ASPIRE
Building Financial Success
Virtual Kick-off

BARRATT
DEVELOPMENTS PLC

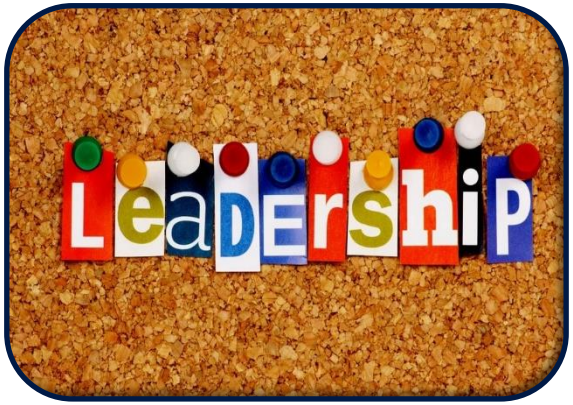
Cane Hill Park,
Coulsdon

INTRODUCTIONS

YOUR FACILITATOR

- 20+ years of experience in managing globally operating corporations and groups
- Supervisory Board and Advisory Board experience
- 10+ years of experience in consulting and learning design
- Accompaniment of various strategic projects, business creation projects, M&A projects, restructuring projects, and leadership development projects
- Business School Lecturer.

PURPOSE & LEARNING OBJECTIVES



PROGRAMME OVERVIEW

Individual challenge

Virtual Kick-Off
45 min

Context setting, presenting program, introducing business game, introducing pre-work, Q&A

Periods 1 & 2 → Webinar - debrief (1h) → Periods 3 & 4

Team challenge

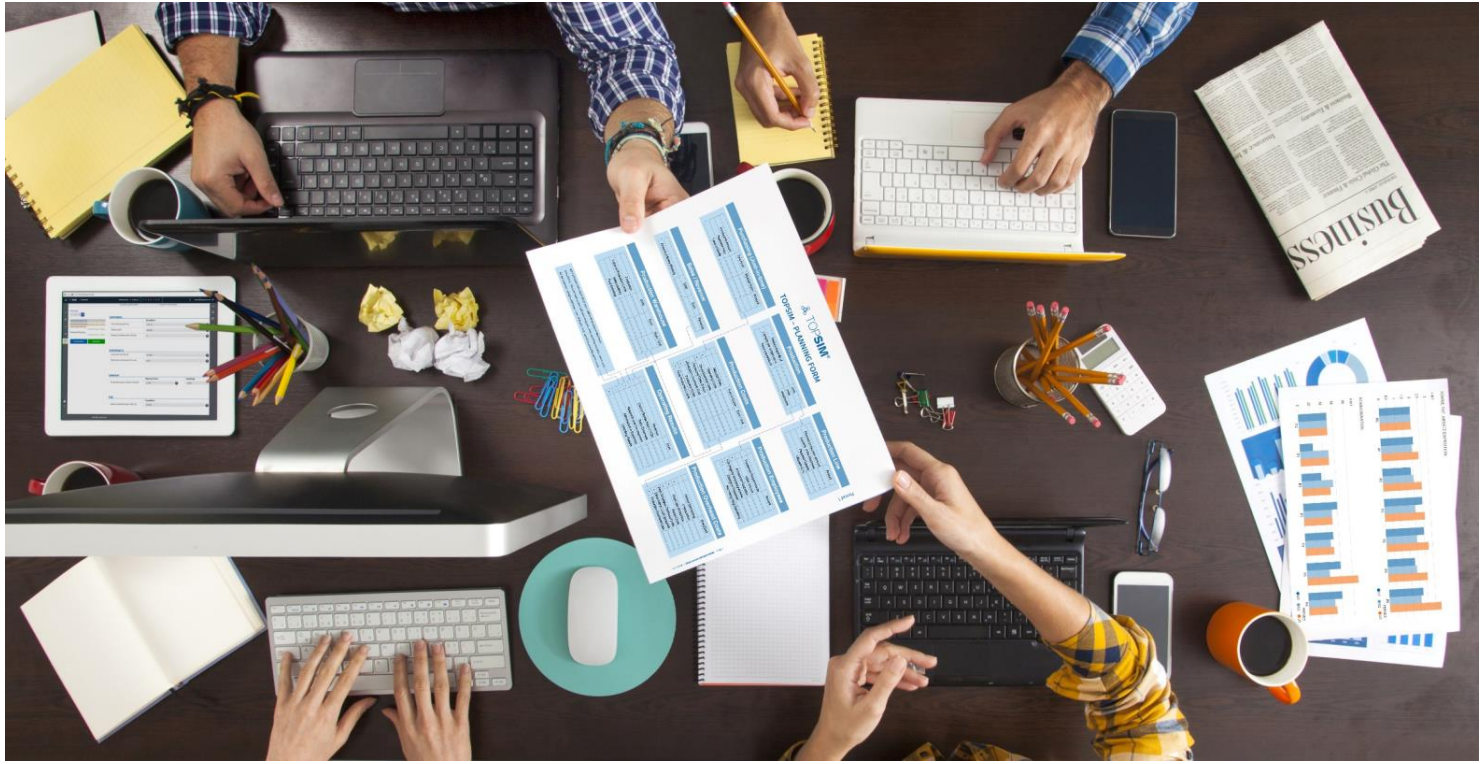
Welcome, introductions, debrief individual session, introducing team challenge – *1h*	Quick review of day 1, presentation of day 2, teams introduce their dashboards – *20 min*
BREAK – 30 min	Debrief Business Simulation Round 2 – KPIs, closing the strategy execution gap – 40 min
Participants play round 1 in teams, coached by facilitator – *90 min*	BREAK – 30 min
Teams prepare strategy presentation – 30 min	Playing simulation round 3, in teams, coached by the facilitator – 1h
BREAK – 2h	BREAK – 90 min
Teams present their strategies + Q&A – 30 min	Debrief Business Simulation Round 3 – achieving sustainable performance, optimizing results - 1h
Debrief Business Simulation Round 1 – focus on financial reporting (balance sheets, income statements, cash-flow..) – 45 min	BREAK – 30 min
BREAK – 30 min	Playing simulation round 4 , in teams -1h
Participants play round 2 in teams, coached by facilitator (with use of company dashboard – recommended!) – *1h15 min*	*BREAK* + Teams prepare final presentation with projections (analyst statement) – *45 min*
Closing of day 1 – 5 min	TEAM presentations with Q&A – 30 min
	Final debrief, key take-aways, declaring of winning team, closing of the session – 1h

BARRATT DEVELOPMENTS PLC

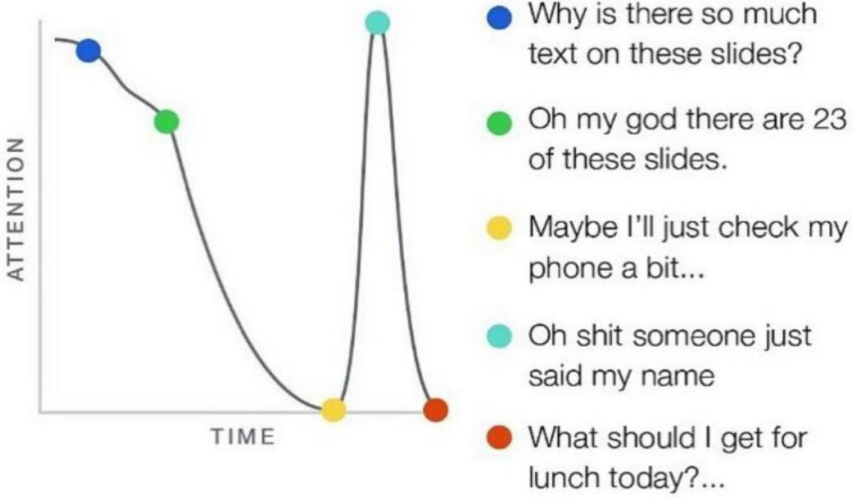
AGENDA

- WHAT IS A MANAGEMENT SIMULATION?
- OVERVIEW
- SALES
- PURCHASING
- RESEARCH & DEVELOPMENT
- PRODUCTION
- HUMAN RESOURCES & SERVICES
- FINANCE & ACCOUNTING
- NEXT STEPS

WHAT IS A MANAGEMENT SIMULATION?



IT WILL BE DIFFERENT



IT IS MORE LIKE THIS

BARRATT DEVELOPMENTS PLC

WHAT IS A MANAGEMENT SIMULATION?

- While managing a virtual company, you will make typical business decisions in a realistic environment.
- You will learn principles of business administration: how to use information in decision-making and how to handle risk and uncertainty.
- You practice decision-making processes within a team while managing time constraints.
- You will gain a high degree of transferable knowledge and skills which you can use in your daily life.

SUCCESSFUL MANAGEMENT IN THE SYSTEM

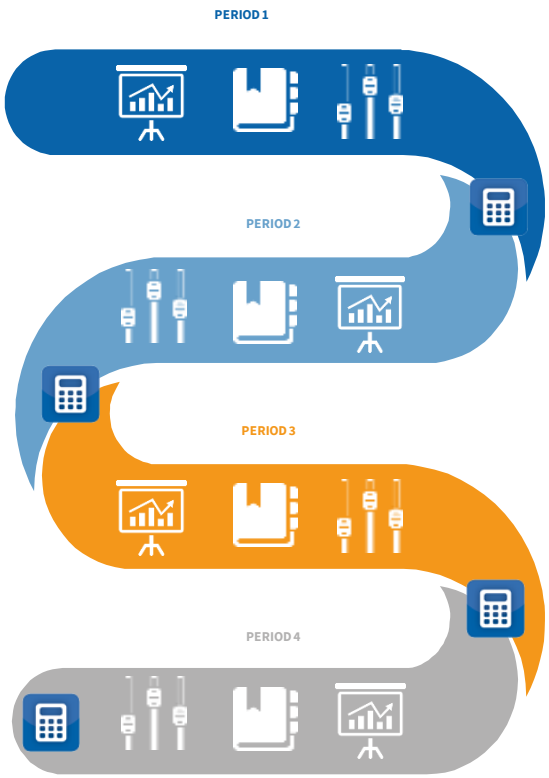
Where and when do costs in a company arise?

What does the customer want?
Are there any recognisable trends?

Are there any recognisable trends or developments?

BARRATT DEVELOPMENTS PLC

HOW TO PLAY



- Analyze financial information
- Analyze macroeconomic situation
- Make decisions
- Calculate period

BARRATT DEVELOPMENTS PLC

DEBRIEFS

BARRATT
DEVELOPMENTS PLC

YOUR CHALLENGE

You are now the *Managing Director* of a foreign company which leads in the production & service offerings of lifts.

BARRATT DEVELOPMENTS PLC

THE COVER STORY

As managing director:

- You are responsible for the company's **strategic and operative** decisions
- You have been hired for **4 years** to help them overcome their challenges
- The company is based in a **foreign country**
- You will be **competing directly** against four main competitors
- Your goal is to focus on **sustainable success**

YOUR RESOURCES

To make your decisions, you are provided with:

BUSINESS NEWS

General Economic News

After a big crisis on some foreign markets your own market suffered from low investments. The cautious capital market situation of the previous years is still impacting the economic development of this year. Banks continue to be reluctant to enter new credit agreements forcing businesses in some industries to delay investments. Experts still expect a slow start into the new year with growth picking up in the 3rd and 4th quarters and think that the gross domestic product will grow by an average of 1.5 % in real terms.

To boost the slow growth of the economy the government decided to grant a subsidy for building restorations.

Depending on the price levels, the market for elevators is expected to grow by 2-2.5 %.

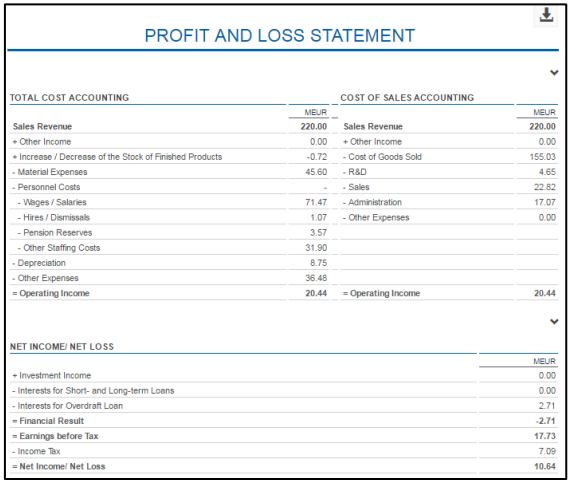
The main driving force is replacement sales, with customers becoming more conscious of the price and reliability levels provided.

New Decisions

Investments in New Production Lines

To produce your elevators, new production lines of Type A are available and can be purchased. The current specifications of production line Type A are given below:

Business News

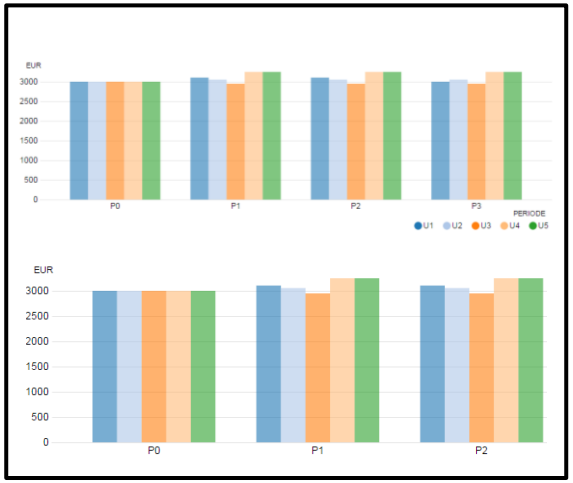


PROFIT AND LOSS STATEMENT

TOTAL COST ACCOUNTING	MEUR	COST OF SALES ACCOUNTING	MEUR
Sales Revenue	**220.00**	**Sales Revenue**	**220.00**
+ Other Income	0.00	+ Other Income	0.00
+ Increase / Decrease of the Stock of Finished Products	-0.72	- Cost of Goods Sold	155.03
- Material Expenses	45.60	- R&D	4.65
- Personnel Costs	-	- Sales	22.82
- Wages / Salaries	71.47	- Administration	17.07
- Hires / Dismissals	1.07	- Other Expenses	0.00
- Pension Reserves	3.57		
- Other Staffing Costs	31.90		
- Depreciation	8.75		
- Other Expenses	36.48		
= Operating Income	**20.44**	**= Operating Income**	**20.44**

NET INCOME/ NET LOSS	MEUR
+ Investment Income	0.00
- Interests for Short- and Long-term Loans	0.00
- Interests for Overdraft Loan	2.71
= Financial Result	**-2.71**
= Earnings before Tax	**17.73**
- Income Tax	7.09
= Net Income/ Net Loss	**10.64**

Reports



Charts

OVERVIEW

INTRODUCTION TO RICKARDS LIFTS

SALES

In this department, you have to make all market-related decisions.

R & D

Here you decide on the product features of your lifts.

PURCHASING

You plan the procurement of input materials required for production in this department.

PRODUCTION

Here you plan the production of your lifts.

HUMAN RESOURCES & SERVICES

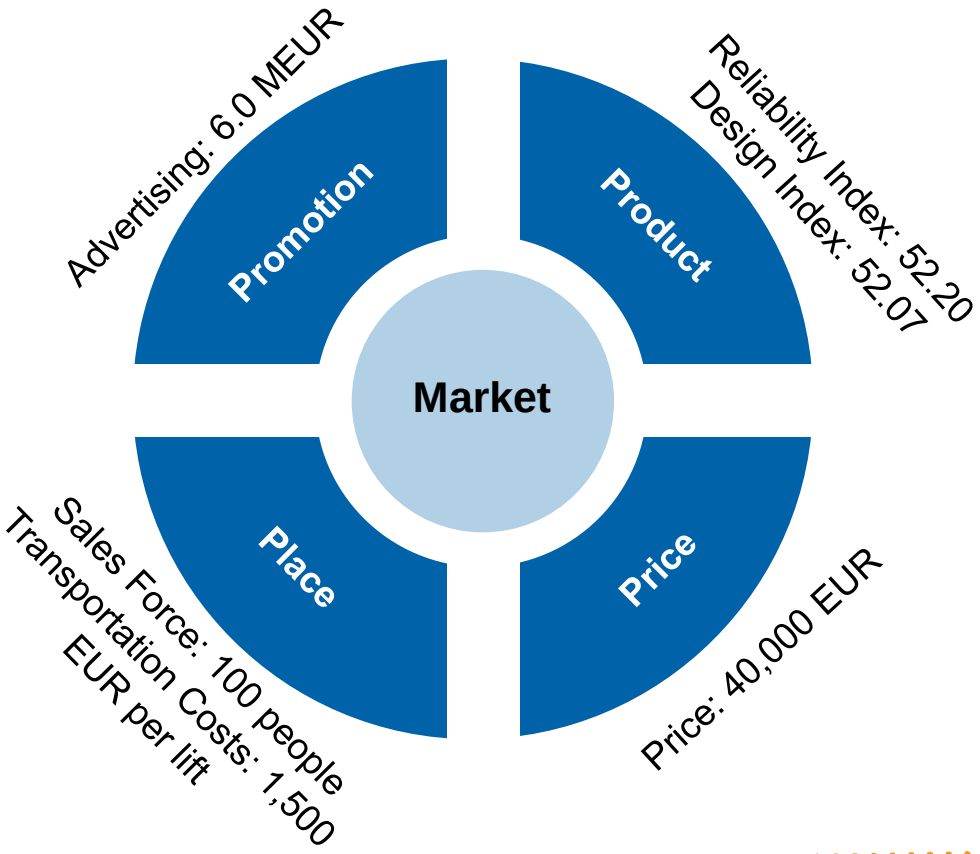
You decide how and where to deploy your staff.

FINANCE & ACCOUNTING

In this department, you take care of the financial situation of your company.

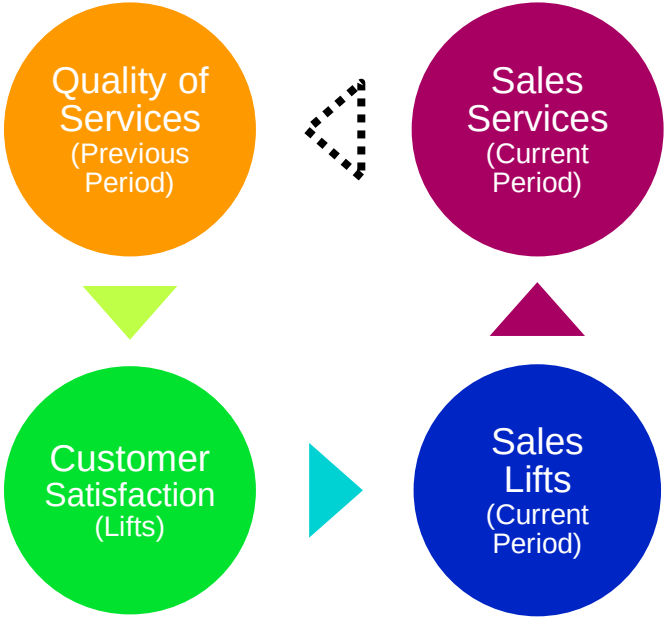
SALES

MARKETING-MIX (LIFTS)



Product Policy

The company's products affect each other either directly and indirectly.



PURCHASING

PURCHASING AND STORAGE

Purchase of Input Materials & Parts:

- Decide how much to purchase (quantity decisions)
- Take quantity of scales into consideration

Inventory Planning:

- **Input Materials & Parts:**
  - Storage costs: 920 EUR per Unit
  - Final inventory in Period 0: nothing in stock due to JIT-delivery
- **Finished Products:**
  - Storage costs: 1,500 EUR per Unit
  - Final inventory in Period 0: 600 Units valued at 30,000 EUR / Unit (COGM)

RESEARCH & DEVELOPMENT

RESEARCH & DEVELOPMENT

In order to remain competitive, you must constantly develop and improve upon your products.

AREA	ACTION	RESULTS
1. Reliability	Staff recruitment in R&D (Expenses for R&D)	Advancement in technology. → Reliability index rises → Decreasing marginal utility of development performance per period (from approx. 50 employees)
2. Ecology	Investment in external consultancy services for product design	Use of higher quality materials and new optical features → design index rises

PRODUCTION

PRODUCTION LINES

You currently have 4 machines with a total production capacity of **4,200 units** per year.

Line No. 1 800 Units

Line No. 2 900 Units

Line No. 3 1,150 Units

Line No. 4 1,350 Units

PRODUCTION STAFF

You currently employ 878 employees responsible for the production of lifts.

- Each worker can produce 5.2 lifts per year
- You can impact the level of employee productivity through:
  - Training
  - Experience
  - Motivation
  - Process Optimisation

OVERTIME AND AVAILABLE CAPACITY

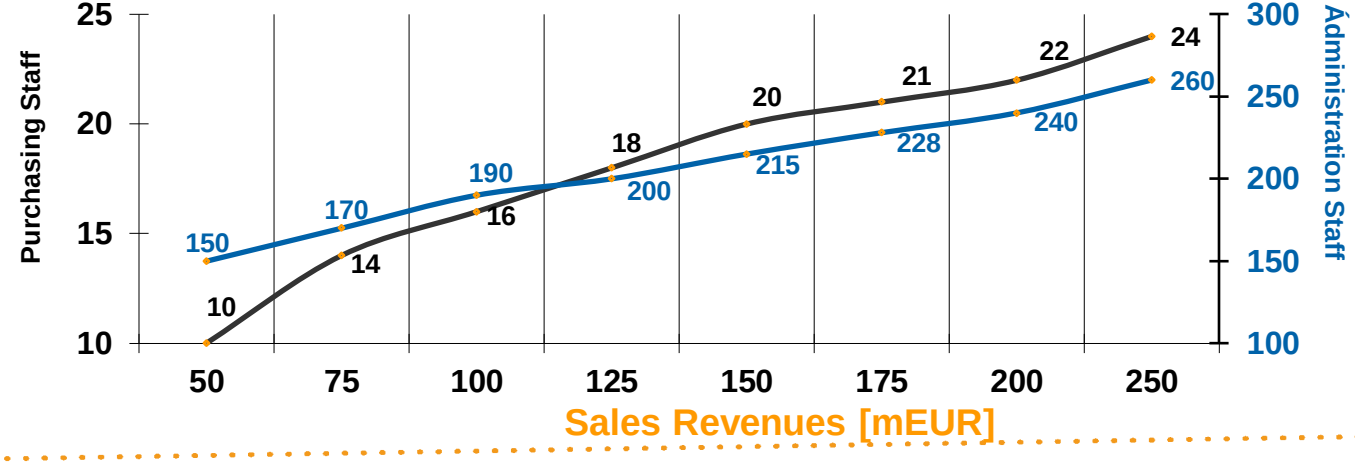
- Overtime increases the available capacity by a maximum of 10%
- Overtime is automatically scheduled when the projected output cannot be completely achieved with the capacity available
- This causes additional fixed costs of 2.5 MEUR and an increase in wages and salaries of 25%

Available Capacity	* Overtime (Factor)	= Available capacity (110% utilisation)
4,200	* 1.10	= 4,620

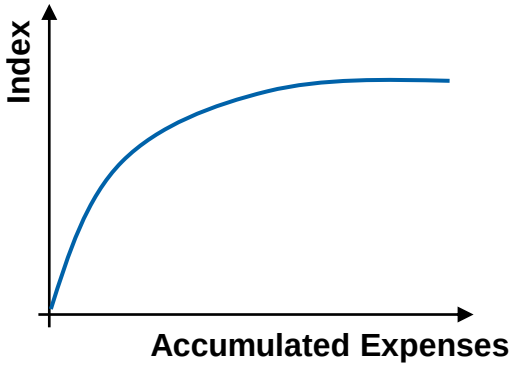
HUMAN RESOURCES

DECISIONS ABOUT STAFF

SALES R&D SERVICES	You decide the total amount of people you would like to have employed in each division, which leads to hires or dismissals.
PRODUCTION	You decide how many people you would like to hire or dismiss, which impacts the total amount of people you employ in this department.
PURCHASING ADMINISTRATION	The number of employees will be automatically adjusted based on your revenue. As you can see below, the number of purchasing employees is dependent on the complexity of the product.



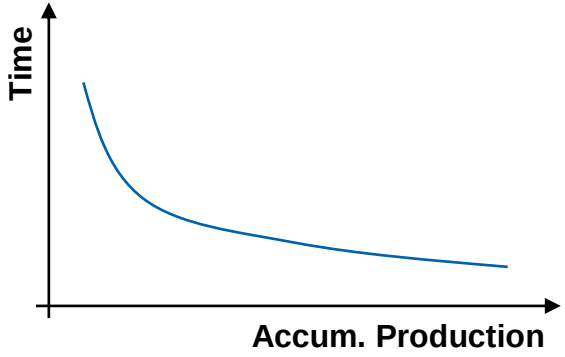
PRODUCTIVITY



Training	Process Optimisation	Motivation	Adaption
Staff Competence Index *	Process Optimisation Index *	Motivation Index *	Adaption index

= Productivity Index I

LEARNING CURVE



“Learning Curve"

Experience in production (based on the cumulative amount of products produced)
reduces the production time and increases the productivity:

Productivity Index II

Standard Production Cap. per Person	*	Productivity Index I	*	Productivity Index II	=	Actual Production Capacity per Person
e.g. 5.2		**e.g. 1.05**		**e.g. 1.03**		**5.6**

FINANCE & ACCOUNTING

AUTOMATIC LOAN FINANCING

- **Overdraft Loan**
  - Overdraft loans are automatically granted
  - Repayment automatically takes place in the following period
  - Interest payment automatically takes place in the current period

INTEREST RATE IN PERIOD 0: 8,0 %

- **Further loan options are offered in subsequent periods**

RATING

- The credit rating of their principal bank affects the interest rates of the following period:

RATING FACTORS
Equity ratio
Equity capital, absolute value
Free cash flow / debt
Overdraft loans
Customer satisfaction
Profit in current period
Planning quality
Staff productivity
Technology of products

RATING CATEGORY	INTEREST RATE CHANGE
AAA	- 4,0 %
AA	- 3,0 %
A	- 2,0 %
BBB	- 1,0 %
BB	+/- 0 %
B	+ 1,0 %
CCC	+ 2,0 %
CC	+ 3,0 %
C	+ 4,0 %
D	+ 5,0 %

MISCELLANEOUS

- **Customer payment patterns**
  - The sales revenues of the current period is received as follows:
    - 80% in in the current period
    - 20% in the following period
  - This also applies to sales revenues from business with bulk buyers and contracts from requests for bids.
- **Taxation (incl. trade tax)**
  - Corporate profits are subject to tax. Possible losses are carried forward until a positive balance is attained.
  - Tax rate: 40%
- **Dividends**
  - No dividend payment in the current period
  - You will be able to control this in a subsequent period

SHARE PRICE

- **The share price is one of the key success factors in the management simulation:**

INFLUENCING FACTOR	EFFECT ON SHARE PRICE
Equity capital for period	↗
Profit in current period	↗
Dividend distributed in period	↗
Cumulatively declared dividends	↗
Return on sales for period	↗
Awareness of the company	↗
Sales	↗
Planning quality	↗
Ecology index	↗
Debt-equity ratio	↘
Total product quality	↗

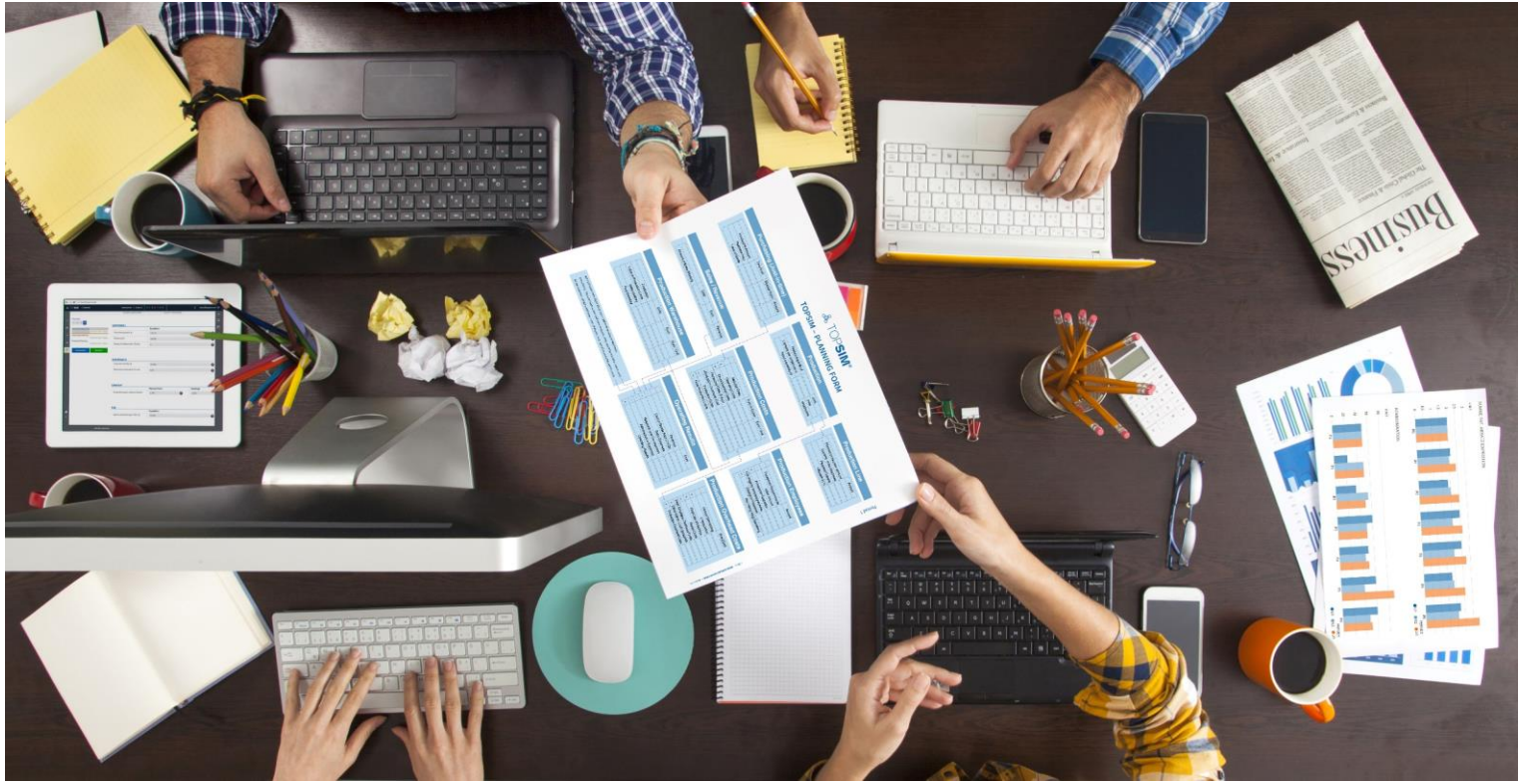
SUSTAINABILITY

- **The goal is not only to run your company profitably, but also sustainably.**

Environmental impact of production and products (20%)	Ecological standards of your suppliers as well as the ecological index of your production
Economic success in the short- and long-term (50%)	Your economic sustainability is reflected in your current share price
Social responsibilities of the company (20%)	Affected by the social standards of your suppliers and the standards in your own company (number of people you hire or dismiss as well as the utilisation rates of your production and service employees)
Company's ability to innovate (10%)	Affected by your product quality (reliability and design of your lifts)

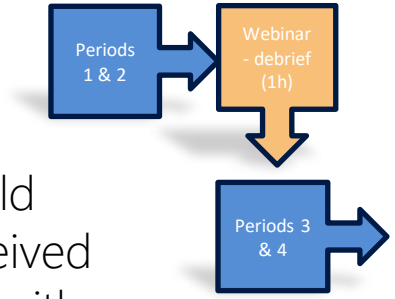
- **The weighted average of those four elements sums up to your sustainability index.**

NEXT STEPS



NEXT STEPS

Individual challenge



- You should have received an email with your individual access codes.

Team challenge

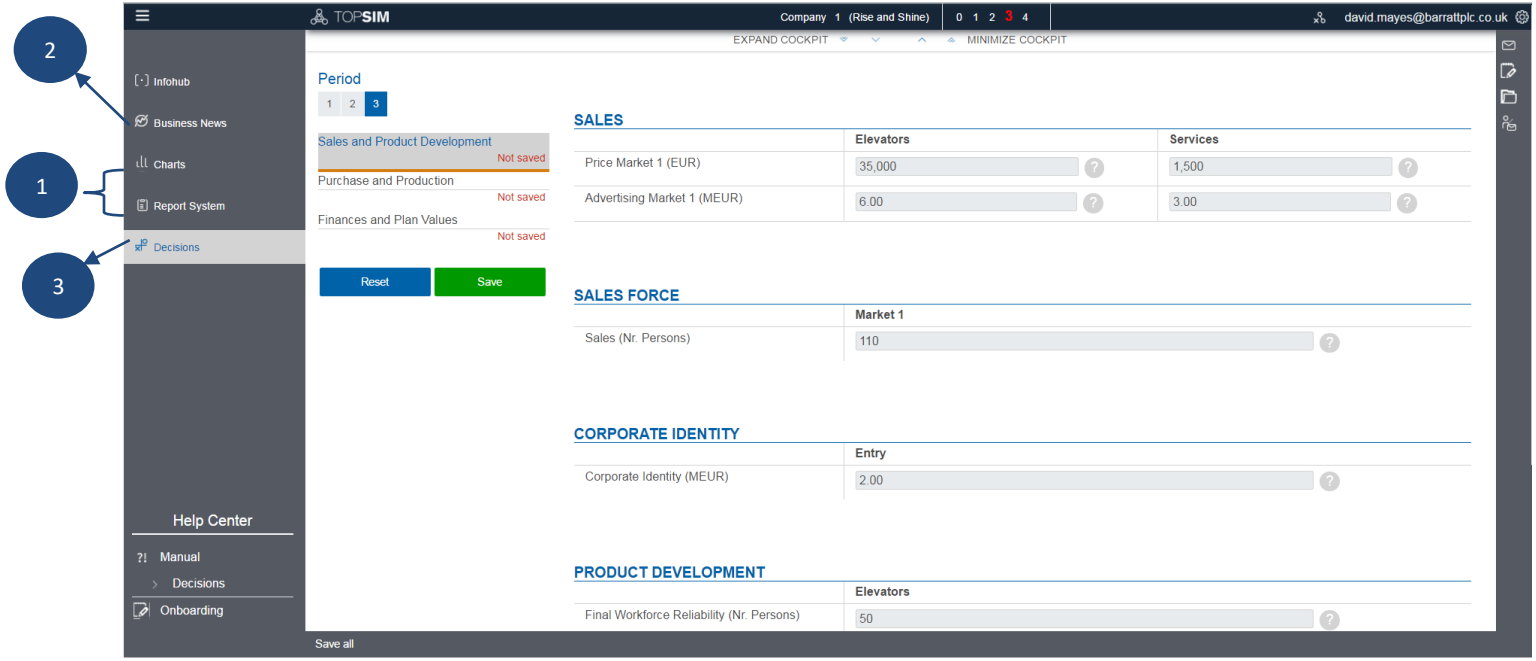
Welcome, introductions, debrief individual session, introducing team challenge – *1h*	Quick review of day 1, presentation of day 2, teams introduce their dashboards – *20 min*
BREAK – 30 min	Debrief Business Simulation Round 2 – KPIs, closing the strategy execution gap – 40 min
Participants play round 1 in teams, coached by facilitator – *90 min*	BREAK – 30 min
Teams prepare strategy presentation – 30 min	Playing simulation round 3, in teams, coached by the facilitator – 1h
BREAK – 2h	BREAK – 90 min
Teams present their strategies + Q&A – 30 min	Debrief Business Simulation Round 3 – achieving sustainable performance, optimizing results - 1h
Debrief Business Simulation Round 1 – focus on financial reporting (balance sheets, income statements, cash-flow..) – 45 min	BREAK – 30 min
BREAK – 30 min	Playing simulation round 4 , in teams -1h
Participants play round 2 in teams, coached by facilitator (with use of company dashboard – recommended!) – *1h15 min*	*BREAK* + Teams prepare final presentation with projections (analyst statement) – *45 min*
Closing of day 1 – 5 min	TEAM presentations with Q&A – 30 min
	Final debrief, key take-aways, declaring of winning team, closing of the session – 1h

BARRATT DEVELOPMENTS PLC

SUPPORT

- If you have any questions, whether it be content or technical related, send an email.
- It's better to send too many e-mails than not enough
- Remember, you have a new job with a new team in a new environment. No one expects you to know everything right away.

GETTING STARTED



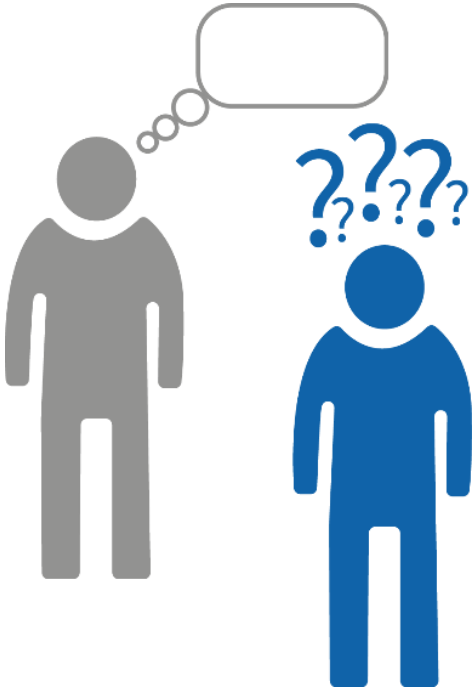
1 Analyse current results

2 Analyse environment

3 Make new decisions

BARRATT DEVELOPMENTS PLC

QUESTIONS?



THANK YOU FOR YOUR ATTENTION

Good Luck successfully managing your company!

BARRATT DEVELOPMENTS PLC