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is the CEO of SKion Water

Skion
W A T E R

(DON'T!)
**WASTE
WATER**

In only a bit more than
a decade, SKion Water
has emerged as a
world-leading water
company with a
**750 M€ yearly
turnover.**



How do you achieve that from
scratch in such a short period of
time? And how can it inspire you
to follow a similar track?

The architect behind SKion's miracle was
kind enough to share his best recipes.

1. Choose your path



Everybody has to start
somewhere. Yet let's
face it: when you start,
the chances are that
you're a single-trick
poney.

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... but if what you developed is an improvement of something that exists today, the advantage will not be as high because of the laws of physics.



What to do then?

Look for someone already active in this segment and partner up.

2. Beware of “cheap” money

Finding investment money for a water industry company used to be tricky. With the ESG investment wave, this might be history! Yet:

Too much stupid money is chasing too few good targets



As a result, we see inflation in valuation:

There are companies with hardly any turnover and are listed for a 200, 300, or 400 million market cap. That's insane!

Why shall a water entrepreneur care about an investment bubble eventually bursting at some point?

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The water sector just doesn't lend itself to flipping companies in four-five years

So, you might be under crazy pressure to deliver results that simply are not achievable in this industry.

3. You can't skip steps

We already covered how it takes time to grow to the middle of the Water Market (see S3E3).

But I still had this Chimera. Can you hyper-grow that path?



You can throw money at it. But it won't grow faster; it will just burn more money!

Hence you'd better be methodological.

It's not the bunny and the turtle; it's the turtles that fool themselves against the clever turtles.



4. Choose your place in the Food Chain

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What problems do you want to solve, and what will your contribution be? This tells you where you shall play.

For SKion Water, for instance, it pointed at a decentralized path, with proximity to end-users:



We wanted to have the ability to also bring new solutions into the market. And for that, you need to actually deliver the technical solution, not just operate it.

Hence, they built an EPC - Integrator company. With clear limits on both the top and the bottom:



If you go down the value chain, be very careful in terms of backward integration because you can't compete with your supply chain.

5. Beware of mermaids

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It is tempting to see yourself as more clever than everyone and their dog.

Yet often, if no one ever took a technology off, there's a reason.

And unless you understand the ins and outs of this reason, chances are you cannot solve what others couldn't.

Sometimes, you should really challenge the basic underlying scientific principles of what you're saying.

The next risk is to build castles in the sky:



You can classify these business plans by the type of substance consumed to make up the numbers.

And sometimes, according to Reinhard, that must have been something stronger than crystal meth...



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6. Don't fool yourself with synergies

The water industry is a scattered playground.

There's little common ground between industrial and municipal applications, and often also between one country and another, in the exact same municipal application.

There are zero synergies between those markets, other than knowledge

7. Walk the Talk

Are you done once you've successfully followed all these steps? Not at all. Now it really starts: you'll have to execute!

An advice Reinhard applies to himself:

We buy 4-8 companies every year. Some of them are publicly announced, some not.



Well, SKion Water's website showcases at least 17 acquisitions. But its CEO not only serves as a board member in all these companies, but he's also quite often in the trenches.

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I can't complain about anything we have because I was involved in acquiring it. Obviously, the execution must be part of my job!

How do you tell those recipes worked? Well, beyond the numbers, SKion Water was named "Water Company of the Year" in 2021.

Did Reinhard just reveal his martingale?

We also covered:

- How Reinhard almost fell into investing by accident
- The two reasons why one would want to invest in Water (despite all the challenges)
- How SKion's success was born in early, rapid, and spectacular failures
- How the focus is not to acquire companies but to serve the real customer needs (and the foolproof trick to always keep that market pulse)
- How the Water Sector's structure is quite unique in terms of company sizes and how a certain doesn't exist at all
- What's the best way to invest in water companies, and why
- Who are the best water entrepreneur profiles, why, and how they have to take risks
- Water Industry's consolidation frenzy, too much money potentially killing companies, crazy valuations, learning from history, giving atypical companies a chance... and much more!

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