

1st event Business CLUB M&A 25 January 2024



INTRODUCTION

What's a Business club ?

A community for alumni who have the same profession and/or work in the same sector, no matter where they are based around the world.

The aim is to share content, experiences and expertise via online and in-person events created by you for you, which are pertinent to you right now seeing as industry trends, practices and stakes are constantly evolving.

INTRODUCTION

Lina Adardour

- 2020 – Today: **Director M&A at Amex Global Business Travel, New York**
- 2019 – 2020: **Business Strategy Consultant, Flat World Partners, New York**
- 2018 – 2019: **Director NBFi, First Abu Dhabi Bank, Dubai**
- 2015 – 2018: **Senior Associate M&A and Debt Advisory, Deloitte, Dubai**
- 2012 – 2015: **Graduate Msc Financial Markets & Investments, Skema BS, Paris**

INTRODUCTION

Julien Brun

- 2021 – Today: **Assistant Director at Rothschild & Co, Paris**
- 2017 – 2021: **Fund manager / Private Banker at Mirabaud & Cie, Paris**
- 2010 – 2017: **Portfolio Manager, Banque Transatlantique, Paris**
- 2007 – 2010: **Graduate Msc Financial Markets & Investments, Skema BS, Sophia-Antipolis**

Mergers and Acquisitions

DEFINITION AND KEY CONCEPT

What are Mergers & Acquisitions?

- **Mergers and Acquisitions (M&A) transactions refer** to two or more companies combining to form a new entity
- Although the acronym « **M&A** » **is used interchangeably**, the two transactions come with different legal meanings:
 - **Merger**: two companies of similar sizes and industry will combine to form a new single entity
 - **Acquisition**: typically a larger company acquires a smaller company, thereby absorbing the business of the smaller company
- **M&A deals can be friendly or hostile**, depending on the approval of the target company's board
- **M&A transactions can be divided by type** (horizontal, vertical, conglomerate, congeneric) or by form (statutory, subsidiary, consolidation)
- **Valuation is a key component of an M&A transaction** and is a major point of discussion between the acquirer and the target

DEFINITION AND KEY CONCEPT

Types of Mergers & Acquisitions?

- Divestitures
- Tender Offers
- Asset purchase
- Stock Purchase
- Merger of Equals
- Management Buyout (MBO)
- Leveraged Buyout (LBO)

STRATEGIES AND OBJECTIVES

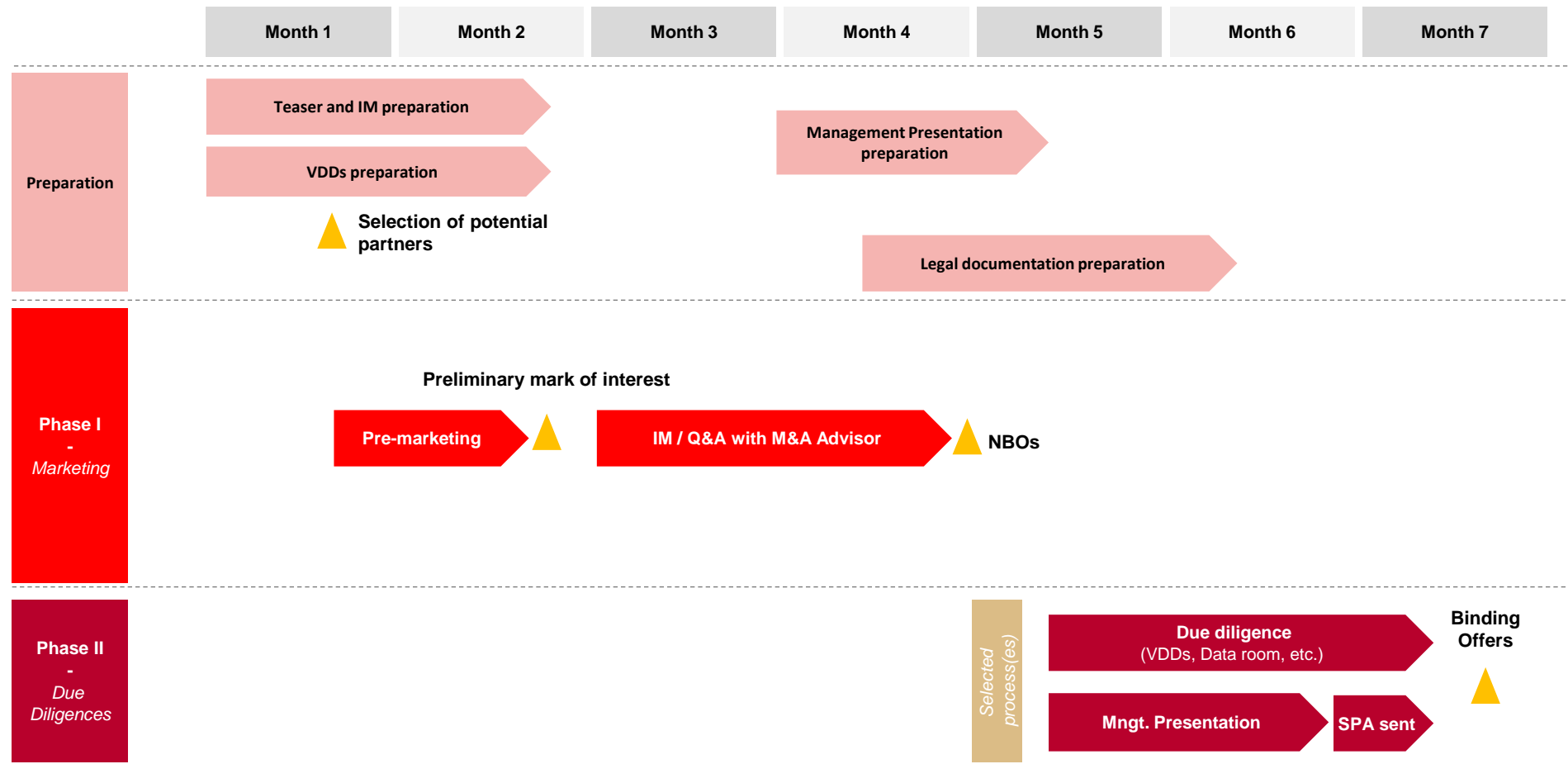
Reasons for Mergers and Acquisitions (M&A) Activity

- **Unlocking synergies** where the combined company is worth more than the two companies individually due to revenue growth and cost synergies. **1+1 = 3**
- **Higher growth boosted by inorganic growth** as opposed to revenue growing organically generating a maximisation of the revenue
- **Increasing market share** resulting in an influence on prices and an improved control of its supply chain. It will also eliminate competition in the market
- **Diversification** of cash-flow to avoid significant losses as a result of seasonality
- **Tax benefits** when a loss-making company is merged or acquired by a profit-making company, reducing the tax burden

M&A Process – Sell Side

M&A PROCESS – SELL SIDE

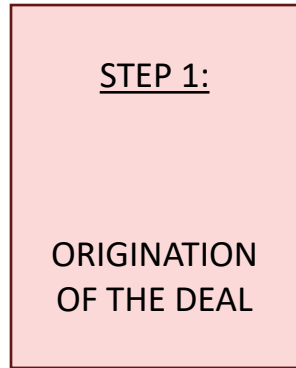
Key steps of a traditional selling process



M&A Process – Buy Side

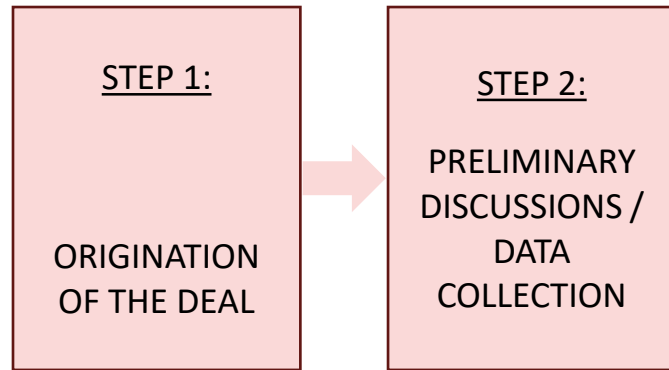
M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



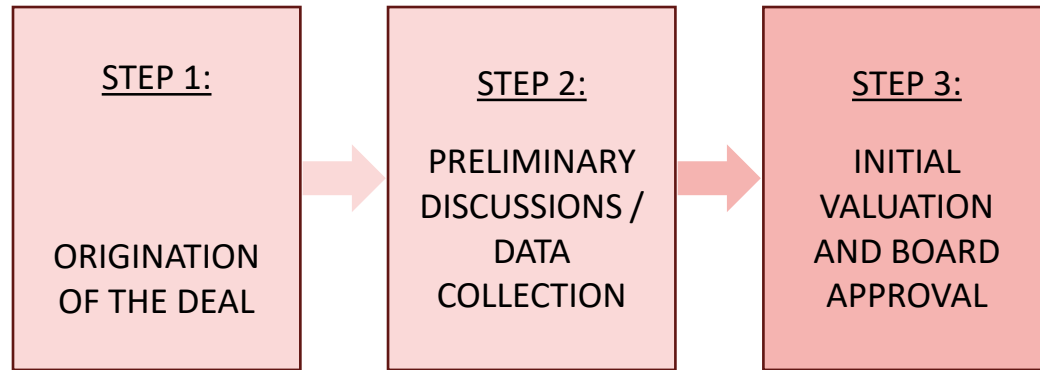
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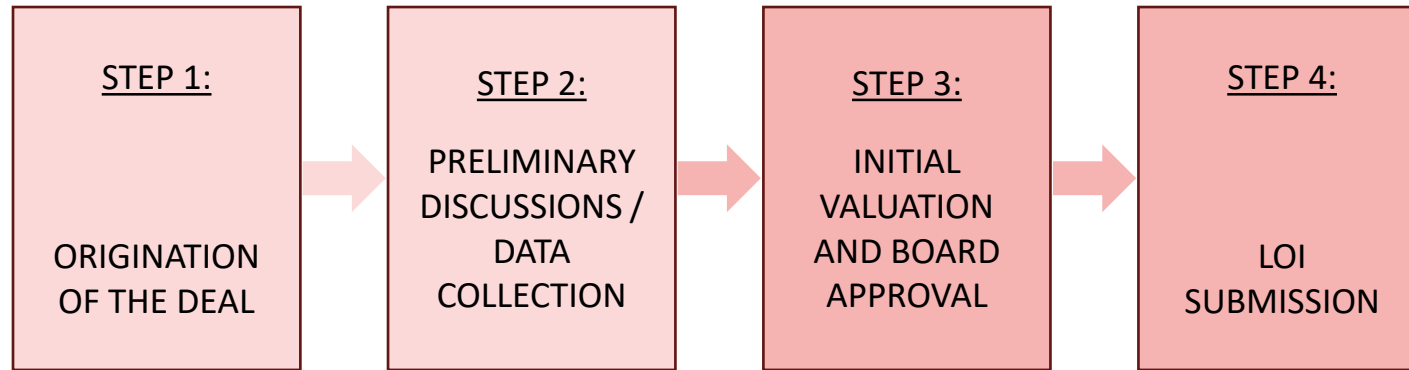
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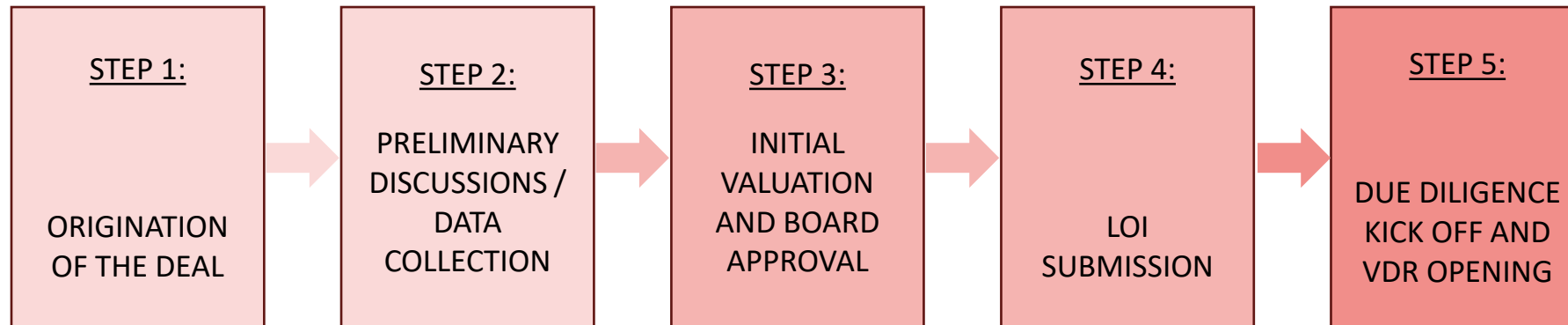
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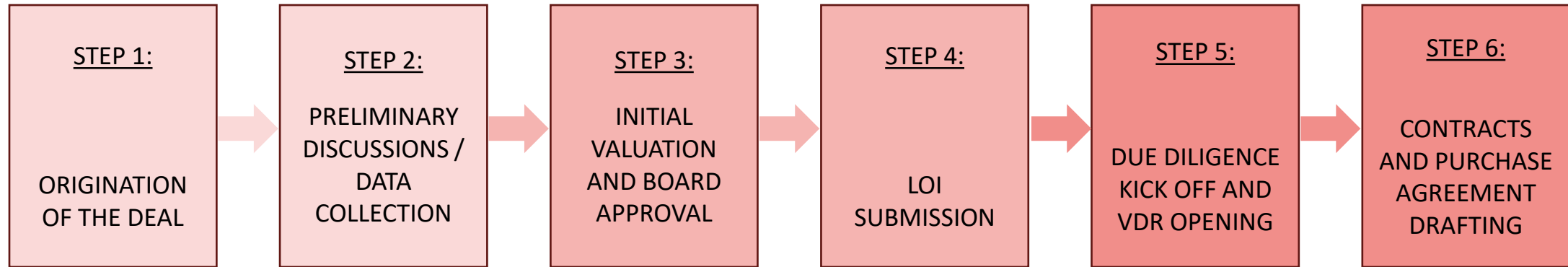
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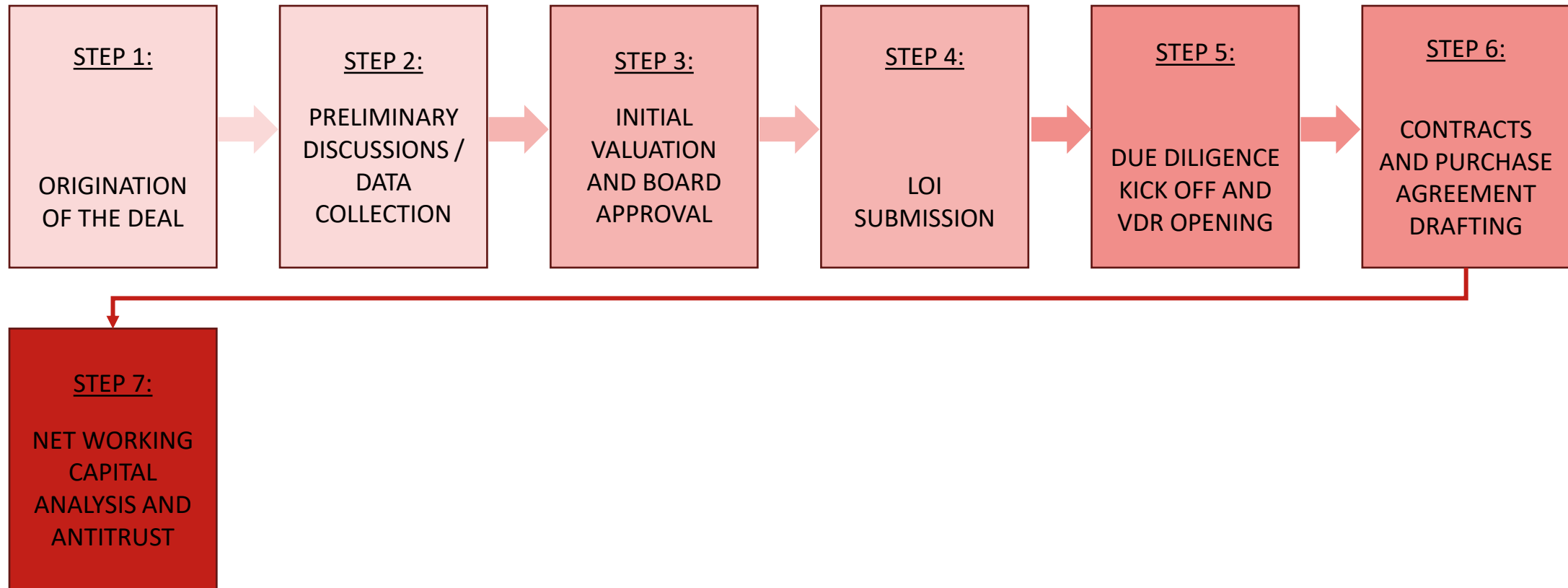
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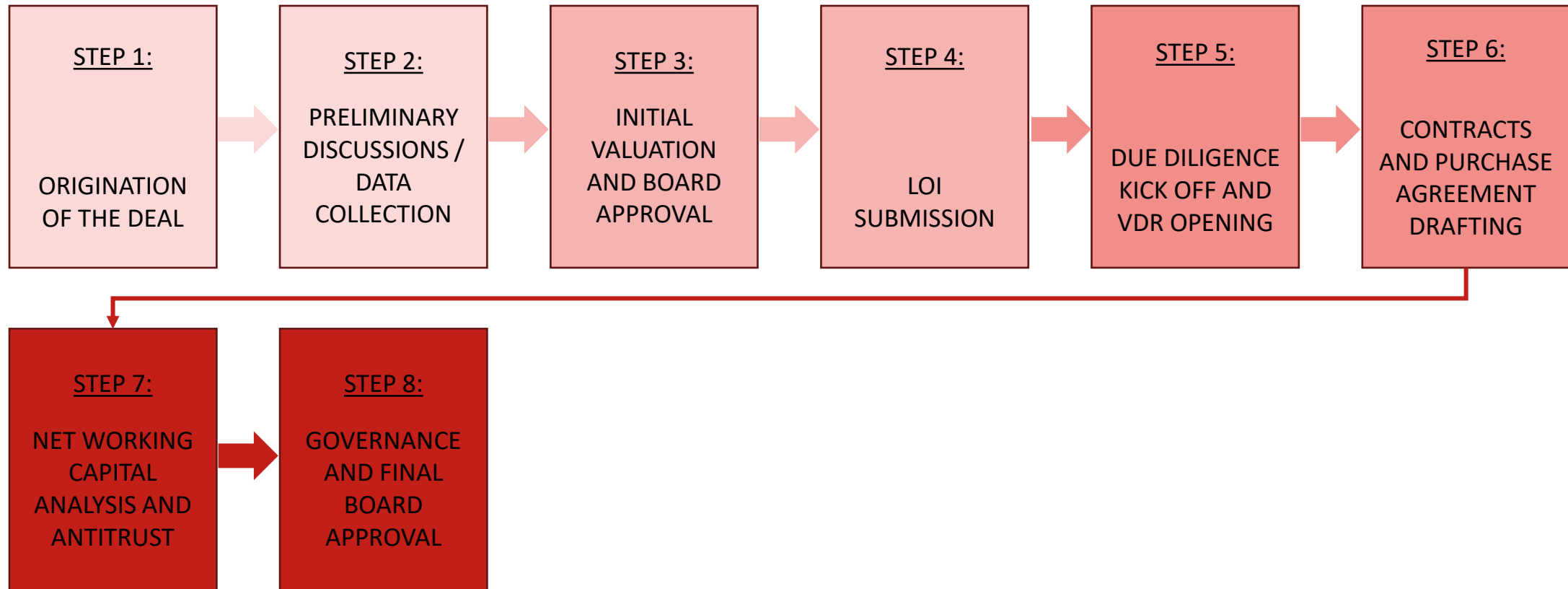
M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



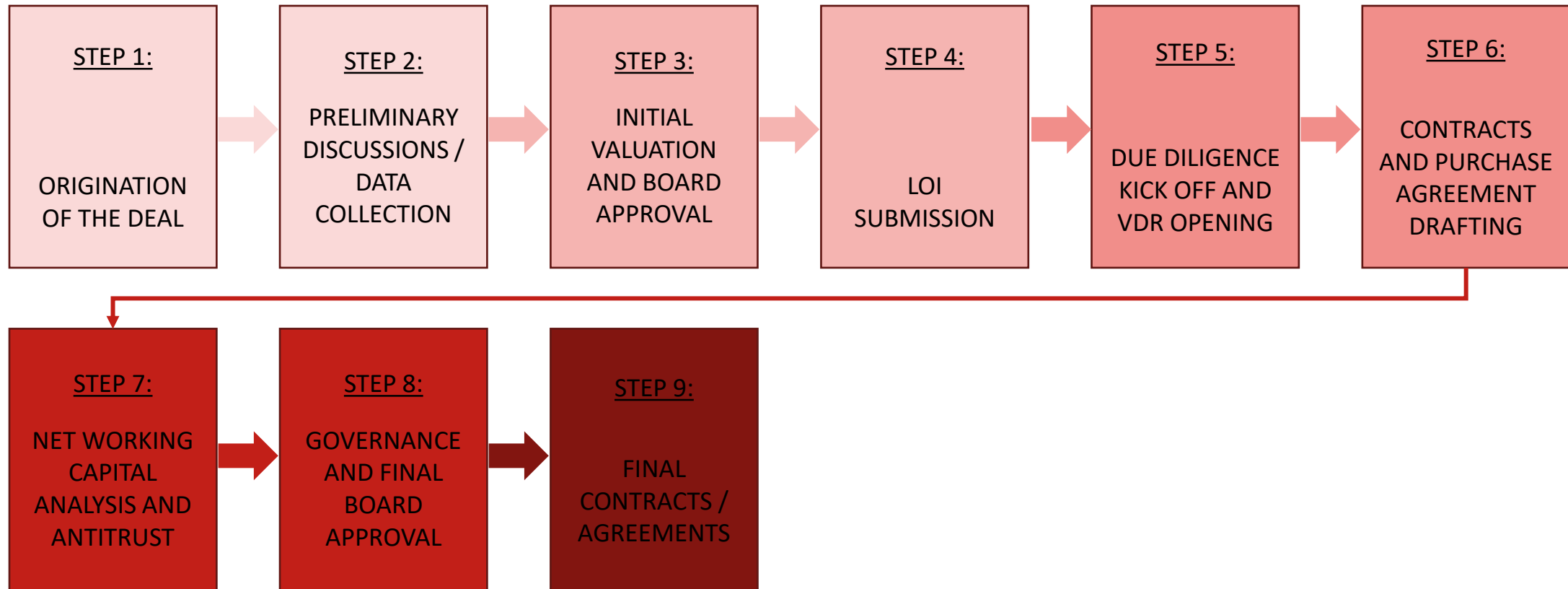
M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



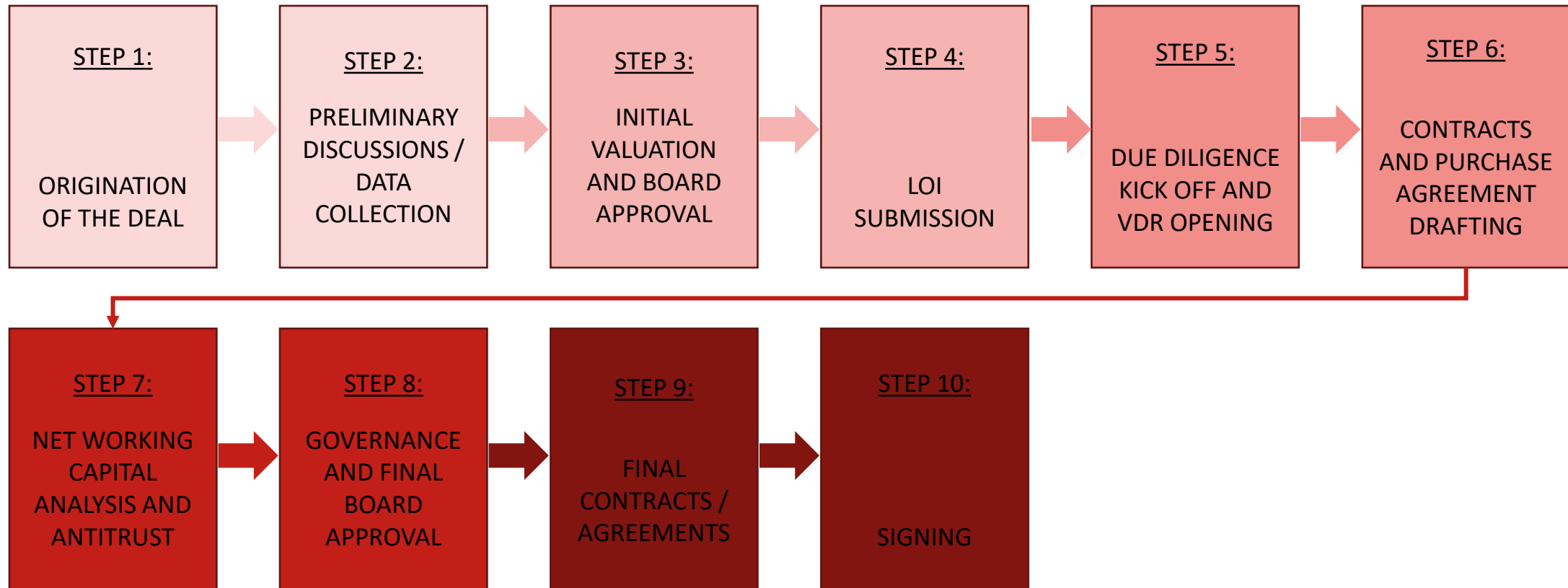
M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



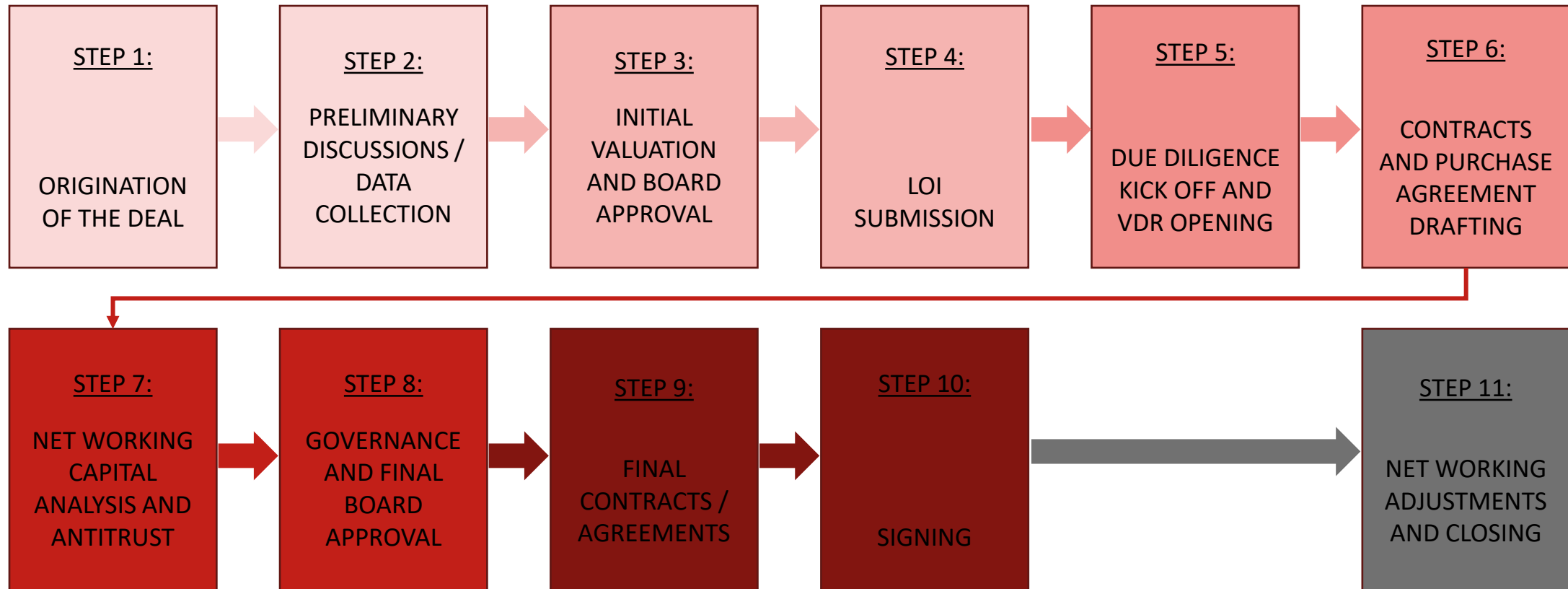
M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



M&A PROCESS – BUY SIDE

Key steps of a traditional buying process



M&A Process – Timeline & Key Players

M&A PROCESS – KEY PLAYERS

Sell-side: who is involved and when?

Team	Role overview	Key deliverables	Involvement			
			Prep.	Ph. I	Ph. II	Nego
Investment Bank	<ul style="list-style-type: none"> Global coordination of the sale, including process management and coordination of the different parties involved Preparation of marketing materials, notably Teaser, IM and MP 	<ul style="list-style-type: none"> Teaser, Information Memorandum, management presentation, offers summary 				
Management	<ul style="list-style-type: none"> Supporting the preparation of marketing materials throughout the sale process Support in answering questions from buyers (especially during MP, site visits and working sessions) 	<ul style="list-style-type: none"> Business Plan, management presentation, site visits, Q&A 				
Existing Shareholders	<ul style="list-style-type: none"> Overview of the sale process and definition of the process framework with the Bank (in terms of timing & structure) Low involvement on the daily operations of the disposal 	<ul style="list-style-type: none"> Input on buyers selection, on process preparation and final decision on buyer(s) 				
Lawyers	<ul style="list-style-type: none"> Review of all legal documents / materials, notably NDAs, Process Letters, Data Room, SH agreement and SPA Negotiation of legal documentation (including R&W) 	<ul style="list-style-type: none"> NDA, Data Room review, SPA, Shareholders' agreement, etc. 				
Strategic VDD advisor	<ul style="list-style-type: none"> Reviewing the management's Equity Story and Business Plan Preparation of the Strategic VDD, providing insights into market trends, identification of growth levers / additional opps., etc. 	<ul style="list-style-type: none"> Commercial Due Diligence report, Business Plan review 				
Finance VDD advisor	<ul style="list-style-type: none"> Preparation of FDD report, support on Q&A related to finance Providing a fair view on "normative" EBITDA / EBIT as well as Adjusted Working Capital Requirements and Net Debt 	<ul style="list-style-type: none"> Financial Due Diligence report, Adjusted Net Debt (for EV calculation purposes) 				
Other VDD advisors	<ul style="list-style-type: none"> Preparation of specific Due Diligence reports If needed, expert sessions on Phase II, to answer questions related to their report 	<ul style="list-style-type: none"> Depending on the asset / market: tax DD, HR DD, environment DD, TDD etc.) 				

M&A PROCESS – KEY PLAYERS

Buy-side: who is involved and when?

Team	Role overview	Key deliverables
Corp Dev Team	<ul style="list-style-type: none"> Global coordination of the buyout, including process management and coordination of the different parties involved Preparation of all deliverables to the Investment Committee 	<ul style="list-style-type: none"> Valuation, Strategic Rationale, LRP financial model, DD lead
All Management Teams	<ul style="list-style-type: none"> Supporting the preparation of deliverables throughout the buyout process Support in participating in all DD related calls and key findings 	<ul style="list-style-type: none"> Key DD findings Inputs on Cost synergies and Integration costs
Existing Shareholders	<ul style="list-style-type: none"> Review and approval of the transaction Low involvement on the daily operations of the disposal 	<ul style="list-style-type: none"> No deliverable
Lawyers	<ul style="list-style-type: none"> Review of all legal documents / materials, Process Letters, Data Room, SH agreement and SPA Negotiation of legal documentation (including R&W) 	<ul style="list-style-type: none"> Data Room review, SPA, Shareholders' agreement, etc.
Finance VDD advisor	<ul style="list-style-type: none"> Preparation of QoE report, support on Q&A related to finance Providing a fair view on "normative" EBITDA / EBIT as well as Adjusted Working Capital Requirements and Net Debt 	<ul style="list-style-type: none"> Quality of Earnings report, Proposed adjusted NWC calcs
Other VDD advisors	<ul style="list-style-type: none"> Preparation of specific Due Diligence reports If needed, Q&A sessions with Shareholders to answer questions related to their reports / key findings 	<ul style="list-style-type: none"> Depending on the asset: tax DD, HR DD, Compliance DD, InfoSec DD etc.)

Success factors and risks

SUCCESS FACTORS AND KEY RISKS

Identification of key success factors in an M&A transaction

KEY RISKS	KEY SUCCESS FACTORS
<ul style="list-style-type: none">• Overvaluing the target company• Underestimating integration challenges• Inadequate due diligence• System integration failures• Cultural misalignment• Insufficient communication• Missed synergy opportunities• Security concerns• Unforeseen costs• Market disruptions	<ul style="list-style-type: none">• Strategic Alignment• Due Diligence• Effective communication• Cultural Fit• Employee retentions• Regulatory Compliance• Technology integration

Appendix

M&A PROCESS – TIMELINE

Key steps of sell-side process

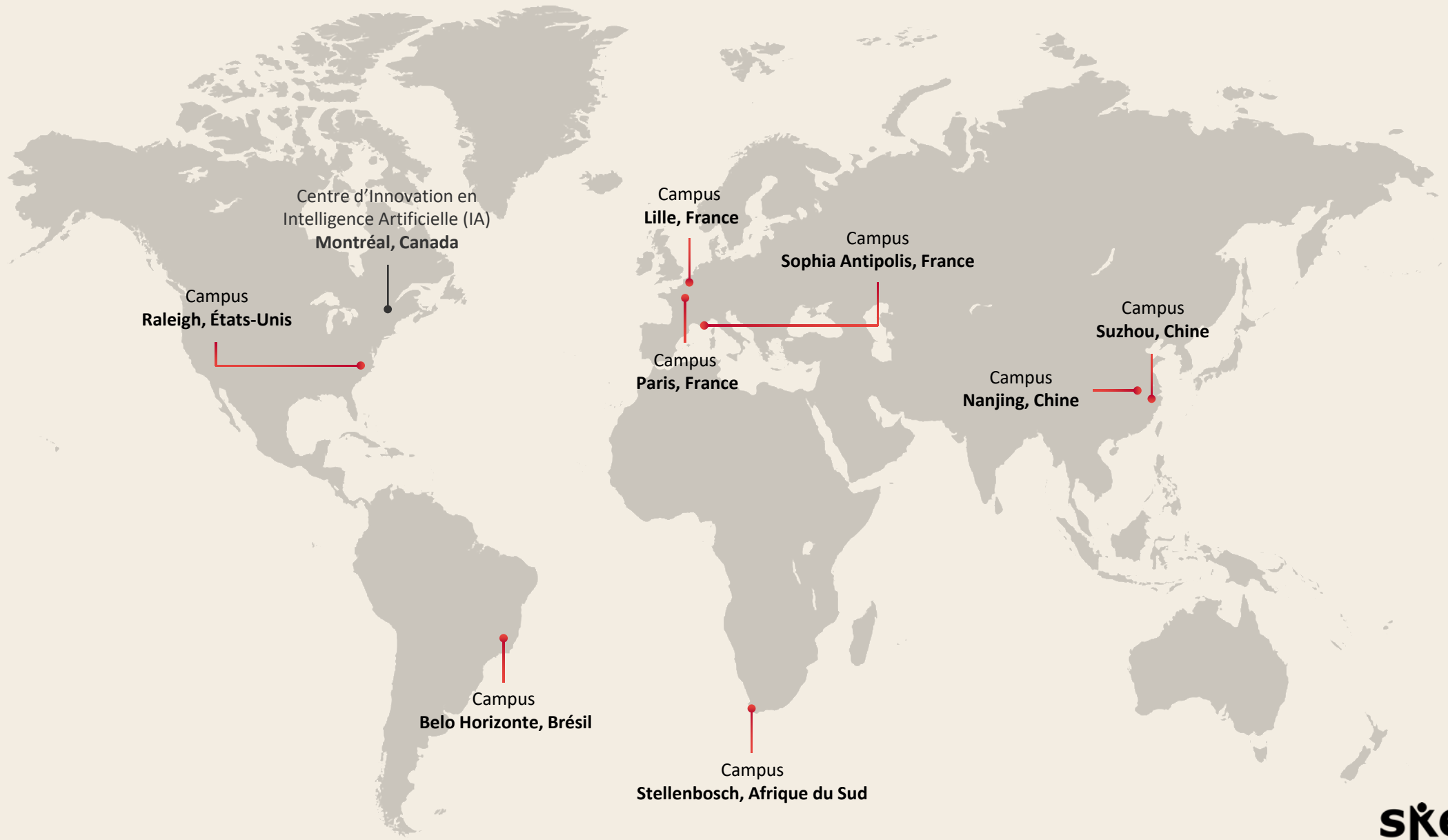
	Preparation / Pre-marketing	Phase I	Phase II - DD	
	Preparation 6-8 weeks	Preselection 4 weeks	Due diligence 6 weeks	Final negotiations 2 weeks to <u>signing</u>
Key tasks / sequences	<ul style="list-style-type: none"> Define equity story / selling messages Identify potential issues and mitigants Financials / Business Plan preparation Marketing materials and Virtual Data Room (VDR) preparation Drafting of Vendor Due Diligence reports (“VDDs”) Market testing 	<ul style="list-style-type: none"> Contact with potential buyers, NDA signing Distribution of IMs and process letter Preparation of management presentation Solicit Non-Binding Offers (“NBOs”) / preliminary bids Select 2nd round bidders 	<ul style="list-style-type: none"> Selected bidders access Data Room and perform Due Diligence VDD report(s) sent Management Presentations (“MPs”) and Expert Sessions Draft sale and purchase agreement (SPA) and other legal doc. with the lawyers Binding offers (including mark-up of SPA) Choice of preferred bidder(s) to enter into negotiations 	<ul style="list-style-type: none"> Final negotiations on SPA and legal documentations Confirmatory due diligence (if relevant) Prepare signing Filings (including with Regulator(s)) Public communication
Key deliverables	<ul style="list-style-type: none"> Equity story / key selling messages Teaser Information Memorandum VDDs NDA and process letters 	<ul style="list-style-type: none"> Data Room preparation Management presentation Non-binding offers (by bidders) 	<ul style="list-style-type: none"> Sale and purchase agreement Bidders Due Diligence organisation / Q&A answers Final offers (by bidders) 	<ul style="list-style-type: none"> Final agreement on SPA and legal documentation Signing announcement Press release

Confidential

Q&A Session

Thanks to our alumni
ambassadors !

[SKEMA Alumni agenda :](#)



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