

Investment guidelines

When approaching a company for potential investment, Simula Innovation AS (SI) will target companies that are in accord with the below guidelines. All the company setups in which Simula has been involved have been quite different, each with its own particular history; hence, the guidelines tend to be guiding rather than absolute. These guidelines are intended to help boost the success rate in terms of financial growth and returns.

1. The company must be in the ICT industry

SI's business relates to ICT, and it is in this area that we can provide particular expertise. However, ICT is a key area in most industries.

2. Technology Panel

Before Simula invests in a new project, the technology must be assessed by a panel. The panel's composition reflects the technological solutions that are to be reviewed. The panel will comprise two to four persons with particular expertise within the relevant specialist area. The assessment will be guiding and is intended to verify the technology through a presentation and follow-up questions.

3. A company comprises the people who work for it

Every start-up company relies on the people who work there for development and financial growth. This makes it critical to recruit the most skilled individuals, who have a thorough understanding of the technology that is the company's lifeblood, along with critical expertise of commercial realities. SI will not commit to a commercialization process without clearly dedicated individuals who are willing to bring the research results or technology all the way to market.

Other important qualities include drive, integrity, an analytical approach, and relevant experience. SI does not wish to invest in companies whose managers or employees appear overly concerned with negotiating their own terms and who focus too much on their own shareholdings.

4. Paying customers from day one or no later than within 12 months

The technology may be pioneering, but several other factors can have a critical impact on the company's ability to convert this technology into financial results. Consequently, SI support focus on a short route to the first paying customer and a short route to the first year of profit for the business.

SI will support focus on economic growth in terms of sales as early and fast as possible.. This will make the company more robust and boost the value. It will also establish a platform for favourable recapitalization when an expansion is on the agenda. SI expects a minimum contribution (earnings before interest, taxes, depreciation, and amortization) of 15 percent from consulting companies.

5. The company must avoid dependency on investor capital

We find that many technology companies focus too strongly on sourcing investor capital and too little on generating earnings. SI shall focus on earnings and a model under which capital is obtained when required or when the escalation or development of a new product is commercially viable. The reason for such a strategy is to avoid early dilution and to achieve higher pricing of the company for the benefit of the owners. New capital shall be supported by a clear market focus and increased future commercial operations.

6. Shareholdings

SI will therefore strive to achieve 10- 15 percent or more ownership of the business but will accept lower shareholdings if there are particular grounds for doing so

7. SI's activity levels

SI aims to be an active owner; however, activities will depend on shareholdings and earnings potential. SI will be particularly committed in the first year following the company's start-up when it will contribute legal, financial, and strategic assistance, as required. Subsequently, SI will focus on contributing expertise that can boost value and when it is not expedient to engage external assistance.

8. Due diligence

Before SI invests in a company, commercial due diligence is performed. This applies even if the technology is up-and-coming. Commercial potential and the resources required to manufacture a saleable product are two particular areas we consider important. This must be balanced against realistic financing of the company over time.

9. Corporate social responsibility

Simula Research Laboratory (Simula) is wholly owned by the Norwegian government through the Ministry of Education and Research and bears significant responsibility for ensuring that all activities serve the interests of society as a whole. SI will, therefore participate in commercial activities that are in the interests of society and will refrain from participating in commercial activities that could impair Simula's reputation. SI will comply with the government's guidelines as far as is suitable for the company in question. Simula takes the view that, in the long term, this will boost value for the company.

10. Working methods

SI strives to achieve an environment based on individual trust, equitable agreements, and clear objectives. SI endeavours to establish appropriately adapted incentive schemes for employees that will be easy to understand. There will be a ceiling on the remuneration paid to executive employees and an emphasis on paying dividends when the company is generating profits.