

1. VALUE PEAKING

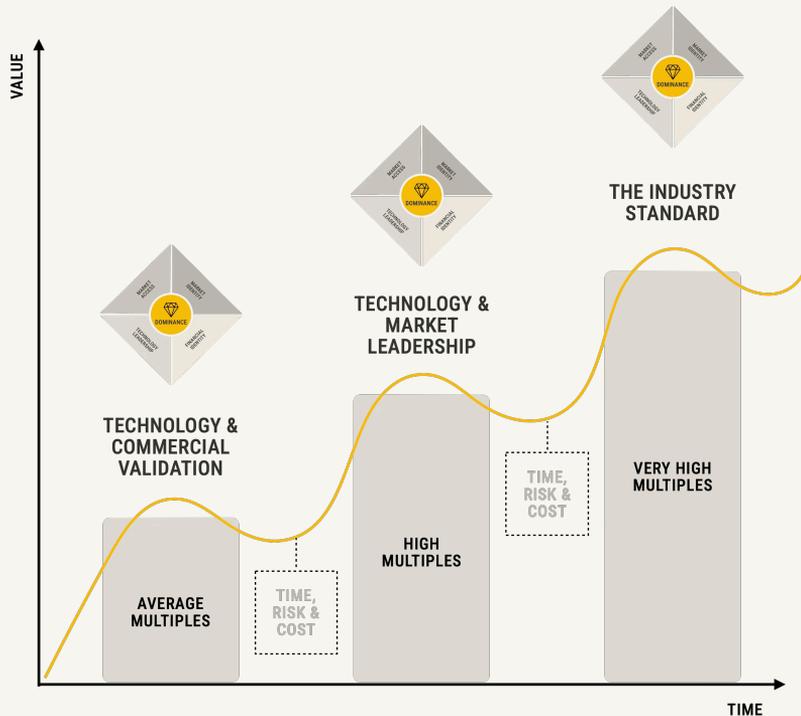
Value Peaking is a tool that highlights different stages of successful growth, helping you identify when your business reaches significant milestones. The value ‘peaks’ and the ability to judge the gap between peaks are critical when determining when or if to launch the next growth stage. It is also useful when the company needs to build a route towards a capital event, such as fundraising, exit or raising debt.

A company goes through multiple cycles that can increase the actual or perceived value of the business. By mapping out these scenarios and having an in-depth understanding of what is required to reach the next value peak, companies can navigate their hypergrowth journeys more effectively. It makes no sense for any company operating in hypertransformation not to pursue a cycle-based value position.

‘Get an in-depth understanding of what is required to reach the next value peak’.

Essentially, Value Peaking is a way of focusing attention on certain proof points that can inform your company’s valuation trajectory. Technically, Value Peaking is a tool that will enable you to model the phases of successful development and see when you have reached certain platforms of high value or peaks, from which you can leverage strategic gains or capitalisation efforts. Whether this is for raising capital, partial or full exits, selling secondaries or just reaching the strongest possible position (some might call this a cash cow) is up to you. This is often determined by the achievement of growth KPIs that you identified earlier. We will refer to these as value-peak ‘proxies’.

THE VALUE PEAKING MODEL



OVERVIEW OF THE VALUE PEAKING MODEL

- Value peaks** Distinct moments or milestones in a company's journey where its value surges because of achieving key inflection points, e.g. product validation, market entry, profitability, strategic partnerships.
- Value valleys** Periods between value peaks where growth slows, risk increases and capital requirements may be high. These are often marked by heavy investment, operational challenges or market uncertainty.
- Multiples** The valuation ratios, e.g. revenue multiple, EBITDA multiple, ARR multiple, that buyers or investors are willing to pay at each value peak. Multiples are typically highest at clear, well-validated peaks.

CHANGING THE MATH

Several factors are important to keep in mind when considering or redefining your value peaks:

VALUE-PEAK FACTORS

- How big is the industry that you are operating within, along with its future potential and growth?
- How rich are potential buyers? Are there buyers out there with deep enough pockets to make substantial acquisitions in the industry?
- How scarce is your offering?
- How easy and capital efficient will it be to replicate what you have already achieved?
- How clear is the value-peak platform you are either about to reach or already standing on, i.e. how representative is your position in the peak among others?

By considering the above, you should be able to map out an overall value peak. The next step is to determine which KPIs and milestones you need to measure to track how far along the company is on its journey towards that peak. It is important to remember that value peaks are also useful for identifying when the highest multiple can be achieved, which is not necessarily the same as reaching the highest future value. For example, if you achieved your first or second value peak by replicating your successful offering, and you then choose to continue replicating rather than capitalising, you may increase revenue (or profits) significantly over several years, but the multiple might not increase accordingly.

Value peaks enable hypertransformative companies to chart road maps towards the highest possible multiple by highlighting the position required to become more attractive to potential buyers – this is often referred to as the equity story. To illustrate this road map, it is not sufficient to simply track standard KPIs such as revenue; instead,

the focus should be on the use of ‘proxies’. Demonstrating a value peak using a proxy, or setting an exit proxy, essentially involves using a specific result as a fundamental validator of a value peak. In practical terms, your business does not need to convert thousands of the same customer type, such as large corporates; you simply need to show that you can win a representative number of that specific customer type – say, fifty to one hundred. At that point, you can consider the proxy ‘won’ and begin to build your equity story around it.

‘Value peaks enable hypertransformative companies to chart a road map towards the highest possible multiple’.

It therefore makes more sense, for example, to track the types of customers you are winning when identifying value peaks. Ultimately, proxies can be viewed as indicators of representative traction; you can monitor the market’s response to certain proxies to determine whether your equity story can be based on them. The final peak you should always aim for is when your offering becomes the industry ‘standard’. Once this is achieved, hyperreplication becomes inevitable, and your market position is exceptionally strong. At that stage, the multiple will be extreme – and so will the value.

In a scenario where unlimited capital and unlimited time is available to your business, you would naturally pursue the final value peak from the beginning, without paying much attention to avoid the risk in between peaks.

Imagine again the US-based technology companies that can chart a course based on seemingly endless supply of risk capital. Through their ability to sustain even prolonged J-curves, they can target the position as

CHANGING THE MATH

category leaders, essentially skipping value peaks as they build. Think of OpenAI, Tesla or Waymo.

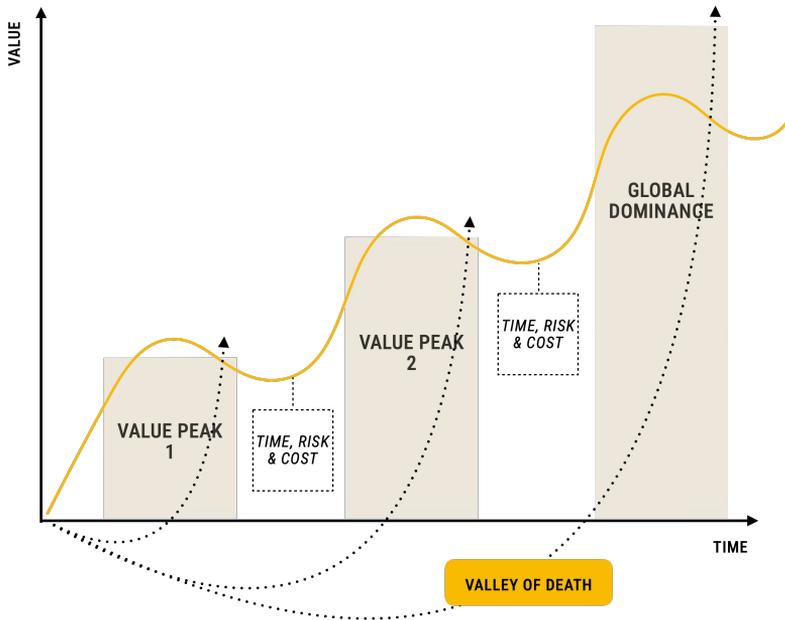


Figure 18. With unlimited capital, you could go directly to global dominance.

Sadly, many deep-tech companies underestimate the cost of scaling their businesses and end up fundraising in-between value peaks, putting them at risk of ending up in the Valley of Death. Northvolt is a recent example here.

Let us try to understand value peaks by looking at two examples from the NAP portfolio.

VALUE PEAK DEFINITION

A value peak may take many forms, such as:

- Reaching positive cash flow
- Securing access to debt
- Becoming a category standard
- Securing x % market share
- Proving the HBGS and reaching hyperreplicability.

GUIDE TO APPLYING VALUE PEAKING

Have you mapped the industry's future potential and your role in it?

How large is the industry you're operating in, and how fast is it growing? Do you know where your product fits into that growth?

Who are your potential investors or buyers?

Are there buyers or investors with the financial capability to support your next major value peak? How much capital do they control, and what metrics would make you attractive to them?

Is your offering BCSA in the market?

How well does your product differentiate itself from competitors? Are there barriers preventing others from copying your BCSA position? What signals are you sending to the market about your unique offering?

How easily can you replicate your current success?

How many customers or key partners do you need to validate your current value peak? What does the road map look like from this peak to the next? Are you focusing on high-value customer conversions that prove your market position?

What proxies can you use to validate your value peaks?

Have you identified critical proof points, like winning over specific types of high-value customers or securing strategic partnerships? Are these proxies strong enough to tell your equity story?

How will you leverage your next value peak?

What will the value peak enable? Fundraising, secondary share sales, debt financing, exits or simply comfort to double down on expansion?