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Global PMI Partners

Acquisition and post-merger integration specialists

Leveraging M&A as a Low Risk Growth Strategy

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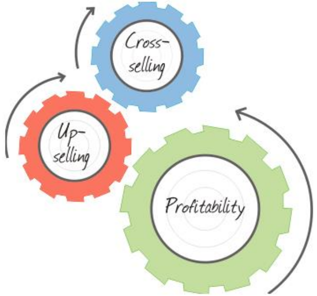
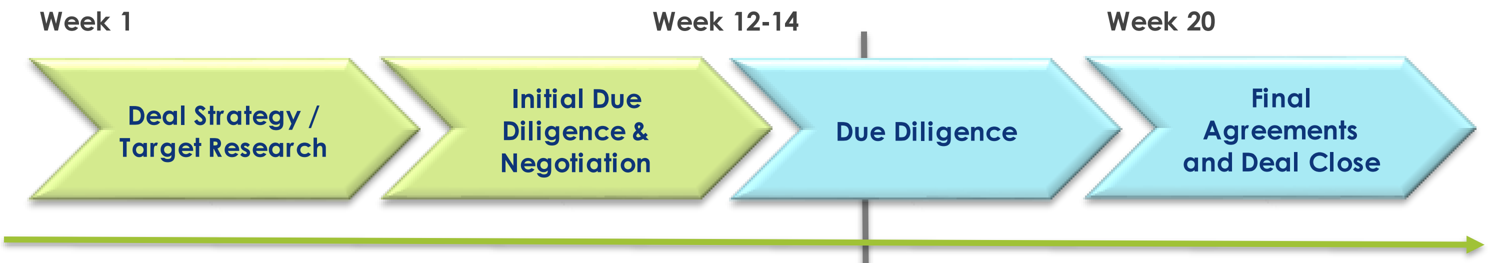
Why should you choose acquisition or merger as a growth strategy?

- It's no longer feasible to achieve reasonable growth through organic means alone
- Global economic conditions and cost of capital are an advantage
  ($780M global packaging industry deals for February alone)
- **Strategic acquisition can deliver multiple opportunities for value creation in the form of optimization, efficiencies and growth**
  - Scale provides an environment for improved shipping / inventory efficiencies
  - Increased business volume ultimately drives better decision making
  - Reduced operating costs
  - Increased opportunity for innovation, automation
  - Acquisition of new customers / entry to new markets
  - Immediate cross-sell and up-sell opportunities
  - Ultimately higher revenue and profit performance and enhanced competitive strength and brand image
- Risks are low if there is management commitment and a measured approach to post deal integration & value creation

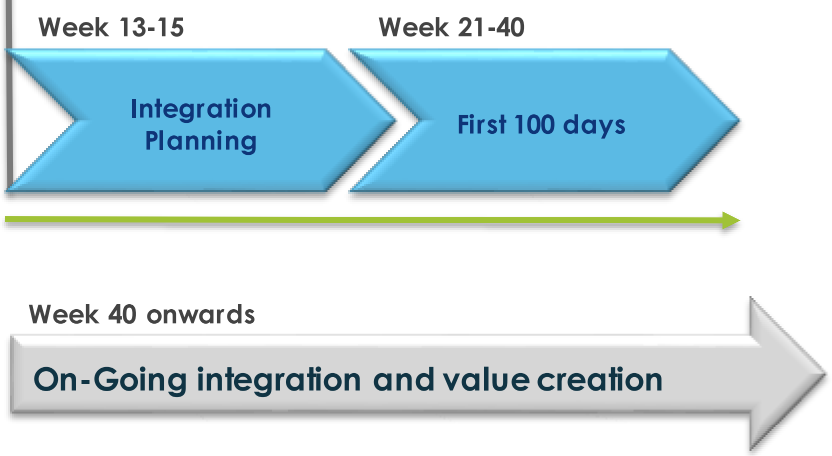


Value Creation can be achieved in 12-18 months

- Significant value creation can be achieved in first 100 days post deal close
- On-Going value creation and business continuity can be achieved within 6-12 months



- Initial Vision and Post Deal Value Planning can be confirmed and completed during Due Diligence
- **Significant Value Creation can be achieved in first 100 days post deal close.**
- On-going value creation and business continuity are the primary goals of integration work over the following 35-40 weeks
- **There are many case studies that you can draw on to understand where and how significant value creation has been achieved**



Case Studies

1. European Global Manufacturer of Printing Equipment makes acquisition in China
2. $5.5Bn Explosive Manufacturer Acquires $30M Ground Penetrating Radar Technology
3. Australian Logistics company acquires Singapore Temerature Logistics business in Singapore

Case Study #1

$375M acquisition - >$1.5Bn sustainable value creation across 10 years

European Global Manufacturer of Printing Equipment makes acquisition in China

Objectives

- Gain access to lucrative markets throughout Asia
- Drive global supply chain synergies and operating efficiencies
- Improve model for supply chain replenishment
- Reduce global supply chain costs
- Improve 'time to service' for existing and new customers
- Introduce high margin professional services to global customers.

Approach

- Establish new assembly operation in Beijing with key components shipped from US
- Reduce component lead times through local sourcing and out-sourcing
- Drive economies and efficiencies from scale
- Use increased operational capacity to improve model for global supply chain replenishment
- Address quality issues in Chinese plant and outsourced operations

Value Creation

- 42% increase in global revenue within first 3 years
- Early reduction in re-work and warranty claims through adoption of consistent quality practices
- Immediate 34% reduction in cost of manufacture from local sourcing and manufacture
- Synergies and efficiencies from centralised administration in US.
- 1st year correction of challenges arising from sending US senior management to oversee Beijing operations.

Case Study #2

$30M acquisition - >$100M value creation across 5 years

$5.5Bn Explosive Manufacturer Acquires $30M Ground Penetrating Radar Technology

Objectives

- Include value-add services to 'commoditized' product line with declining margins
- Retain core mining customers by offering greater efficiency, value & business support
- Retain brand position in face of global competition
- Leverage technology as a diversification mechanism
- Deliver technology enabled efficiency to customers and existing service offerings

Approach

- Combine ground penetrating radar with explosives products
- Enhance product and services delivery for existing and new customers
- Move entire technology business into corporate HQ
- Merge own and acquired sales teams and create new incentive programs
- Manage 700lb Gorilla culture of own corporate sales team
- Define clear plan to maximise $$ technology & commodity sales within first 12-18 months.

Value Creation

- Delivery of technology enhanced products
- Improved product efficiency at the coal face.
- Synergies and operating efficiencies from merging both entities
- Up-sell opportunity to all existing customers
- Win more deals through stronger competitive position
- Ability to attract new customers
- New market potential to sell technology into other 'non-core' industries

Case Study #3

$165M acquisition - $400M sustainable value creation in 2-4 years

Australian Logistics company acquires Singapore Temerature Logistics business in Singapore

Objectives

Acquire temperature-controlled operation as add-on to existing general freight business in ASEAN

Achieve distribution optimization and reduced cost per mile

Extend temperature-controlled freight expertise to Australian operations.

Acquire additional 'new' customers in ASEAN & ANZ

Expand service offering to existing customers

Reduce operating costs through procurement efficiencies (fuel, equipment Etc)

Approach

Add temperature-controlled freight service to existing ANZ infrastructure

Rationalize warehousing operations across ANZ and ASEAN

Maximize cross operation of truck fleet

Cross sell and up-sell to existing and acquired customers

Negotiate better terms on fuel, vehicle contracts

Manage administration and customer relationships from Australia

Value Creation

Reduction in operating costs through warehouse optimization

Improved fleet and asset utilization through cross operation and distribution optimization

Consolidation of administration and procurement efficiencies

Immediate revenue increase from newly acquired customer base

Short – Medium term opportunity for cross-sell and up-sell to existing and acquired customer base

Conclusion and Recommendations

- Acquisitions can offer significant value creation opportunities and the post-acquisition value creation can deliver early and sustainable ROI
- Business scale from acquisitions presents opportunity to achieve business optimization, efficiencies and cost reduction as well as increased revenue, profitability and competitive advantage
- **BUT!** It's important to be very clear about why you are making acquisitions and that you have a quantified vision and plan on 'where and how' value creation will be achieved.

Allow me to leave you with five simple disciplines for successful acquisition

Have a Clear Vision and Value Plan

Focus on Value Creation

Engage Experienced Resources

Communicate Clearly & Regularly

And never lose sight of the original vision and value creation plan

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