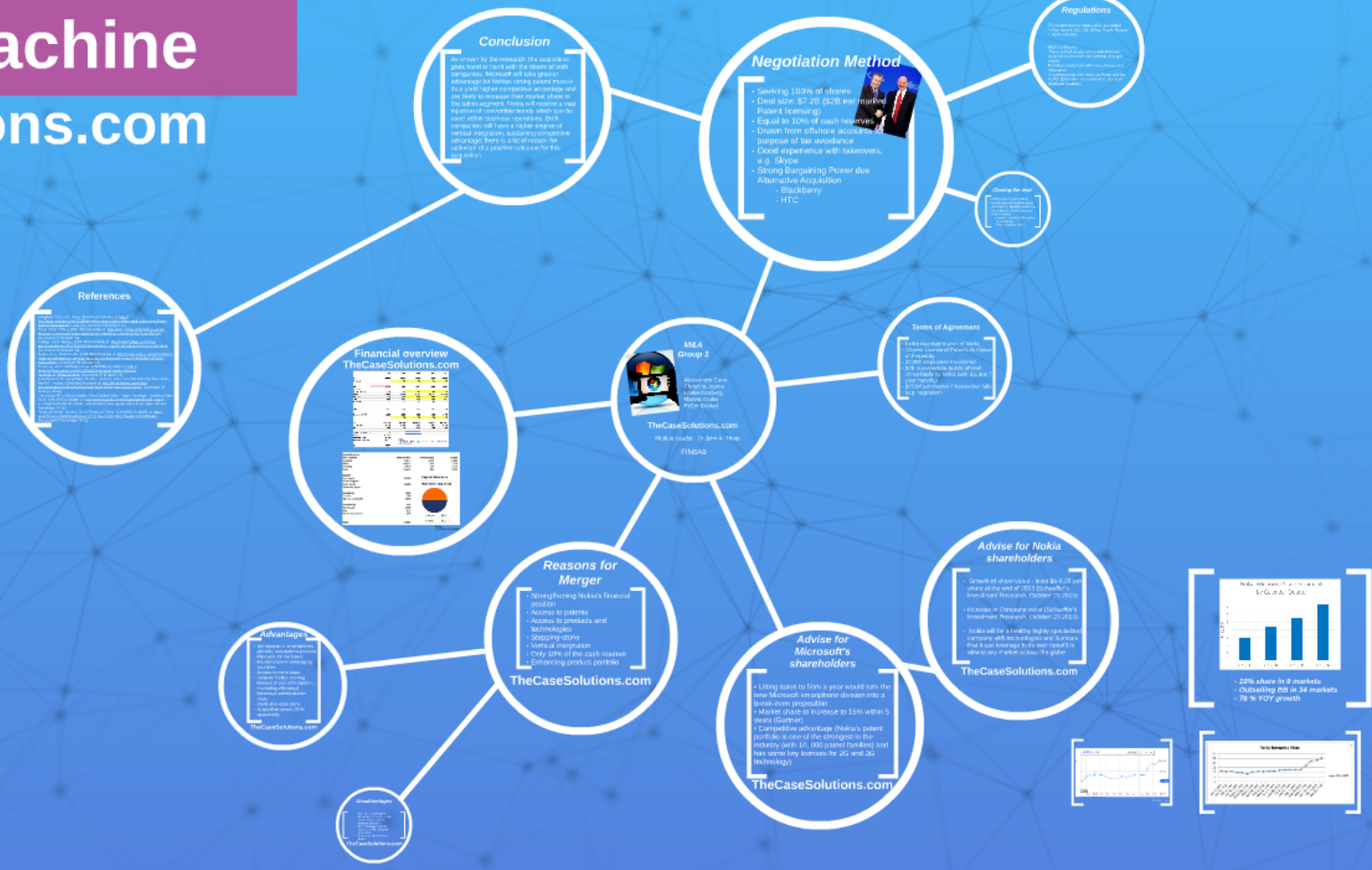


TYCO: M&A Machine

TheCaseSolutions.com



M&A Group 1



Alessandro Cava
Christina Jayme
Emilie Raaberg
Matteo Giulivi
Petter Ekblad

TheCaseSolutions.com

Module Leader: Dr John A. Thorp

FIN6A9

Financial overview

TheCaseSolutions.com


	2012	2013	2014	2015	2016
Sales	30177	31686	33270	34934	36680
% growth		5%	5%	5%	5%
EBIT	-2303	-119	1967	1621	1834
% growth			6%	5%	5%
% EBIT margin	-8%	0%	6%	5%	5%
Taxes	-598.78	-30.94	511.42	421.46	476.84
Tax rate	26%	26%	26%	26%	26%
D&A	1326	1392	1462	1535	1612
% of sales	4%	4%	4%	4%	4%
CAPEX	-461	-400	-350	-300	-300
Change in NWC	-1190	-1250	-1312	-1378	-1446
		5%	5%	5%	5%
FCF	-3226.78	-407.14	2278.36	1899.90	2176.17
Discount Factor	0.905	0.818	0.740	0.670	0.606
PV	-2920	-333	1686	1273	1319
perpetuity growth ra	2%				
WACC	10.54%				
Terminal Value	25992				
Terminal Value PV	15751				
EV	16775				

Source: Bloomberg
 Nokia, 2013, Nokia In 2012, [online]. URL: <http://1.nokia.com/2013/09/22/229988/dna/1/>
 Nokia in 2012 and 2013 accessed at 20 of October

Capital Structure	Maturity date	Amount (mil)	Coupon
Debt Structure			
Nokia Oyj	Feb-14	1,724	5.50%
Nokia	May-19	1,000	5.37%
Nokia Oyj	Feb-19	689	6.75%
Nokia	May-39	500	6.62%
Weights			
Debt weight	50.10%		
Outstanding debt			
Equity Weight	49.90%		
Outstanding equity			
Cost of Debt	5.50%		
Tax rate	26%		
After tax cost of debt	3.85%		
Cost of Equity	17%		
Risk free rate	3.32%		
Beta	1.44		
Market risk premium	13%		
WACC	10.54%		

Capital Structure

Most Recent (Sep 2013)



Equity	49.9
Debt	50.1

Source: Morningstar & Bloomberg

Reasons for Merger

- Strengthening Nokia's financial position
- Access to patents
- Access to products and technologies
- Stepping-stone
- Vertical integration
- Only 10% of the cash reserve
- Enhancing product portfolio

TheCaseSolutions.com

Advantages

- 3rd position in smartphones globally, acquisitions protects Microsoft for the future
- Market share in developing countries
- Access to more Apps
- reduced friction moving forward (Pace of innovation, marketing efficiency)
- Decrease administration costs
- Centralize operations
- Acquisition grows OEM opportunity

TheCaseSolutions.com

Disadvantages

- It will be a challenge for Microsoft to turn around the course of the handset business of Nokia
- Brand damage if growth does not follow expected projections
- Increased administrative burden

TheCaseSolutions.com

Advise for Microsoft's shareholders

- Lifting sales to 50m a year would turn the new Microsoft smartphone division into a break-even proposition
- Market share to increase to 15% within 5 years (Gartner)
- Competitive advantage (Nokia's patent portfolio is one of the strongest in the industry (with 10, 000 patent families) and has some key licenses for 2G and 3G technology)

TheCaseSolutions.com

Advise for Nokia shareholders

- Growth of share value - least \$8-8.25 per share at the end of 2013 (Schaeffer's Investment Research, October 23 2013)
- Increase in Company value (Schaeffer's Investment Research, October 23 2013)
- Nokia will be a healthy highly-specialized company with technologies and licenses that it can leverage to its own benefit in almost any market across the globe

TheCaseSolutions.com