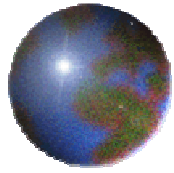
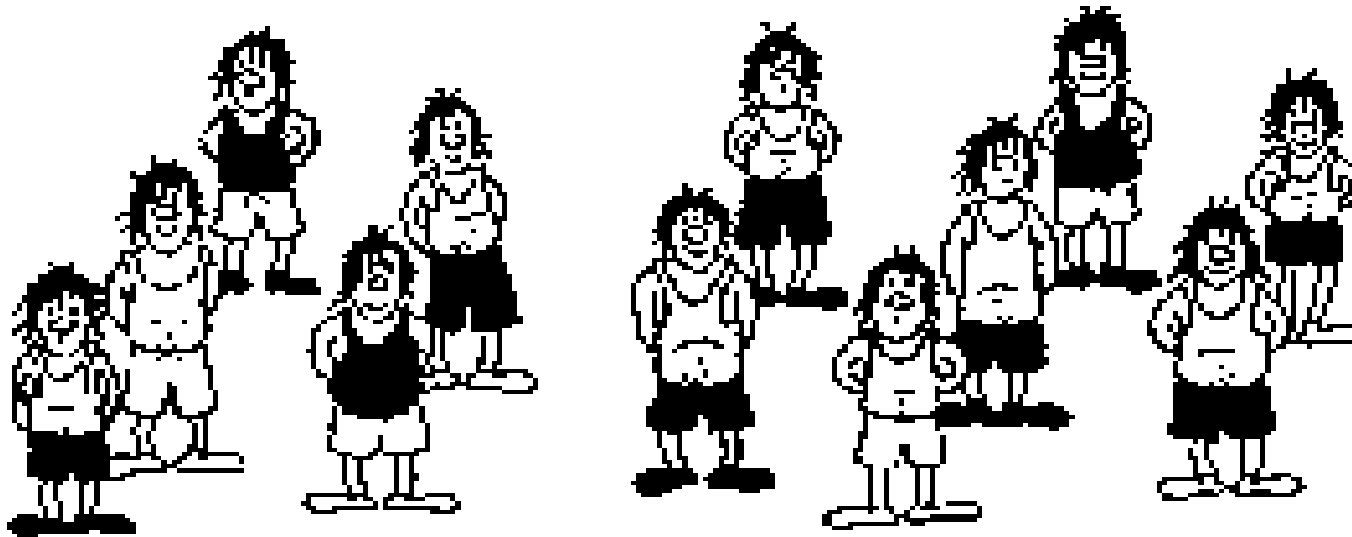


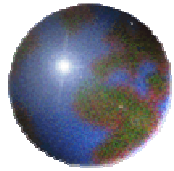
# *Mergers & Acquisitions*

Attaining Success



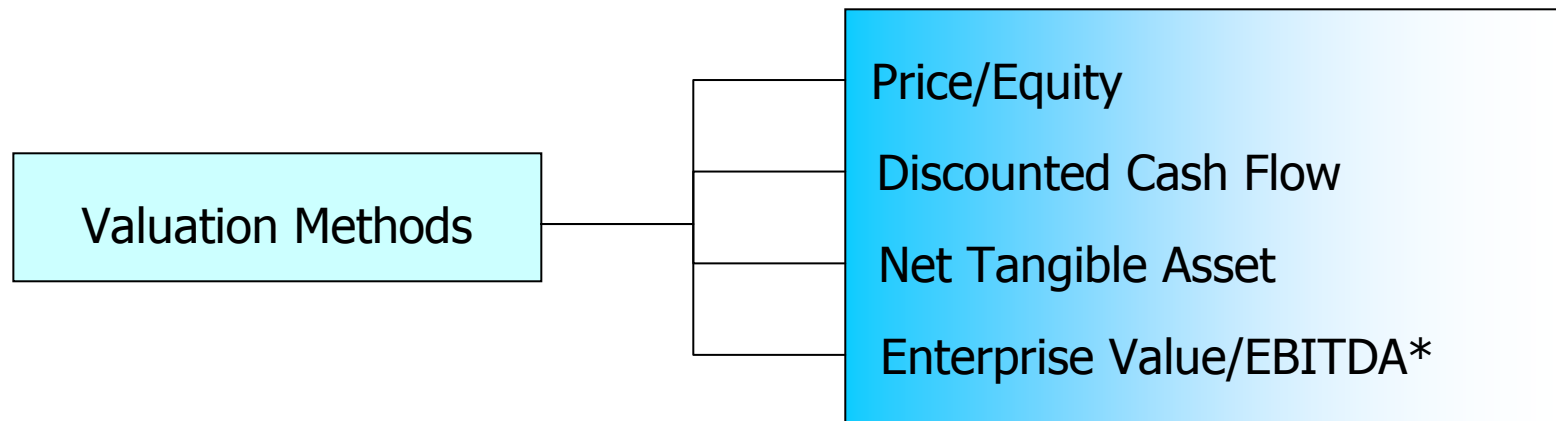
# *Creating Value – getting 13 from 12*



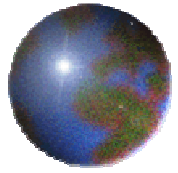


# *Success in M&A is...*

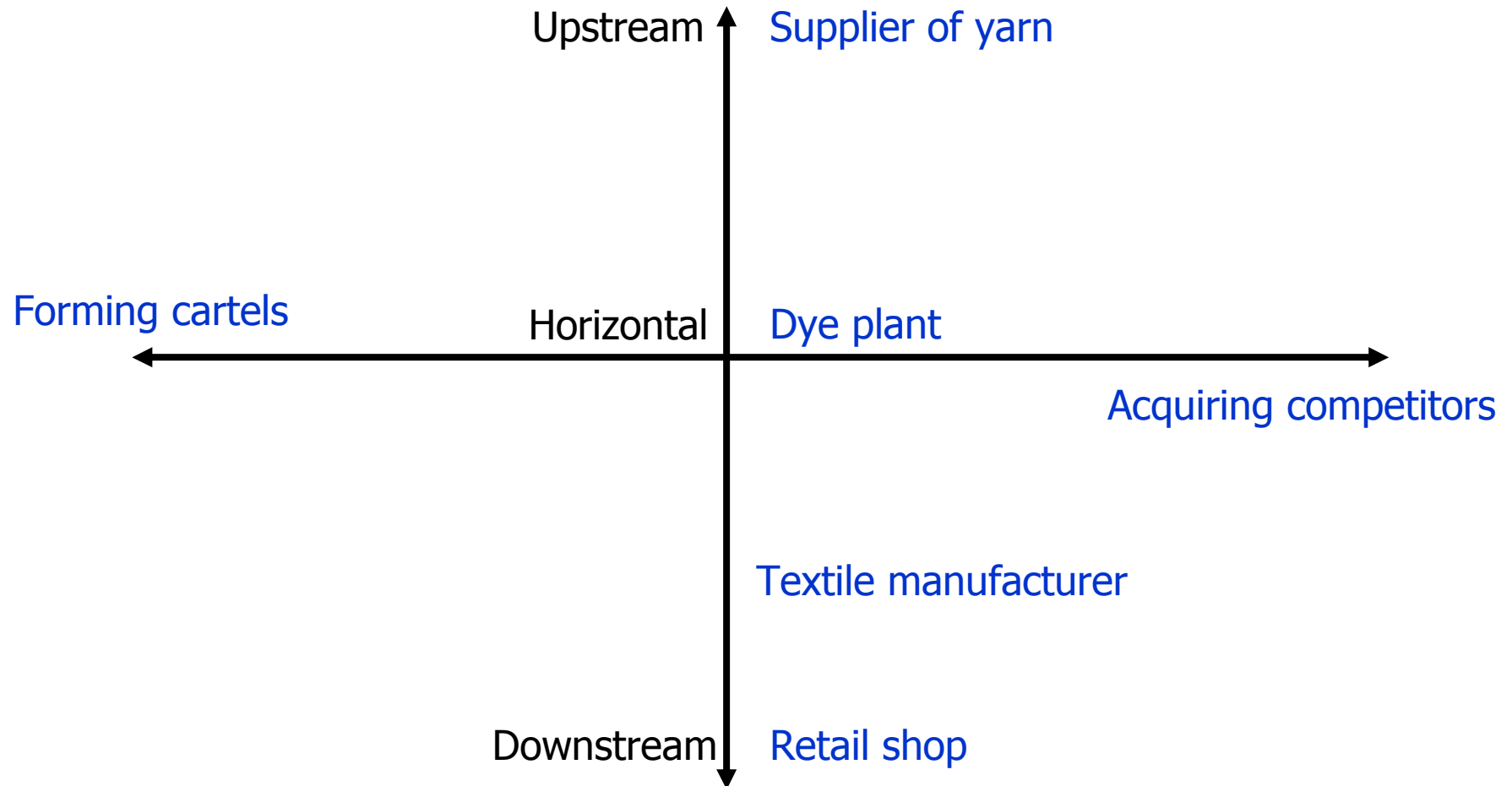
the creation of *perceived* value

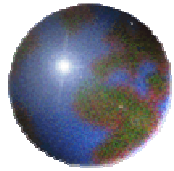


*\*EBITDA = Earnings Before Interest Taxes  
Depreciation and Amortization*



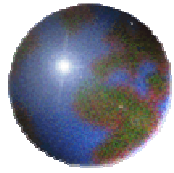
# *Direction of M&A*



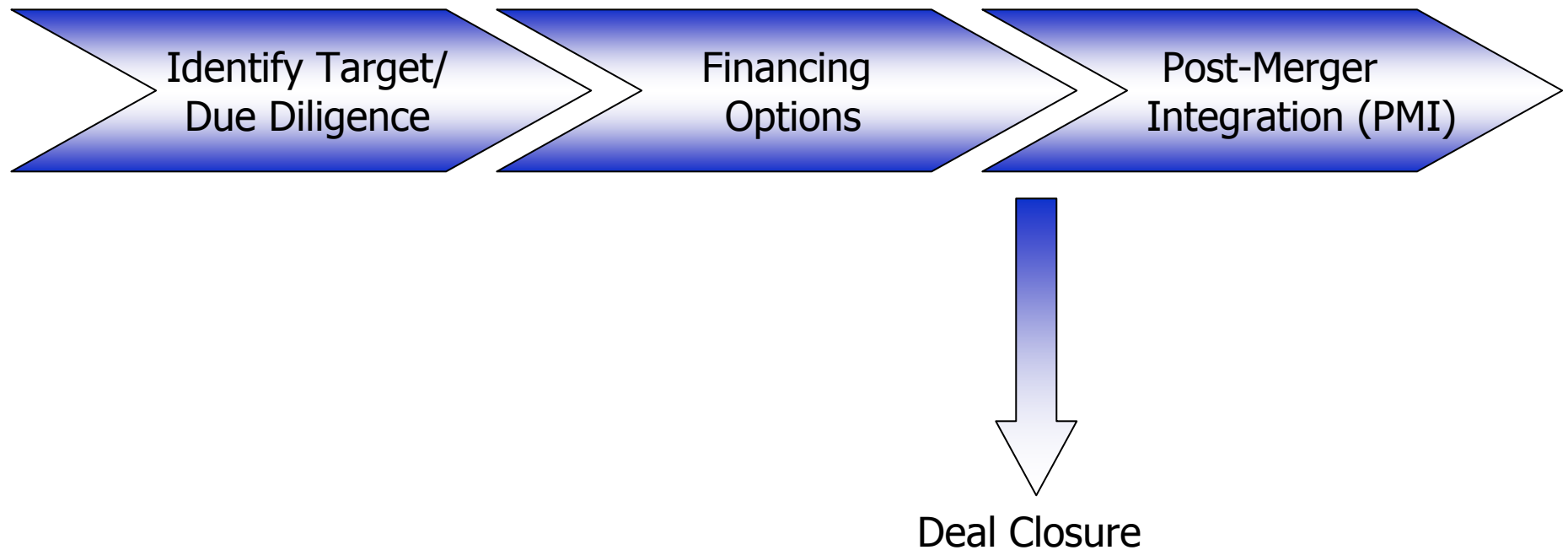


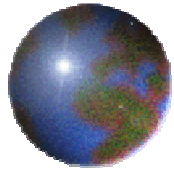
# *Reasons for M&A*

<ul style="list-style-type: none"><li>✦ Consolidation</li><li>✦ Forming cartels</li><li>✦ Technology transfer</li><li>✦ Market positioning</li><li>✦ Market penetration</li><li>✦ Squash competition</li></ul>	<ul style="list-style-type: none"><li>✦ Fear of being taken over</li><li>✦ Flawed intentions</li><li>✦ Herd mentality</li><li>✦ Deal fever</li><li>✦ Hostile takeovers</li></ul>



# *M&A Process Flow*

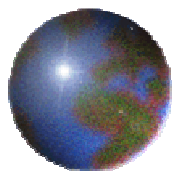




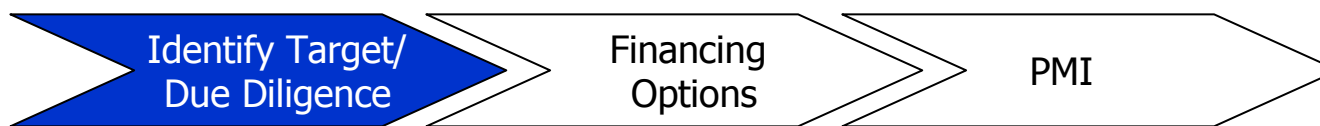
# *Success is defined by...*



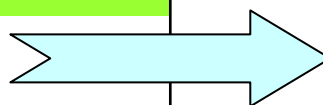
- ⊕ Pricing and valuation
- ⊕ Value creation
  - ⊠ Operation synergies
  - ⊠ Technological transfer
  - ⊠ Increased market penetration
  - ⊠ Market positioning
  - ⊠ Profitability
- ⊕ Increased share price/market capitalization
- ⊕ Effective structure (tax, legal, capital structure)



# *Due Diligence – Evaluate All Angles*



- ✦ Pricing/Valuation
- ✦ Technical
- ✦ Procurement
- ✦ Transport/logistics
- ✦ IT
- ✦ Accounting
- ✦ Risk Management
  
- ✦ Legal
- ✦ Tax
- ✦ Foreign Currency/Fund Flow



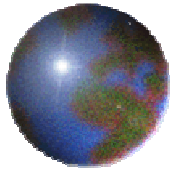
Different way to value:

- Selling price
- WACC

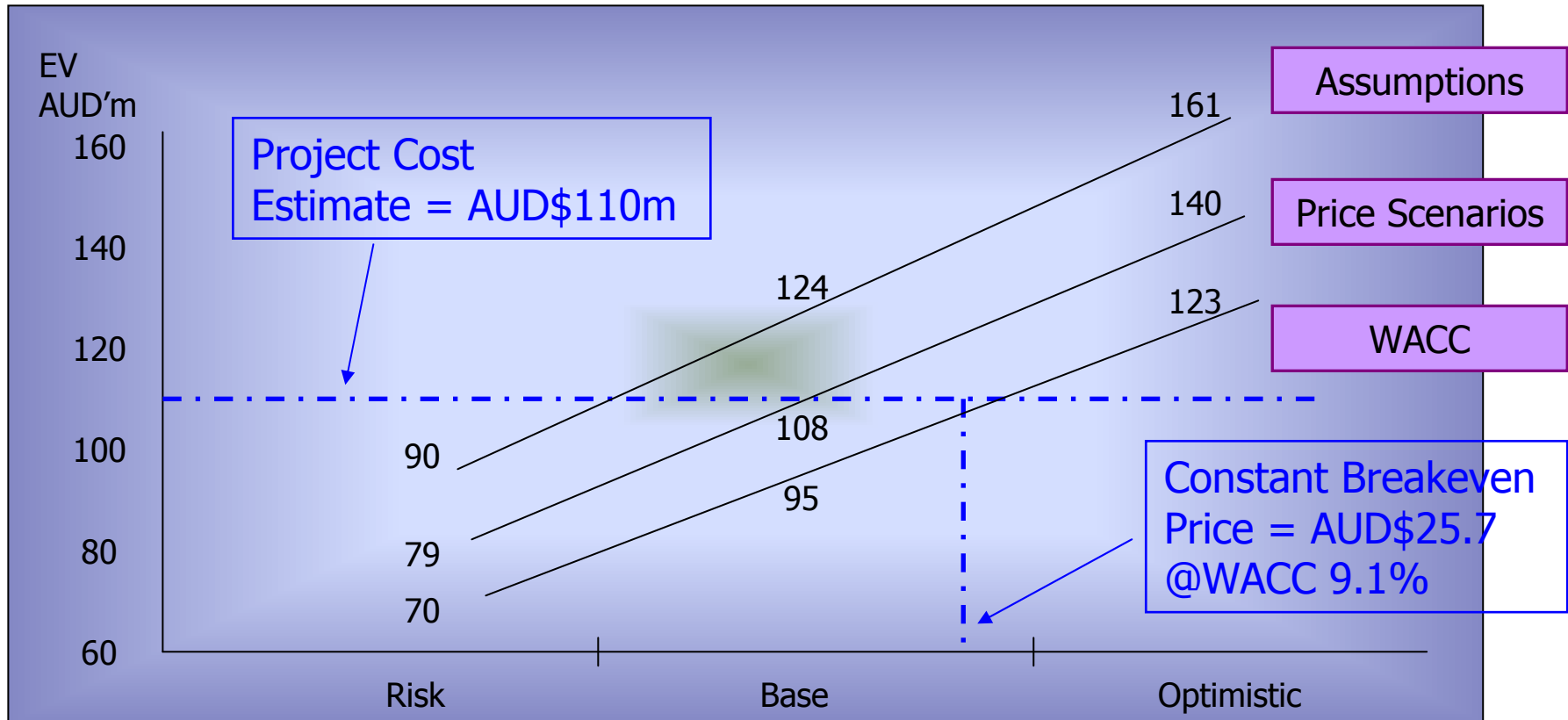


Key differences in a cross-border M&A

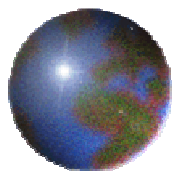




# Valuation Factors & Sensitivity



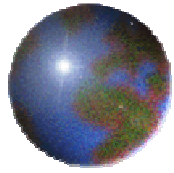
WACC 8.1%	50.5	69.4	90.1
WACC 9.1%	44.3	60.5	78.3
WACC 10.1%	39.2	53.2	68.6



# Issues to Consider



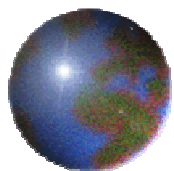
Local	Cross-border
<ul style="list-style-type: none"><li>✦ Legal<ul style="list-style-type: none"><li>▣ Company's Act, SC, FIC, etc</li></ul></li><li>✦ Tax</li><li>✦ Pricing/Valuation methodology</li><li>✦ Corporate finance (structuring)</li> <li>✦ Financing</li><li>✦ Corporate strategy/direction</li></ul>	<ul style="list-style-type: none"><li>✦ Repatriation &amp; currency controls (capital controls)</li><li>✦ Accounting standards (if different)</li><li>✦ Political climate</li><li>✦ Investment environment (incentives, impediments, regulatory requirements)</li><li>✦ Equity conditions</li><li>✦ Workforce</li><li>✦ Competitive advantages<ul style="list-style-type: none"><li>▣ operating costs, technology, etc</li></ul></li><li>✦ Corporate culture</li><li>✦ Synergies</li></ul>



# *Tax & Legal – Different by Country*



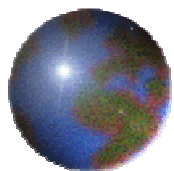
- ⊕ Different for each country
- ⊕ Tax Implications
  - ⊕ Capital gains
  - ⊕ Exit tax
  - ⊕ Withholding tax
- ⊕ Country risk – e.g. Myanmar/Iran
  - ⊕ US embargo
- ⊕ Currency controls
- ⊕ Currency liquidity
- ⊕ General Offer thresholds



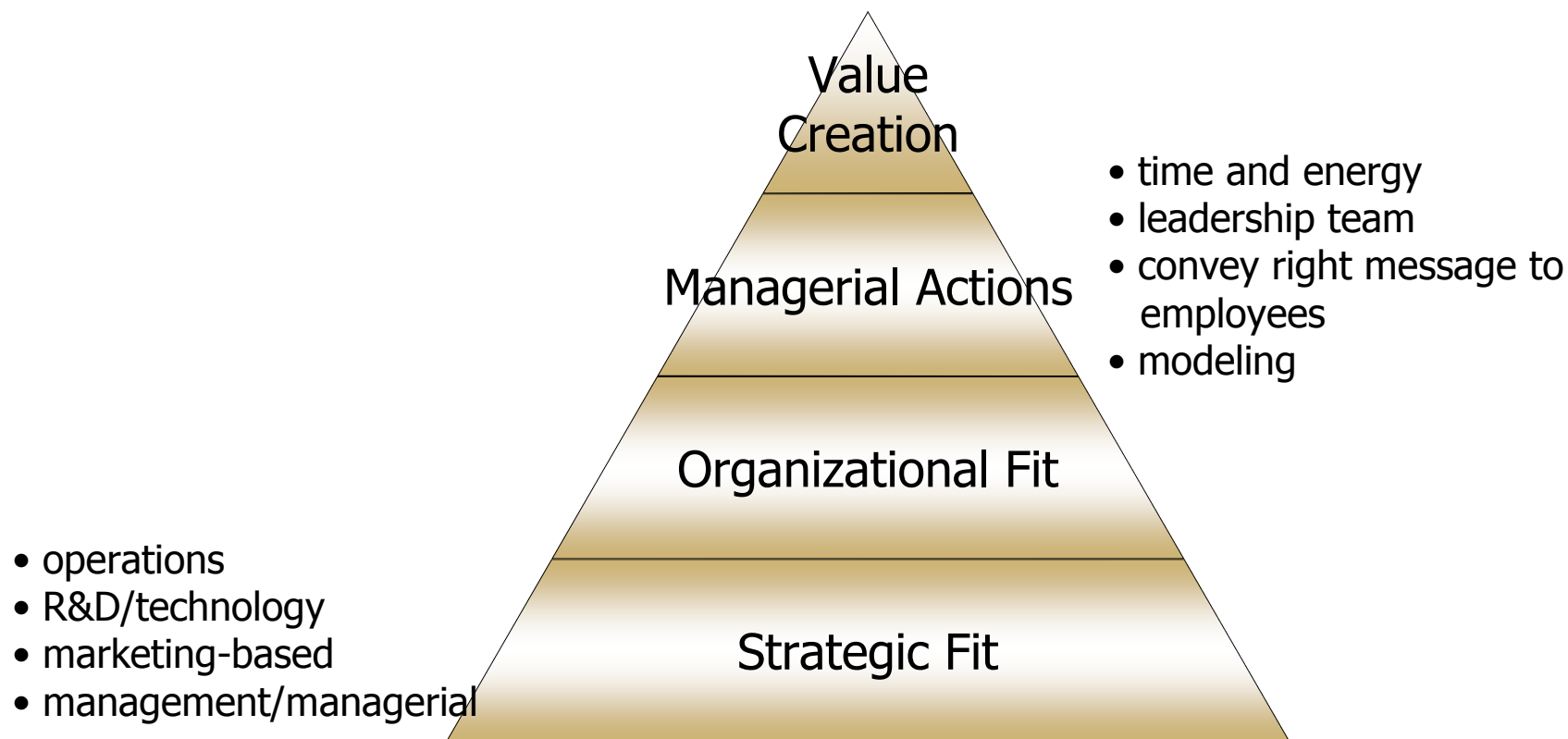
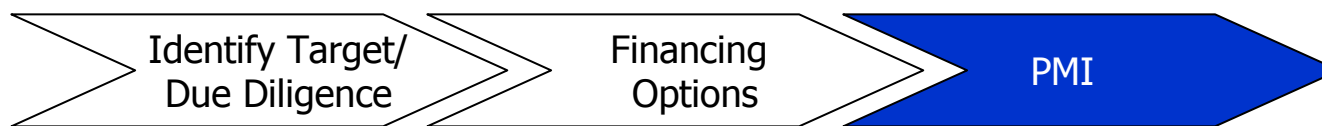
# *Financing Options*



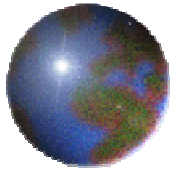
- ✦ Cash
- ✦ Stock
- ✦ Warrants
- ✦ Convertibles
- ✦ Term Loans
- ✦ Bonds
- ✦ Combination



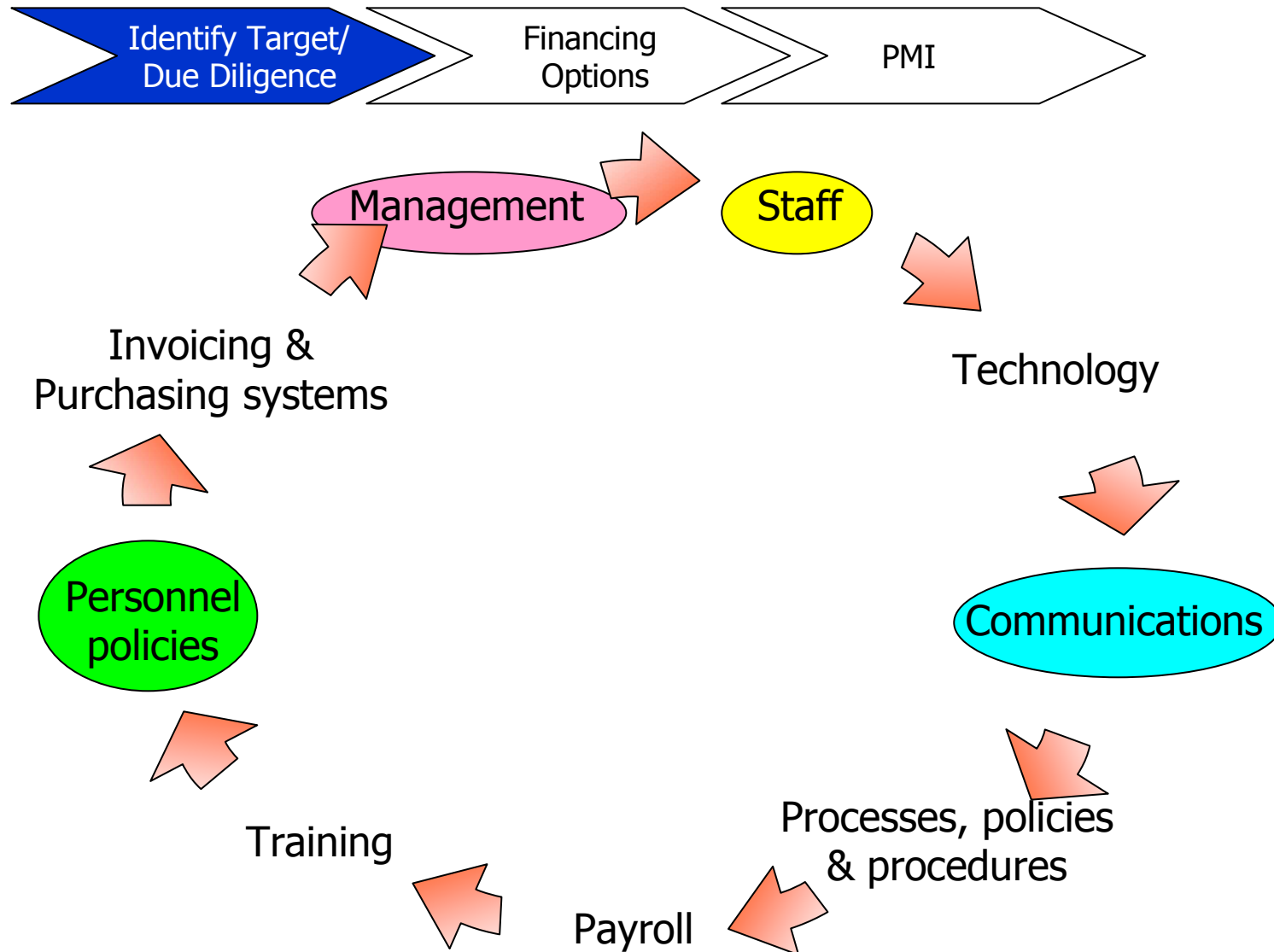
# *Synergy Increases Value*

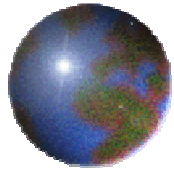


These foundations enable creation of synergy

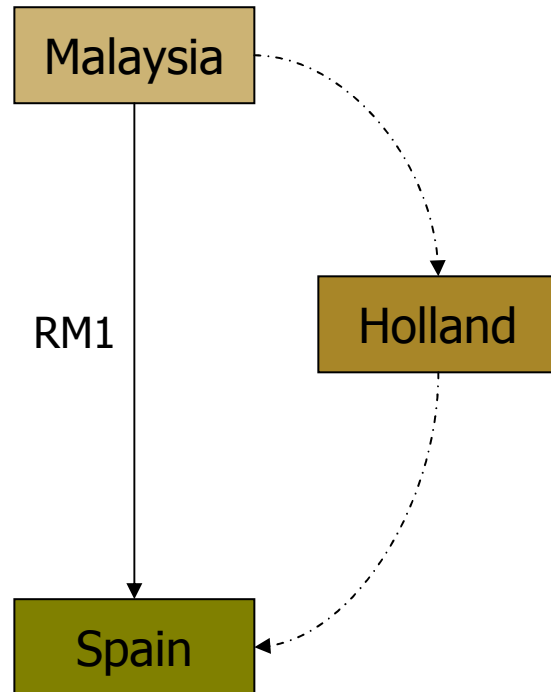


# Aspects to Integrate



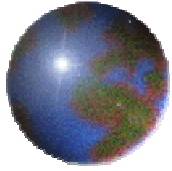


# Case Study



- Financially distressed
- Technical know-how

- Acquiring for technology transfer and other synergies
- Use of professionals in Spain for tax/legal/accounting
- Acquired for RM1 + outstanding debt
  - debtors to take hair cut prior to acquisition
- Structured to take advantage of tax deductions and saving on withholding taxes on repatriation
- Thorough and in-depth due diligence
- Retain key personnel via performance share options scheme



# *Mistakes & Pitfalls to Avoid*

## Identify Target/ Due Diligence

- Inadequate due diligence
- Skimping on advisers
- Incorrect valuations
- Not involving HR
- Not talking with key customers/suppliers

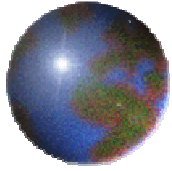
## Financing Options

- Acquiring targets that are too highly leveraged
- Paying too much (high premiums)
- Bad structure
- Wrong mix of equity and debt
- Not considering tax implication

## PMI

- Underestimating the effort required to achieve synergy
- Culture clashes
- Failure to integrate
- Cost cutting/revenue growth
- Neglecting core business
- Downsizing





# *Thank You*

ZJ Advisory  
Suite 22B, 22<sup>nd</sup> Floor  
Wisma Denmark  
86, Jalan Ampang

Tel: 2032-2328  
Contact: Danny Choong  
Mobile: 012-204-2113