- Hindalco & Novellis
- MTR & Orkla
- Ranbaxy & Daiichi
- Johnson & Johnson - Pfizer

Dr. Richard Ettenson and Jonathan Knowles

"Only about one in five deals actually succeed in creating shareholder value."

"With market uncertainty and shrinking opportunity, investors need to value the sales and marketing plan of an acquisition just as much as the P&L. "

Issues Involved

- Sales and marketing planning.
- Marketing due diligence pre-close.
- Management type
- Brand
- Market segmentation
- Distribution channel
- Cultural changes

Why Brand ????

Why Brand management in M&A?

- Companies lack the experienced resources to focus on it
- Organizations don't realize the need to address it until it's too late
- Business leaders neglect it because they are concentrating on financial and legal issues

Brand Valuation

- Book value - actual acquisition price paid for….Brand
- Key role in financing performance of a business
- Brands valued by -
  - Premium profits method
  - Earnings potential method
  - Market value method
  - Cost valuation

Brand Development in Mergers Stages

- Brand as a reference – name used for identification, name overtime becomes guarantee of quality/consistency
- Brand as a personality – focuses on emotional appeal, product benefits
- Brand as an Icon – Higher - order value of society, use of symbolic brand language.

Brand Development in Mergers Stage

- Brand as Company – focus on corporate benefits to diverse customers .
- Brand as Policy – aligned to social and political issues, consumers now own brands, companies and politics.

Objectives & Benefits

Price

- Low cost curve
- Economics of scale

e.g. Hindalco – Novellis

- Hindalco by virtue of access to bauxite mines and having captive power generating facilities, is amongst the bottom quintile of the global cost curve. It's operating cost of around $1,100 a tone is easily amongst the lowest.
- e.g. Ranbaxy- Daiichi
- Optimizing usage of R&D and manufacturing facilities of both companies, especially in India
- Distribution networks

e.g. MTR- Orkla

- MTR's distribution network in India could help Orkla to market its own products, and its manufacturing facilities could help to lower costs.

Benefits

- A leading market position in emerging markets (Ranbaxy-Daiichi)
- Strengthening already leading position
- Lower costs by outsourcing (MTR-Orkla)
- Reduction in cost due to established business procedure in India
- Cost competitiveness (Ranbaxy-Daiichi)

Product

- Product portfolio
  - e.g. Suzlon-RE Power
- The acquisition would give Suzlon access to Europe.. Besides, RE Power's low margins and its product portfolio, which are complementary to that of Suzlon, are also an added advantage for this acquisition.
- Quality
  - e.g. Sprint-Nextel

Product quality of Nextel improved by Sprint after merger.

- Product failure
  - e.g. Sprint-Nextel
- The company's service has been spotty since the merger, marring its reputation. Problems with the old Nextel walkie-talkie service in particular prompted many customers to leave.

Benefits

- Complementary portfolio (Suzlon-RE Power)
- RE's products are complementary to that of Suzlon
- Old products and new markets & Vise versa
- Ranbaxy making cut-price, legal copycat drugs with a Japanese innovator company that only deals in premium-priced patented medicine.

Place

- Indian Market
  - e.g. MTR - Orkla's
- MTR will be able to assess Indian market as a possible future growth platform for Orkla's branded consumer goods business at close quarters.
- Global Market
  - e.g. Hindalco – Novellis
- With Hindalco's acquisition, India will be a major, even if invisible, presence in every store and supermarket in America and much of the world.

Benefits

- Scaling new geography
- Domestic business gets international exposure while foreign company's get better place in Indian market.
- Types of Integration
- Horizontal as well vertical integration is obtained.

Promotion

- Value promotion
- Sprint-Nextel
- Analysts acknowledged that wireless company has made some progress in attracting valuable customers that pay their bills every month, introducing cutting-edge devices and increasing its data services, which included music downloads and Internet phone service.

Steps to improve M&A success

- Merger by analyzing market segmentation, size, relative market share, leverage of buyers & suppliers.
- Selling the brand to customers, employees and investors…for improving market share
- Finding key 'relational' assets to drive cash flow as well as exploiting marketable 'deal making' factors.
- Due diligence
- Comprehensive analysis of sales trends and brand health
- strategic focus on branding and marketing analytics
- In-depth strategic review

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Mr. R.S.Verma

Business Strategies

This study analyses the merger in four industries and business strategy of the firms involved in these mergers.

Arcelor-Mittal Acquisition:

Arcelor Steel Company

- It was the second largest company in terms of steel output

Mittal Steel Company

- Mittal Steel was founded in 1976 in Kolkata and in 1989 as Ispat International in Sumatra in IndonesiaIt categorizes into steel industry which produces products like Steel, Flat Steel products, Coated Steel, Tubes and Pipes

Analysis of the Deal

The deal has brought out positives for both the companies. This can be suggested by the following PROS and CONS of the deal–

- Ability to enter into new businesses and market like Luxembourg, Senegal, Liberia and high-growth Chinese and Indian markets.
- The deal has turned into decreased competition and increased market share of the merged company.

Post-Merger Estimates:

- This merger will create world's largest steel company.
- Consolidated revenues of $72 billion and EBITA of $13 billion. Annual production capacity of 115 MT has been estimated and it would become three times of its nearest competitor.

Tata-Corus

This acquisition was the biggest overseas acquisition by an Indian company. Tata Steel emerged as the fifth largest steel producer in the world after the acquisition. The acquisition gave Tata Steel access to Corus' strong distribution network in Europe

Financing the Acquisition

By the first week of April 2007, the final draft of the financing structure of the acquisition was worked out and was presented to the Corus' Pension Trusties and the Works Council by the senior management of Tata Steel. The enterprise value of Corus including debt and other costs was estimated at US$ 13.7 billion

Tata-Jaguar Deal

Tata Motors-A Broad Profile

Tata Motors is India's largest automobile company established in 1945. It is also among the world's top five manufacturers of medium and heavy trucks and the world's second largest medium and heavy bus manufacturer. It entered the passenger vehicles segment in 1991 and now ranks second in India's in this market.

Tata Motors makes passenger cars, multi-utility vehicles and light, medium and heavy commercial vehicles.

Ford Motors - A Broad Profile

Ford Motor Company is an American multinational corporation and the world's fourth largest automaker based on worldwide vehicle sales, following Toyota, General Motors and Volkswagen. Global revenues of Ford motors in 2007 were $172.5 billion. Its main subsidiaries are Jaguar and Land Rover.

The Deal

Tata Acquired Jaguar on 26th March 2008. The acquisition price decided was $ 2.3 billion. The total funding was about $3bn for short term debt and remaining $0.7 billion was funded for working capital.

Betapharm- Dr. Reddy's Laboratories

On February 15, 2006, Dr. Reddy's Laboratories Limited (DRL), a leading Indian pharmaceutical company, acquired the fourth-largest generic pharmaceutical company in Germany, Betapharm Arzneimittel Gmbh (Betapharm) from the 3i Group PLC (3i) for US$570 million (€480 million).

Financing of the deal

Dr. Reddy's Laboratories, announced the completion of 100 per cent acquisition of Betapharm Group, Germany's fourth largest generic pharmaceutical firm, with a total enterprise value of 480 million Euros on Mar 07, 2006

Conclusion

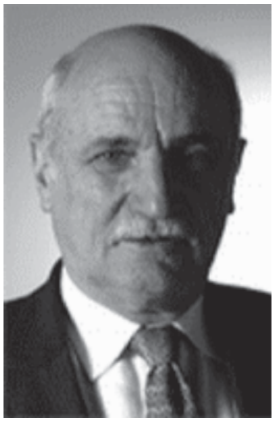
Many companies find that the best way to get ahead is to expand ownership boundaries through mergers and acquisitions. For others, separating the public ownership of a subsidiary or business segment offers more advantages. At least in theory, mergers create synergies and economies of scale, expanding operations and cutting costs. Investors can take comfort in the idea that a merger will deliver enhanced market power.

PRESENTATION

Related Cases

- ➔ Arcelor-Mittal
- ➔ Tata-Corus
- ➔ Tata-Jaguar
- ➔ Dr. Reddy-Beta Pharm

Acquisition of Arcelor Steel
By Mittal Steel

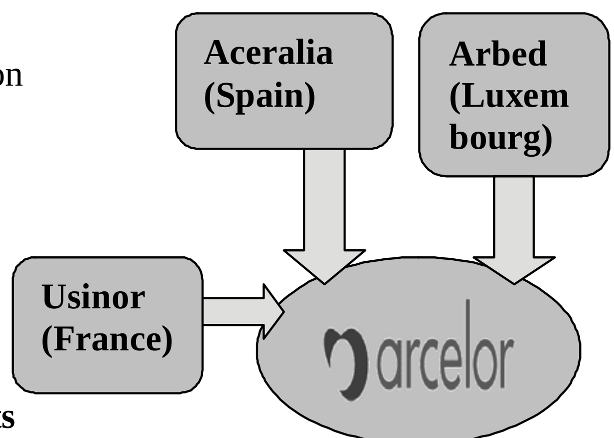


arcelor 25th June, 2006 MITTAL

ArcelorMittal

Arcelor Steel : A Broad Profile

- A merger of the then triplet, 2002
- 2nd largest in steel output
- World's largest steel producer on
- turnover basis



Year 2004

Turnover
(€30.2 billion)

Shipments
(45 million metric tons of steel)

Mittal Steel Company: A Broad Profile

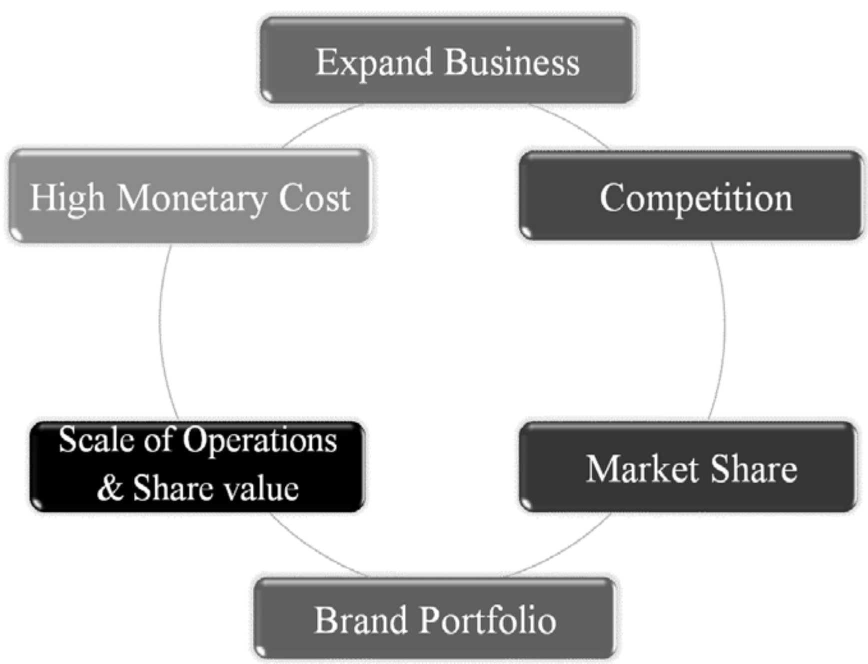
- Established in 1976, Kolkata, India
- Industry : Steel
- Products : Steel, Flat Steel products, Coated Steel, Tubes and Pipes
- Revenue : $28.132 billion USD for the year ended Dec. 2005

Strategic Intent Via Mission Statement

"To provide complete steel foundation

solutions to its customers on a worldwide basis"

Deal Analysis



Strategic Gains

- Wealth Creation - Consolidated Revenue -$72bn EBIT -$13bn
- Annual capacity 115 mn -metric tons
- Leadership positions
- World's largest steel company

TATA Acquires CORUS

Tata Steel: A Broad Profile

- Established in Jamshedpur, India, in 1907
- World's 6th largest steel manufacturer
- Operation in more than 20 countries and has a commercial presence in more than 50 countries
- Business Manufactures crude steel and basic steel products - for building and construction applications

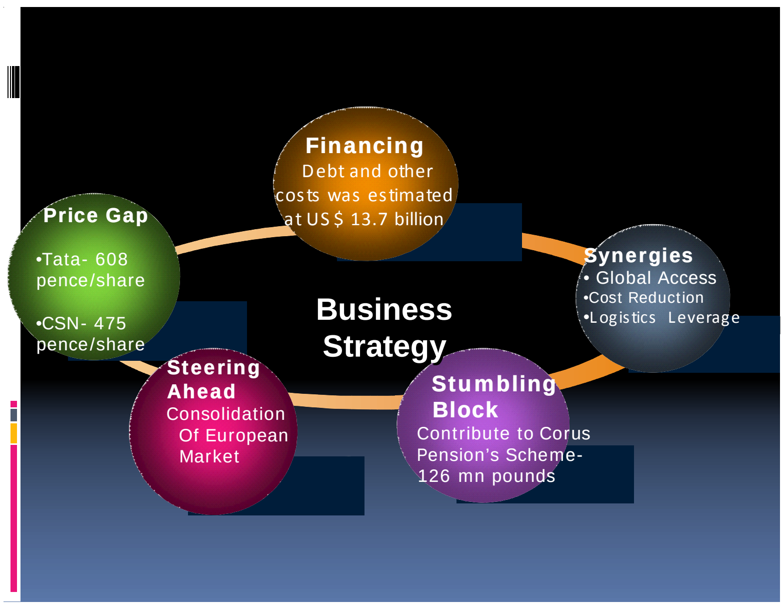
Corus - A Broad Profile

- Came into existence – 1967 (London)
- Business : Steel Manufacturing
- Revenue : £10,142 million (2005)

Strategic Intent Via Mission Statement

" To achieve sustainable, profitable growth in steel and related businesses"

Deal Analysis



Critical View