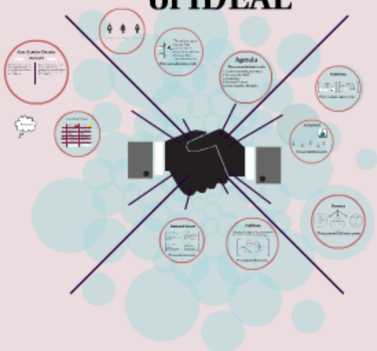
Olympic Group Acquisition of IDEAL



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Thank you for your attention

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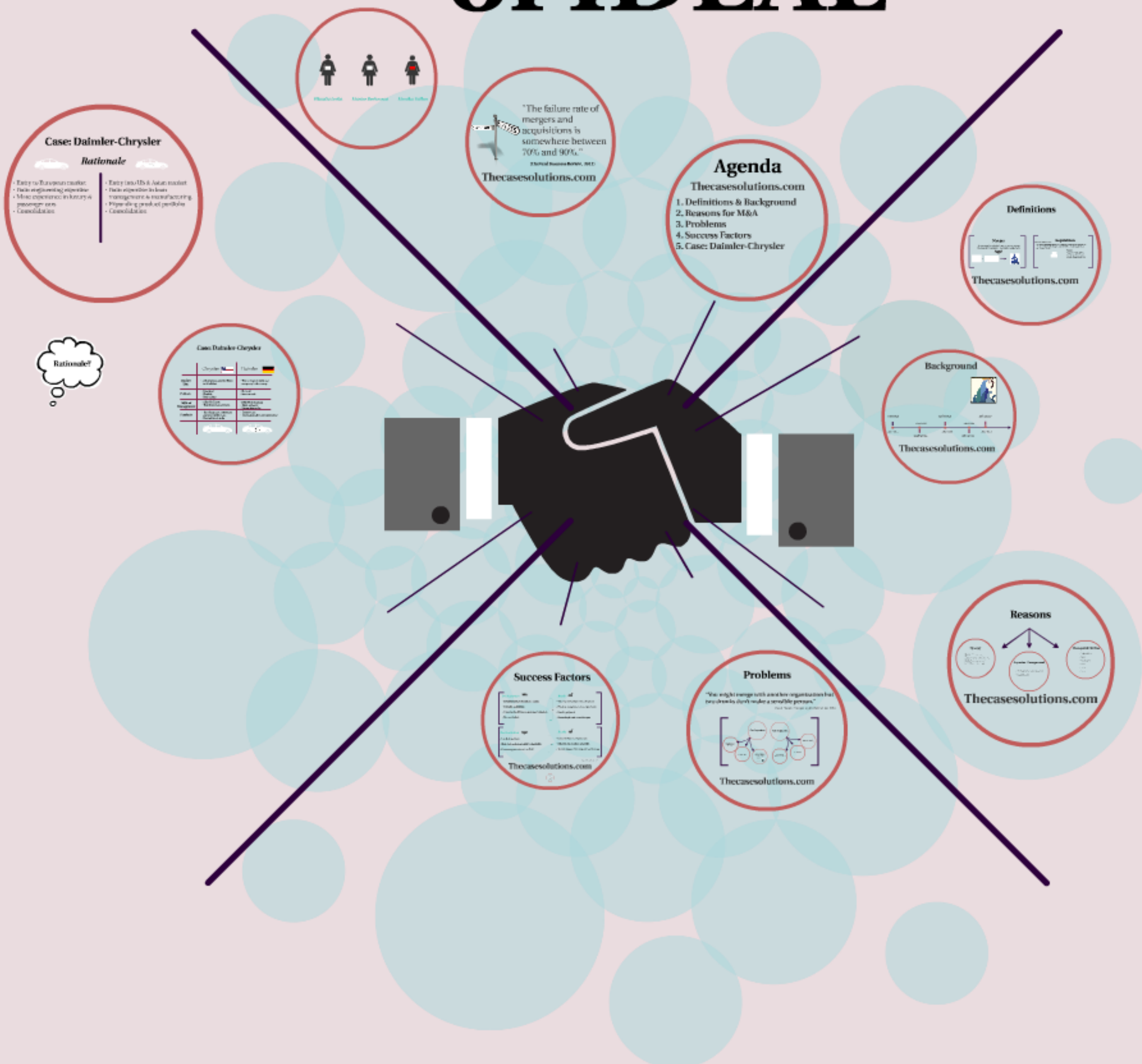

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"The failure rate of mergers and acquisitions is somewhere between 70% and 90%."

(Harvard Business Review, 2011)

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Agenda

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1. Definitions & Background
2. Reasons for M&A
3. Problems
4. Success Factors
5. Case: Daimler-Chrysler

Definitions

Merger

Is a strategy through which two companies agree to integrate their operations on a relative coequal basis.

AOL + TimeWarner → AOL TimeWarner

Acquisition

Is a strategy through which one company purchases 100 % shares of another company making the acquired firm a subsidiary business within its portfolio

Takover

It is an unfriendly acquisition. Target firm is not willing to sell the company's shares as well as compete the acquiring firms' bid

Background

1st Wave 1897-1904

2nd Wave 1916-1929

3rd Wave 1965-1969

4th Wave 1984-1990

5th Wave 1992-2002

Reasons

Synergy

- Increased market power
- Entry into new market and industry
- Economy of scale
  - Reducing costs of new product development
- Lower risk compared to developing new products
- Risk diversification
- Reshaping the firm's competitive scope
- Tax advantages
- Learning and developing new capabilities

Superior Management

- Elimination of inefficient management
- Capital allocation

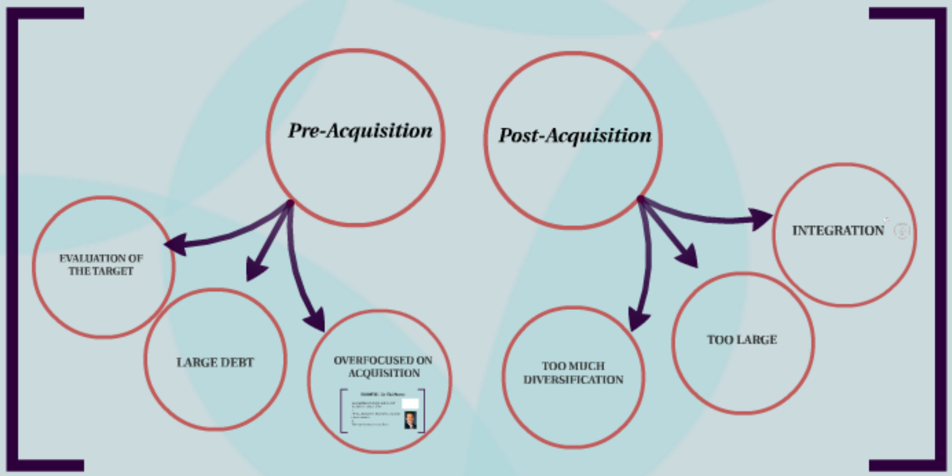
Managerial Motives

- Empire building
- Power
- Remuneration
- Status
- Hubris
- Survival

Problems

“You might merge with another organization but two drunks don’t make a sensible person."

(Gary Hamel, Competing for the Future, 1994)



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Success Factors

Pre-Acquisition

- Complementary resources / assets
- Friendly acquisition
- Effective due diligence & proper valuation
- Financial slack

Results

- Synergy and competitive advantage
- Effective integration, lower premium
- No overpayment
- Financing is easier and cheaper

Post-Acquisition

- Low debt position
- High degree of adaptability & flexibility
- Continuing investments in R&D

Results

- Lower risk, better reputation
- Effective integration, synergies
- Sustain long-term competitive advantage

Source: Ireland et al., 2013