

# M&A Deal of ABC Inc. and XYZ Inc.



Insert Your Title here



Presentation Strictly  
Confidential  
July, 2015

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Include the Contents and their respective page numbers.

Highlight each section Individually



# Executive Summary

# Executive Summary

- On July 1, 2015, XYZ Inc. made an offer to acquire % of ABC Inc. fully diluted shares outstanding for \$ / share



Include Stock data, Offer percentage, Market Dynamics etc.

- \$ / share values ABC Inc. well above its average price over the past year; offer price is also significantly higher than per-share prices implied by valuation
- Given ABC Inc. competitive position, market dynamics, and capital structure, another party is unlikely to step forward with a superior offer
- The combination of ABC Inc. and XYZ Inc. would create a strong player in the Cable & Broadcasting market.

# ABC Inc. Valuation

# Valuation Summary

- Implied Share Price
- Comparable public companies, public company premiums, and discounted cash flow analysis
- ABC Inc. significant equity investments in other entities. Whether it has been taken into account in this valuation
- ABC Inc. equity investments contribute approximately \$\_\_\_\_ worth of value to equity value of company



You may Highlight the above points  
for the Valuation Summary.

# ABC Inc. Valuation

(\$ in Millions Except Per Share Data)

## Public Company Comparables

TTM TEV / Revenue:

TTM TEV / EBITDA:

## Precedent Transactions

TTM TEV / Revenue:

Forward Year 1 TEV / Revenue:

TTM TEV / EBITDA:

Forward Year 1 TEV / EBITDA:

## Public Company Premiums


1-Day Premiums:

20-Day Premiums:

## Discounted Cash Flow Analysis

Growth Rate Variable


Discount Rate Variable




You may use  
the Following  
Variables for  
Valuations

# ABC Inc. Comparable Public Companies

(\$ in Millions Except Per Share Data)



Operating Statistics	Capitalization		Revenue			EBITDA			EPS	
Peer Company Name	Equity Value	Enterprise Value	2013	2014	TTM	2013	2014	TTM	2013	2014
Company P										
Company Q										
Company R										
Mean										
Median										
ABC Inc.										



Valuation Statistics	Capitalization		Enterprise Value/Revenue			Enterprise Value/EBITDA			PE Multiple		
Peer Company Name	Equity Value	Enterprise Value	2013	2014	TTM	2013	2014	TTM	2013	2014	TTM
Company P											
Company Q											
Company R											
Mean											
Median											
ABC Inc.											



# ABC Inc. Precedent Transactions



(\$ in Millions Except Per Share Data)

ABC Inc. Comparable M&A Transaction					Operating Metrics				Valuation Multiples- Acquisition			
Acquirer Name	Target Name	Acquisition Date	Equity Value	Enterprise Value	TTM Revenue	Forward Year 1 Revenue	TTM EBITDA	Forward Year 1 EBITDA	TTM Revenue	Forward Year 1 Revenue	TTM EBITDA	Forward Year 1 EBITDA
Company P												
Company Q												
Company R												
Mean												
Median												
ABC Inc.												

# ABC Inc. Discounted Cash Flow Analysis

(\$ in Millions Except Per Share Data)

ABC Inc. Discounted Cash Flow Projections	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Income					
Add: Depreciation & Amortization					
Add: Interest*(1-Tax Rate)					
Changes in Working Capital					
Less: Capex					
Free Cash Flow					
Present Value of Free Cash Flow					

Assumptions	% Used
Discount Rate	
Terminal Growth Rate	

ABC Inc. Sensitivity Analysis						
		Discount Rate				
		10%	11%	12%	13%	14%
Terminal Growth Rate	3%					
	4%					
	5%					
	6%					
	7%					

ABC Inc. / XYZ Inc. Combination

# Key Assumptions For Merger Model

## • Financial Assumptions:



- Projected Closing Date: \_\_\_\_\_
- \_\_\_% Cash / \_\_\_% Stock Transaction
- \$\_\_\_\_\_ / Share (\_\_\_% Premium to Current Share Price)
- Purchase Price Allocation & Balance Sheet Assumptions:
  - \_\_\_% ABC Inc. PP&E Write-Up
  - \_\_\_% Deferred Revenue Write-Down
  - \_\_\_% Allocated to Intangibles

## • Operational Assumptions:



- \_\_\_% Revenue Synergies
- \_\_\_% Expense Synergies
- \_\_\_% Book Tax Rate Assumed

# ABC Inc. & XYZ Inc. Summary Income Statements

(\$ in Millions Except Per Share Data)

XYZ Inc. Income Statement- Buyer							
	Historical		Projected				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue							
Operating Income							
Pre Tax income							
Pro-Forma Net Income							
Pro-Forma EPS							



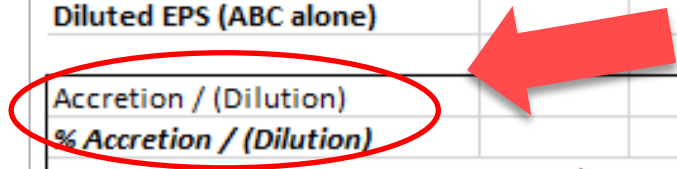
ABC Inc. Income Statement- Seller							
	Historical		Projected				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue							
Operating Income							
Pre Tax income							
Pro-Forma Net Income							
Pro-Forma EPS							



# Acquisition Of ABC Inc. By XYZ Inc. Is Expected To Be Dilutive/ Accretive

(\$ in Millions Except Per Share Data)

	Adjustments		Combined Years					
	Debit	Credit	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Total Revenue</b>								
COGS								
Gross Profit								
SG&A								
<b>EBITDA</b>								
Depreciation & Amortization								
<b>EBIT</b>								
Interest (Income) / Expense								
Equity (Income)								
Minority Interest								
Other (Income) / Expense								
Synergy								
Income Before Taxes								
Provision for Tax								
Tax Rate								
<b>PAT (ABC-XYZ)</b>								
Diluted Shares Out								
<b>Diluted EPS (ABC-XYZ)</b>								
<b>Diluted EPS (ABC alone)</b>								
<b>Accretion / (Dilution)</b>								
<b>% Accretion / (Dilution)</b>								
Incremental Pre-Tax Synergies to Breakeven								



# Sensitivity Tables – Pro-Forma EPS Accretion / Dilution



(\$ in Millions Except Per Share Data)

Pre-tax synergies	Cash %					
	0%	20%	50%	60%	80%	100%
-						
500.00						
1,000.00						
1,500.00						
2,000.00						
2,500.00						
3,000.00						

ABC Inc. Potential Revenue Synergies

ABC Inc. Potential Cost Synergies



You may also include the data for  
Revenue Synergies and Cost Synergies



# Process Recommendations

# Key Recommendations

- Recommendations regarding increasing offer price to \$\_\_
- Time for Transaction may be \_\_ Years ( Includes Negotiations, Definitive Agreement signing, and regulatory approval )



Include Key recommendations here

# Appendix

# ABC Inc. Revenue & Expense Detail



You may include the data for Revenue  
and Expense Details here

# ABC Inc. Standalone Income Statement

(\$ in Millions Except Per Share Data)

Income Statement	FY2014 A	FY20115 A	FY2016 E	FY2017 E	FY2018 E	FY2019 E	FY2020 E
Income							
Service income							
License fees							
<b>Total Revenue</b>							
Material costs							
Conversion charges							
Excise duty and other similar duties and taxes							
<b>Gross Profit Margin</b>							
Personnel costs							
Operating and other expenses							
Research and development expenses							
<b>EBITDA</b>							
Depreciation & Amortization							
<b>EBIT</b>							
Finance Charges (Interest)							
<b>EBT</b>							
Other Income							
Equity in loss of associates, net							
Impairment of Goodwill and Intangibles							
<b>EBT After Extraordinary Items</b>							
Provision for Tax							
<b>PAT</b>							



# ABC Inc. Equity Investments – Valuation



Include Key data for Equity Investments of the  
Target Company here.

# ABC Inc. DCF Analysis – WACC Calculation

(\$ in Millions Except Per Share Data)

## WACC Inputs

### Cost of Equity & Cost of Debt

Risk Free Rate	
Beta	
Equity Risk Premium	
Cost of equity	
Terminal Growth Rate	

### Calculating Book value of Debt

Debt	
Short-Term Debt	
Straight Long-Term Debt	
Convertible Debt (out of money)	
Value of Debt	

### Market Value of Equity

Current Stock Price	
Current shares outstanding	
Options/Warrants Converts	
Fully converted shares	
Fully converted equity value	

### Calculating Debt to Equity ratios

Proportion of Equity in the Capital Structure	
Proportion of Debt in the Capital Structure	
Debt to equity ratio	

### WACC Calculations

Risk Free rate	
Market risk premium	
Levered beta of company	
Cost of equity	
Pre-tax cost of debt	
Tax rate	
After tax cost of debt	
WACC	

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WACC Calculations

# ABC Inc. / XYZ Inc. Transaction Summary

(\$ in Millions Except Per Share Data)

Buyer - Financial Profile				Seller - Financial Profile			
Buyer Name:				Seller Name:			
Share Price:				Share Price:			
Diluted Shares Outstanding:				Shares Outstanding:			
Tax Rate:				Tax Rate:			
Transaction Assumptions							
Per Share Purchase Price:				Equity Purchase Price:			
% Cash:				Cash Used:			
% Debt:				Debt Issued:			
% Stock:				New Shares Issued:			
Foregone Cash Interest Rate:				Debt Interest Rate:			
Revenue Synergy % (2016):				Revenue Synergy COGS % (2016):			
Revenue Synergy % (2017):				Revenue Synergy COGS % (2017):			
Revenue Synergy % (2018):				Revenue Synergy COGS % (2018):			
Cost Synergies % OpEx (2016):							
Cost Synergies % OpEx (2017):							
Cost Synergies % OpEx (2018):							



Transaction Assumptions



# Goodwill Creation & Balance Sheet Adjustments

(\$ in Millions Except Per Share Data)

Goodwill Creation & Balance Sheet Adjustments			
<b>Goodwill Calculation:</b>		<b>Fixed Asset Write-Up:</b>	
Equity Purchase Price:		PP&E Write-Up %:	
Less: Seller Book Value:		PP&E Write-Up Amount:	
Plus: Write-Off of Existing Goodwill:		Depreciation Period (Years):	
<b>Total Allocable Purchase Premium:</b>			
Less: Write-Up of PP&E:		<b>Intangible Asset Write-Up:</b>	
Less: Write-Up of Intangibles:		Purchase Price to Allocate:	
Less: Write-Down of DTL:		% Allocated to Intangibles:	
Plus: New Deferred Tax Liability:		Intangibles Write-Up Amount:	
<b>Total Goodwill Created:</b>		Amortization Period (Years):	
		New Deferred Tax Liability:	



Goodwill Created