



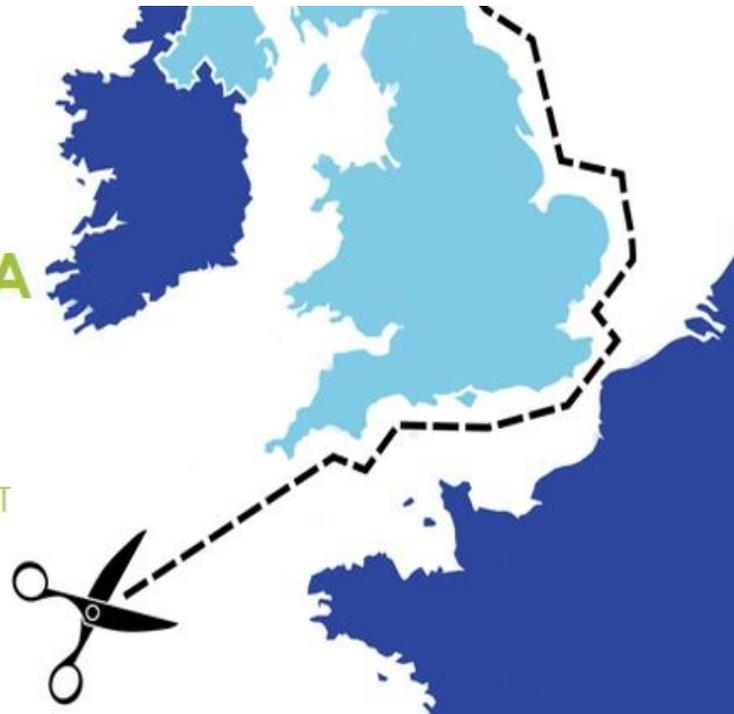
BrexIMPACT on cross-border M&A

Making sense of  BREXIT

BrexIMPACT on cross-border M&A

Panel webinar and debate

Wed 29 June 2016
17:00 CET – 16:00 BST – 11:00 EST



Today's webinar panel

Moderators:



Andrew Scola
UK Partner, GPMIP



Thomas Kessler
German Partner, GPMIP

Panelists:



Ben Gomes-Casseres
Professor, Brandeis University
Author, REMIX STRATEGY



Riccardo Puglisi
Professor Economics and Politics:
Università di Pavia



Steve Wood
M&A advisor, former Global
Managing Partner M&A and
VP Strategy UK, IBM

+ At any time throughout the webinar please:

- **Raise your hand** to join the debate - we will unmute you to ask a question as soon as we can
- Ask a question for the panel using the **Q&A** or **Chat** functions

Introduction

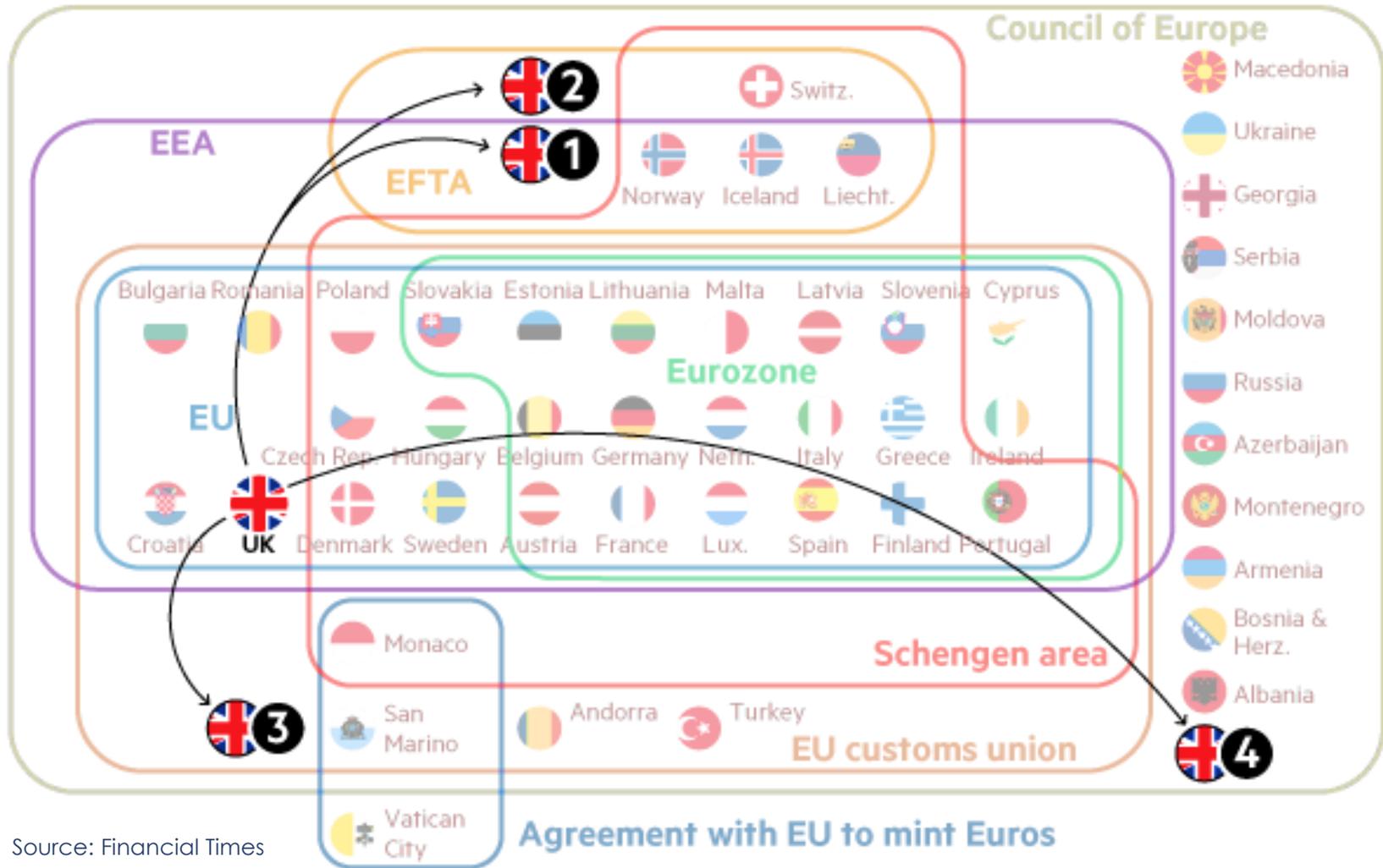
How will the Brexit impact cross-border M&A?

- + Today's webinar will focus on **BrexIMPACT** rather than the pros and cons of Brexit itself

- + UK required to send letter triggering **Article 50** of the Lisbon treaty.
- + EU leaders agree there should be **no negotiations before Article 50 is triggered by the UK**, asking the British government to sort its current situation out first, while laying our expectations that this is done **within weeks**

- + **We are here to discuss the IMPACT the decision will have:**
 - For corporations that have a **M&A driven growth / divestiture strategy**
 - On **managing post-merger integration in a post-Brexit area** and how to prepare for the final "EXIT" date

Context – UK Brexit scenarios (FT)



Source: Financial Times

Update from Brussels – Options / M&A Impact?

Total Exit

- **No benefits** from any part of the single market
- UK **relies solely on** the rules of the **WTO** or,
- **Negotiates** a new **bilateral trade deal** with the EU

No longer hub to EU loses attractiveness for access via M&A

Swiss model

- **Leaves the EU and does not join the European Economic Area (EEA)**
- Enters **various bilateral agreements with the EU to gain access for specific industries** in the single market

Maintain hub to EU only for some industries

Norwegian model

- **Leaves the EU but joins the European Economic Area (EEA)**
- **Free movement of goods, services, capital and persons** within the EU, Norway, Island and Lichtenstein
- **No benefits from EU external trade agreements**
- Required to make **significant financial contributions and people movement** (key critiques for the leaver)

Maintain hub to EU but it will be costly

Hypotheses: Brexit Impact on Business Combinations

- + **Immediate:** Uncertainty → reduced investment, including in M&A
- + **Medium run?** GDP slowdown, currencies, monetary easing → buying, exits?
- + **Longer run?** Political/economic/regulatory restructuring of Europe & global?



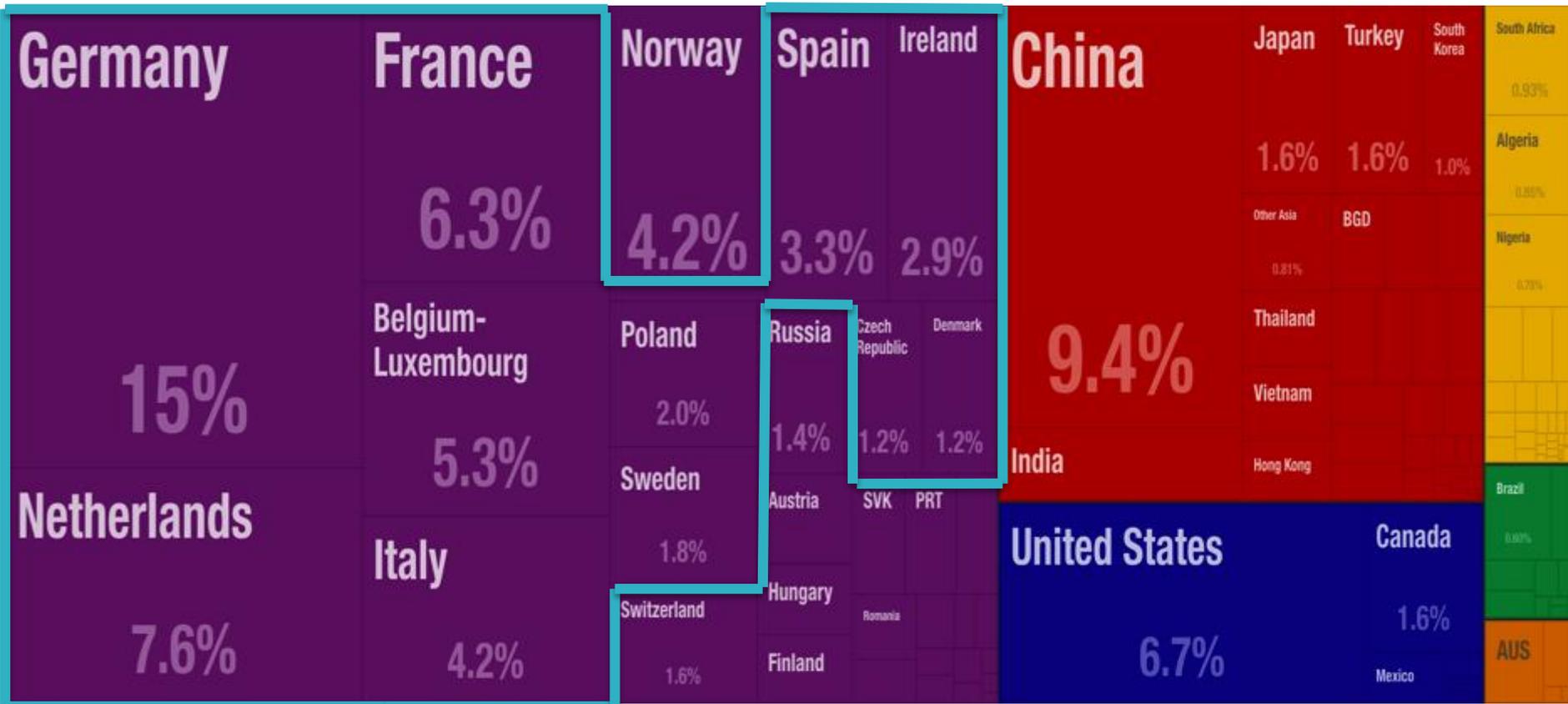
- + **“Remix” of assets to reposition companies in restructured landscape**
- + **Three laws of success** in any business combination



- + **1. New sources of joint value**, and breakup of earlier combinations
- + **2. Collaboration patterns will change** – e.g. suppliers, partners, sales
- + **3. Payout to partners will change** – transfer prices, regulations, demand

Biggest impact may be on ongoing business partnerships – restructuring, renegotiation, recombination, including deal exits and terminations

UK Imports – what will be the impact on M&A?



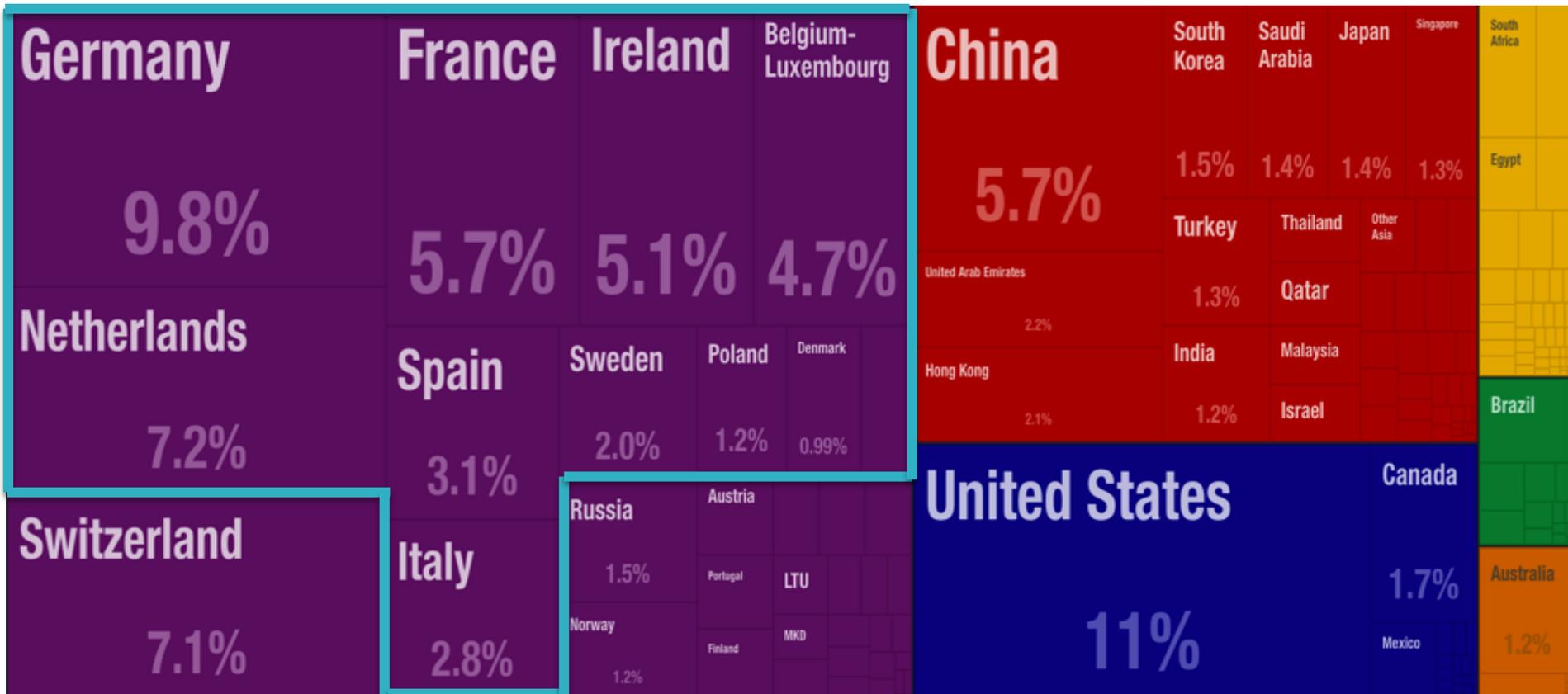
Key of continents:



Total Global UK imports: \$664 Bn

Of which EU imports: c. \$337 Bn

UK Exports – what will be the impact on M&A?



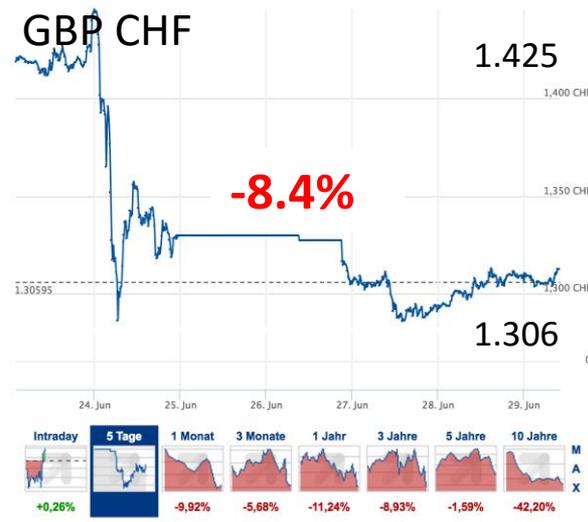
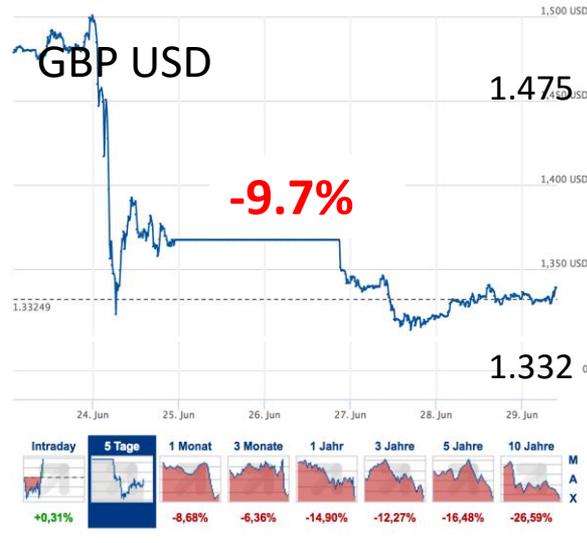
Key of continents:



Total Global UK exports: \$473 Bn

Of which EU exports: c. \$201 Bn

Change in GBP post Brexit decision



What CEOs need to watch out for?

BrexIMPACT negotiations may trigger issues for M&A post-merger integration

Sales

- Changed regulations, classifications, requirements to sell in the UK / EU will impact bilateral trade (product, health and environmental regulations of the EU)

Human Resources

- Changes for work and residence visa, free movement of employees EU/UK
- Changes in benefits, pension, health care, insurance; validation of pensions, EU employees in NHS, ...
- Expat and preferred foreign tax status, cost of education for EU citizens

Supply Chain

- Changes in taxes, tariffs, duties, import / export quotas may hinder cross-border supply chain
- Logistics to / from UK may involve significantly more bureaucracy and time
- UK / EU procurement may shift towards new suppliers; potential transfers of supply chain hubs in to other countries (NL, Ireland, Switzerland, Luxembourg) to avoid instability and risks on trading conditions

Finance

- Changes in credit ratings may trigger limitation to funding/capital markets access, money transfer
- Tough negotiation expected on "finance passporting" which will limit sales of UK-based products in the EU
- Euro-based financial products may have to go through a EU-based compensation platform
- Euro trading activities in the UK; London as the RMB European hub may be transferred to other places
- Relocation of GCC assets to other global finance hubs to manage FX rate volatility
- Balance of investors in UK tilt from EU to rest of world