

# The NEX Exchange Interview: Spinnaker Opportunities To Generate Attractive Capital Returns



*Andy Morrison, Chairman of Spinnaker Opportunities, is seeking a single material acquisition with a view to performing a RTO to generate an attractive capital return to its shareholders.*

**For those who are not familiar with your company, it's listed on the main board, it's been on the market for a few months. So what do you do?**

We're a cash shell, and we've been on the market since May. We are looking for opportunities in the energy and industrial space for a single material acquisition, a reverse takeover opportunity. Once we find that, we will take over the company, combine it with a reverse takeover, and create a larger company.

**In terms of the idea of listing, clearly you are on the lookout for opportunities as the company name suggests. Was the timing of your flotation linked to how soon you thought there would be opportunities, or ventures, or companies to buy into?**

When we came to the market in May, we already had a list of candidate opportunities, and we've been adding to that since May. So we've looked at, by now, 40 or 50 opportunities. We put out an announcement before the summer, in July, that said that we had got down to a handful of opportunities, which are the high-graded ones.

Then, only very recently, we put out another announcement confirming that we would be working with those opportunities, We are now very close to coming to a point where we can decide which is the highest-graded one to take forward further. So we are on track with the timetable that we kind of set out for ourselves, which is to get a transaction completed, if possible, by the end of the year.

**Sounds like a bit of a Dragons' Den process. The whole point of Dragons' Den is that the people who are involved are people that one would respect as high-flying business people. Is that the case with Spinnaker?**

Very much so, and I think we have put together a very strong board and advisory team. Amongst the team members are Richard Liddell, who was previously the chairman of Falklands Oil and Gas, and currently non-executive director at Sound Energy. So obviously he has got a very strong governance background and also oil industry background. So he is very helpful; along with Tony Harper, who most of your listeners would not know, because he has worked mostly in the private space for Shell, Statoil and BP. He has a very strong commercial brain on him, and helping us to sort the wheat from the chaff and to take forward the opportunities. He is also within our team the financial and legal skills that we need, so we are not constantly going out to a third party spending cash on those fees and instead doing this in-house.

So we have built a team that is designed for the purpose of creating a transaction, not designed for the purpose of managing a company. We will expect to work with the management of the company that we acquire, going forward.

**You mentioned costs there. How much is the clock ticking, and how much pressure does being a cash shell have on you, given that presumably there are still one or two costs going along? Does that pressure your decision-making process?**

Our costs are very low, but – while we are not in a tearing hurry, there's no incentive for us to hang around. We have what I call a sweat equity model. Having said that, it means we put our sweat in and our equity in, and we need to see a return on that in a reasonable time. We're also trying to create something of a track record here, so we want to get a deal that works for everyone in order that we can then prove that the model works and perhaps do it again if the investors would support us with that.

**What was the choice of sector that you are in – how was that based?**

Really based on our experience. So around the board table, you've got people from the energy industry – that includes oil and gas, but it's actually broader than that as well, with downstream and energy production technologies, and then moving a little bit towards the chemicals and industrial side. So we had a fairly broad target zone that we had when we began. We do not need to know how to manage a business. But obviously we need to know enough to be able to transact in it, to do the due diligence and to make a wise investment for shareholders.

Well, that is the point, because normally if you are a private investor in the resources space, given how flaky they can possibly be, dusts and other things like that, you tend to just focus on the management experience. But obviously, as you have had the management experience, your targets have to be totally related to what is in the ground, is that correct?

We still rely a lot on people. When we look at a business, we look at what the business is, but also the people behind it, because the incoming management will be very much shoulder-to-shoulder with us.

Hopefully even taking the leading role in the business going forward. So we are also making judgements about the capacity of the team going forward. We look at the business, we look for a business of some substance, so it's not a start-up. That means that there should be some shape to it, and that there may be – it is either in cashflow or very near to cashflow. So there is something to look at, if you like, there's something to do due diligence on. But people are absolutely crucial in coming to that, and if we find opportunities where we know that people have done it before, that is a very big plus-point really for us, because it de-risks it. We are not trying to drag people through a hedge backwards. We know that they have done it before, they know how it works, and that really helps.

**So the principles that an ordinary private investor might have, at least a sensible one, are ones that you follow?**

Yes, and I think because we're a team of eight including the retained advisors, we have a breadth of skills that we can bring to it that one individual might not have on their own. But yes, I suppose the same principles of finding the right business at the right price with the right people involved. Those are common to us as they would be to a larger institution as well, and so we are similar in that regard.

**You sound a bit like a private equity company, is that the correct analogy?**

We are looking to invest in a business. But we are set up as a cash shell, which means that we are a business waiting to happen, if you like. So there's both an investment angle to it and also a business angle to it. This makes us something of a hybrid. When we find the business, we combine the two, and then we are a business.

**Right, and if I'm a private investor listening to this, is the time before you find your target the time to invest, or the time after? How would you play it?**

Well, different investors obviously have different strategies. The people who invested at the beginning with the board, they invested fundamentally on a buy-and-hold strategy, so – in the early days, in order that – we would do a deal, hopefully have an uplift in that deal, and then invest wisely in the business, that we'll continue to have an upward glide part. So those are what the original investors did. Our current share price is trading around the cash level, so it is possible for people to join the party now on the same basis – to buy and to hold until we do the deal. It is very difficult to trade our shares, they're quite tightly held. I mean because we are a small company, the spread is quite wide I suppose. So it's more suited to people who like who we are, what we're trying to do, and who will back us to take the right decision on the investment company. That's the kind of investor that we would very much welcome on board.

**So just to finish off here, let's just say it's October, you find your target or you announce your target – is that all you're going to do with Spinnaker and then you go on to the next cash shell? Is it sort of one opportunity per cash shell?**

That's how Spinnaker Opportunities has been set up – one opportunity, and we will stick with it to the extent that we can help. So for example, if it is an overseas business, they might want some continuing representation in the London market, and one or more of us might be able to do that, or

might be able to add something to the financial management or whatever. We're not going to abandon the company once it's there. But we will only do what is necessary for that company to succeed. Then we will regroup and see how many of us want to do Spinnaker Opportunities Two, or whatever we will call it.

### **It's like a Supergroup from the 1970s!**

Well, we're trying to create a track record of success for investors, and if we can do that, then we can call it a Supergroup if you like. But the important thing from our point of view is that we get the outcomes for investors.

Zak MirPosted on September 29, 2017