

WORKSHOP M & A

FEMP Reunion

Dec. 10, 2004

Purpose

- Reflecting on the ‘why’ and ‘how’ of mergers and acquisitions
- Gaining a better understanding of m & a process factors
- Sharing ideas, opinions, experiences...

Programme

- 13.30 – 14.00 hrs Plenary: introduction
- 14.00 – 14.10 hrs Forming of sub-groups
- 14.10 – 15.00 hrs 1st round of debates
- 15.00 – 15.10 hrs Forming of sub-groups
- 15.10 – 16.00 hrs 2nd round of debates
- 16.00 – 16.15 hrs Break
- 16.15 – 17.15 hrs Plenary: feed-back/discussion
- 17.15 – 17.30 hrs Summing-up/closure

Introduction

- Comments on ‘Merger Mania’
- 5 propositions: up for your debate in sub-groups!

Merger Scorecard

- 2 out of 3 mergers fail, do not live up to their promises (destroy value)
- 2 out of 3 causes for failure are ‘soft’: culture and other (people related)

So why merge, are there no better solutions, and if you must merge: how can the score be improved?

Merger Mania

- External versus internal growth
- Bigger versus better
- Market dominance versus market leadership
- Shareholder versus stakeholder value
- Synergy versus symbiosis

Some cases

- Corus (Hoogovens & British Steel)
- Air France & KLM
- Daimler & Chrysler
- Aventis (Hoechst & Rhône-Poulenc)
- Novartis (Ciba Geigy & Sandoz)
- Your own company in near future??

Considerations

- Value creation potential
- Access to resources
- Changes in industry structure
- Risk sharing
- Complexity
- Management focus
- Employee loyalty

Some quotes...

- “By replacing values with numbers...we learned how to count, but we forgot what counts” (Ulrich Golüke)
- “Given my 15 years experience in the field of M&A, companies really don’t think about people” (Nancy Hubbard)

Proposition 1

- A) Mergers form a 20th century response to 21st century challenges

- B) Potential synergy gains do not outweigh the great risks involved

Proposition 2

- A) 'Mergers between equals' do not exist.
One partner will always gain the upper hand

- B) From early days on, there will be a power game for the best positions in the top

Proposition 3

- A) Merging is pretty easy, integrating however is a far more challenging job

- B) Nothing meaningful can be achieved in the 'first 100 days'. The PMI process takes years

Proposition 4

- A) 'Culture' is often used as an excuse to hide flaws in the structuring and management of the merger

- B) Cultural diversity is an asset when properly managed

Proposition 5

- A) The ultimate merger test is: are partners prepared to share knowledge and learn from each other?

- B) Outcome of that test should be made conditional to the merger

Hand-out

- “Chewing Gum’: some questions per proposition to reflect upon
- Questionnaire (results will be presented in the final plenary session)
- Fill in/hand in the questionnaire after the 2nd round of debates

Forming of sub-groups

- 10 groups, 2 per proposition, 2 rounds of debate
- Each participant to discuss 2 different propositions of its own choice in 2 different sub-groups
- Look for the sub-group of your choice: P 1, 2, 3, 4, 5
- Changing sub-groups after 1st round

HAVE FUN!