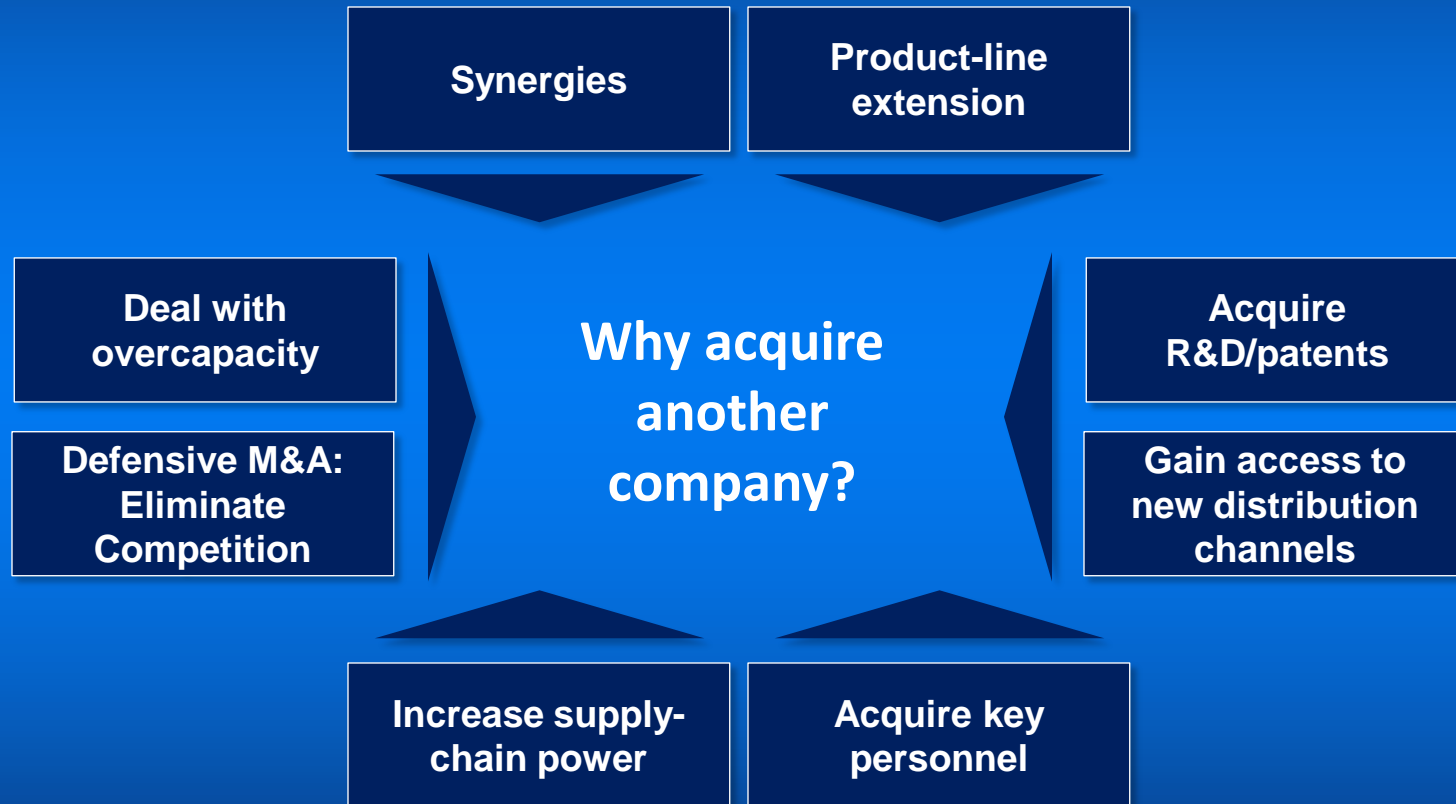
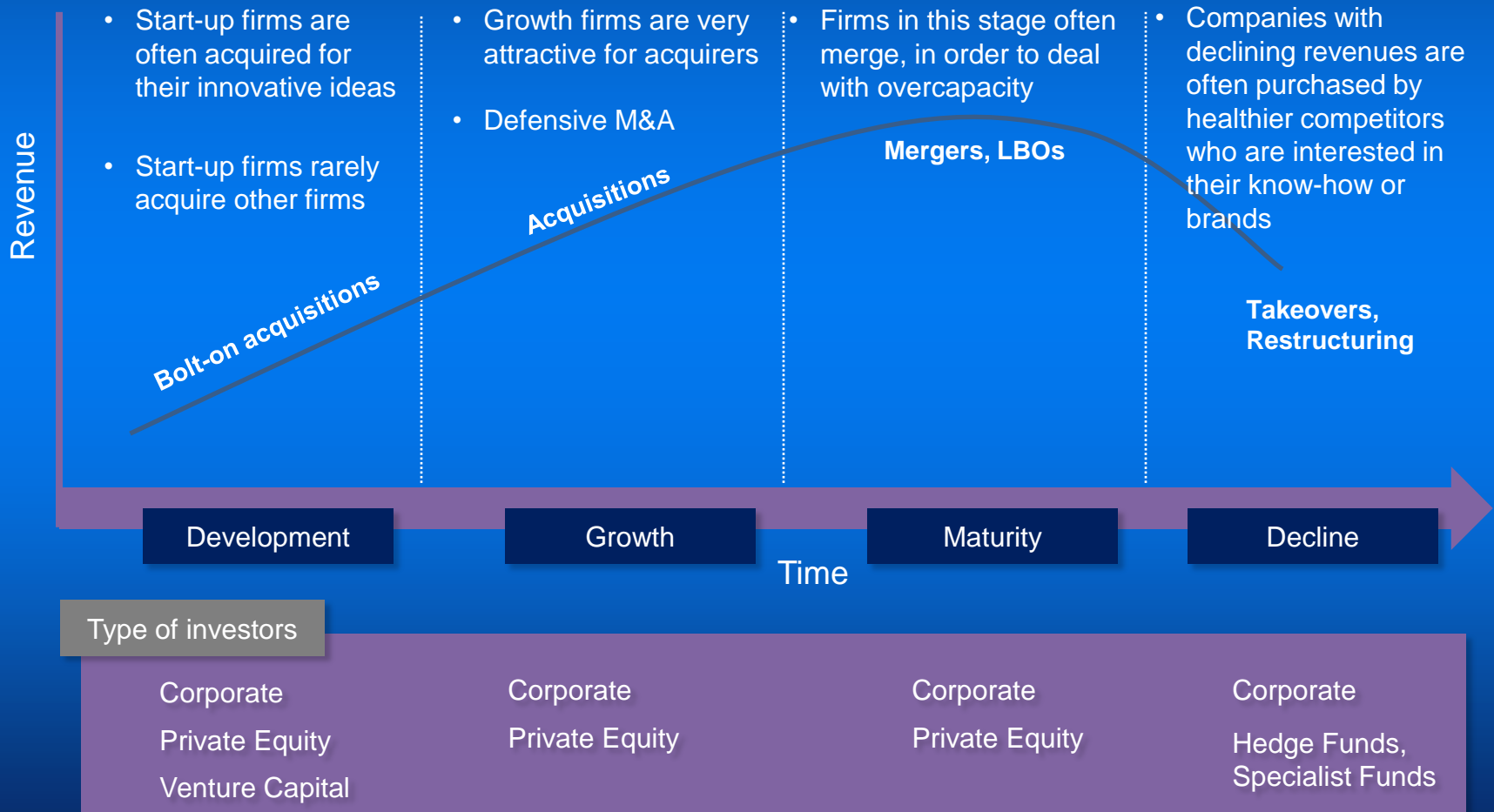


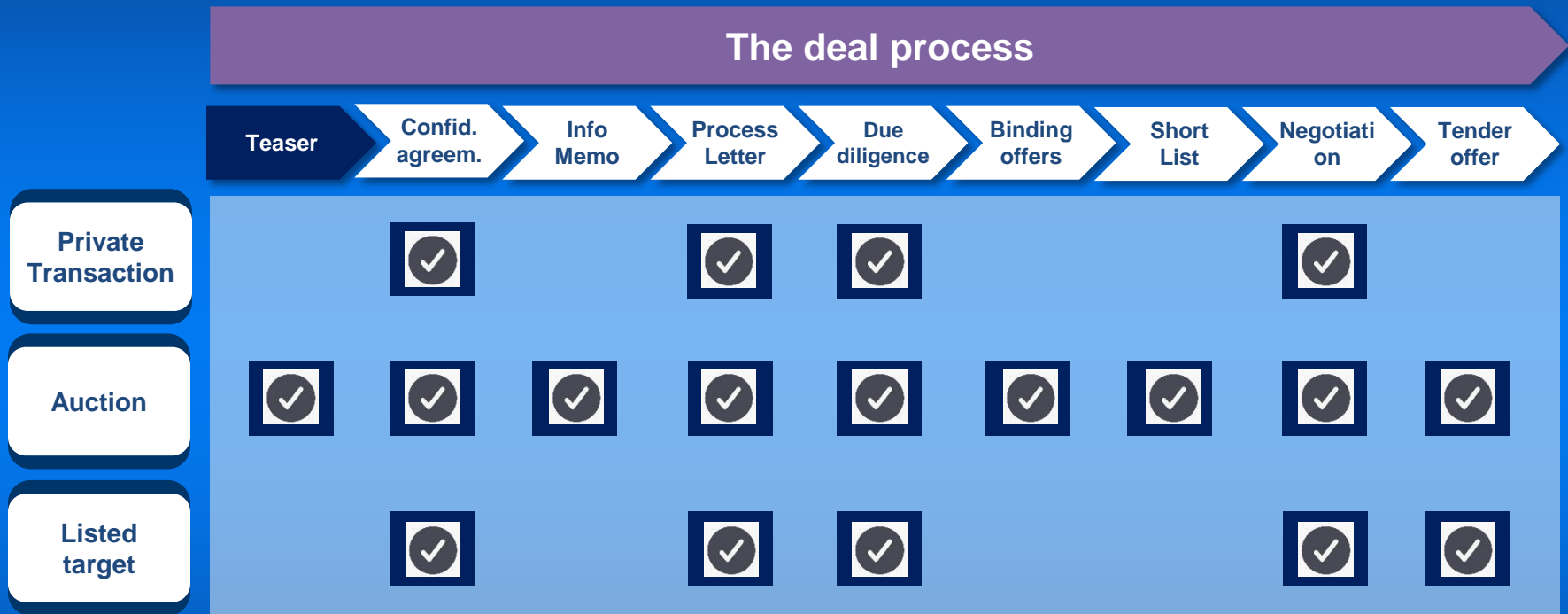
365  Careers

Introduction to M&A



M&A: Deal lifecycle and buyers





The process usually lasts between 2-6 months. Some auctions could even last up to an year

Teaser

A brief summary of the company with a short description of its business.
Often does not include the company's name



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Confidentiality agreement

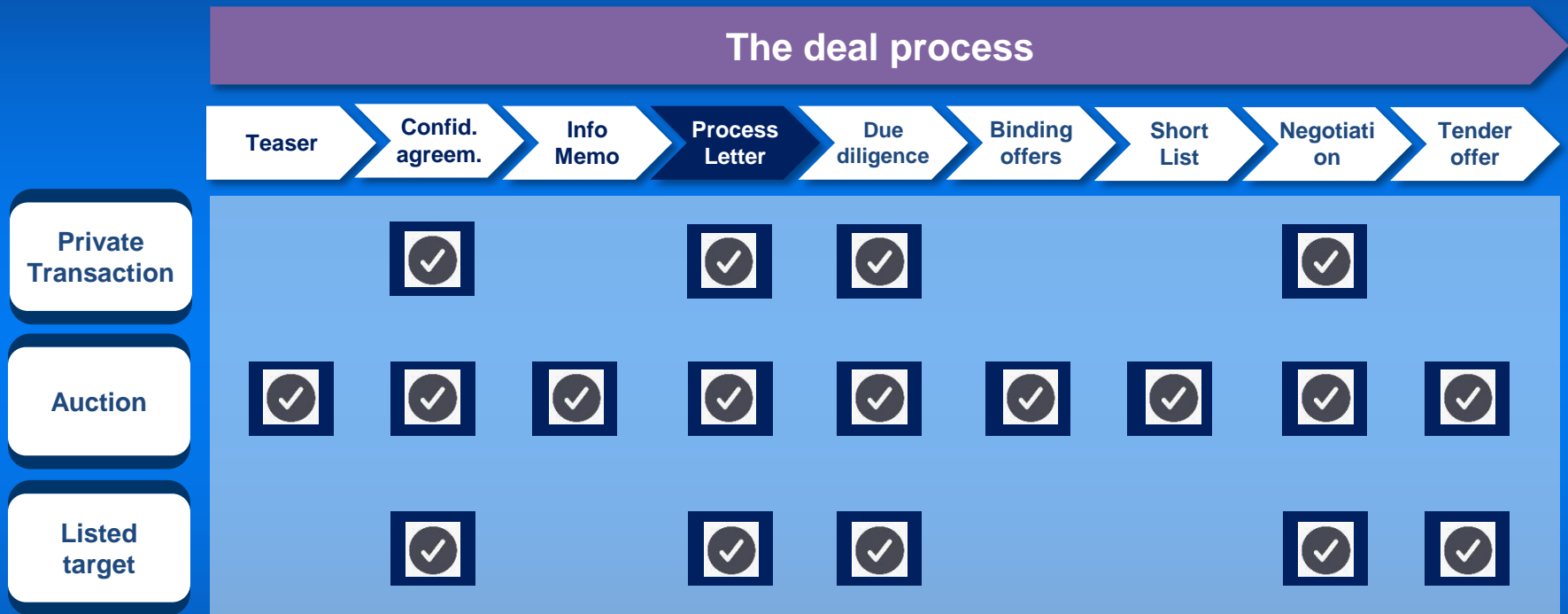
An agreement not to distribute reserved information. The target needs to be assured that the access it gives to the bidders would not lead to a leakage of strategic information



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Information Memorandum

A document providing a description of the target's business, financials, management team, product portfolio, market positioning etc.



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Process Letter

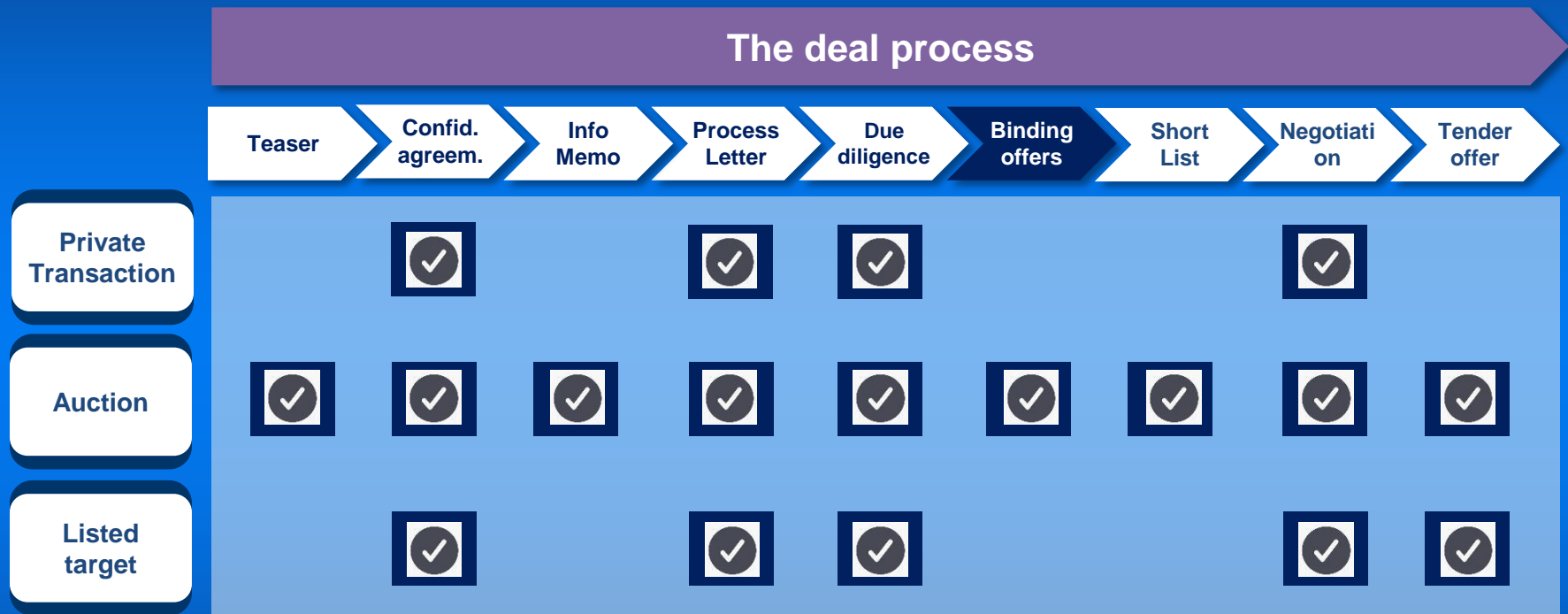
Defines the essential elements of the transaction: timing, valuation range, other conditions, due diligence access



The process usually lasts between 2-6 months. Some auctions could even last up to an year

Due Diligence

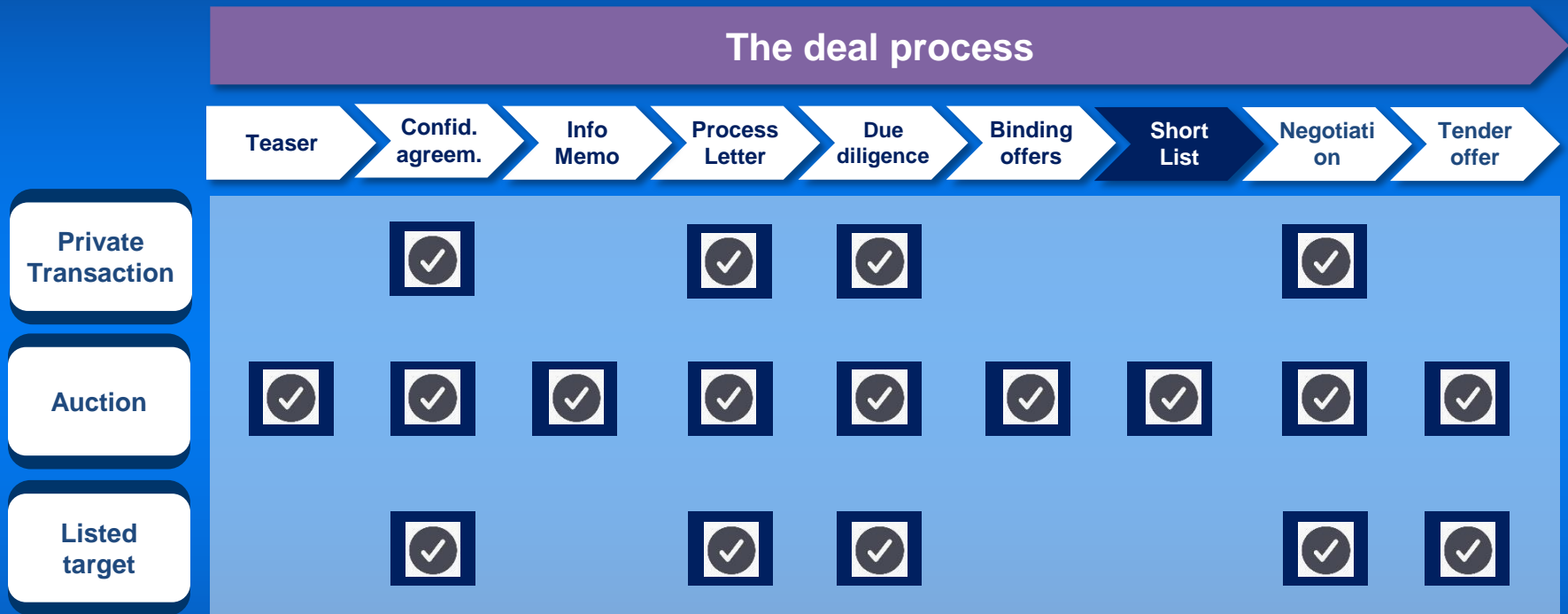
The target firm provides access (limited or full) to its financial, tax and legal documentation. Often, information about the target is provided in a data room



The process usually lasts between 2-6 months. Some auctions could even last up to an year

Binding Offers

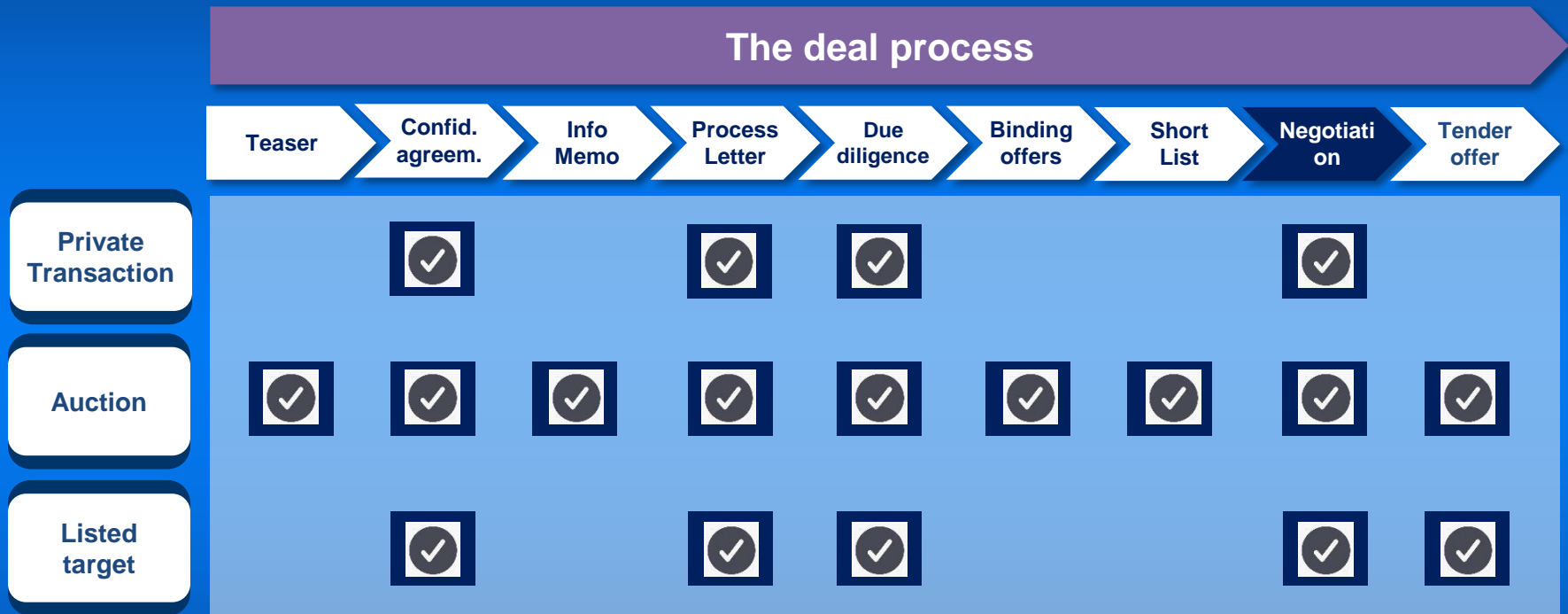
Offers made by the participants in an auction, indicating how much they are willing to offer for the target. As the name suggests, these offers are binding



The process usually lasts between 2-6 months. Some auctions could even last up to an year

Short List

After receiving indications about possible valuation, the target and its advisors decide which participants will be left in the auction and receive due diligence access



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Negotiation

Negotiation includes various elements under consideration. The structure of the price, earn out mechanisms, price adjustment terms etc.



The process usually lasts between 2-6 months. Some auctions could even last up to an year

Tender offer

A tender offer is submitted to a listed firm. It is a public, open offer addressed to all stockholders which offers to buy their shares at a specified price

Why is it necessary to perform a valuation of the target company?

Find Fair Value of the Transaction

- ✓ Find Fair Value
- ✓ Value Synergies: Corporate buyers
- ✓ Value IRR: Private equity

Approach the right Buyers

- ✓ Approach Bidders who could afford the firm

Arrange financing

- ✓ Define how much needs to be financed
- ✓ Justify financing in front of banks

Discounted Cash Flows (DCF)

Inputs:

- Top line forecast for 5-10 years,
- Estimated cost of capital
- Growth rate after the forecast period

Trading Multiples

Inputs:

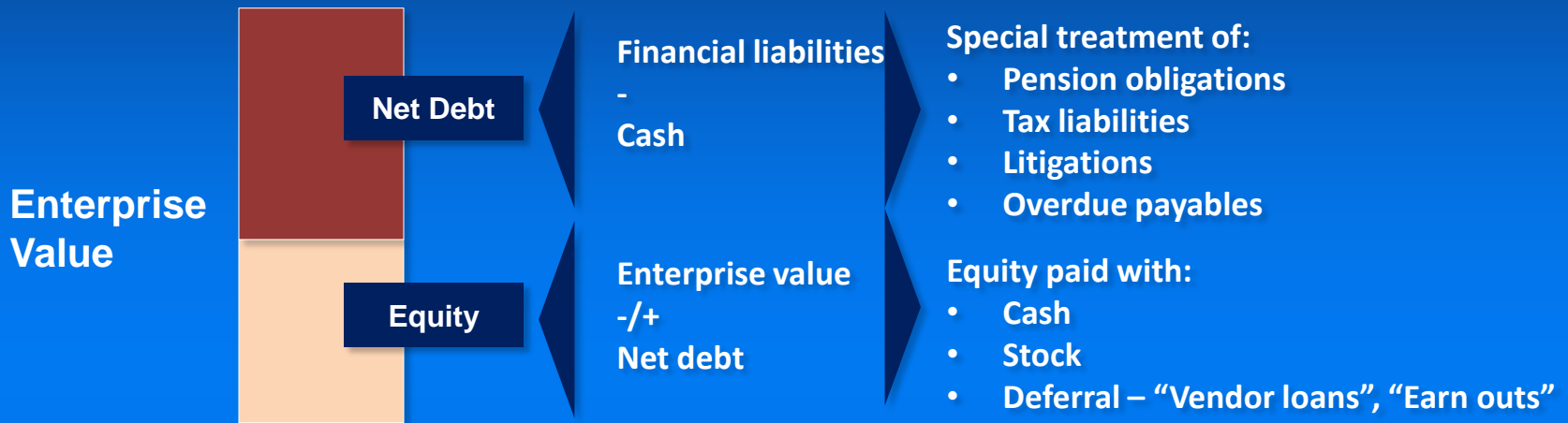
- Comparable firms which are listed
- A measure indicating operating profitability (e.g. EBITDA)

Transaction Multiples

Inputs:

- Comparable firms which have been subject to a transaction
- A measure indicating operating profitability (e.g. EBITDA)

Use a combination of them in order to triangulate results



Type of payment	Cash 	Stock 	Earn-out 
Advantages	<ul style="list-style-type: none"> ✓ Does not dilute ownership ✓ Crystal value for seller 	<ul style="list-style-type: none"> ✓ Aligns the interests of new and old ownership ✓ No need for financing 	<ul style="list-style-type: none"> ✓ Aligns the interests of new and old ownership ✓ Helps to bridge expectations
Disadvantages	<ul style="list-style-type: none"> ❖ If cost of debt is high, could be heavy ❖ No upside from future performance 	<ul style="list-style-type: none"> ❖ Dilutes ownership ❖ Subject to valuation 	<ul style="list-style-type: none"> ❖ Seller needs to monitor the firm post closing ❖ Seller depends on the Buyer’s management

Type of Buyer	Financial Buyer	Corporate Buyer
Focus in the transaction	<ul style="list-style-type: none">• Focus on cash flows, and capital gains	<ul style="list-style-type: none">• Unlock synergies
Investment Horizon	<ul style="list-style-type: none">• 3-5 years	<ul style="list-style-type: none">• Long term
Type of deal	<ul style="list-style-type: none">• Full Acquisition or consortia	<ul style="list-style-type: none">• Full Acquisition, Merger, Joint Venture
Leverage in the transaction	<ul style="list-style-type: none">• High	<ul style="list-style-type: none">• Medium
Management involvement	<ul style="list-style-type: none">• Following the company through Board representatives	<ul style="list-style-type: none">• Integration of the Management of the two companies
Valuation focus	<ul style="list-style-type: none">• Multiples• Cash flows• Cost of capital	<ul style="list-style-type: none">• Synergies• Growth• Long term view