

From Single Acquisitions to Acquisition Programs

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Agenda

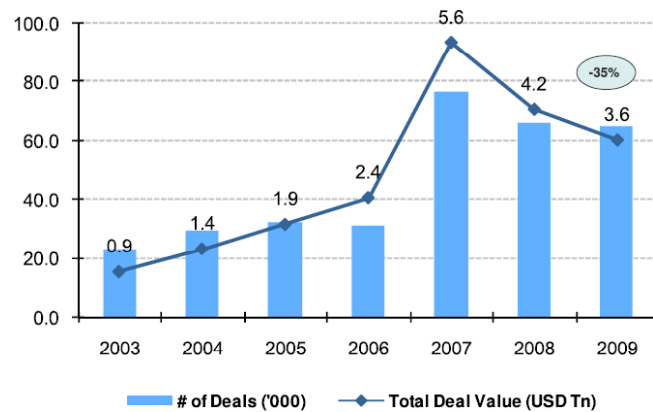
Some stylized "facts" on M&A

M&A programs

Performance of M&A programs

M&A Program Capabilities

The M&A Game: Global M&A activity



Source: Zephyr by BvD, Mergerstat 2009

Yet performance findings are somewhat sobering

Who benefits from M&A's?

- Shareholders of target companies who generally realize an acquisition premium of 35% or more (cash does better than stock)
- The broader economy and society because of the resulting gains in cost efficiency and more effective utilization of valuable assets such as technology and organizational capabilities

What about the acquirers?

- Across many research studies, the average return to the shareholders of the acquiring companies is zero.
- Some studies suggest that 50-70% of M&As do not succeed
- Productivity can drop as much as 50% following a merger announcement
- Leadership attrition soars to 47% within three years following a merger

But is this the whole story? Something does not add up here!

SABMiller

Before 1997 a South-Africa Based Conglomerate

Today World's 2nd largest Brewery

During 1997-2010 over 40 acquisitions establishing a
strong global position

Growth to over 26 Billion USD today



SABMiller's Acquisition strategy

Acquire underperforming assets in growing markets

Install management team to lead turnaround

Focus on operational efficiency

Develop volume brands



There are many examples of firms creating
successful acquisitive growth strategies.



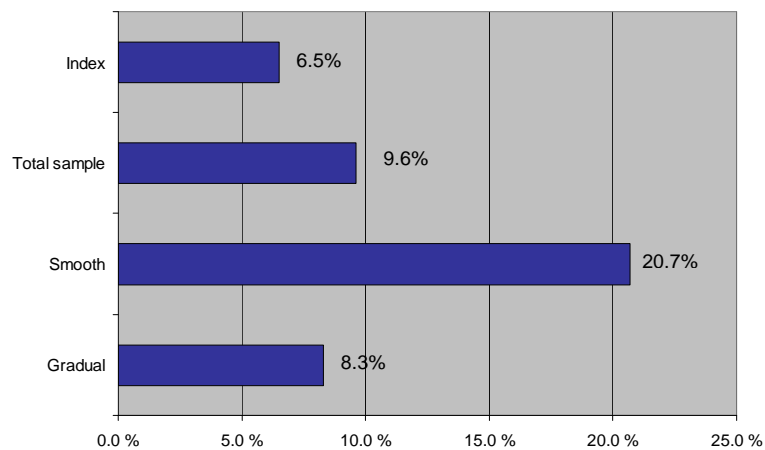
Acquisition versus acquisition program focus

	Acquirer emphasis on individual acquisitions	Acquirer emphasis on acquisition programs
Basic assumption	One-time events to act on an opportunity or to eliminate a threat	Sequences of actions to advance a firm's strategy in a systematic manner
Action trigger	Opportunity-triggered, emergent actions	Portfolio of targets, continuous follow-up
Nature of action	Reactive, opportunistic, 'one-shot' strategy	Planned, proactive, 'small step' strategy
Search scope	Proximate targets, local search scope	Extensive search, distant search scope
Critical capability	Capability to manage the acquisition process	Accumulation of acquisition capabilities
Potential challenges	Acquisitions without a sufficient, lasting strategic rationale	Overconfidence fuelled by successes early in the acquisition program

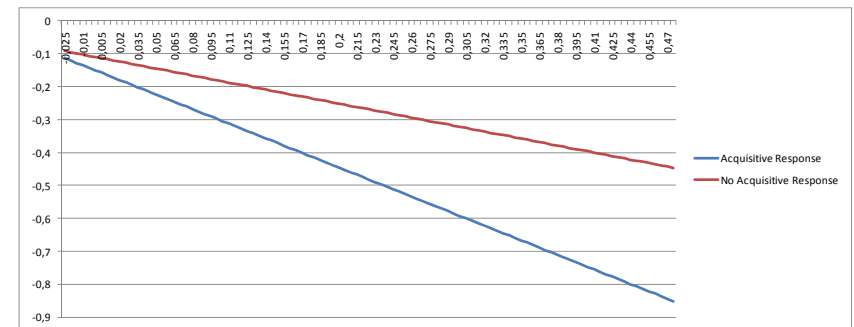
Are these firms doing systematically better?

Performance differences of acquisition strategies

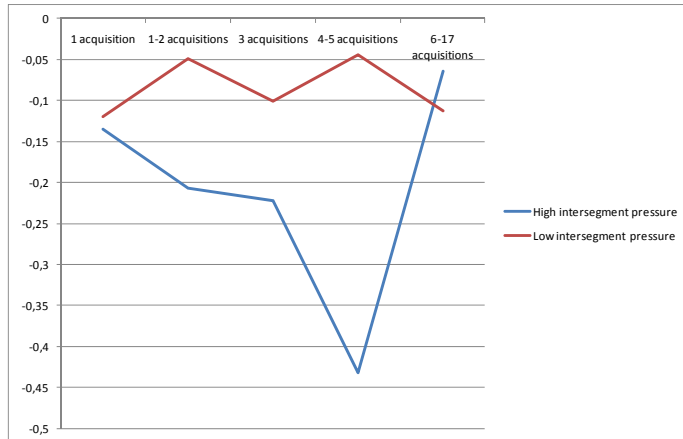
Median Yearly Growth (CAGR) in Market Capitalization, 13 years, 613 firms



Acquisition is not always the best response



Unless you do so very aggressively



And how do you drive performance in these acquisition programs?

Acquisition program capabilities

Program design

- Program scope
- Program pacing
- Multi- stage programs

Transaction management

- Evaluating higher order fit
- Managing serial integration

Acquisition function

- Program management
- Performance measurement
- Creating acquisition policies that support program execution

