



ARANCA PRESENTATION ON GLOBAL M&A IN CHANGING TIMES

Presented at the Econique Global M&A Masters 2010
London, January 25-26, 2010

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Aranca: An introduction

Six +
Years

... of global research experience with offices in San Francisco, New York, London, Brussels & Mumbai
...focused on high end research across four complementary lines of business

400 +
clients

... across the globe including mid-size and large Corporates, law firms, PE/VC firms, consulting firms, I-Banks, fund managers, IRPs

200 +
team

... including Engineers, PhDs, MBAs, CAs, CFAs from reputed institutes as Analysts

80 +
sectors

... researched across geographies, covering 2000+ companies

Recognized as a leading provider of high end knowledge services



KPMG Report on Knowledge Process Outsourcing, Feb 2008

Featured as one of the leading Indian players providing research and analytics services to global institutions



Invest Australia Report, Feb 2006

Featured as one of six leading providers of offshore research, in a study conducted by the Government of Australia



Media coverage

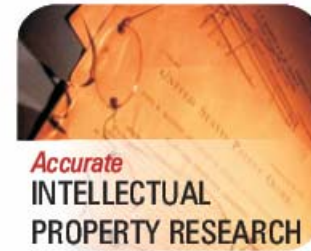
Management and analysts featured across media platforms including BBC, CNBC, Reuters, Economic Times and Business Standard



Partnerships

Appointed knowledge partner by leading global publishers such as CMP Media

Aranca : Four complementary research lines



SERVICE OFFERINGS



Equity research
Credit research
Economic Research
M&A Analytics

CLIENT PROFILE



Investment banks
Hedge funds
Corporate Finance
IRPs

ARANCA CLIENTS



Cycladic Capital
Natixis Bank
Ascend Capital
Silverlake Partners
Other hedge funds

Entry strategy
Market Intelligence
Industry analysis
Business Plans

Corporates
PE / VC firms
Consulting firms
Law firms

Marsh McLennan
Bain & Co
Reuters
Walt Disney
Rockwell Collins

Business appraisal
Business modeling
Fairness Opinions
Due diligence

PE / VC firms
Privately held cos
Corporates


Portfolio companies
of Warburg Pincus,
Kleiner Perkins,
Accel Partners and
others

Landscape analysis
Novelty Search
Benchmarking
Licensing

Tech companies
Start-up firms
Law Firms

Exponent PE
Chakshu Research
RPX Corporation

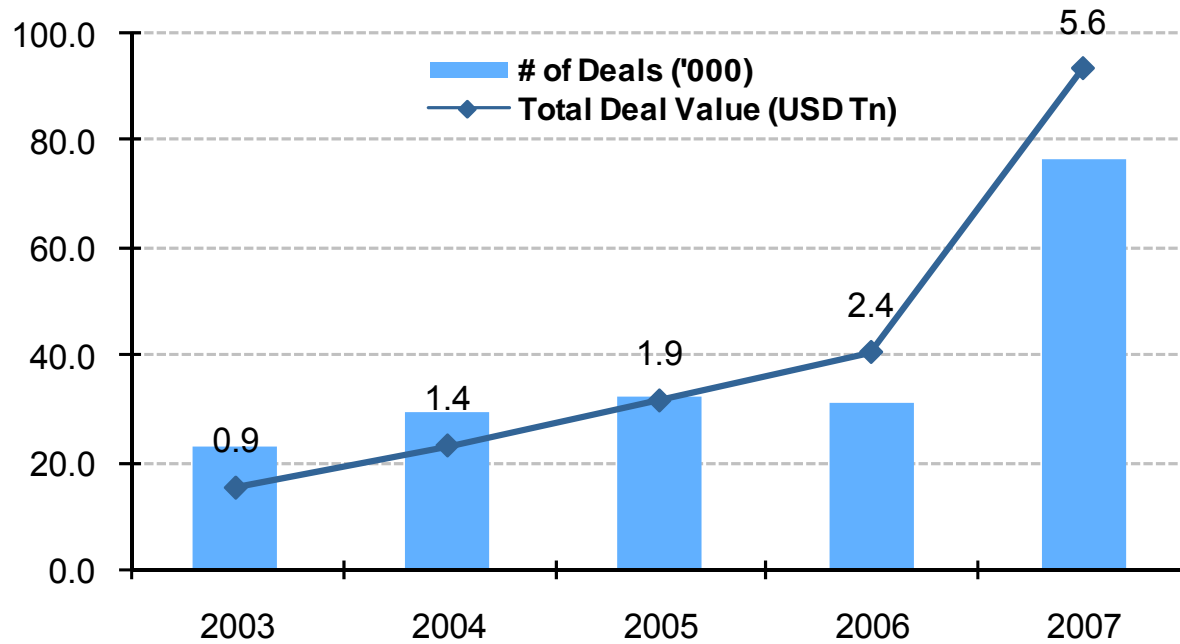
1- Intellectual Property Research



*January 2010:
No better time to take stock on M&A*

A peek into the past - Post 2003 deal making grew hotter, reaching a frenzy in 2007

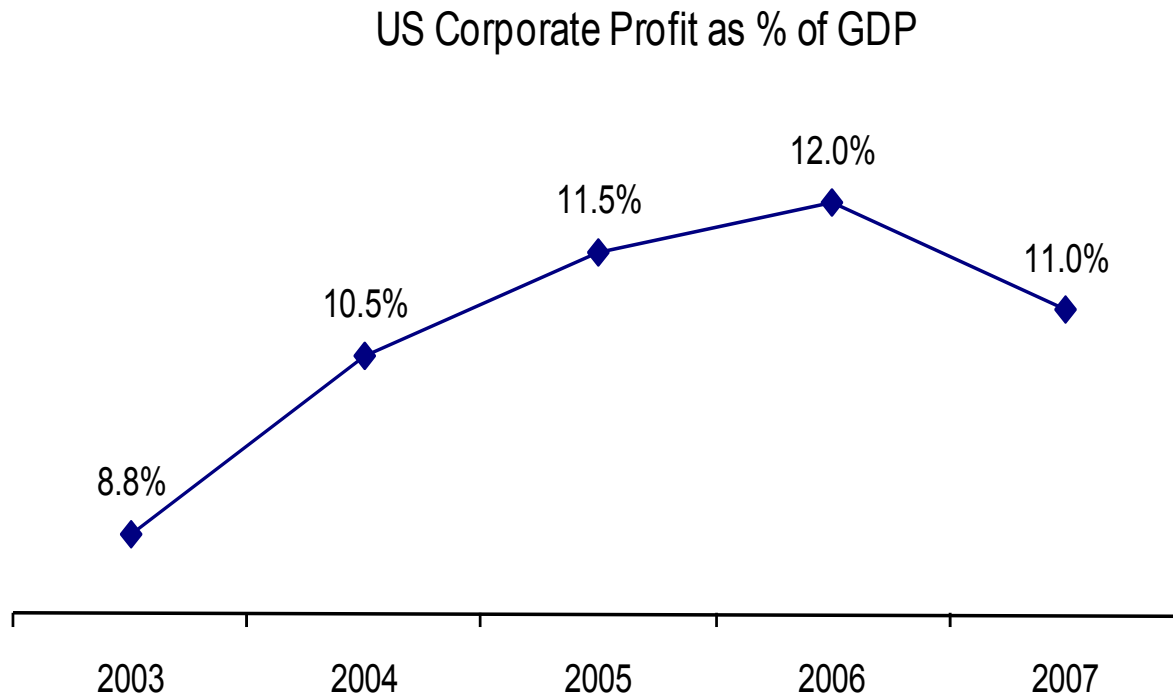
Growth in M&A deals between 2003 and 2007



Source : Zephyr report, MergerStat 2009

Key factors contributed to this deal boom - notably growing corporate profit pools ...

US Corporate profit share of GDP , %

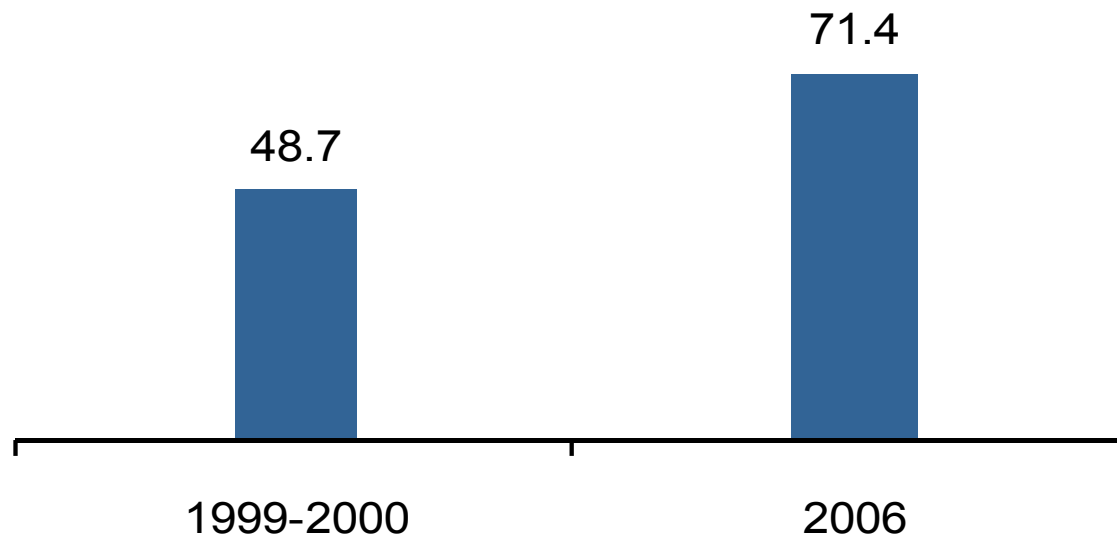


- With strong economic growth, US Corporate profits as % of GDP in 2006 touched 12%, the highest levels since the 1960's

Source : US Bureau of Economic analysis, BCG Research

... and the rush for consolidation

Industry consolidation as share of total deals, %

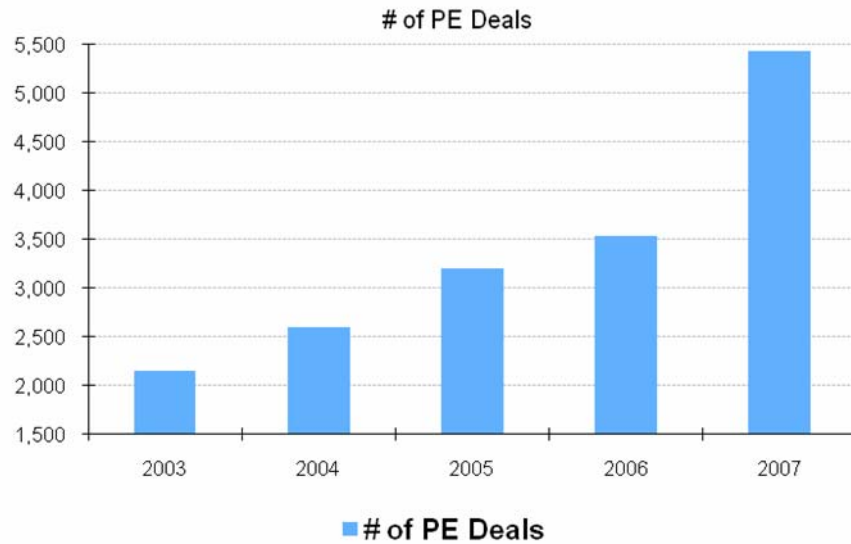


- The Rush for consolidation by Corporates intensified and BCG estimates that consolidation deals shot up between 2000 and 2006 from 48.7 to 71.4%

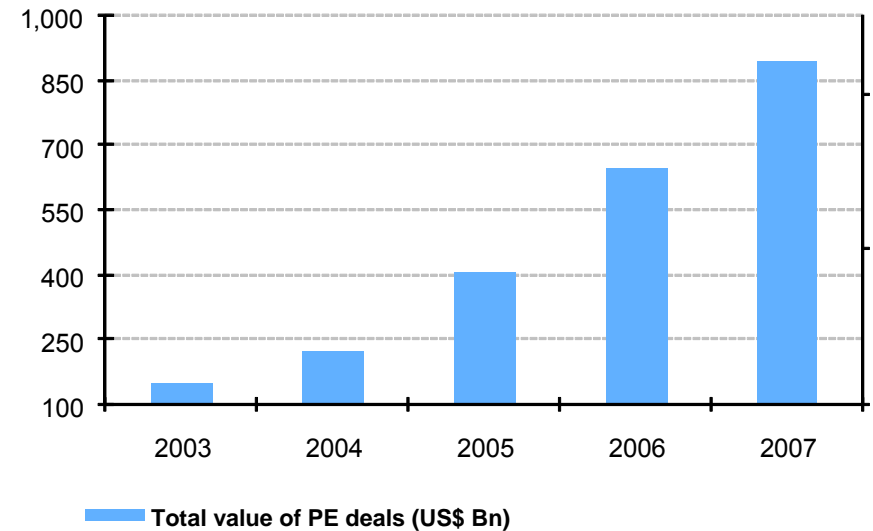
Source : US Bureau of Economic analysis, BCG Research

Private Equity also played its part and PE deals grew exponentially from 2003

Private Equity deal volume and share of total deal volume



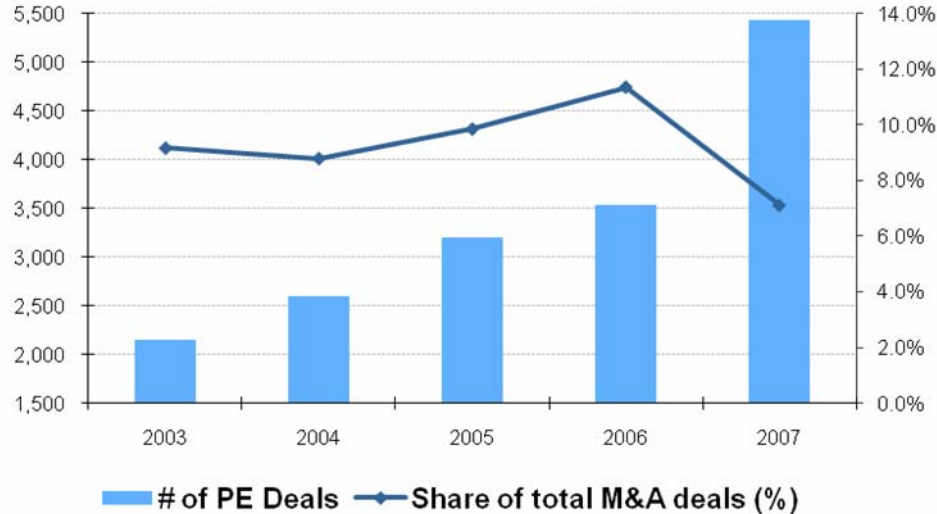
Private Equity deal value and share of total deal value



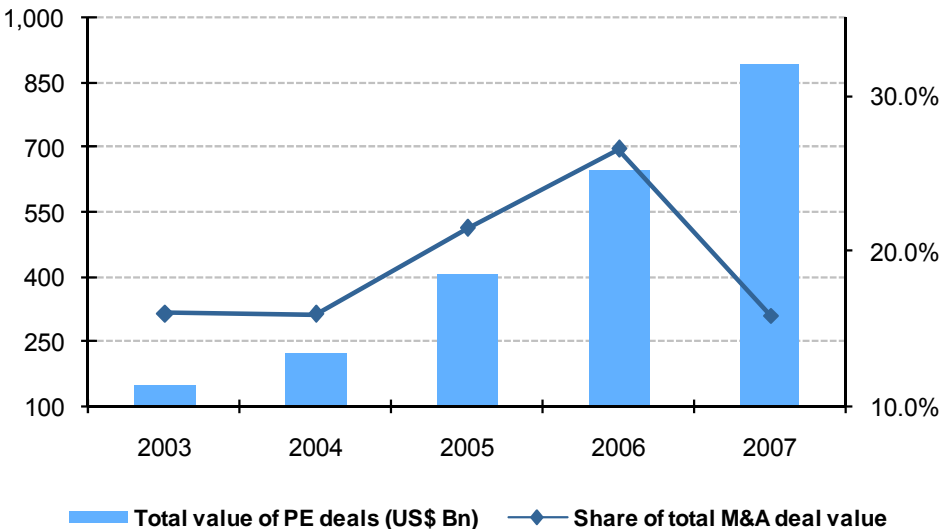
Source : Zephyr data published by BvD

As a result PE deals grew to ~ 25% of deal value at the peak

Private Equity deal volume and share of total deal volume



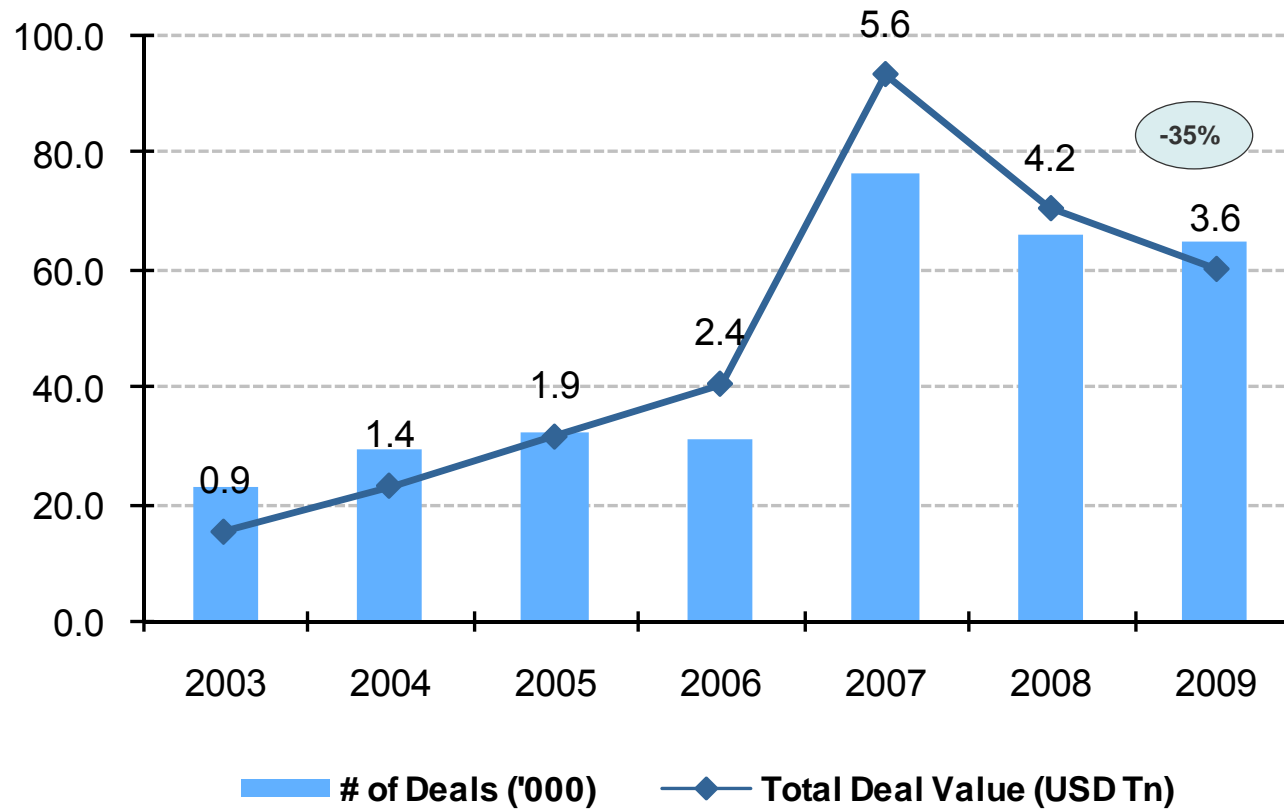
Private Equity deal value and share of total deal value



Source : Zephyr data published by BvD

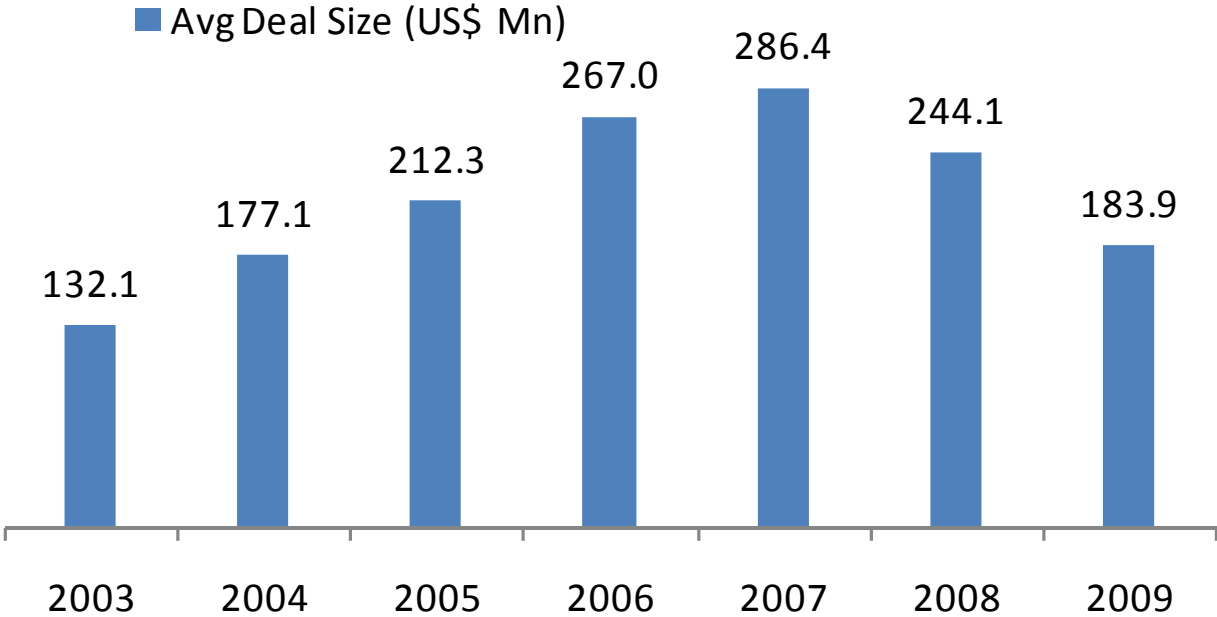
In the downturn, total M&A deal value declined by 35% from its peak in 2007

Declining Deal Volume and value in downturn



Source : Zephyr published by BvD , MergerStat 2009

To a great extent this was driven by declining deal size which reduced 30% from 2007 to 2009



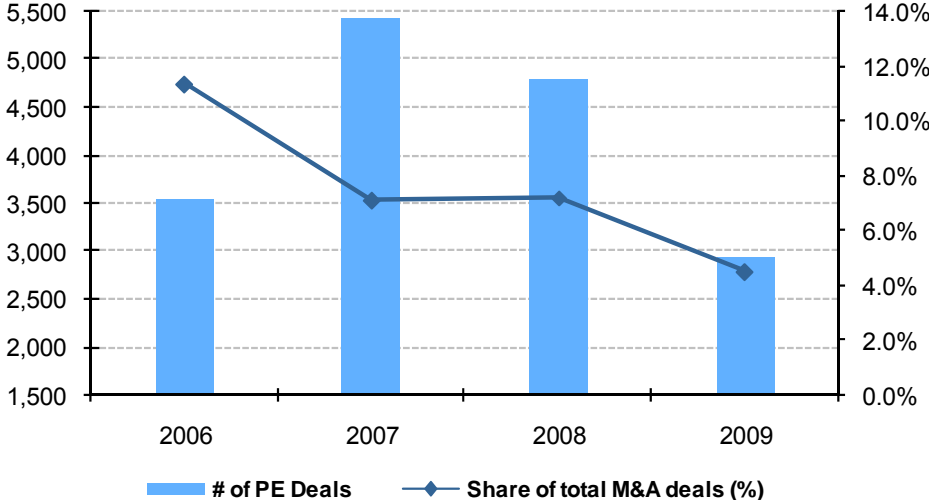
Source : Bloomberg

*But in this downturn,
M&A is proving resilient*

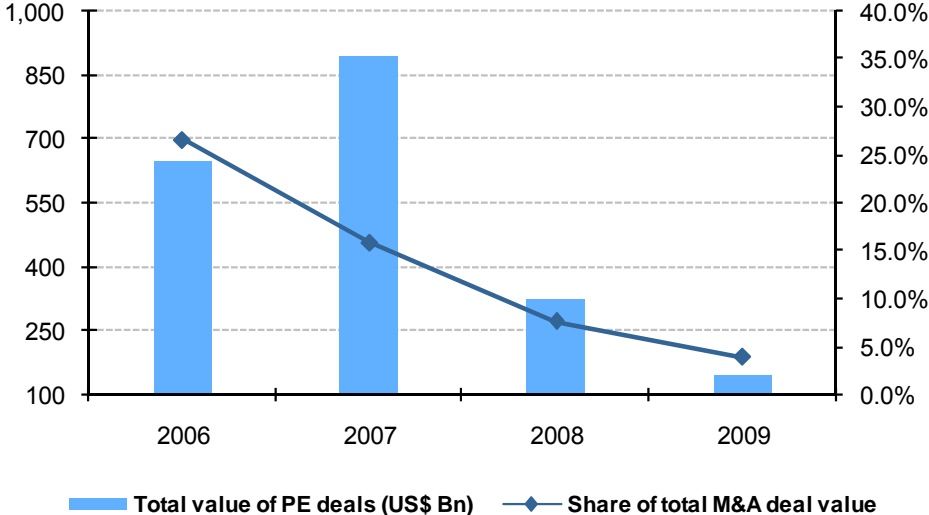
A close-up, shallow depth-of-field photograph of a person's hands writing in a notebook. The person is holding a silver pen and writing on a lined page. In the background, a laptop is open, a glass of water sits on the desk, and a calculator is visible in the foreground. The scene is brightly lit, suggesting a window nearby.

Private Equity clearly had a great fall..

Private Equity share of M&A deals by volume



Private Equity share of M&A deals by value

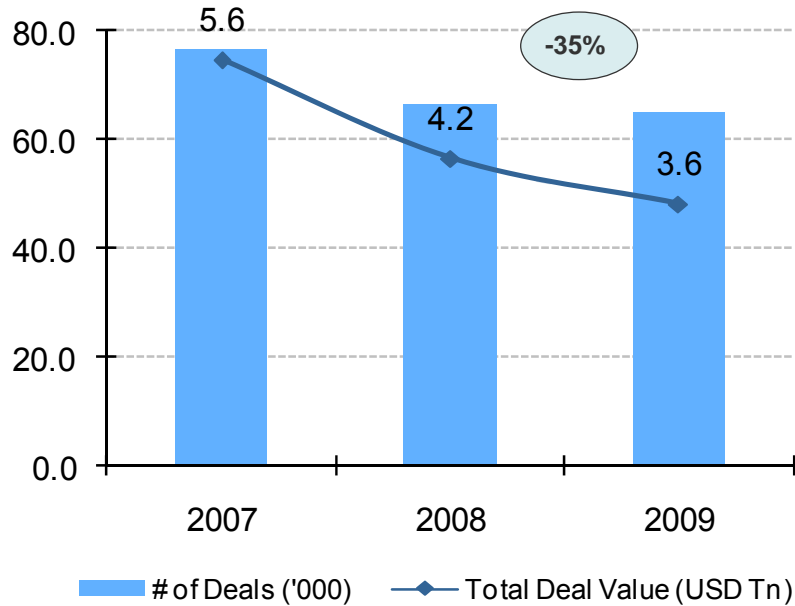


In 2007 volume share was ~7% and value share at 16% while in 2009, volume and value share fell under 5% suggesting that the large value deals disappeared

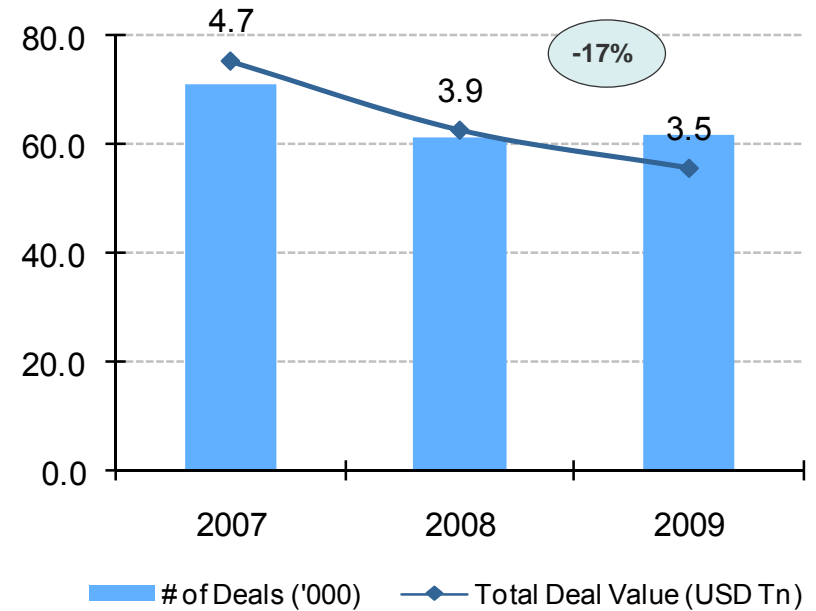
Source : BCG Research, Zephyr published by BvD

and if we look at M&A deals excluding PE, the fall in total deal value was less dramatic

M&A Deals (including PE Deals)



M&A Deals (excluding PE Deals)

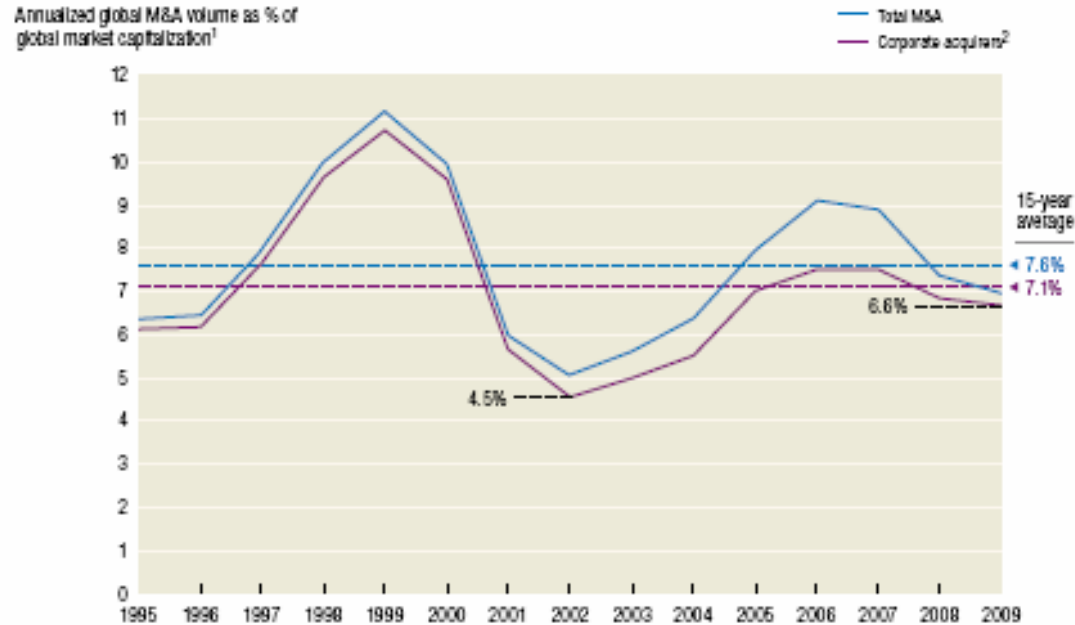


Source : BCG Research, Zephyr published by BvD

Also if we adjust for market capitalisation loss, the fall in M&A deals becomes even less

Exhibit 1 A shallow correction

Adjusted for market capitalization, corporate M&A has remained strong.



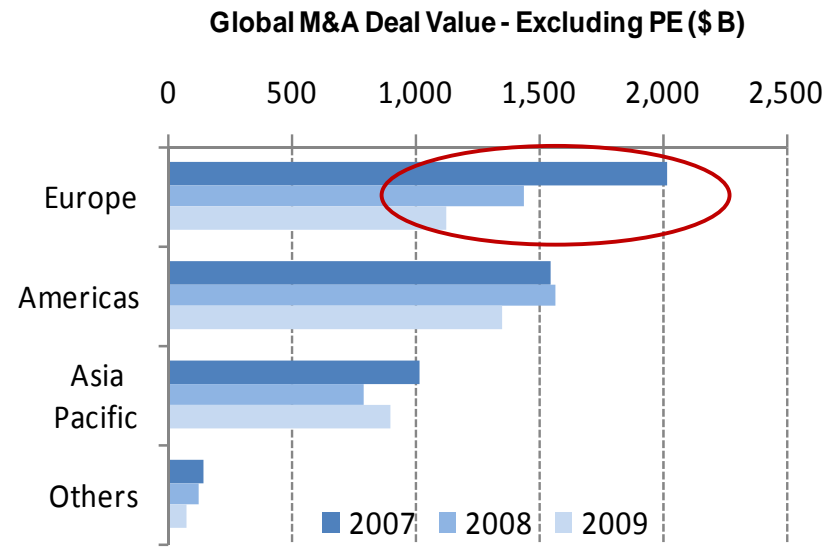
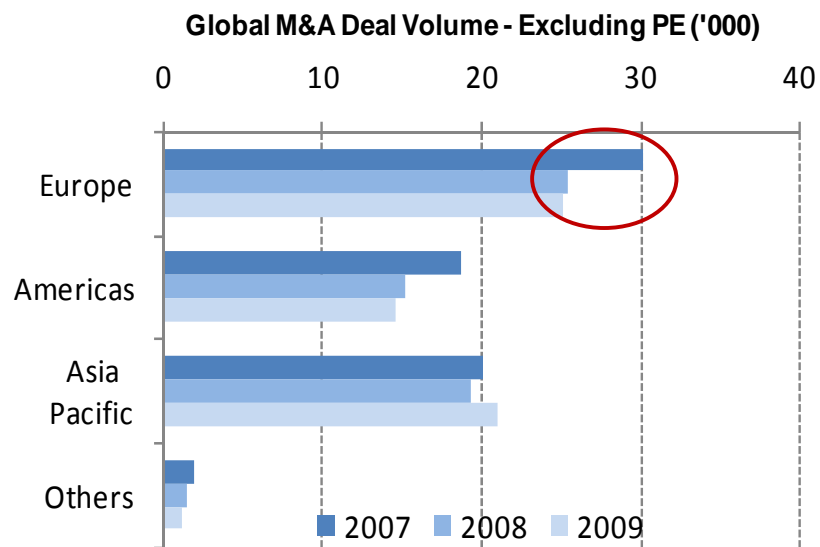
¹M&A volume includes deals (announced and not withdrawn) >\$25 million; total deal value excluding debt; market capitalization of World-DS Market Index as defined by Thomson Datastream.

²Excludes private equity, sovereign wealth funds, and other investment funds.

Source: Bloomberg; Dealogic; Thomson Datastream; McKinsey analysis

Source : McKinsey research

Europe appears to have the steepest fall while Asia and the US were more stable suggesting that the decline was not universal...



Source : Zephyr published by BvD

We need to take M&A in the downturn in context

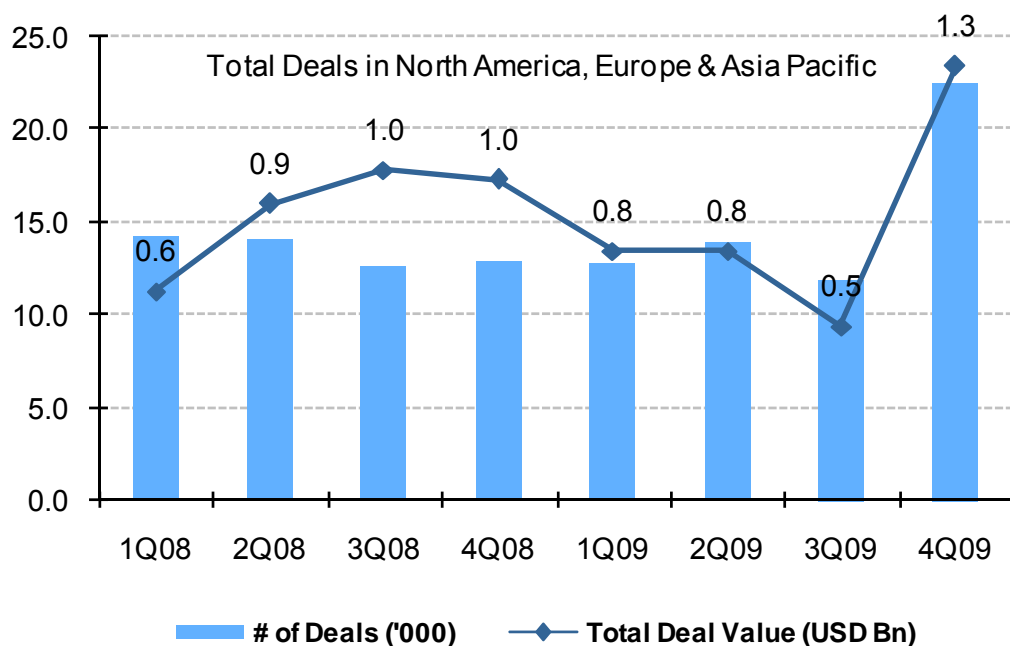
- The recession started since Dec '07; deepened with waning of 'Animal Spirits' as aggregate demand fell severely and valuations were seen as high
- The fall of Lehman Brothers froze credit markets making debt raising difficult for M&A activity
- PE deals collapsed from 20% of total deal value to <5%
- Climate of "worst recession" since depression led to extreme caution among dealmakers
- Stock market plunged to lowest levels in Mar '09 due to de-leveraging that took place adding to uncertainty

So what factors are likely to shape M&A going forward?



Q4 2009 saw a bounce in M&A suggesting and uptick in sentiment

Increasing M&A in Q4 2009



Q4 deal value twice the average of previous 3 quarters

Select deals announced / started

Comcast to acquire 51% controlling stake in NBC for \$30 B

HP's acquisition of 3Com for \$2.7 B in November

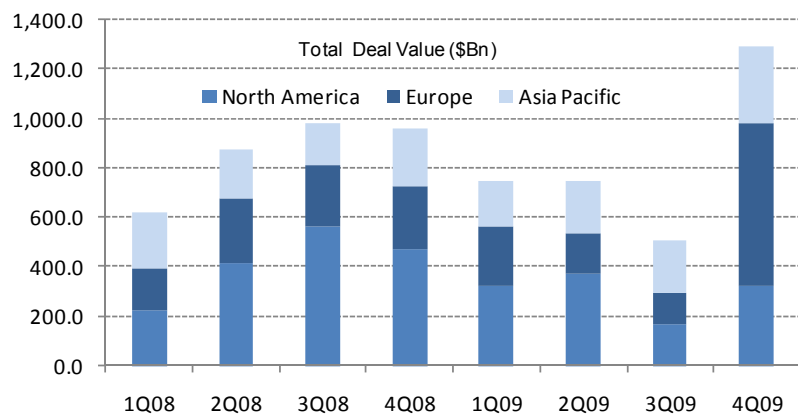
Kraft's recently revised bid of \$19.6 B for UK-based Cadbury

Pfizer's acquisition of Wyeth, Inc. for \$68 B in October.

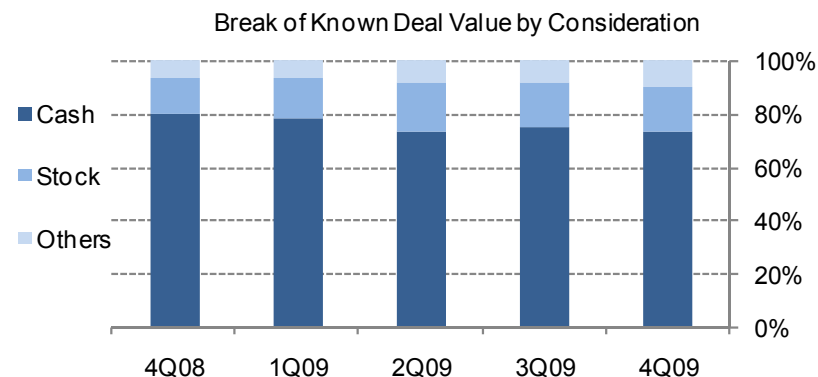
Source : Zephyr published by BvD

Q4 2009 M&A offers some interesting insights on the emerging trends

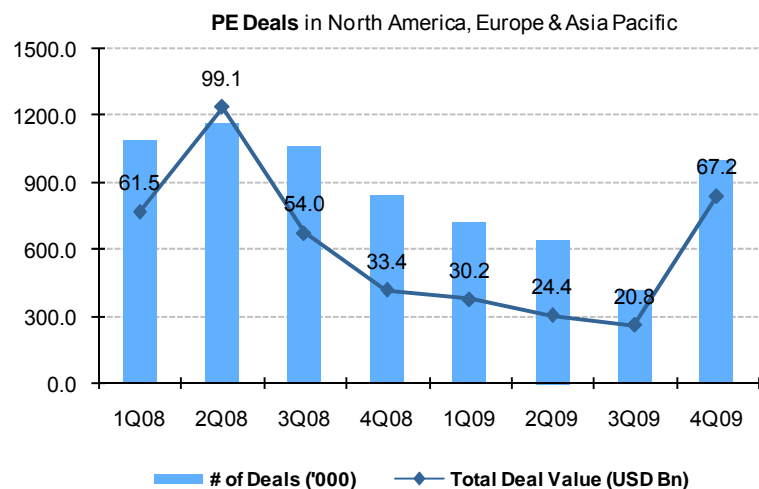
Europe bounced back contributing 51% of deal value vs. the conventional share



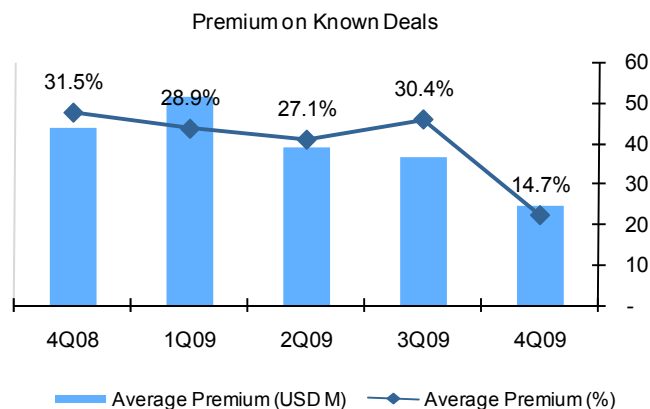
Cash component in deals declined from 80% to 71% over the year



Private Equity deals which plunged consistently; also picked up

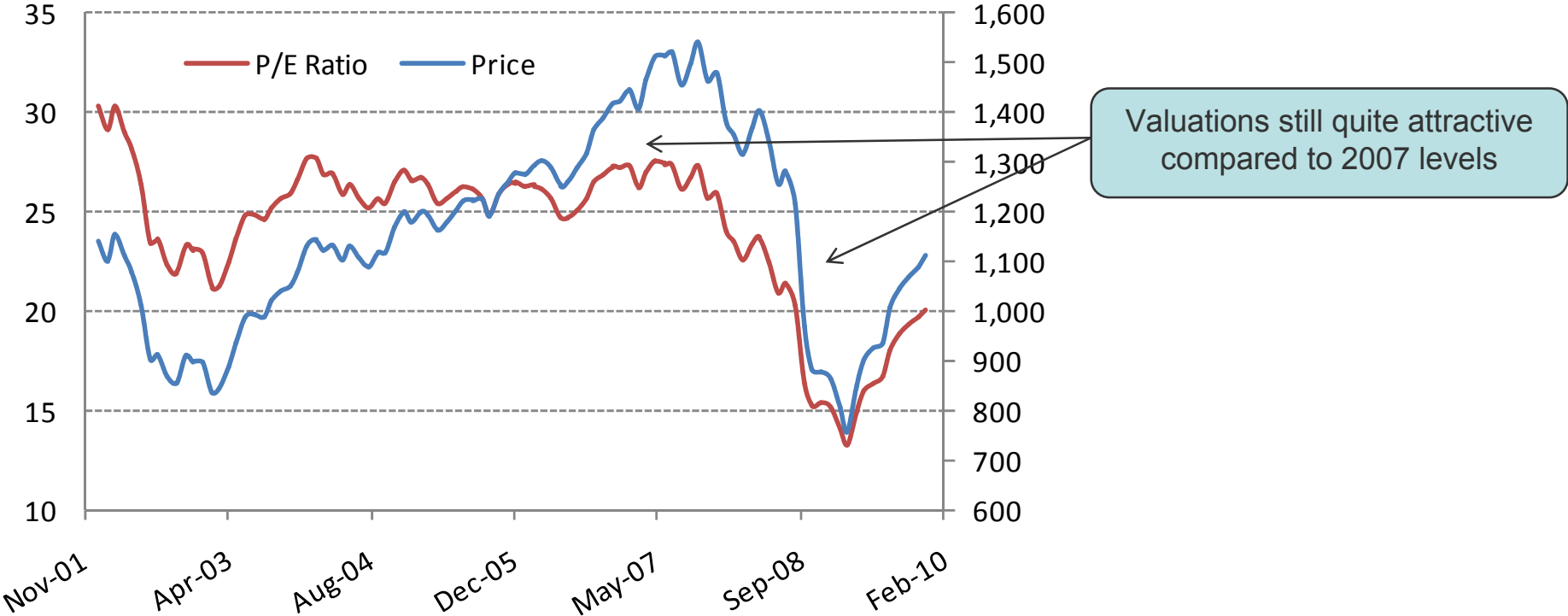


Falling deal premiums suggest improved valuations



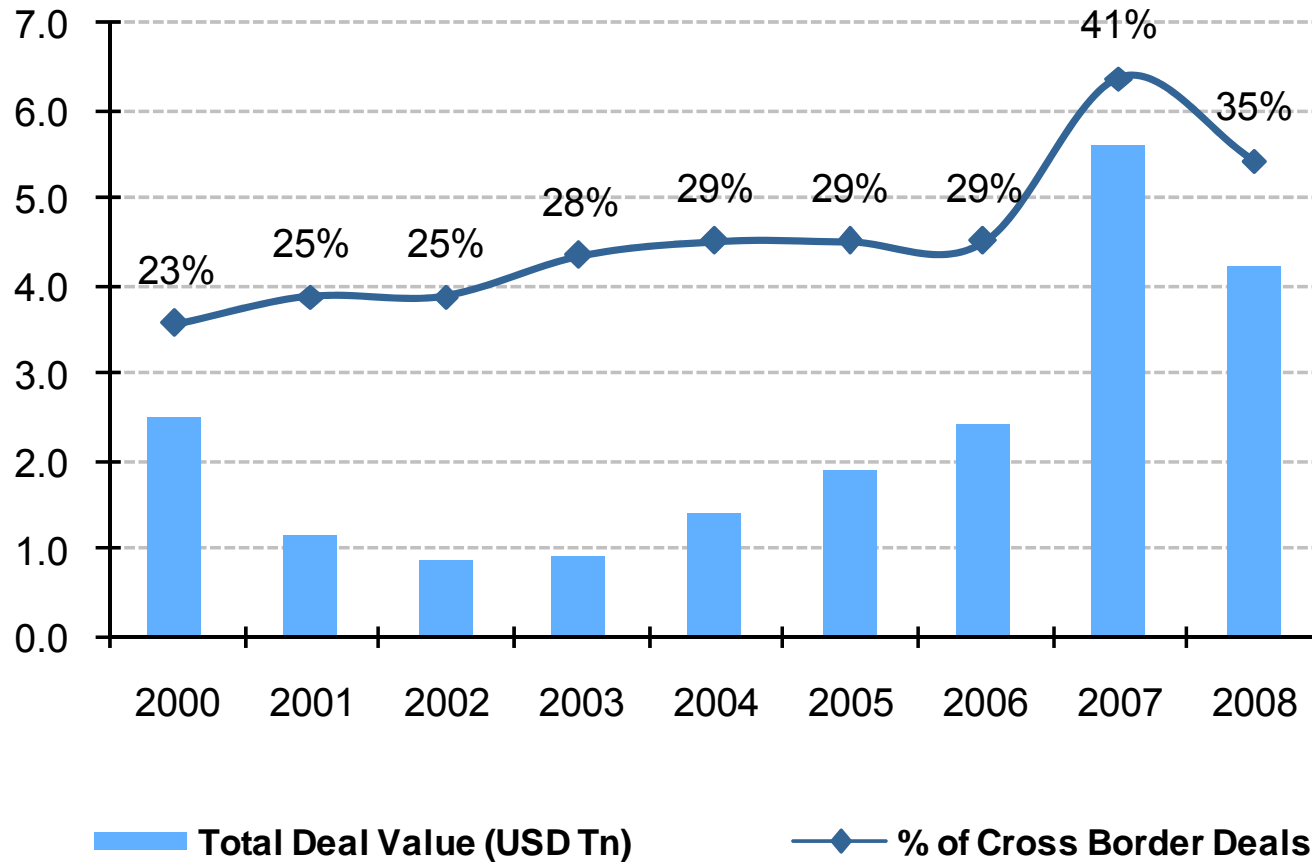
Source : Zephyr published by BvD , Bloomberg

Valuations are still moderately attractive, if not compelling



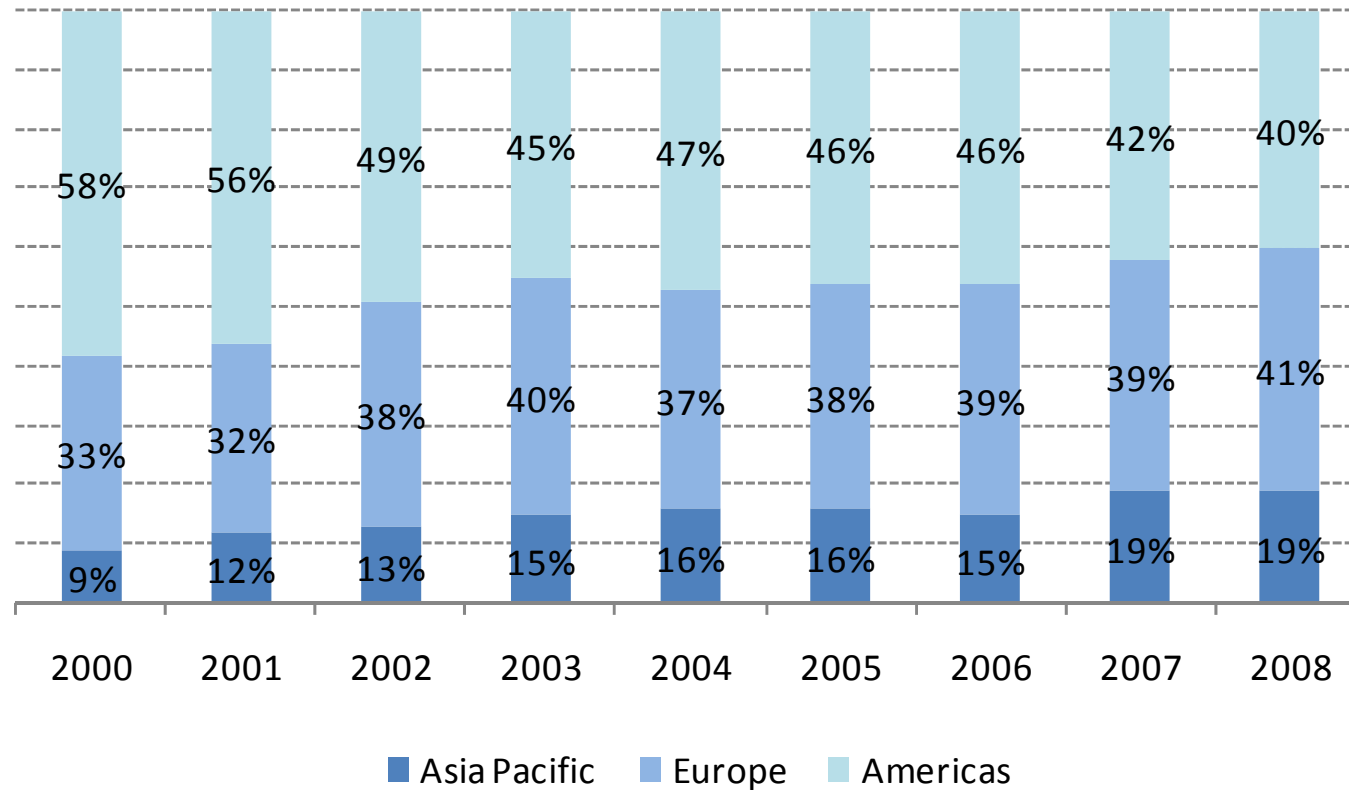
Source : Bloomberg

Cross border deals especially in growth markets still seen as key...



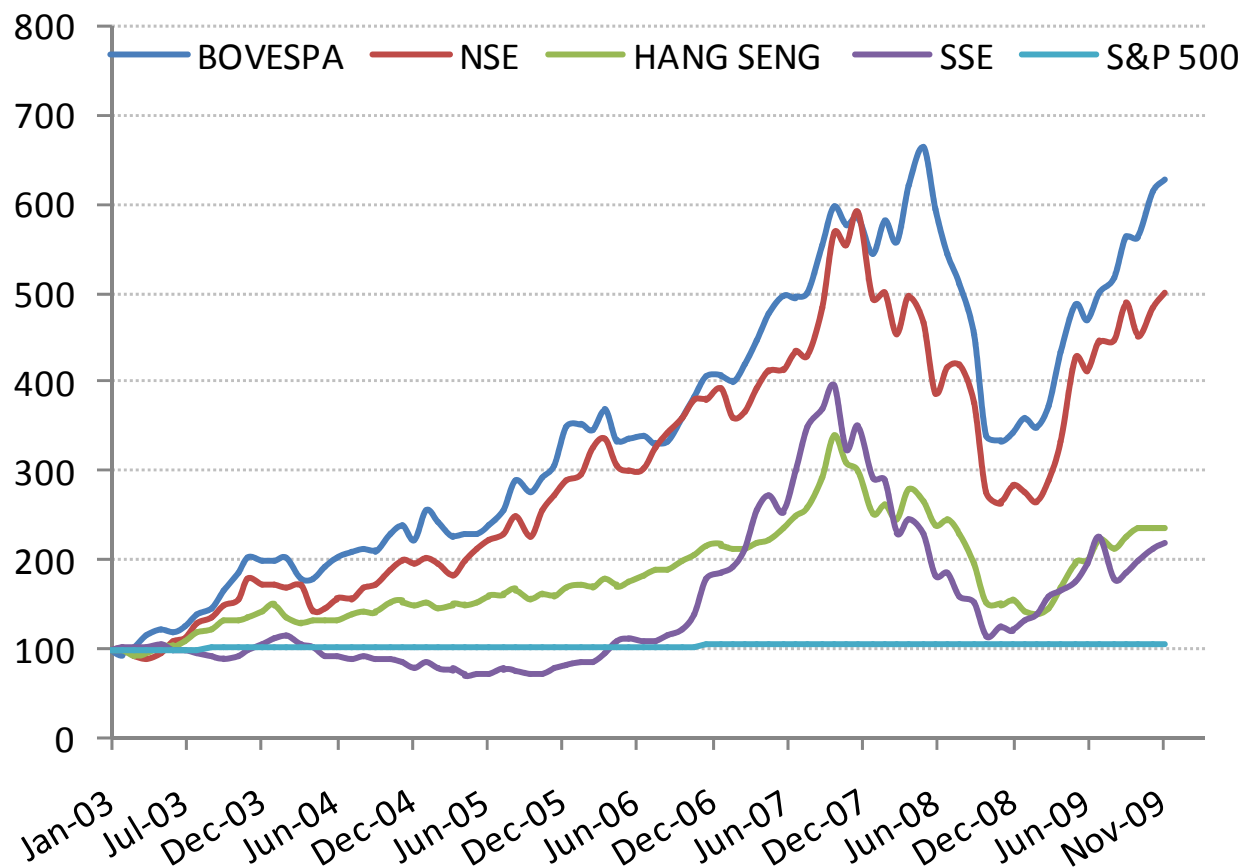
Source : McKinsey Quarterly

... and Asia's share of deals has grown dramatically over the years and is likely to continue



Source : McKinsey Quarterly

Emerging markets gaining strength and are set to flex muscles



Source : Bloomberg

BRIC deal examples

- RIL's plans to acquire US-based chemical giant LyondellBasell – if successful, will result in biggest M&A deal for an Indian Company. Bid may be of more than \$13 billion
- Bharati Telecom Acquired 70% stake in Bangladesh based Warid Telephone for ~ \$1billion
- The Oil and Natural Gas Corp took control of Imperial Energy Plc for \$2.8 billion, in January 2009
- Yanzhou Coal Mining Co has got approval from Australian government for its A\$3.5 billion (\$3.2 billion) takeover of Felix Resources Ltd
- Xi'an Aircraft Industry Company (XAC), part of China's AVIC consortium got ownership of FACC, a supplier of composite components based in Ried, Austria,

Source : Bloomberg

Other factors likely to shape M&A

- Private Equity will be back - still has USD 500 billion to invest*
- Pressure to do deals is high once the trend begins. Corporates with strong cash positions will look to jump in
- There will be financially distressed companies looking to sell part or whole businesses at better valuations
- Credit markets are loosening up, though not anywhere near 2007 levels



*Factors to consider for
M&A in the future*

Factors to consider for M&A 2010

- Proactively identify opportunities whether looking at growth or value
- Need to move quickly in downturns - McKinsey estimates that the average time from deal announcement to completion has declined from 130 days (1995-07 avg.) to 60 days in 2008
- Due diligence needs to be targeted and focused on key issues to move quickly
- Need to be creative both in identifying opportunities and in structuring deals
- Post-merger integration needs strong execution not just good planning



www.aranca.com

info@aranca.com

MUMBAI

4th Floor, Rushabh Chambers
Makwana Road
Off Marol Maroshi Road
Andheri (E), Mumbai 400 059
+91 (22) 4005 2215

NEW YORK

275 Madison Avenue 6th Floor
New York NY 10016
+1 212 878 8826

LONDON

93-95, Gloucester Place
London W1U 6JQ
+44 (0) 207 487 8214

BRUSSELS

+32 487 983 033

SAN FRANCISCO

+1 408 732 6735