ConnInv2A

CONNECTING INVESTORS TO AFRICA

Introduction to Mergers and Acquisitions (M&A)

(Strategy, Valuation, Financing & Value Creation)

Presented by

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Outline

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1. Understanding M&A
2. Learning Key Objectives
3. How to define M&A?
4. Why Do Companies Engage in M&A?
5. Main Types of M&A
6. M&A Strategy
7. Financing & M&A Value Creation
8. Post-Merger Integration

1. Understanding M&A

Understanding mergers, acquisitions, takeovers and business combinations?

Three key types of M&A:

1. Horizontal, vertical, conglomerate
2. Product/market extension, and
3. Cross-border transactions

- **Why do companies choose M&A instead of organic growth?**

  1. Value (A + B) > Value A + value B

  2. How can the combined company generate more value than the two companies separately?

- **What makes a company an attractive acquisition target?**

  1. How to select the target?
  2. How much is the target worth without and with potential synergies?

2. Learning Key Objectives

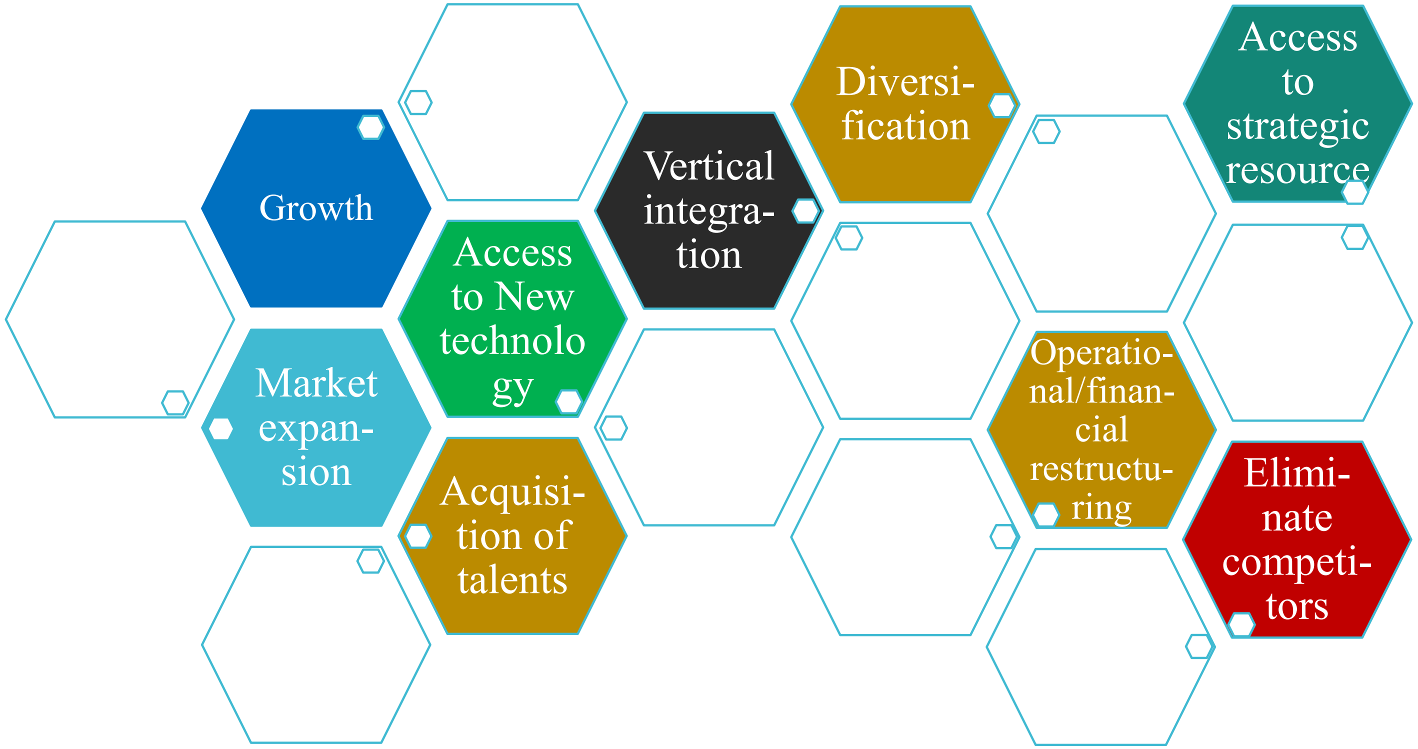
- What is the meaning of M&A?
- Why companies undertake M&A?
- How to decide on the type of M&A?
- How to value the acquisition?
- How to finance the M&A?
- How to manage the Post-merger integration (PMI)?

3. How to define M&A?

Selected definitions

Concept	Core definition / perspective	Central concept
Merger	Two companies combine to form a combined or new business	Combined or New Business
Acquisition	One company purchases control of another company	Purchase control
	Takeover	
	Consolidation	
	Divestiture	
	Joint venture JV) — a JV is not technically an M&A transaction, even though it can be part of the broader process.	

4. Why Do Companies Engage in M&A?



5. Main Types of M&A

Main Type	**Operationalization**	
Horizontal M&A	Company A + Competitor B	→ Same industry / same value chain level
Vertical	Supplier → Manufacturer → Distributor	→ Acquisition along the value chain
Conglomerate	Company A + Company B	→ Different industries
Product/market - extension M&A	Different but related/complementary goods & services / Often operate in the same or overlapping markets	Generally similar or identical goods & services / Usually operate in different geographic or customer markets
Cross-border M&A	Acquirer and target company are based in different countries	provide access to new markets and capabilities, but can also introduces additional complexity and risk
Private equity / financial acquisitions	The buyer is typically a **private equity fund, investment fund, or other financial investor**, rather than a strategic corporate competitor.	The primary objective is to generate an attractive **return on invested capital (ROIC)** / investor return

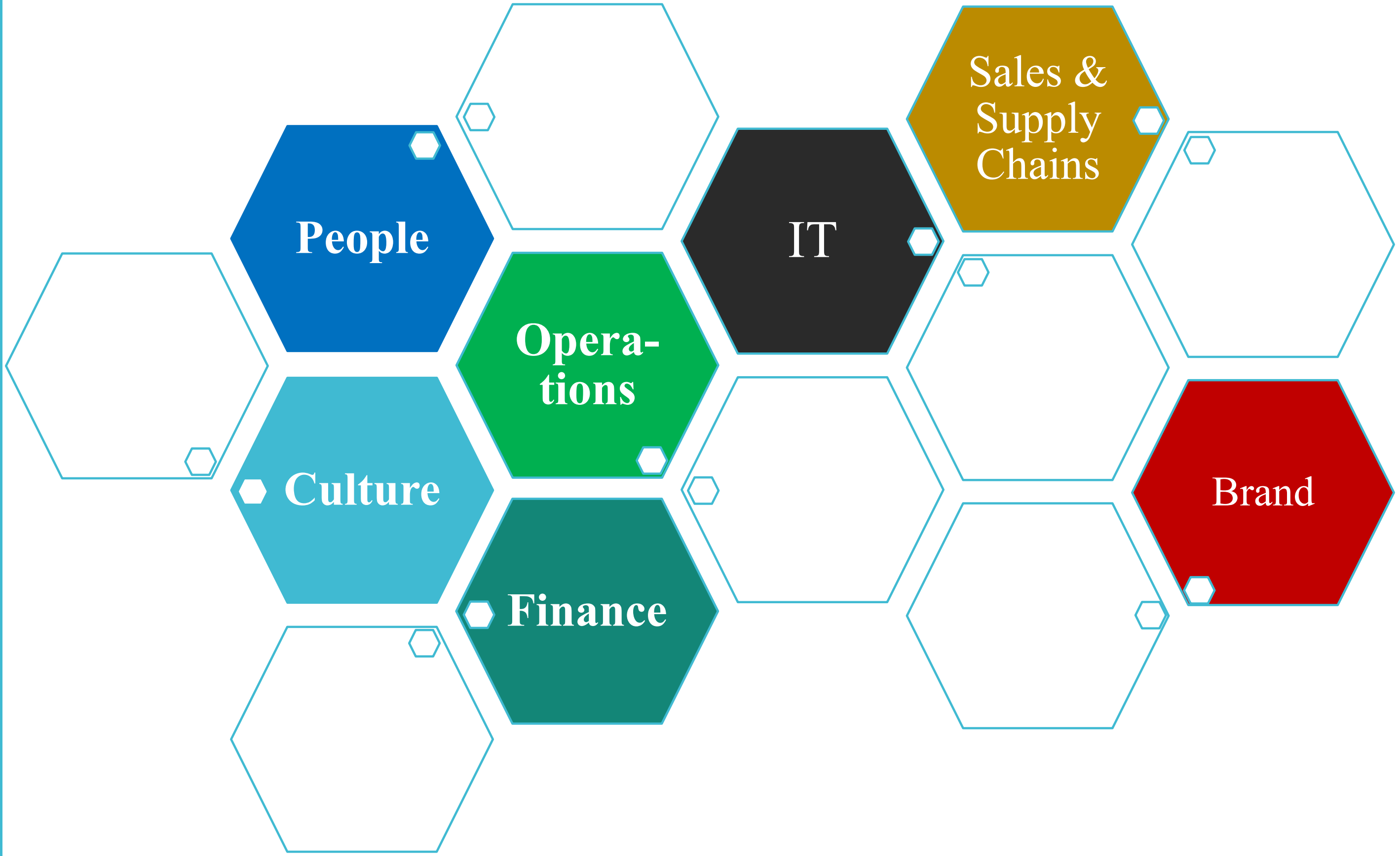
6. M&A Strategy

Key points	**Key Activities**
1. Why this target?	Assess strategic fit, market fit, geographic fit, product fit, technology fit, customer fit, cultural fit, etc.
2. What are the sources of synergies?	• Revenue synergies • Cost synergies • Financial synergies
3. How to measure the M&A Value-Creation?	• Value Created = Synergies − Acquisition Premium − Transaction Costs − Integration Costs • This implies that synergies alone do not guarantee value creation
4. What is the M&A process?	Strategy → Traget identification → Screening → Valuation Due diligence → Negotiation → Financing → Signing Regulatory Approval/Closing → Integration → Post-Merger → Integration (PMI)

7. Financing & M&A Value Creation

How Are Acquisitions Financed?	Leveraged Buyouts (LBOs)	Negotiation & Deal Structure
• Cash • Debt • Equity • Shares / Stock • Combination / Hybrid financing	• An LBO is an acquisition financed substantially with debt, where the target's cash flows are expected to help service the debt • Sponsor Equity + Debt → Acquisition → Cash Flow → Debt Repayment → Equity Value	• Purchase price • Cash vs. shares • Earn-outs • Break-up fees • Non-compete clauses • Closing conditions

8. Post-Merger Integration



Thank you

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ConnInv2A Ltd *(Connecting Investors to Africa)*

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