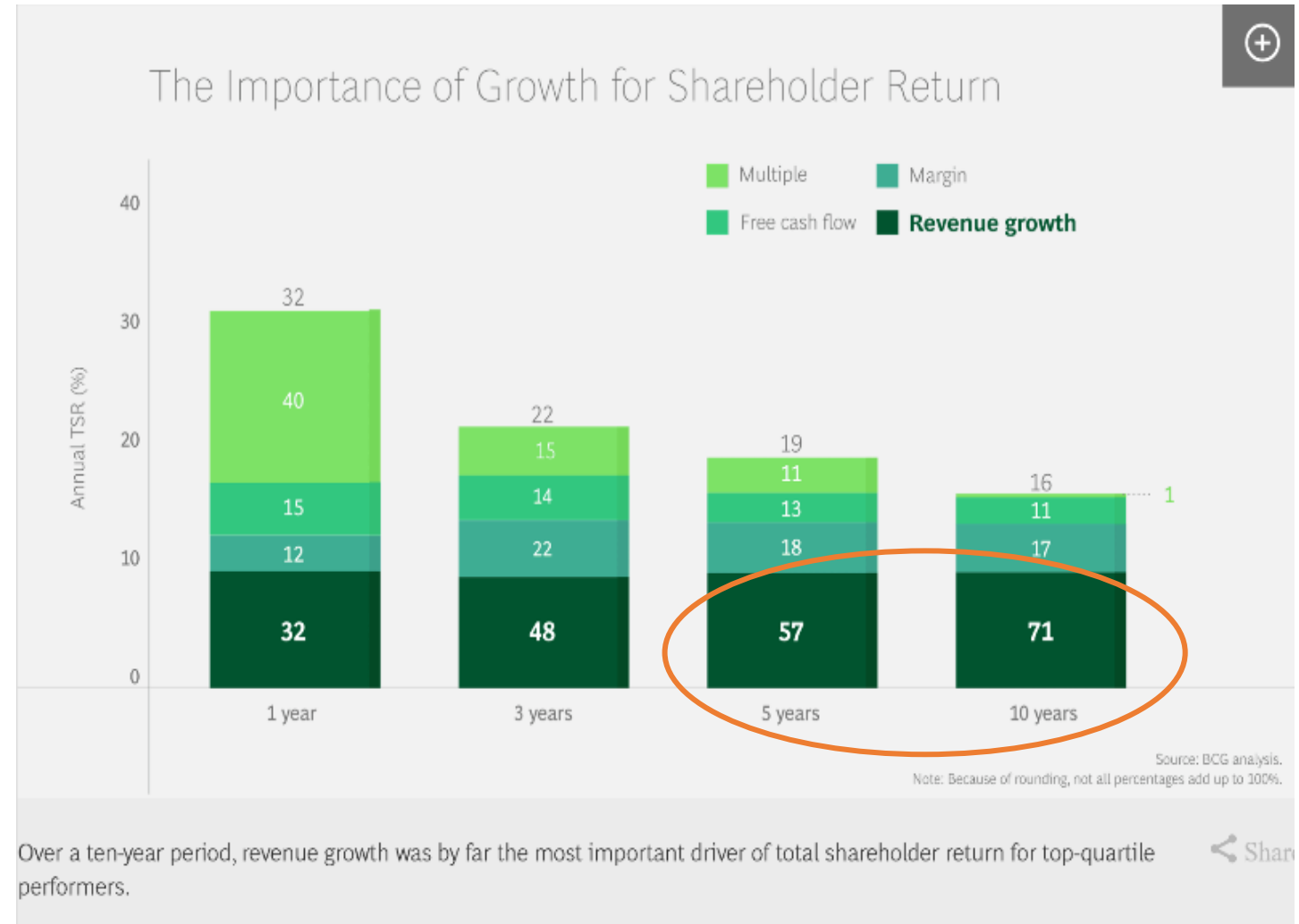
# One Big Reason to Adopt Horizon Growth Planning: Planned Growth Drives Valuation

Here's what the Boston Consulting Group has to say about that:

*“Every company wants to grow, with good reason. Over the long term, revenue growth is the largest source of TSR (total shareholder return) for top value creators. This makes sense. Without growth, a company’s ability to improve margins, expand its valuation multiple, or increase free cash flow yields to investors inevitably reaches a point of diminishing returns.”*

Or, in the words of my investor colleagues:

**“All EBITDA is good, revenue-driven EBITDA is better!”**



# Five (5) Minute Baseline Assessment

(Ten Questions, Maximum 3 Points Each)



- You have a defined plan to build new revenue and profit streams over a 3-5-year period
- You have a defined process to monitor changing market conditions and modify growth strategies
- You and your team regularly spend time checking the progress of your growth initiatives
- You have someone or a team responsibility and accountability to drive growth beyond this year's plan
- You have an identified working list, or portfolio, of growth opportunities
- Your growth opportunities have been prioritized using a consistent scorecard
- You have defined specific financial benefits and projected returns for each growth opportunity
- You understand the investments and resources required to build out new profitable revenue streams
- You have the right resources and culture to implement your growth strategies
- You feel confident in your approach to growth and your ability to achieve your growth goals
- 30 TOTAL POINTS**
- YOUR SCORE**

Poll Question: How Mature is Growth Planning in Your Company?

# What is Horizon Growth?

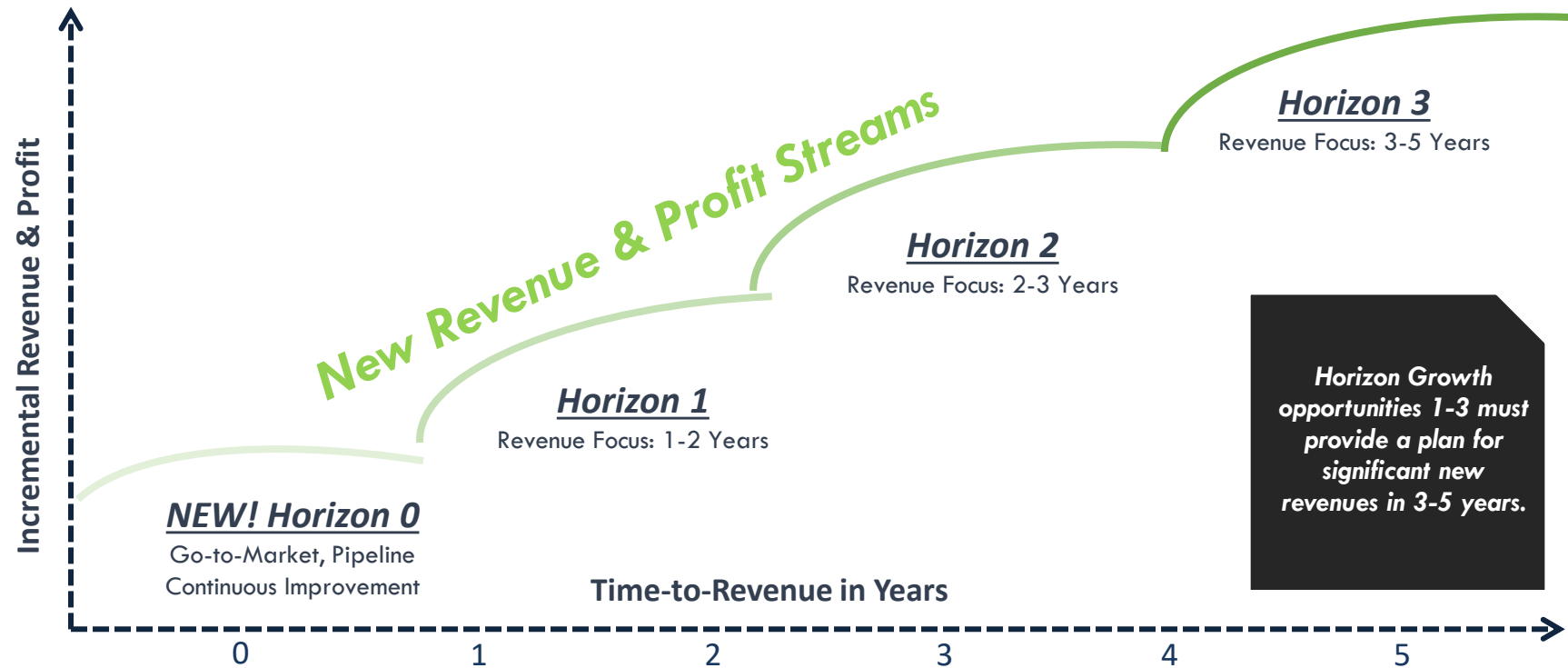
Based on a book titled *The Alchemy of Growth, Practical Insights for Building the Enduring Enterprise*

Introduced in 1999, authors: Baghai, Coley, White

## Key Take-Aways

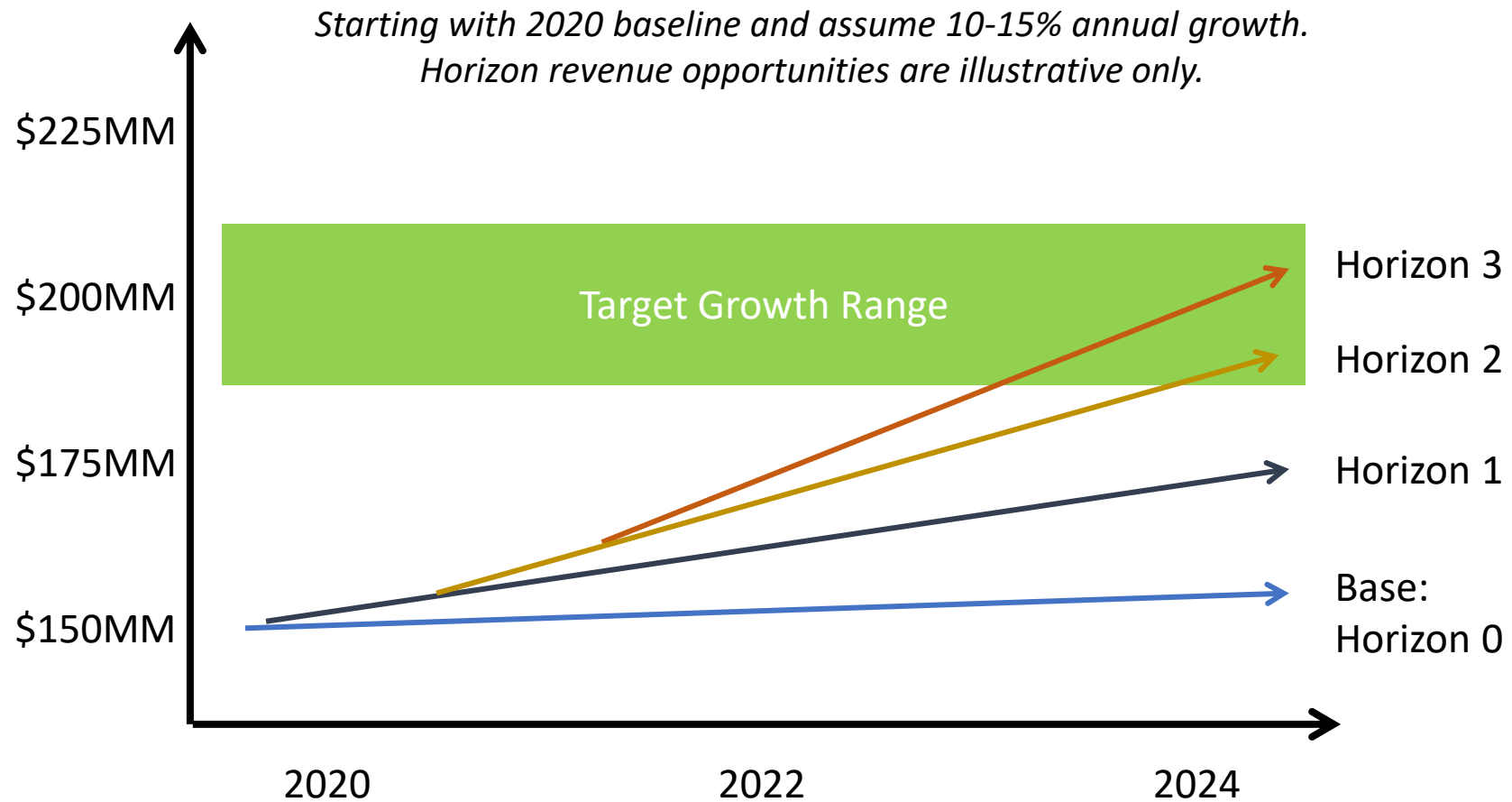
- All businesses eventually mature and decline.
- A company can outlive its core businesses only by creating and maintaining a continuous pipeline of new businesses.
- Executives must manage multiple “Horizons of Growth” simultaneously.
- “Horizon 1” includes defending and extending your company’s core businesses.
- “Horizon 2” focuses on building emerging businesses.
- “Horizon 3” creates viable options for your company’s “businesses of tomorrow.”

# What is the Horizon Growth Framework?

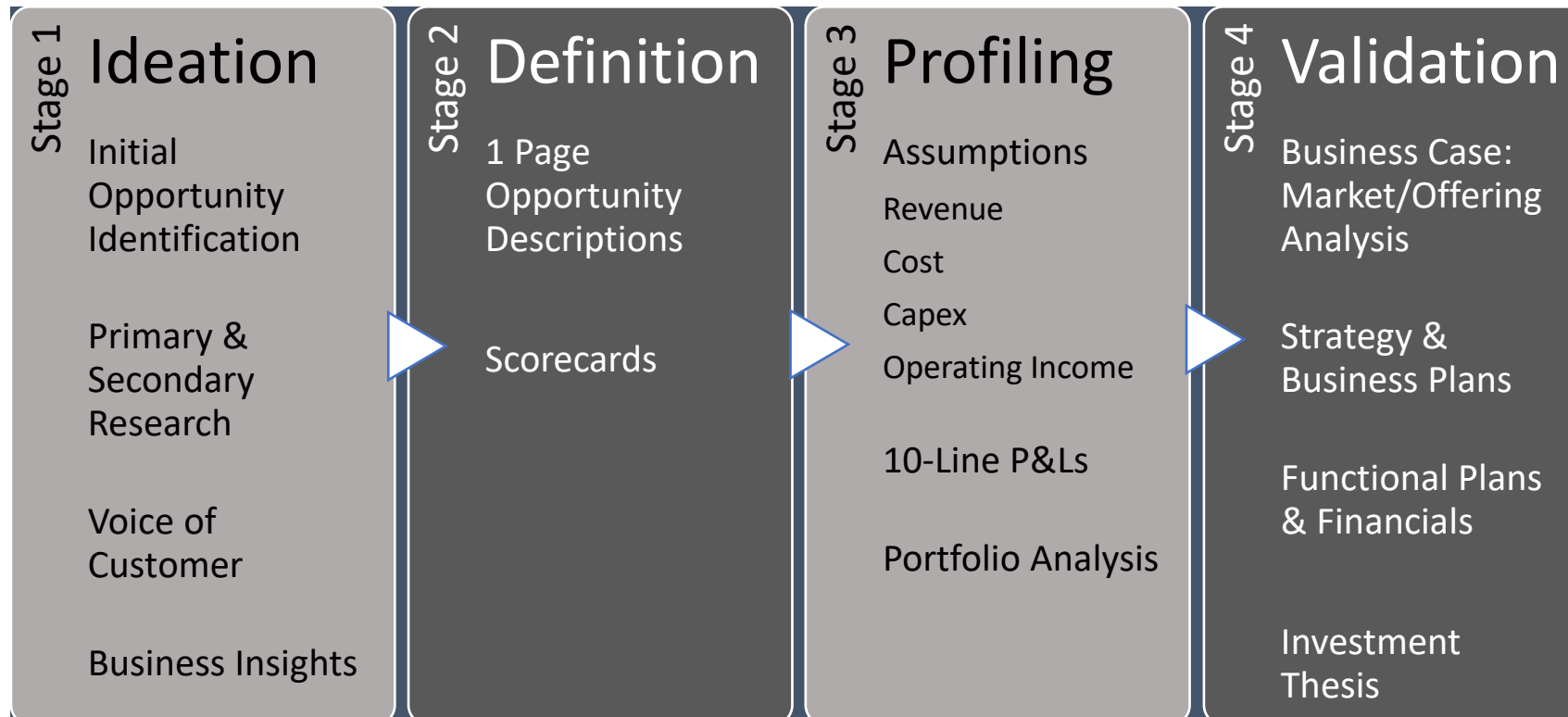


	<b>HORIZON 0</b>	<b>HORIZON 1</b>	<b>HORIZON 2</b>	<b>HORIZON 3</b>
<b>Strategic Focus &amp; Actions</b>	Efficiency & Low Hanging Fruit Maintenance & Cost Take-Out	Defend, Exploit, & Optimize Current Business / Marketing, Production Cont. Improvement	Build Emerging Business and Adjacent Innovations & Opportunities / New Customers & New Products	Create Viable Options for Long Term Future Revenue; Business Model innovation / Test & Research
<b>Definition</b>	<b>In the Business</b>	<b>Core Business Expansion</b>	<b>Growth Business; Adjacencies</b>	<b>Future Business; Transformative</b>
<b>Example</b>	New tooling for greater efficiency	Expanding service with customized online ordering	Existing product into new market	New products into new markets, or new business models

# Horizon Growth Goal: Generate Incremental Revenue and Profit Streams over Time



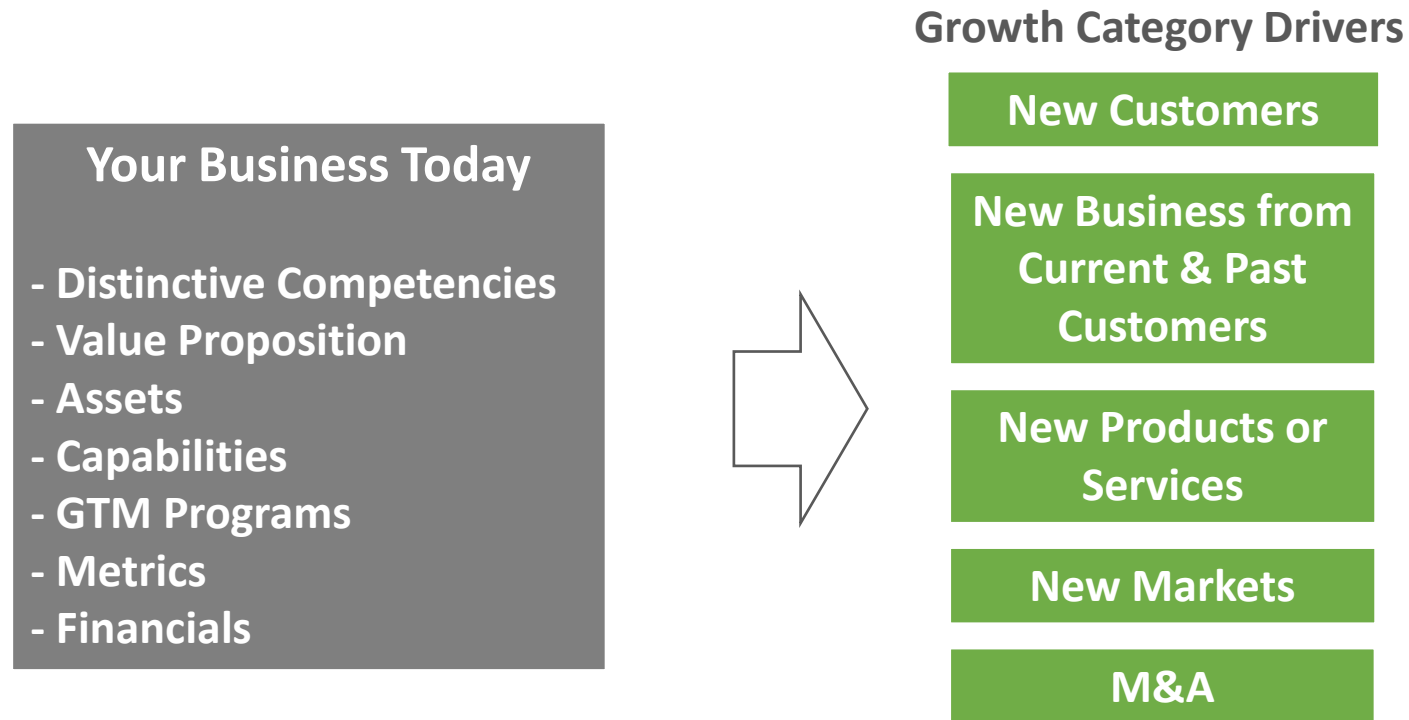
# Stage-Gate Horizon Growth Management Processes



Copyright 2020 – Mark S. Corona



# Horizon Growth Answers the Question: Which are Our Best Opportunities?



**What's Your Working List?**  
**Are Opportunities Scored Consistently?**  
**Are they Prioritized?**

**What Will Need to Change in a Post-COVID Economy?**

# Opportunities Can be Defined from the “Outside-in” or “Inside-out”

## “OUTSIDE IN” MARKETS IN SEARCH OF SOLUTIONS

“What does the market need and where are major pain points?”

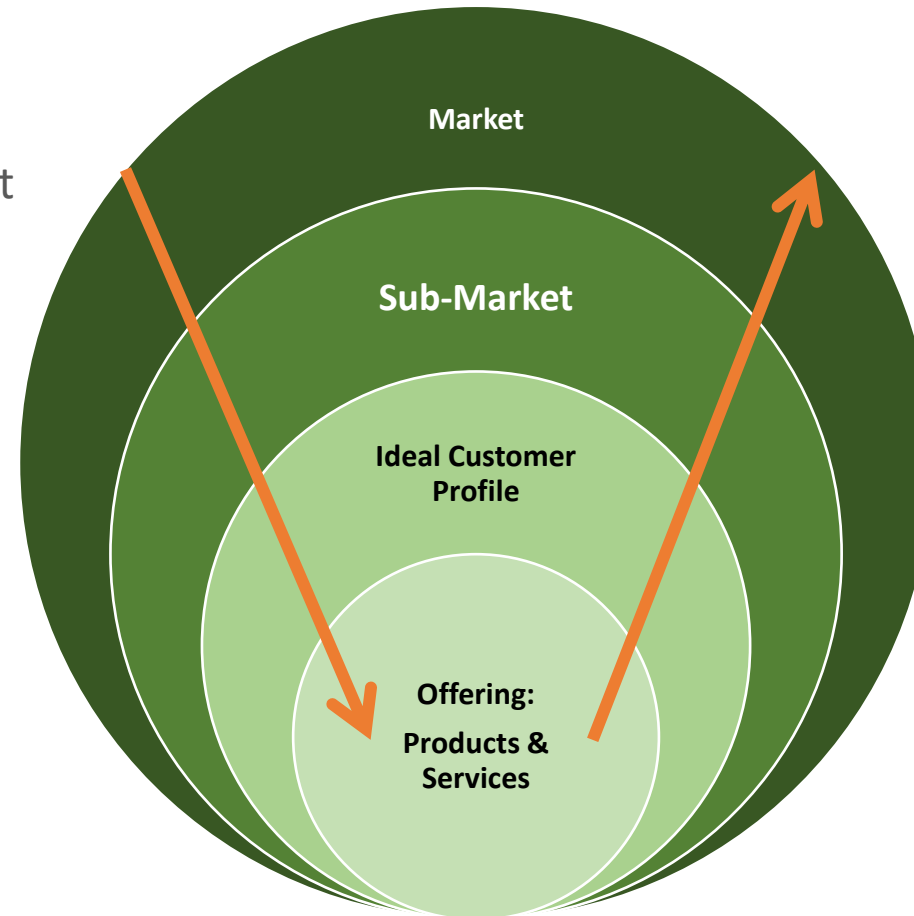
### Example:

**Market** = Refrigeration

**Sub-Market** = Bio-Medical Apps

**Ideal Customer** = Large Clinics

**Product/Service** = Cold-tolerant Plastic Sealers for Refrigerators used for Organ Transplants



## “INSIDE OUT” OFFERINGS IN SEARCH OF MARKETS

“What can we produce with our capabilities?”

# Horizon 0: Maximize Short-term Revenue Sales and Customer Strategy Examples

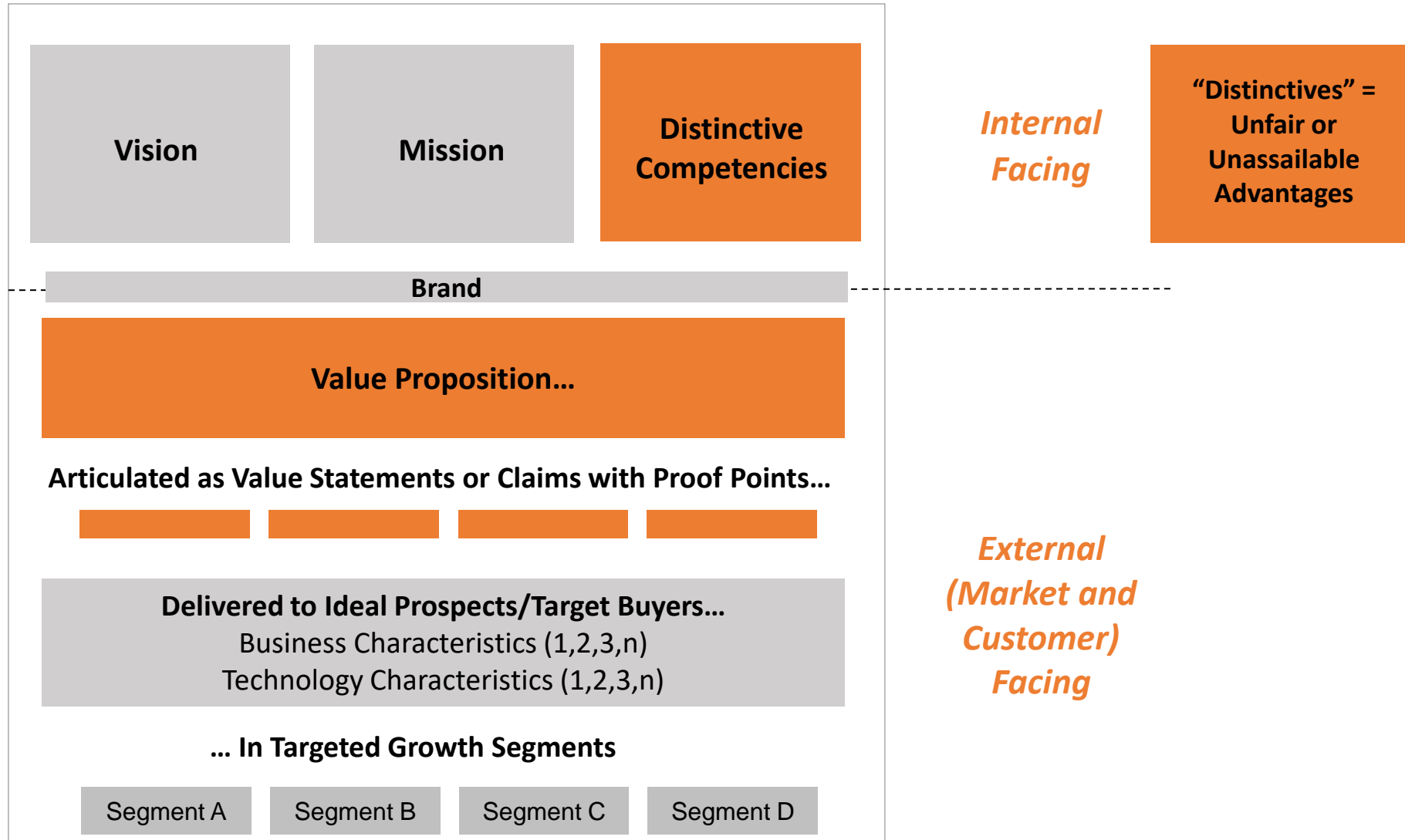
**Current \$ Sales per Customer**

<p><b><u>Maintain Strategies</u></b></p> <ul style="list-style-type: none"> <li>- Need to move to mid tier</li> <li>- Incentive for more business</li> <li>- Increase margins (pricing/other)</li> <li>- Customers competitors program</li> </ul>	<p><b><u>Platinum Strategies</u></b></p> <ul style="list-style-type: none"> <li>- Innovation meetings</li> <li>- Tell them Platinum, what means</li> <li>- Joint engineering (calls, design..)</li> <li>- Long term contracts, price red.</li> <li>- Higher service levels.....</li> </ul>
<p><b><u>Milk Strategies</u></b></p> <ul style="list-style-type: none"> <li>- Price increases, immediately!</li> <li>- Lower service levels, inventory</li> <li>- "Fire" customers</li> </ul>	<p><b><u>Growth Strategies</u></b></p> <ul style="list-style-type: none"> <li>- Innovation meetings</li> <li>- More sales focus</li> <li>- Accel. Growth move to mid</li> </ul>
<p>NO-TO-LOW GROWTH</p>	<p>MEDIUM-TO-HIGH GROWTH</p>

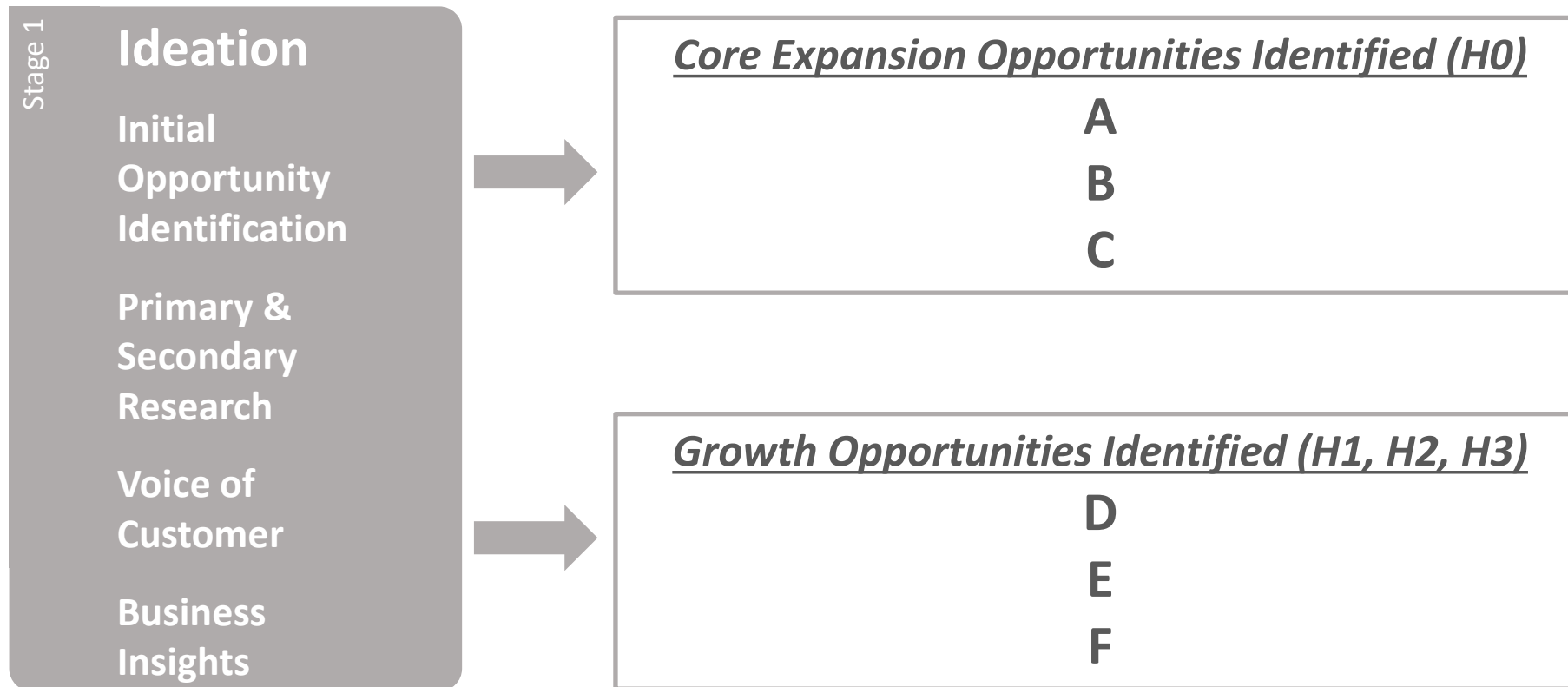
## Customer Profit Potential

Horizon 0 Maximizes the Value of Existing Relationships and Will be Critical in a Post-COVID Economy

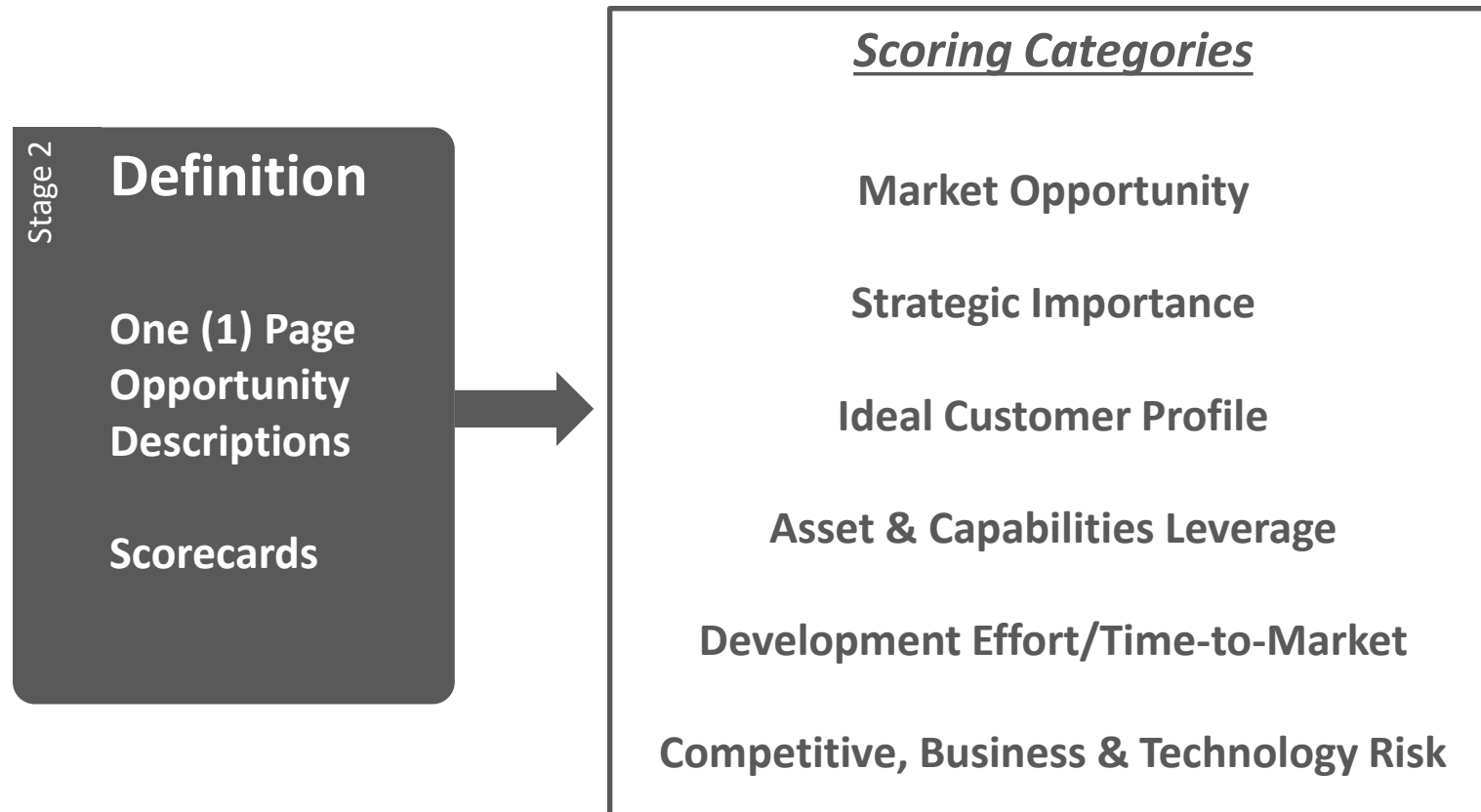
# Approaches to Growth Must Leverage Distinctive Competencies & Assets



# Ideation – Stage 1



# Definition – Stage 2 Customizing a Scorecard



# Opportunities Profiled: Complete Toolset For Each Opportunity



## Opportunity Profile

ONE-PAGE OPPORTUNITY DESCRIPTION <small>(Stage-Gate Stage 2 Tool)</small>	
<b>Purposes</b>	
<ul style="list-style-type: none"> <li>- To create an initial profile of an identified idea, concept, or opportunity.</li> <li>- To help the executive team all achieve a common understanding of the opportunity.</li> <li>- To use as input to a customized Scorecard.</li> </ul>	
<b>Introduction and Instructions</b>	
This template is a Stage 2 tool used to describe new opportunities. We'll help use it to help everyone understand each opportunity and to be able to consistently profile them.	
Please fill this out as completely as possible. It is understood that you may not be able to answer all the questions with confidence, and that's fine.	
<b>NAME OF PERSON COMPLETING THIS OPPORTUNITY</b>	
<b>DESCRIBE THE OPPORTUNITY</b>	
<b>WHAT WOULD BE THE TARGET MARKET(S)?</b> Market 1 Market 2 Market 3	
<b>WHAT TARGET SEGMENTS SHOULD WE CONSIDER?</b> Segment 1 Segment 2 Segment 3	
<b>WHAT WOULD AN IDEAL CUSTOMER LOOK LIKE?</b> Size (Revenues, Number of Employees) Location Buying Process Other...	
<b>WHAT WOULD OUR OFFERING LOOK LIKE?</b> Products Services	
<b>HOW MUCH REVENUE DO YOU THINK WE COULD CUMULATIVELY GENERATE IN THREE YEARS?</b> <small>Please Document Your High-Level Assumptions. Examples May Be:</small> Number of New Customers New Product Units Other...	

## A Consistent Intake Process Has Multiple Benefits:

- Provides a Structure for Consistent Comparison
- Ensures a Minimum Threshold of Understanding for Each Concept
- Eliminates Spurious Ideas
- Introduces the Quantitative Value of Profiling (Three-Year Revenue)

## Customized Scorecard

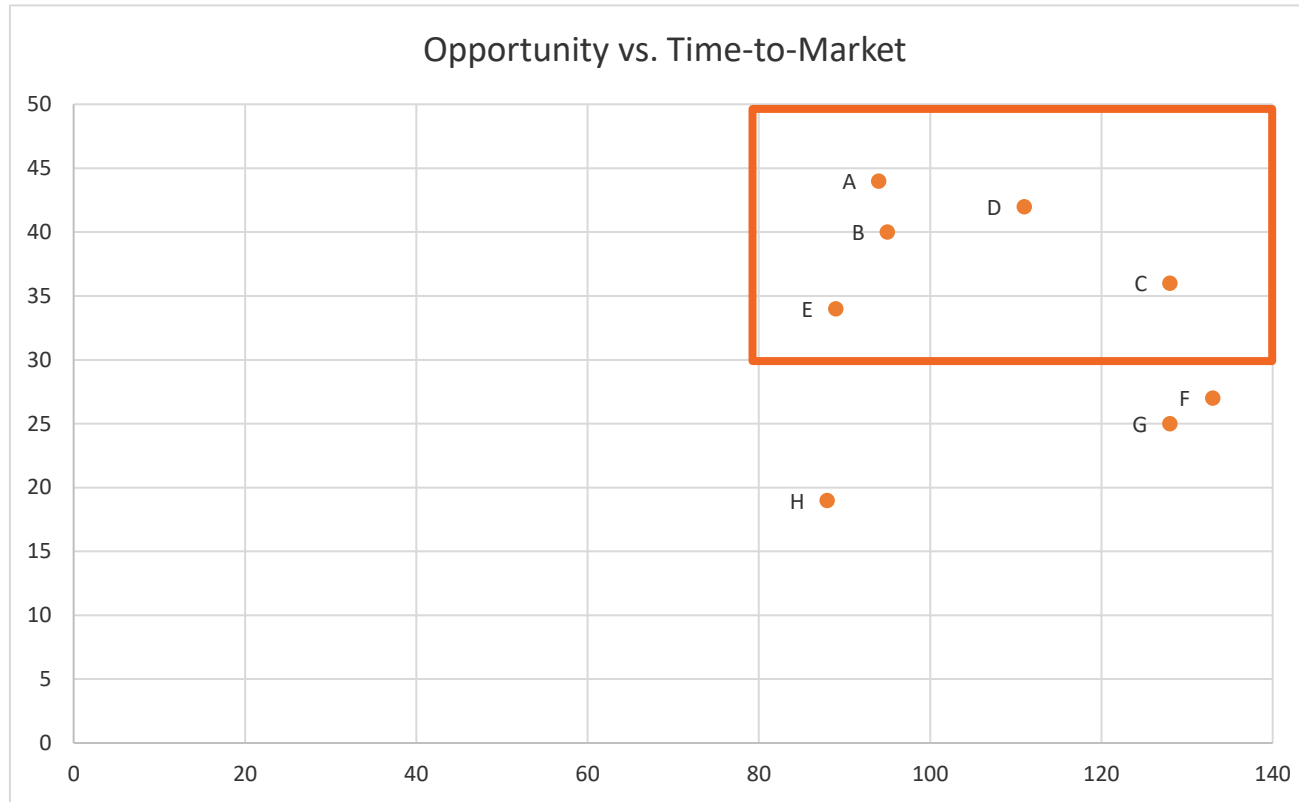
Opportunity Scoring Model - <small>2019 Template rev 19024.19</small>					Opportunity Descriptions			
Category	Factor	Description	Initial Sizing	Horizon	A	B	C	D
			\$ Revenue Range: 2019-2022		\$M	\$M	\$M	\$M
			Opportunity Sponsor/Leader		TBD	TBD	TBD	TBD
		<b>Market Opportunity (Up to 10 points for each Score)</b>	<b>Ranges for Scores</b>	<b>Weighting (1x, 2x, 3x)</b>				
					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>50 Total Points Available</i>				
		<b>Strategic Importance (Up to 10 points for each Score)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>40 Total Points Available</i>				
		<b>Ideal Customer Profile (Up to 10 points for each Score)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>30 Total Points Available</i>				
		<b>Asset &amp; Current Capabilities Leverage (Up to 10 points each Score)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>40 Total Points Available</i>				
		<b>Development Effort &amp; Time to Market (Up to 10 points each Score)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>60 Total Points Available</i>				
		<b>Business &amp; Technology Risk (Up to 10 points for each Score)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>30 Total Points Available</i>				
				<i>Actual Score vs. 250 Total Points</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<i>% Points Scored</i>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

# Opportunity Scoring Summary: Opportunity vs. Time-to-Market

**Shorter Entry Time**

**Time-to-Market = Development Effort**  
*“What assets & capabilities do we bring to the opportunity”*

**Longer Entry Time**

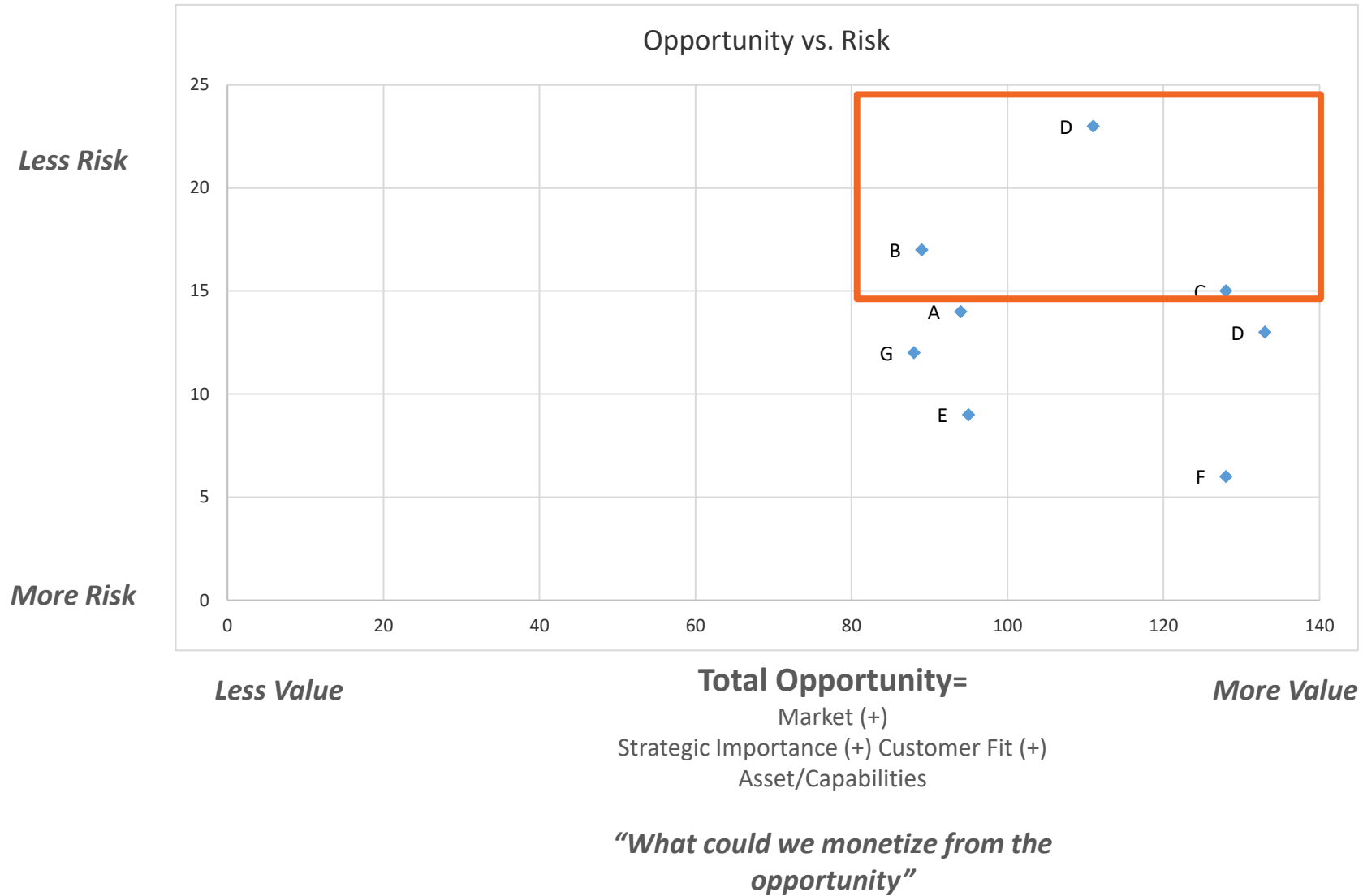


**Less Value** **Total Opportunity=** **More Value**  
Market (+)  
Strategic Importance (+) Customer Fit (+)  
Asset/Capabilities  
*“What could we monetize from the opportunity”*

**Time-to-Market Translates Expectations into a First Draft of the Horizon Growth Roadmap**



# Opportunity Scoring Summary: Opportunity vs. Risk



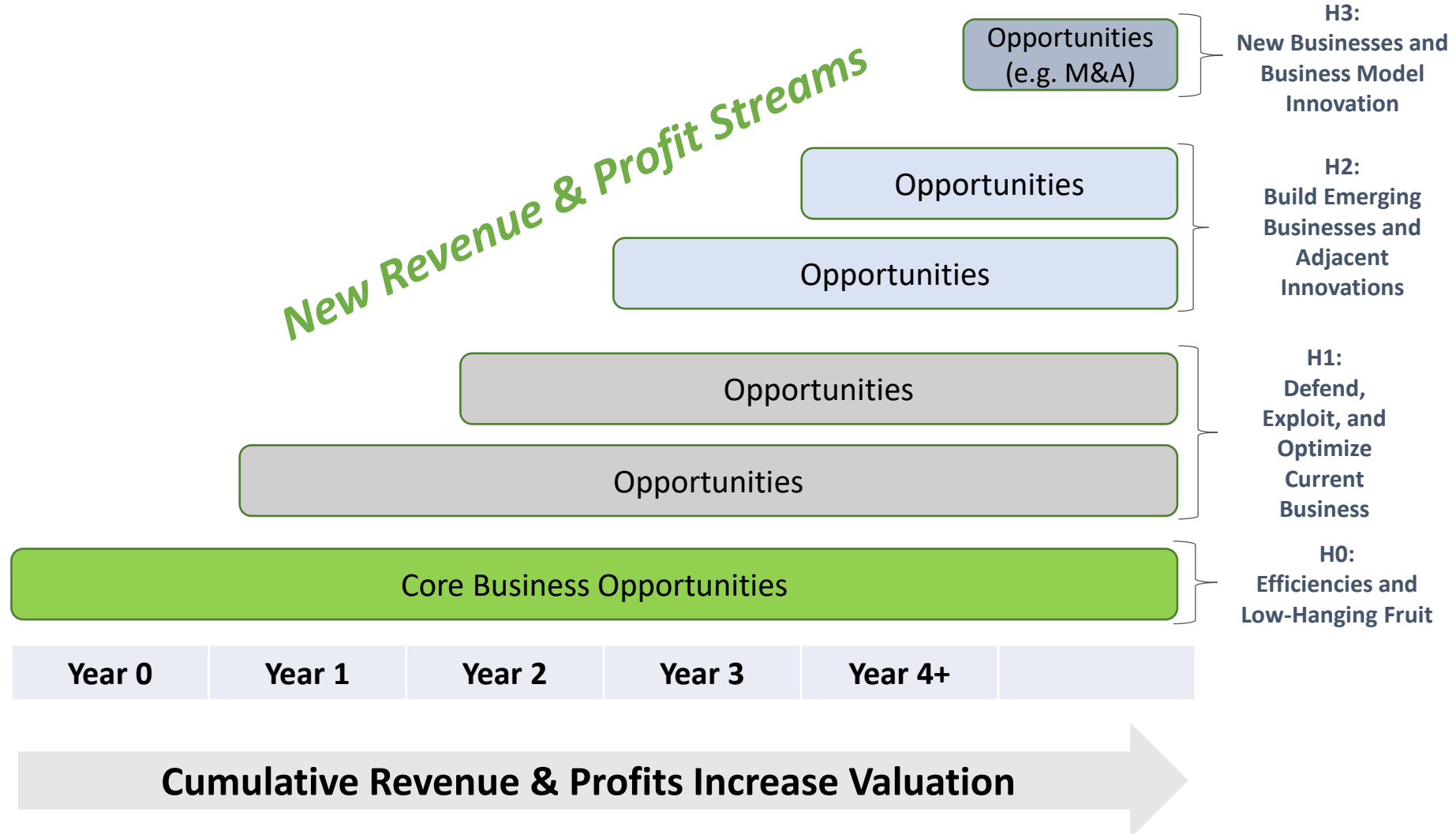
# Initial Mapping of Resources and Investment Needs to Opportunities

RESOURCES: MAPPING CAPABILITIES & CAPACITY TO OPPORTUNITIES					
Revised 1.13.20					
<b>Scoring Model</b> (Select One Best Choice)					
Capability with Current Capacity = 10 points					
Capability with Capacity Acquisition <1 year = 7 points					
Capability & Capacity via Third Parties = 7 points					
Capability with Capacity Acquisition >1 year = 5 points					
Resource (Labor/Talent Availability) Limited = 3 points					
Expertise (SME) Limited = 3 points					
Resource(s) Currently Unavailable = 1 point					
	Horizon 0-1			Horizon 2	Horizon 3
	Existing Customer Development	Data Fidelity Project	Customizable Data (Partnership)		
<b>Business Functions</b>					
<b>Operations/Support</b>					
Operations/Production	10	7	7		
Tech Support (Internal Ops)	7	7	7		
Application Support (Client-facing)	10	10	7		
Engineering (Data Scientists)	10	7	3		
Market/Application Experts	10	7	3		
Purchasing (Tools, Tech, etc.)	7	7	5		
Quality Control	7	7	7		
Capacity Planning	7	10	7		
Legal (Privacy, Security, Ethics, Contracts)	10	10	7		
Product Management	10	7	5		
<b>Sales &amp; Business Development</b>					
Third Party Relationship Management Partners, Distributors, etc.)	10	10	5		
Account Management	10	10	7		
Sales Engineers	10	10	5		
<b>Marketing</b>					
Web & Digital	7	10	7		
Account-based Marketing (ABM)	7	10	7		
Media/PR (Content, Social, Traditional, "Visible Experts")	7	10	7		
Conferences, Trade Events	7	10	7		
Webinars	7	10	5		
Online and Print Advertising	10	10	10		
<b>HR &amp; Talent Acquisition</b>					
	10	7	7		
<b>IT (Infrastructure Management)</b>					
	10	7	7		
<b>Finance &amp; Accounting</b>					
Forecasting & Budgets	10	7	7		
AP and AR	10	10	10		

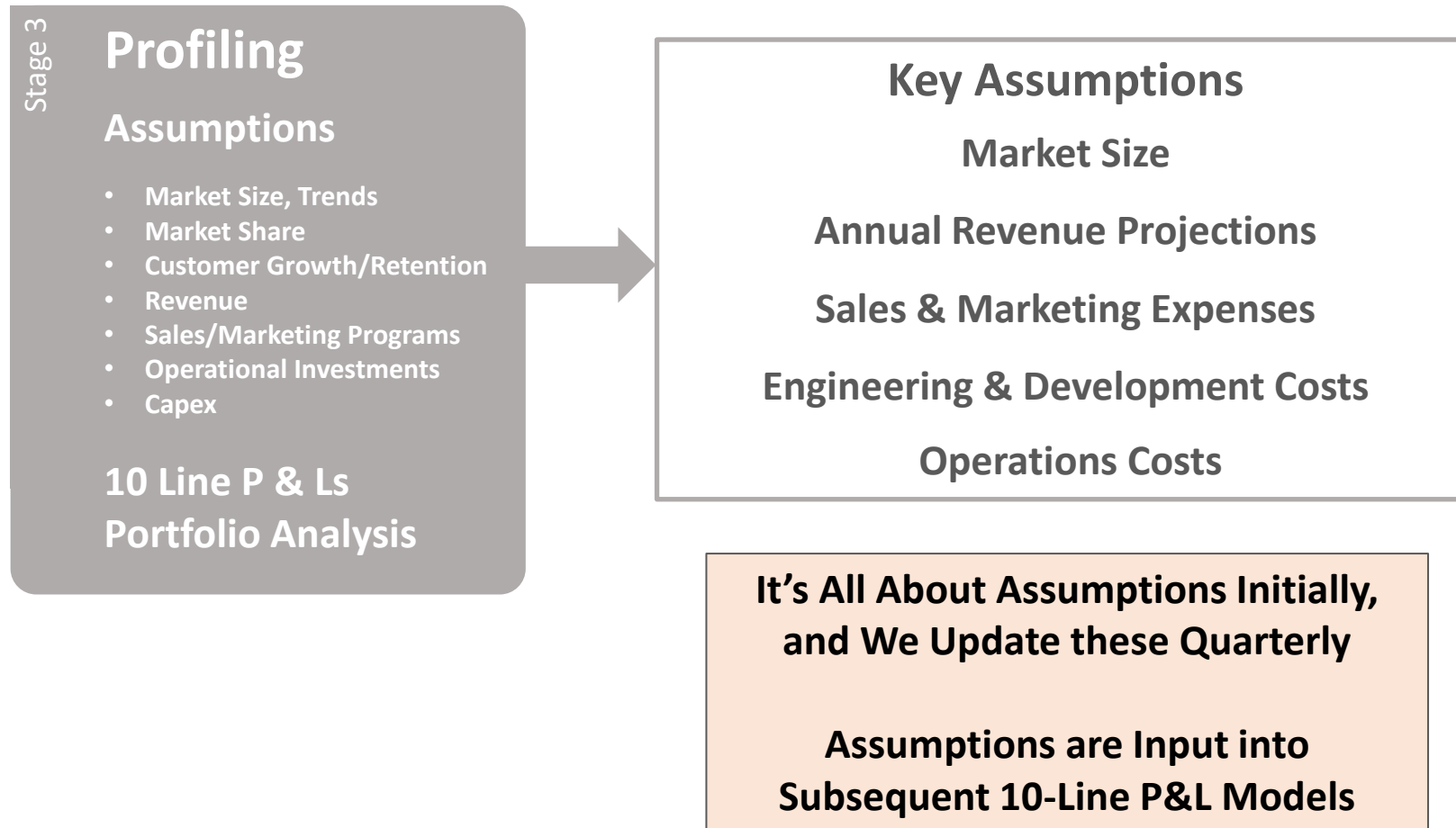
**First Look at Investments Required to Bring New Revenues Online**

**Also Provides Initial Input into Subsequent 10-Line P&L Models**

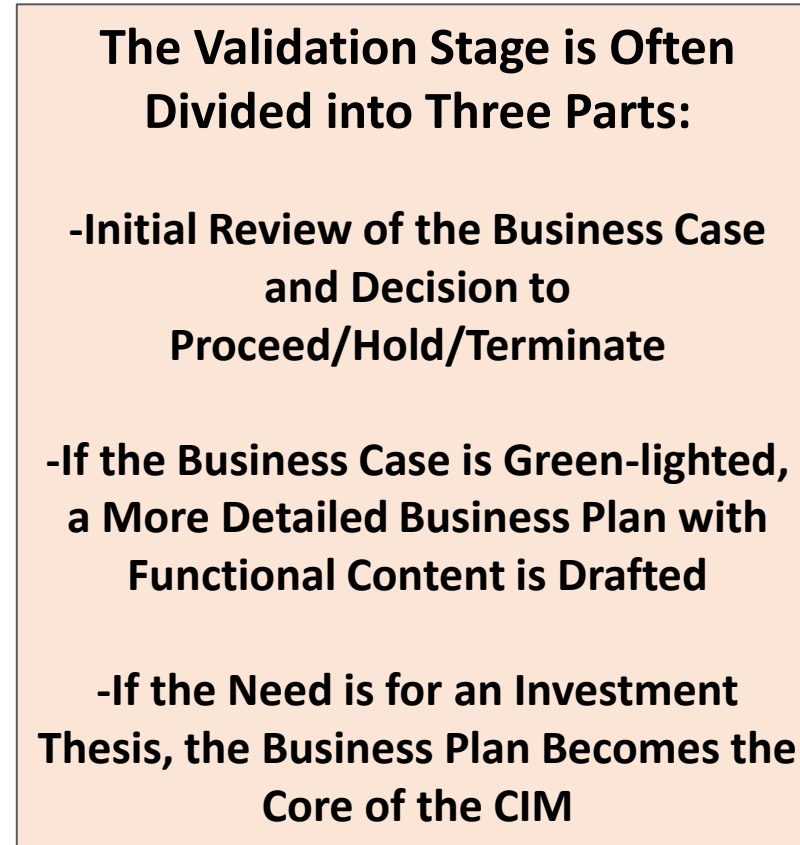
# Horizon (Staircase) Growth: Rolling Up New Revenue & Profit Streams by Horizon



# Profiling – Stage 3: Completing a Ten (10) Line P&L for Each Opportunity



# Validation & Approval – Stage 4: Completing a Ten (10) Line P&L for Each Opportunity



# Horizon Growth Case Study: Lifesprk Senior Care

## Business Model: Before Horizon Growth

- Lifesprk is a 360-degree provider of senior care services HQ'd in Minneapolis
- Healthy growth of \$36M core business
- Multiple ideas for future expansion
- Ideas were not prioritized, quantified, or road-mapped
- Investments needed to be aligned with opportunities and returns
- Many options for funding growth, PE selected as the best financially and strategically
- Investment process supported by Cherry Tree Investment

## Business Model: Today

- Closed \$16.1M investment from Virgo Capital Group in March
- Growth capital to be used to refine tech platform which is itself a future revenue/profit opportunity
- Growth capital to be used to expand H2 and H3 opportunity development
- Horizon Growth also helped identify \$100M in H0 and H1 opportunities

**Joel Theisen, CEO - Lifesprk:** “We have a unique set of economics with multiple service lines that needed alignment and guidance on how to value and grow them collectively over time. Mark’s Horizon Growth approach took us deep into the economic drivers and business opportunities that provided clarity and alignment on how our model will change healthcare’s delivery system for seniors. His leadership was thoughtful, strategic, and authentic, and helped us frame the backbone for what became our confidential informational memorandum (CIM). The quality of the CIM, as well as the rigor, discipline and learning our executive team obtained from our time with Mark allowed Lifesprk to recently raise a significant PE capital injection.”

# Lifesprk Case Study: Horizon Growth is Key to a Compelling CIM

## Opportunity Identification

## Roll-up & Validation

Horizon Growth  
Opportunity Identification  
Workshop  
Markets, Customers,  
Buyers, Partners, Services

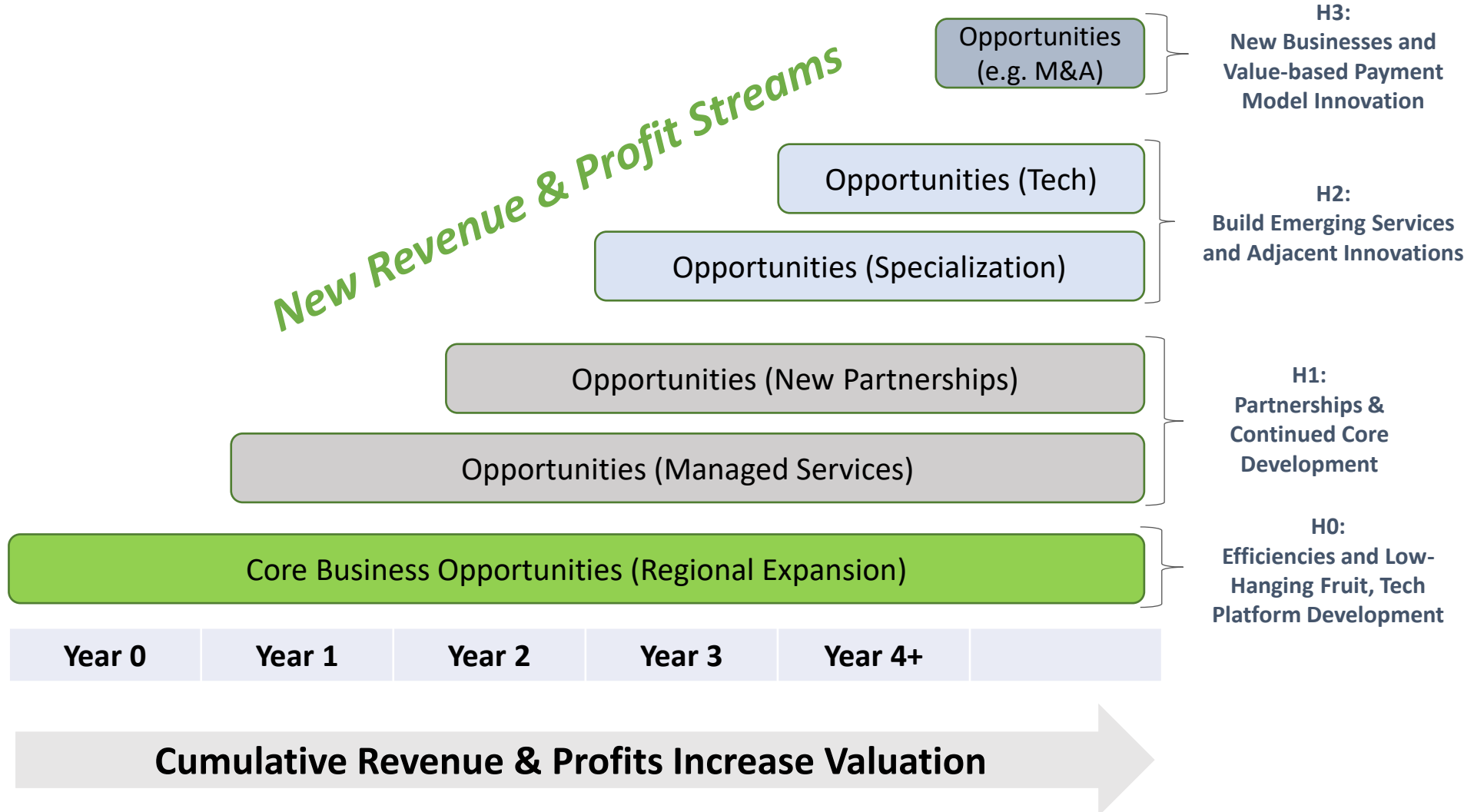
Opportunity Development  
via Small Teams  
Roadmap, 10-Line P&Ls

Roll-up & Validation  
Incremental H0 (Core  
Business) Opportunities &  
Incremental H1, H2 & H3  
Opportunities

Growth Plan Becomes  
Core of CIM

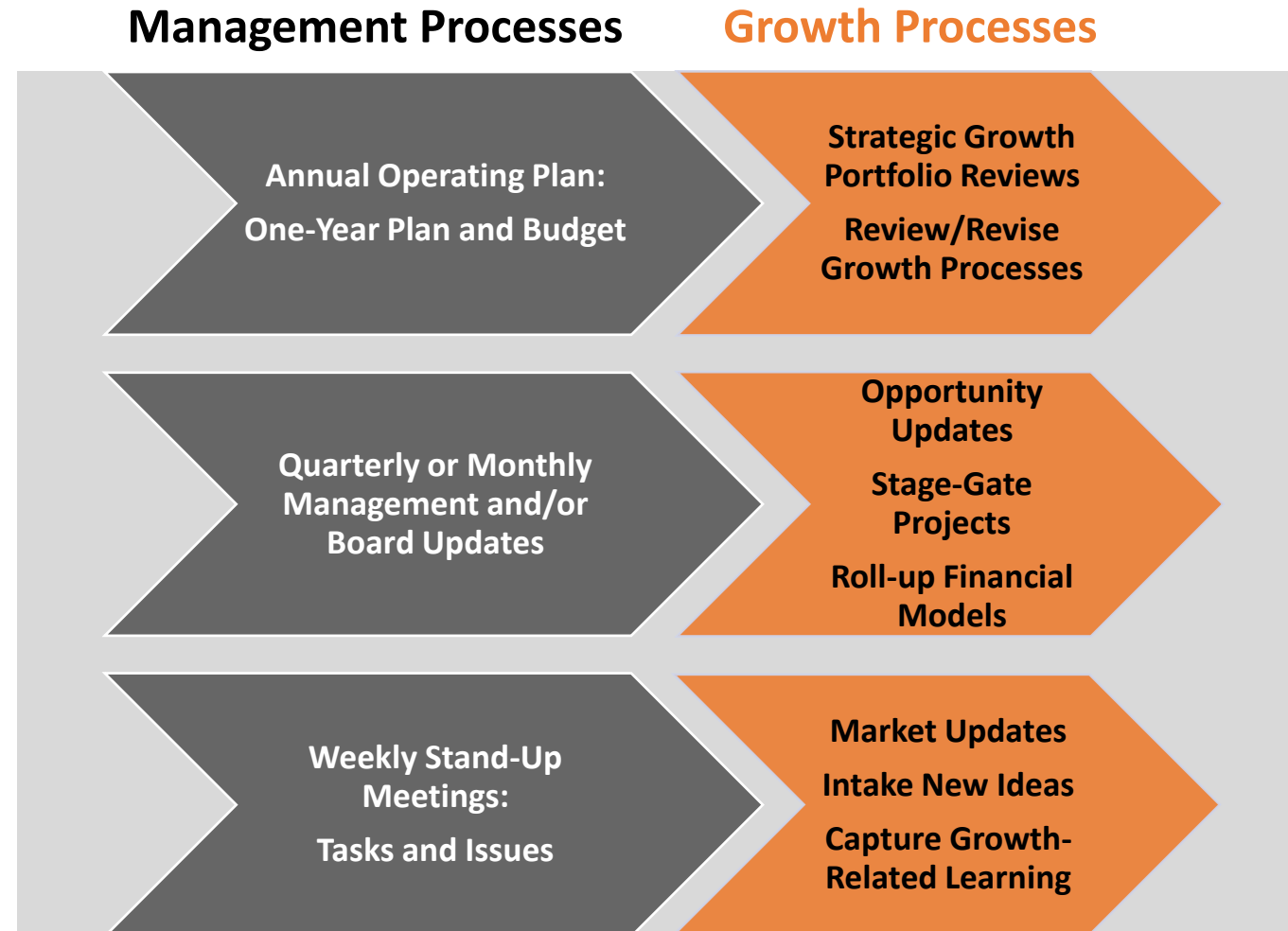
## Opportunity Development

# Horizon Growth Case Study: Lifesprk Senior Care





# Key Success Factor: Integrating Horizon Growth with Management Processes



# Key Success Factor: A Complete Implementation Playbook and Tools

## An Integrated Toolset Supports Horizon Stage-Gates

<b>TOOL</b>	<b>FORMAT &amp; CONTENT</b>	<b>PURPOSE</b>
Opportunity Profile (Stage 1)	1-Page Description	Concept & Idea Intake
Customized Scorecard (Stage 2)	Customized Scorecard Analyzing Markets, Customers, Assets, Risks	Consistent Evaluation of Opportunities Over Time
Time-to-Market and Risk Analysis (Stage 2)	Specific Analysis of Scorecard Categories	Understand Key Dimensions, Place on Horizon Growth Roadmap
10-Line P&L Model (Stage 3)	High-level First Projection of Each Opportunity	Capture Key Revenue & Cost Assumptions to be Validated
Business Case (Stage 4)	Understand Market Factors, Potential Competitors, "Ideal" Buyers, Define the Offering	Initial Analysis Used for Go/No Go Decisions
Business Plan (Stage 4)	Detailed Functional Plans & Financials Built on the Findings of a Business Case	Deep Definition of Go-to-Market Plan, Including a Launch Plan
Quarterly & Annual Portfolio Reviews (Ongoing)	Updates on Each Active Opportunity	Proactive Management of New Opportunities & Resources Required to Implement

# Key Success Factor: An Internal Growth Champion

Internal Support Resources  
and Funding

Internal “Mind Space” &  
Priority

Integration of Growth  
Initiatives into Management  
Processes

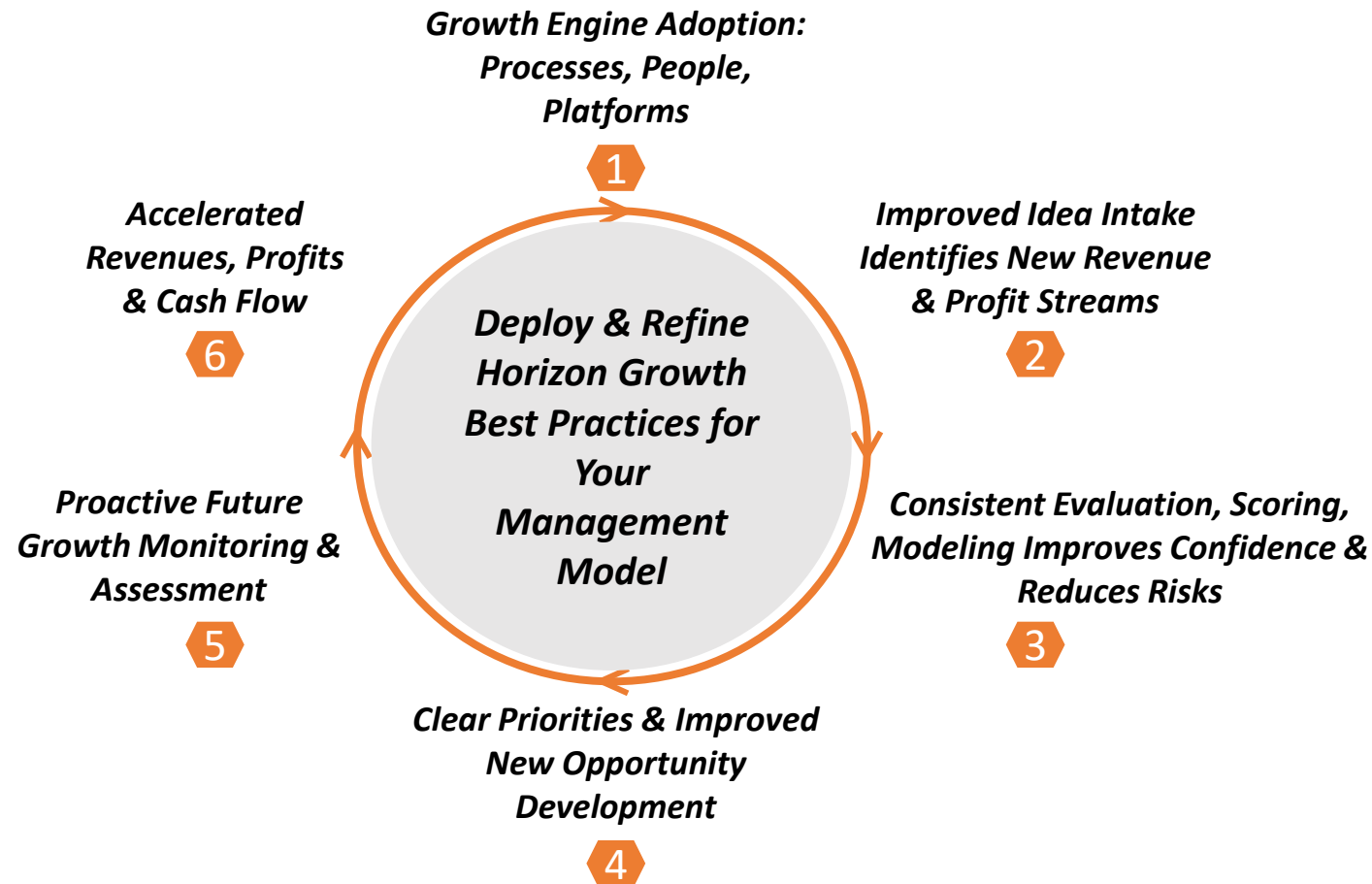
**Marketing Responsibility & Accountability for Growth  
“Internal Growth Champion”**

Management Support for  
Growth Initiatives

Organizational Recognition of Need to Accelerate Profitable Growth

Poll Question: Does Your Company Have a  
Growth Champion Today?

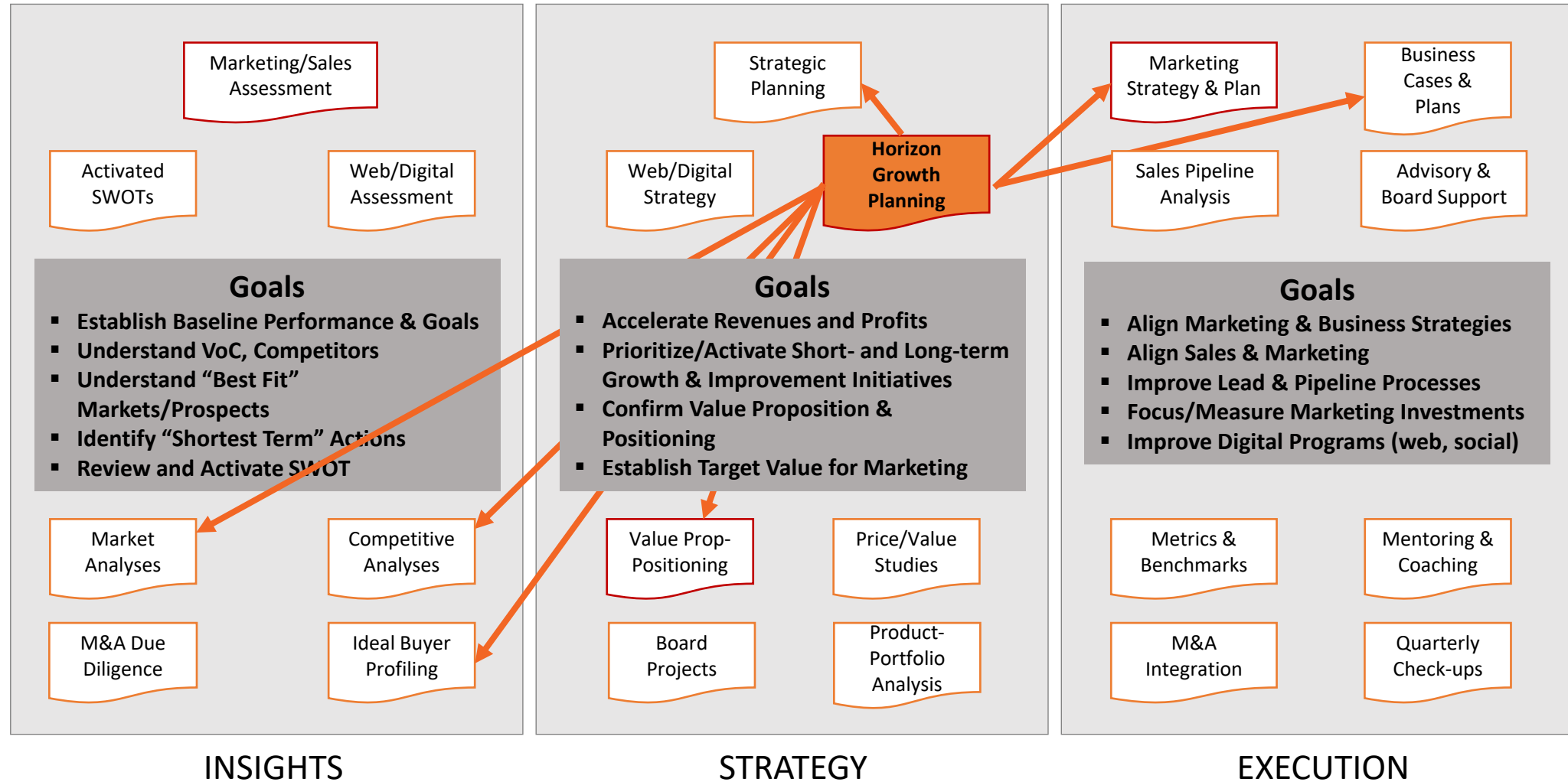
# The Payback: Virtuous Cycle of a Horizon Growth Engine Drives Valuation Higher



# Successful Growth is Within Reach!



# Related Playbooks to Help Take the Next Step



- eBook for PE and Corporate Execs on Building a Growth Engine
  - [Horizon Growth Planning to Maximize Valuation](#)
- The Practical CMO™ Podcasts:
  - Interview with Joel Theisen, CEO & Founder, Lifesprk
  - [Challenges and Best Practices in Securing Investment-Capital-CEO's View](#)
  - Interview with Elmer Baldwin, Senior Managing Partner-Cherry Tree
  - [Challenges and Best-Practices in Securing Investment Capital - Investor's Perspective/](#)



**Mark Corona**  
**Area Managing Partner & CMO**  
**Chief Outsiders**

<https://www.chiefoutsiders.com/profile/mark-corona>  
[mcoronna@chiefoutsiders.com](mailto:mcoronna@chiefoutsiders.com)

<https://www.linkedin.com/in/markcoronna/>  
612.554.0081