

 GENEVA GROUP INTERNATIONAL

---

Welcome!

MAPG

---

---

---

---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Program today**

- 1) Business plan 2012
- 2) Discussion (Patrick Lemmens)
- 3) Recaps in SME (Tim van der Meer)
- 4) Discussion (Helen Robinson)
- 5) International M&A Guide, contents

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

Business plan 2012

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Goals**

- Increase business/professional knowledge between the members;
- Increase awareness of members expertise;
- Provide a valuable network of specialist advisors for clients;
- Increase business referrals between members;
- Encourage cross-border activity and joint projects between members.

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Other M&A Networks**

M&A International: <http://www.mergers.net/>

Global M&A: <http://www.globalma.com/home>

M&A Europe: <http://www.m-and-a-europe.com/>

IMAP: <http://www.imap.com/locations/>

What makes GGI M&A network different?

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Key points business plan**

- 1) **New members**
- 2) **GGI M&A Network Guide**
- 3) **GGI Forum**
- 4) **Dealmarket**
- 5) **European and World Conferences**
- 6) **Linked In Group**

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**GGI Board**

Posts in the MAPG	Person in charge
Global Chairperson	Tim van der Meer
Global Vice Chair	Helen Robinson
Global Vice Chair	Dr. Michael J. Munkert
Global Vice Chair	Patrick Lemmens
European Chairperson	Dr. Ugo Girardi
Latin American Chairperson	Seres Baum
North American Chairperson	David Suprenant
Asian Chairperson	Raghu Marwah
Asian Chairperson	Ben Ho

---

---

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Discussion**

Patrick Lemmens

---

---

---

---

---

---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Creating shareholder value with leveraged recapitalization**

By Tim van der Meer

---

---

---

---

---

---

---

---

---

---

GENEVA GROUP INTERNATIONAL

### Leveraged recapitalization

*In corporate finance, a leveraged recapitalization is a change of the capital structure of a company, a substitution of equity for debt.*

- + Direct cash for the shareholder;
- + Advance on future profits (insurance, or pension);
- More leveraged company.

---

---

---

---

---

---

---

---

GENEVA GROUP INTERNATIONAL

### Example firm

**Wholesale company in garden furniture**

- €50 mln. Revenue
- €2 mln. EBIT
- No debt
- EBIT multiple of 5x
- Enterprise value of €10 mln.

Enterprise value = share value



---

---

---

---

---

---

---

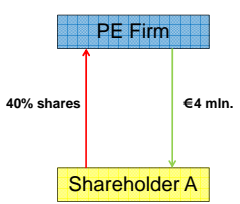
---

GENEVA GROUP INTERNATIONAL

### Classic example

Shareholder A sells 40% of shares to PE firm.

Revenues shareholder A  
+ €4 mln. upfront



```
graph TD; SA[Shareholder A] -- "40% shares" --> PEF[PE Firm]; PEF -- "€4 mln." --> SA;
```

---

---

---

---

---

---

---

---

**GENEVA GROUP INTERNATIONAL**

### Example leveraged recapitalization

Shareholder B sells 40% of shares to PE firm using leveraged recapitalization

**Revenues shareholder B**  
 + € 10 mln. Upfront  
 - € 3 mln for 60% in Newco  
 + € 7 mln. Upfront total

The diagram illustrates the flow of funds in a leveraged recapitalization. A Bank provides €5 million in debt to Newco. Newco then provides €2 million to the PE Firm (40% ownership) and €3 million to Shareholder B (60% ownership). Shareholder B provides €10 million to Newco (100% ownership). Finally, Newco provides €3 million to Shareholder B.

---

---

---

---

---

---

---

---

---

---

**GENEVA GROUP INTERNATIONAL**

### Comparison

<p><b>Revenues shareholder A</b>                  + € 4 mln. Upfront</p> <p><b>Share value after transaction</b>                  Company share value € 10 mln.</p> <p>60% = € 6 mln.</p> <p><b>Total value cash and shares</b>                  € 4 mln. cash + 6 mln. shares = € 10 mln.</p>	<p><b>Revenues shareholder B</b>                  + € 10 mln. Upfront                  - € 3 mln for 60% in Newco                  + € 7 mln. Upfront total</p> <p><b>Share value after transaction</b>                  + Company value € 10 mln.                  - Debt € 5 mln.                  Total share value € 5 mln.</p> <p>60% = € 3 mln.</p> <p><b>Total value cash and shares</b>                  € 7 mln. cash + € 3 mln shares = € 10 mln.</p>
--	---

---

---

---

---

---

---

---

---

---

---

**GENEVA GROUP INTERNATIONAL**

### Example Transactions

<p><b>ACT Capital Trading</b></p> <p>Amsterdam Capital Trading is a company specialized in the trading of environmental products such as European Union Allowances (EUA's), Certified Emission Reductions (CER's) and Emission Reduction Units (ERU's).</p> <p><b>Transaction:</b> Sale of 33,3 %  <b>Buyer:</b> Antea Participaties (PE)</p>	<p><b>Abco Security</b></p> <p>Abco Security is a Dutch organization that deals with total-care security solutions for individuals, offices, businesses and shops.</p> <p><b>Transaction:</b> Sale of 40 %  <b>Buyer:</b> Antea Participaties (PE)</p>
---	--

---

---

---

---

---

---

---

---


---

---

**GENEVA GROUP INTERNATIONAL**

### Example Transactions

**Euromex Microscopes**




Euromex distributes, assembles and modifies optical microscopes, stereo microscopes, preparation instrumentation, loupes and micro preparations.

**Transaction:** Sale of minority interest

**Buyer:** Ecart Invest (PE)

**Monte Pizza Crust**



Monte pizza Crust is a Dutch producer of pizza crust products. Selling a minority share gives it the possibility to grow faster and become the leading pizza crust producer of Western-Europe.

**Transaction:** Buy of minority interest

**Buyer:** Tombos Holding B.V. (PE)

---

---

---

---

---

---

---

---

---

---

**GENEVA GROUP INTERNATIONAL**

### European Environmental Commodities

**Company**

- Sales and trading specialist in the environmental markets.
- Founded in 2009
- Two young entrepreneurs.
- In 2011 turnover of about € 200 mln.
- Customers include Tata steel, Sabic and ExxonMobil
- Onzekere marktomstandigheden

**Demands**

- Investment of a professional PE firm
- Cash part of the company's value

**Transaction**

- Sale of 100 % to Newco
- PE firm acquires 33,3% share in Newco
- Sellers both acquire 33,3% share in Newco

---

---

---

---

---

---

---

---

---

---

**GENEVA GROUP INTERNATIONAL**

### European Environmental Commodities

**Purchase price** € 15 mln.


**PE firm (33,3%)** € 3,3 mln.

**Sellers (66,7%)** € 6,7 mln.

**Bank** € 5 mln.

**Benefits PE firm**

- € 3,3 mln. vs. € 5 mln. Investment for 33% of the shares
- Possibility to spread risk



```

    graph TD
      Bank[Bank] -- €5 mln --> Newco[Newco]
      PEFirm[PE Firm] -- €3.3 mln --> Newco
      Shareholders[Shareholders] -- €6.7 mln --> Newco
      Newco -- €15 mln --> Shareholders
      PEFirm -- 33.3% --> Newco
      Shareholders -- 66.7% --> Newco
    
```

**Benefits shareholders**

- Professional co-shareholder
- € 8,3 mln. cash upfront
- 66,6% shares in Newco
- Access to large network of potential new customers

---

---

---

---

---

---

---

---

---

---

GENEVA GROUP INTERNATIONAL

**What do you need for a succesfull leveraged recapitalization?**

**1) Fresh Money (private equity)**  
Most banks do not accept recapitalization unless new equity is added.



**2) Eagerness of banks to become the principal bank**  
Banks aspire to grow and acquire new customers. The sale of a firm is a logical moment for switching from one bank to another.



**3) Good Reason**

- Insurance for future profits (pension)
- Need or professionalization
- Funds for further growth

---

---

---

---

---

---

---

---

---

---

GENEVA GROUP INTERNATIONAL

**What does it mean for us?**  
Commercial opportunities for M&A firms



- Writing of information memorandum
- Contacting potential interpreting parties
- Coordinate negotiations
- (Vendor) due diligence
- Tax
- Contracts





---

---

---

---

---

---

---

---

---


---

GENEVA GROUP INTERNATIONAL

**Shoud we advise all our customers to do a leveraged recapitalisation?**


**Yes!**

- Adding value for your client
- Relatively safe way to ensure future profits
- Larger total sale revenue



**No**

- Risk of over-leveraging
- Risk of limited eagerness of banks



---

---

---

---

---


---

---

---


---

---

 GENEVA GROUP INTERNATIONAL

---

**Questions?**




---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Discussion**

Helen Robinson

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Discussion points**

- Selling and buying entities
- Consideration structures
- Security/finance issues
- Fee structures

---

---

---

---


---

---

---

---



 GENEVA GROUP INTERNATIONAL

**Selling and buying entities**

- Companies – public/private
- LLP's
- Partnerships
- Sole traders

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Consideration structures**

- Upfront price
- Net Asset consideration
- Deferred for specific event
- Earn Out

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Security / finance issues**

**Security:**

- What do you need security for?
- How can you negotiate it?
- What form will it take?

**Finance on acquisition:**

- Delays
- Additional advisors

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Fee structures**

- Fixed fee
- Success fee
- Old-fashioned hourly rate
- Discounted
- Abortive
- % of price
  
- ???

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**International M&A Guide**

What should and should not be in it?

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

---

**Index**

- 1) Practice Group members;
- 2) Network member firms, country, specializations (within M&A), contact person(s);
- 3) Relevant articles of M&A PG members concerning: due diligence, deal making, legal aspects, tax aspects;
- 4) M&A country overview (per country).

---

---

---


---

---

---

---


---

 GENEVA GROUP INTERNATIONAL

**M&A country overview (per country)**

**1) General**

- Area
- Population
- Currency
- Business hours
- Languages spoken
- Public/national holidays
- 
- 




---

---

---

---

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**M&A country overview (per country)**

**2) M&A related topics**

- Banks
- Private Equity
- Financing ratio's
- Online marketplaces
- Relevant national associations
- National market information
- 
- 




---

---

---

---

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**M&A country overview (per country)**

**3) Tax related topics**

- Thin Capitalization
- 
- 
- 

---

---

---

---

---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**M&A country overview (per country)**

**4) Financial / Accounting related topics**

- 
- 
- 
- 

---

---

---

---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**M&A country overview (per country)**

**5) Legal related topics**

- National competition topics
- Work councils
- Regulatory (employment law, FSA, company's legislation)
- Corporate entities/structures
- Sector specific regulatory requirements
- Security
- 
- 



---

---

---


---

---

---

---

---

 GENEVA GROUP INTERNATIONAL

**Thank you for your attention**

---

---

---

---

---

---

---

---