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Mergers & Acquisitions
– Value Creation through the Realization of synergies

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Executive Summary

Synergies are often used as the justification for pursuing an acquisition of another company. The desire to achieve the well-known $1 + 1 = 3$ spurs companies to strive to achieve synergies through acquisitions. However, there is significant evidence that *the average* transaction does not create post merger value and therefore, you may wonder why companies continuously pursue acquisitions.

Theoretically, when realizing synergies; an extensive integration process, management, planning, and financial evaluation are essential for the realization of synergies to succeed. These findings are in general consistent with those of experienced professionals who, additionally, emphasise communication, people, and the underlying assumptions of the acquisition as key elements of successful synergy realization.

Empirical evidence show that *the average* M&A transaction creates value for the target company's shareholders, destroy value for shareholders of the acquiring company, and break-even when evaluating the combined company after the merger. In Denmark, the evidence does not differ from the global results and based on acquisitions in 2004 and 2005, companies did not perform above average. To deviate from the empirical evidence a clinical study of Vestas Wind Systems A/S' acquisition of NEG Micon A/S in 2004 showed that M&A is not an easy task. Cultural integration and an overall strategy for the combined company turned out to be the decisive factor for the development of Vestas after the merger. Also, Vestas struggled to overcome significant failures in the turbines and implementing the goal to overcome this into the vision and strategy turned out satisfactory.

Overall, the project has come to three groupings of recommendations;

- The strategic fit and underlying assumptions. Understanding the target company and preparing the process based on the underlying assumptions is essential.
- Synergies. No matter which synergies are expected, the valuation and assessment are of great importance.
- A strong common vision. A powerful common vision of the combined company creates coherence across the company and determines an overall future strategy. In this case management is key.

Paying attention to these three areas; strategic fit and planning, synergy assessment and evaluation, and management, companies should be better suited to achieve success in the acquisition process.

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III. Structure of the Project

In order to provide an overview of the project, the figure below illustrates the structure and the main sections of the paper.

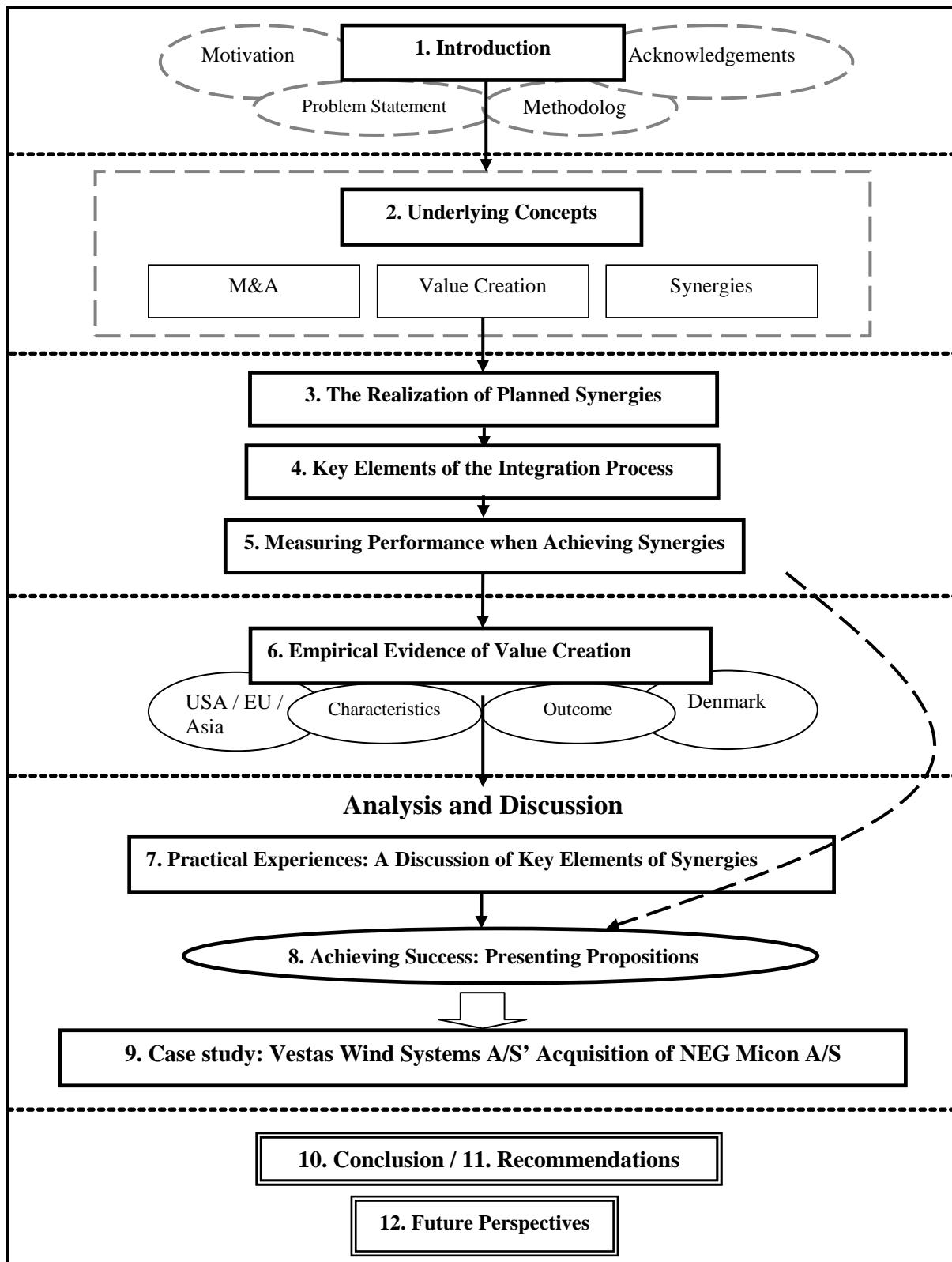


Figure 1: Structure of the project (Own contribution)

The reader should imagine the structure of the project as a funnel narrowing down from the broad conceptual framework, through theory, empiric, and professional insights towards a single-case in-depth analysis.

In order to reach the final analysis the project is divided in six overall sections; an introduction, a presentation and discussion of the concepts used, a theoretical framework concerning the realization of synergies and measurement of performance, a global empirical review of post merger performance and a study of the performance in Danish companies, a case study analysis and following discussion, and finally the conclusion, recommendations, and future perspectives.

This project entails an extensive scope of appendices due to the interviews and other facts included. For the reader, the large amount of paper may limit the pleasure of reading the following project and therefore, all appendices are available on the enclosed CD-ROM and the only physical appendix in this paper is the list of appendices on the CD-ROM.

1. Introduction

1.1. Motivation

My motivation for initiating this project has its foundation in the complexity of carrying out a M&A transaction. Strategy, management, organization, and financing are all elements of the process which should be combined into a higher unit and as such the path to success is a “rocky road”. Throughout my studies I have come about all the elements of a M&A transaction. However, combining these elements and making them work together to create value is a new aspect for me. I have chosen to focus on value creation through the realization of synergies as making 1 + 1 equal 3 is a desired form of art within corporate management. I find it very interesting to examine the underlying factors of this process towards creating value. Finally, looking into a single Danish case is for me a desirable way to get extensive knowledge on how one specific company has operated in order to achieve the desired outcome – and to see if it has been successful.

1.2. Problem Statement

Targeting and acquiring another company is often based on different objectives varying from company to company. Synergies are often used as one of the main arguments for combining two entities; however, little attention is given to the actual realization of those synergies. Furthermore, the activity, value, and size of M&A transactions are increasing and a common perception is that M&A not automatically creates value. With the objective of the realization of synergies in mind, this leads to the following main problem:

How do companies create value by realizing planned synergies
throughout the acquisition process?

To answer this overall problem statement it is necessary to answer the following sub questions:

- Theoretically, how are synergies realized, and in what phase(s) of the acquisition process are synergies realized?
- What is the empiric evidence of the general value creation in M&A? How is it specifically in the Danish market?
- How do companies with an extensive track record of transactions and M&A experts assess the realization of synergies?

-
- What are the characteristics and experiences of a Danish transaction with regard to the realization of synergies and the following outcome?

In order to fully encompass the above problems, it is important to understand the conceptual framework and developments of M&A, value creation, and synergies.

1.3. Methodology

To answer the problem statement, this project consists of four methodologies; theory, empiric, interviews, and a case study. The goal is to create a varied picture of the topic and induce different viewpoints in order to come to a valuable conclusion.

The main literature regarding the theoretical study is primarily based on academic articles and books, while newspaper articles may be used as secondary literature.

The empirical section is in part based on previous studies in order to provide a review of the overall global evidence on value creation. My own empirical study on value creation in Danish companies is based on data collected from the database Zephyr and the OMX Copenhagen PI Index.

The interviews with professionals with insights into the acquisition process are of qualitative and explorative form as the structure is open and only the main areas to be covered are planned in advance (Kvale, 2008:126). The parties in the practical discussion are selected on the basis that each of them should possess extensive knowledge within the area of M&A. It is my opinion that the experts' experiences can contribute to a varied picture of the different aspects of an acquisition.

The final analysis is based on a case study in order to provide an in-depth analysis of a single case. The case study is based on Yin's (2009) approach to case study research. The reason why a case study is performed is due to the fact that the central point of case study research is that the method tries to enlighten one or a set of decisions: why they were taken, how the decisions made were implemented, and with what outcome. As M&A is based on the decision making of a company, the case study method is therefore applicable on this event.

One concern of the case study method is that it gives limited basis for scientific generalization (Yin, 2009:15). The simple answer to this concern is that case studies are able to generalize with regard to theoretical propositions and not entire populations or universes. As such, the case study research does not represent a sample and the aim when performing a case study is

to expand and generalize theories – analytic generalization, and not to specify frequencies – statistical simplification. Based on this, the exact aim of the project is to expand the theory of realization of synergies through the acquisition process and see if theory and practice correspond. An extensive discussion and determination of the case study and the research design are presented in appendix 1.1 and 9.1.

1.3.1. Validity of Data and Resources

The selection of literature is varied and based on academic articles covering the topics of the project. An extensive range of articles have been written in the beginning of the new millennium and several of them are based on extensive periods of observations. Although some of the primary sources are a five to ten years old, it is hard to find newer similar articles as a wide range observation would then not be present.

The empirical review of the evidence of value creation was based on a sample of 15 academic semi-strong (Bruner, 2004) studies performed over an extensive time period. The studies selected are judged to be 1) sufficient to provide a foundation for discussing the results, 2) valid as the studies are performed by high-profile academics, and 3) the studies are all comprehensive with regard to their content. A majority of the studies are performed as event studies which are a widely used and acknowledged method of academic examination (Armitage, 1995). Therefore, the reported results may be considered highly valid.

For the study of Danish companies, the database Zephyr was used to withdraw data. Additionally, OMX Copenhagen PI Index was used to withdraw data on stock prices. The database and data from OMX Copenhagen are unquestionable as the databases are both acknowledged.

The interviews performed were with highly skilled professionals having deep insight into the acquisition process. According to Kvæle (2008:187) no perfect interviewee exists, however, the interviewees' experiences, knowledge and insights are judged to be of great importance for the project. The interviews are elite interviews since the interviews are characterized by long and detailed explanations which are characteristic for experts (Kvæle, 2008:167). Overall, the participants' motivation and engagement in the project also justify their contribution. The interviewees are affected by subjectivity and this is taken into account when analyzing the outcomes. It is most likely, that it would not be different in the case of other interviewees when you take the purpose and design of the discussion into account.

For the case study research the sources are publicly available information. Interviews with employees within the company were desirable but Vestas did not wish to participate.

Providing insights on a given transaction might include sensitive information and the reluctance to reveal competitive strategies must be respected. There is plentiful information on the company's web site, however; it is important to recognize that this information is characterized by a high degree of subjectivity. Getting insights directly from the company would have been of great value however, the web material combined with external information is found sufficient for the desired outcome of the project.

1.3.2. Delimitation

When the project refers to M&A it is not the partial implementation of two companies which is considered, but rather the "pure" form of an acquisition. No section in the project defines and outlines the basics of M&A as it is the assumption that M&A as a form of corporate restructuring is well-known by the reader. With respect to the theory concerning M&A, the project will not provide a theoretic discussion of M&A theories. Also, the acquisition process is not discussed in detail. Neither are the legal aspects nor the accounting measures of M&A of a transaction dealt examined.

To examine if deals create value an extensive empiric study of the performance of acquiring companies over time is a possibility. This study would be very time consuming in terms of data collection, delimitation of markets, scope of the study and information available and this lies outside the scope of this project and hence, only a limited study of the Danish market is carried out.

1.4. Acknowledgements

Primarily, I would like to give my appreciations to my academic supervisor Thomas Einfeldt from Copenhagen Business School. Thomas has from the beginning been flexible, committed, and has throughout the process delivered high-quality guidance.

Great thanks to the participants in the practical discussion; Jesper Svarer Nielsen, Vice President from ISS A/S, Dr. Christian Schopper from the University of Vienna, Kaare Damgaard (Transaction Services) and Anders Brønnum-Schou (Corporate Finance) from KPMG, and Mikkel Krogslund Andersen, Partner at Implement, Denmark and consultant within Strategy and Growth.

I would also like to thank my friends Stine Nagstrup Kjær and Tomi Lakkonen who have helped proof-reading the project.

2. M&A, Value Creation, and Synergies

In order to determine the underlying concepts of the project, this section discusses the cycles of M&A activity and the drivers of M&A transactions, value creation, and synergies.

2.1. Mergers & Acquisitions

Initially, it is important to define M&A as this notion will be used throughout the project; A merger refers to the combination of two companies. This entails that a new organization structure appears from the two companies combined. On the other hand, an acquisition is one company buying another (Bruner, 2004:12). In general in the literature the two terms are used without distinction – an approach which will be followed in this project.

Following, the development of M&A activity and the motives and drivers of M&A will be outlined and discussed.

2.1.1. The Cycles of M&A

M&A activity has historically emerged in waves which are divided into six periods each characterised by different means as defined by Boston Consulting Group (2007), Bruner (2004), and Weston and Weaver (2001) and illustrated in figure 2 below.

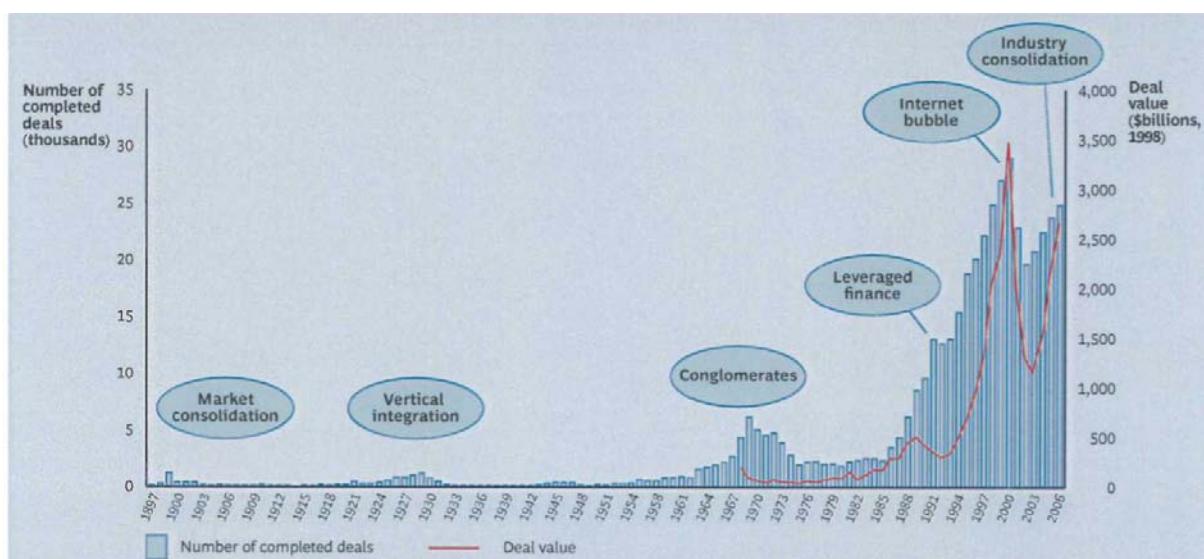


Figure 2: The six merger waves over the past century (Boston Consulting Group, 2007:9)

The development of the global economic conditions and the development of worldwide GDP affect M&A activity (Economic Outlook, 2007). The characteristics of a strong economy are low inflation, low interest rates, high corporate profitability, continuing liberalisation and

deregulation, and the progressing globalization which open up investment opportunities (Economic Outlook 2006/2008). All of these characteristics drive M&A activity.

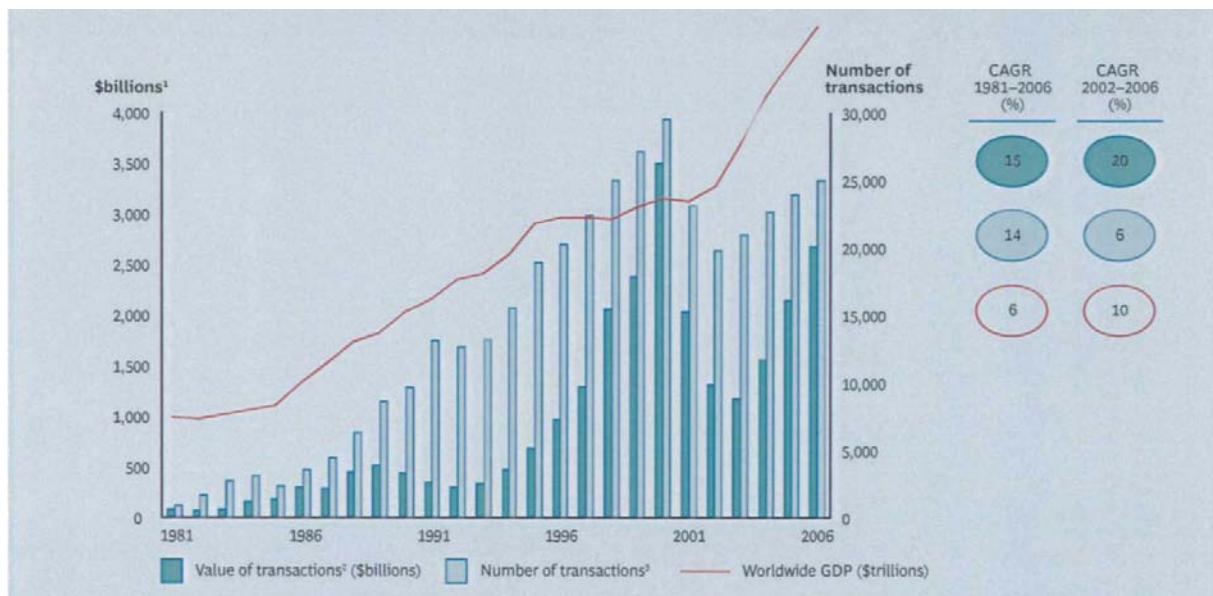


Figure 3: Growth development of M&A volume and value (Boston Consulting Group, 2007:10)

As illustrated by figure 3, the increase in M&A activity has, to a great extent, followed the development of worldwide GDP. Furthermore, the value of transactions has increased significantly and as such, from 2002 to 2006 the aggregate value of worldwide transactions amounted to 20 percent of compounded annual growth rate in the same period.

The increased M&A activity as well as the increased value of transactions implies that more attention and caution to successful transactions must be given since more and more is at stake.

2.1.2. Motives and Drive Forces of M&A

In the attempt of growing, companies have two alternatives; organic growth or growth through acquisitions. Depending on the strategy and vision of the company, acquisitions may be one of the means by which the company grows. General factors drive acquisitions and some of them are outlined subsequently.

- *Market opportunities* for acquisitions may arise from, among others, market conditions, industry conditions, and economic and financial developments as described above in section 2.1.1. - The Cycles of M&A.

-
- *Risk reduction*. In order to secure supply, distribution etc. acquisitions can be driven by a company's desire to reduce the risk of losing a supplier or reduce the risk of competition by acquiring a common supplier or distributor.
 - *External opportunities*, such as deregulation, interest rates, economic growth, industry and market trends, globalization, and the development of technology are other drivers of M&A decisions.

Seven different motives of mergers are presented by Trautwein (1990) who subsequently group them into three groups ranked after plausibility. First, are the valuation, empire-building, and process theories. Next, are the efficiency and monopoly theories of merges and finally, the raider and the disturbance theories which are judged to be the least plausible motives of mergers (Trautwein, 1990). The figure below illustrates each of the seven theories and highlights their underlying assumptions.

Mergers as rational choice	Mergers benefit bidder's shareholders	Net gains through synergies	Efficiency Theory	
		Wealth transfers from customers	Monopoly Theory	
		Wealth transfers from target's	Raider Theory	
		Net gains through private information	Valuation Theory	
Mergers benefit managers		Empire-building Theory		
Mergers as process outcomes		Process Theory		
Mergers as macroeconomic phenomena		Disturbance Theory		

Figure 4: Theories of merger motives (Trautwein, 1990:284)

Trautwein (1990) supports his arguments with his survey of merger motives and the evidence of each theory. Trautwein's preferred grouping is based on scarce evidence and, additionally, Trautwein presents that several academics support the efficiency theory which, according to Trautwein, should not be the most plausible motive. Based on academic and professional support the efficiency theory should not be rejected, rather considered as the predominantly

motive of mergers in spite of Trautwein's (1990) arguments. This approach of supporting synergies as one of the main drivers of M&A is further supported by Habeck, Kröger, and Träm (2000:55) who argue that synergy – and hence the efficiency theory - is an essential driver of M&A.

2.2. Value Creation

The definitive test of corporate strategies is whether they create value for the shareholders of the company. When referring to value creation it is the extent to which the return of an investment over a period of time exceeds the cost of capital for that investment. Laznoick and O'Sullivan (2007:14) state that corporations should primarily be run in the interest of shareholders. Investments in the interests of shareholders have changed over time from “retain and invest” to “downsize and distribute”, and recently to “creating shareholder value” (Laznoick and O'Sullivan, 2007). This change has been spurred by changing industry conditions, competition, internationalisation, the influence of institutional investors, and the innovation of hostile takeovers in the 1980s.

As presented in section 2.1.1. - The Cycles of M&A, the frequency and value of transactions have increased significantly over decades. As such, due to the risk of destroying shareholder value, it is important to recognize the importance of value creation. Also, not only the increased frequency and size of transactions emphasise the importance of success, but also, M&A is one of the most extensive initiatives pursued which may change the economic and organizational structure of the company extensively (Parvinen and Tikkannen, 2007). As such, negative outcomes can have a substantial effect.

Although corporations should act in the interest of its shareholders it is important to recognize that the objectives of managers may differ from that of shareholders as managers act, as other people, in their self-interest (Rappaport, 1998). The difference in objectives and the discussion of this issue has its foundation in Berle and Means' theory on separation of ownership and control in the 1930s (Fama and Jensen, 1983). The discussion has consequently imposed focus on the conflicts of interest between managers and shareholders. This is also known as the principal-agent theory which requires monitoring of managers by shareholders - this is, however, hardly feasible. As presented by Parvinen and Tikkannen (2007), information asymmetries and limited incentives cause managers to act in their own interest. This issue raises the need for incentive systems that motivate managers and create incentives for them to act in the interest of shareholders. The composition of the right

incentive system is extensive and outside the scope of this project. Therefore, no further examination of this topic is carried out.

2.3. Synergies

Synergy originates from the Greek word *synergos* (Goold and Campbell, 1998:133) which means working together and achieve more than separately. In popular terms, synergy is defined as $1 + 1 = 3$ since synergies are business measures that increase the value of the combined business entity more than the sum of its separate units.

This section discusses synergistic theory, the valuation of synergies, and ends with a short examination of potential pitfalls of synergies.

2.3.1. Synergistic Theory

A wide range of academics discuss the various types of synergy (e.g. Mulherin & Boone, 2000; Howell, 1970; Goold & Campbell, 1998; and Bradley, Desai, and Kim, 1988). For the following determination and discussion, three groupings of typologies of synergies have been selected based on four authors' definitions. The synergy typologies are outlined below.

Patrick A. Gaughan <ul style="list-style-type: none">• operational• financial	Michael A. Hitt <ul style="list-style-type: none">• operational• financial• managerial	Alfred Rappaport / Erik Devos et al <ul style="list-style-type: none">• market power• operational• financial• tax shields
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Figure 5: Overview of authors framing synergy typologies

First, Gaughan (2007) presents operational and financial synergy. According to Gaughan, operational synergy appears in the form of revenue enhancements and cost reductions. Financial synergy is achieved when the cost of capital may be reduced through the combination of two companies.

Second, Hitt (2001) presents three components of synergy; operational, financial, and managerial synergies. Operational synergy is achieved when the cash flow from operations is improved whereas financial synergy is achieved by interest tax shields, the change in capital

structure, and financing. Managerial synergy is created when additional value is created through the decision makers' ability to integrate the two companies and create competitive advantage.

The above typologies of synergy can be compared to Rappaport (1998) and Devos, Kadapakkam, and Krishnamurthy's (2008) definition of synergies into market power, operating synergy, financial synergy, and tax shields. Market power is achieved through the enlarged size of the company. Operational synergy is achieved through scale economies and financial synergy is created by the mean of reducing risk and lowering the cost of capital. Finally, tax shields are created from increased interests of the combined entity.

From the above presentation of different definitions of synergy, operational and financial synergies are present within all three frameworks. However, the financial determination of synergies is inconsistent with the market efficiency theory and should as such not be feasible as argued by Fama (1970) and further supported by Devos, Kadapakkam, and Krishnamurthy (2008) who present that an insignificant number of transactions are due to financial synergies and emphasise therefore operational synergies as drivers of value creation.

2.3.2. Cost Synergies vs. Revenue Synergies

The above presented operational synergies can be categorized into two types of synergies; efficiency/cost synergies and revenue/growth synergies. Efficiency synergies are the most popular synergies to chase as cost reductions are relatively easy to realize through layoffs, combination of headquarters, and other opportunities for cutting costs when combining two companies (Habeck et al., 2000). However, Habeck et al. (2000) argue that potential upside is, in fact, in revenue/growth synergies as cost reductions are not a driving force which will strengthen the company in the future. Therefore, the most attractive approach to acquisitions is the realization of revenue synergies. Measuring cross sales, umbrella brands, extended customer focus, and potential additional sales etc. is difficult and leaves the company in a grey area when evaluating potential synergies and use them as a foundation for the negotiation. Cost synergies are possible to quantify and therefore to include in the price because they are controllable - i.e. no customers can influence them by suddenly changing preferences.

2.3.3. Valuation of Synergies

The potential synergies are the basis for the acquisition premium paid. The total synergistic gain of a successful transaction is described as the change in the wealth of the shareholders of the target firm (ΔW_T) plus the change in the wealth of shareholders of the acquiring firm (ΔW_A) (Bradley et al., 1988):

Equation 1: Total synergistic gain

$$\Delta \Pi = \Delta W_T + \Delta W_A$$

Based on this, the premium to be paid for the target company should be as high as $\Delta \Pi$. Paying too high a premium entail failure of the acquisition if the advantages achieved through the acquisition do not exceed the premium paid (Kode, Ford, and Sutherland, 2003:29). Companies must strive to achieve synergies higher than the premium paid or at least achieve positive synergies (Sirower, 1997:51).

The valuation and assessment of synergies and thus the premium paid for a company is an essential part of the transaction. Therefore, this section is to discuss the methods of valuating synergies in order to examine a feasible technique to justify the premium paid. Also, the Winner's Curse will be discussed.

The risk of overpaying requires managers to pay even greater attention to the valuation of synergies as they, as presented above, are a part of the justification of the acquisition price. Synergies are usually valued by using the Discounted Cash Flow method. Christensen and Hersøe Sørensen (2007) have come to the conclusion, that the DCF method combined with the Monte Carlo method gives a good framework to value synergies, as you can adjust more parameters in the Monte Carlo model. The combination of the DCF method and the Monte Carlo model gives the user the possibility to assess several outcomes of the transaction and come as close as possible to a reasonable price to pay for the company. When assessing the various cases of potential synergies, the company is able to create a spread which it can move within under the negotiations of the price to be paid. The advantages of having a precise assessment and valuation of synergies enables the company to come as close as possible to the target's stand alone value and hence capture most value (Kode et al, 2003).

The Winner's Curse

"In competitive takeover bid situations, the winner tends to be that bidder who most overestimates the true value of the target company" (Varaiya & Ferris, 1987:65).

The Winner's Curse is a vital risk of transactions as paying too much will, most likely, affect the subsequent results negatively. Varaiya and Ferris (1987) examined 96 acquisitions over a period of nine years with regard to winning bid premium and the market's estimate of the maximum payable premium. The study showed that, on average, the winning bid exaggerated the market's expectations. In the case of 58 percent of the companies paying higher than the market estimation, the average excess return was – 14 percent. For those companies not overstating the market's assessment, the same number was 13.4 percent. Therefore, it is not only misvaluation of synergies, but also the number of competitive bids, which may affect the outcome of a transaction.

2.3.4. Pitfalls of Synergies

Achieving synergies is not certain when combining two organizations. Constraints and interdependency as well as negative synergies are elements to consider and the following section will introduce these concepts. In the subsequent part of the project the pitfalls of synergies will not be considered further and therefore, this section is primarily to make the reader aware of the existence of these pitfalls.

Negative Synergies

When the combination of two companies incur higher costs or lower revenue the combination is said to create negative synergies which is equal to pure value destruction. The value is not only destroyed; competitors get the opportunity for strengthening their position against the acquiring business (Sirower, 1997). In the case of negative synergies due to diseconomies of scale or other costs the initial combination may be divested when companies experience that they cannot operate efficiently as one big company (Fulghieri and Hodrick, 2006).

The Capacity and Contagion Effects

In the quest for synergies restraints may occur when two companies are combined. When two entities are integrated, two mechanisms affect the allocation of potential outcome as presented by Shaver (2006):

1. The contagion effect: when two companies are integrated to efficiently achieve synergies, they become interdependent and therefore, economic shocks will affect both entities combined instead of the two previous individual companies.
2. The capacity effect: when the use of capacities of the underlying resources is increased capacity constraints occur. Therefore, in case of positive shocks in the environment which increase demand, the combined unit will experience constraints and will not be able to respond to the enlarged demand.

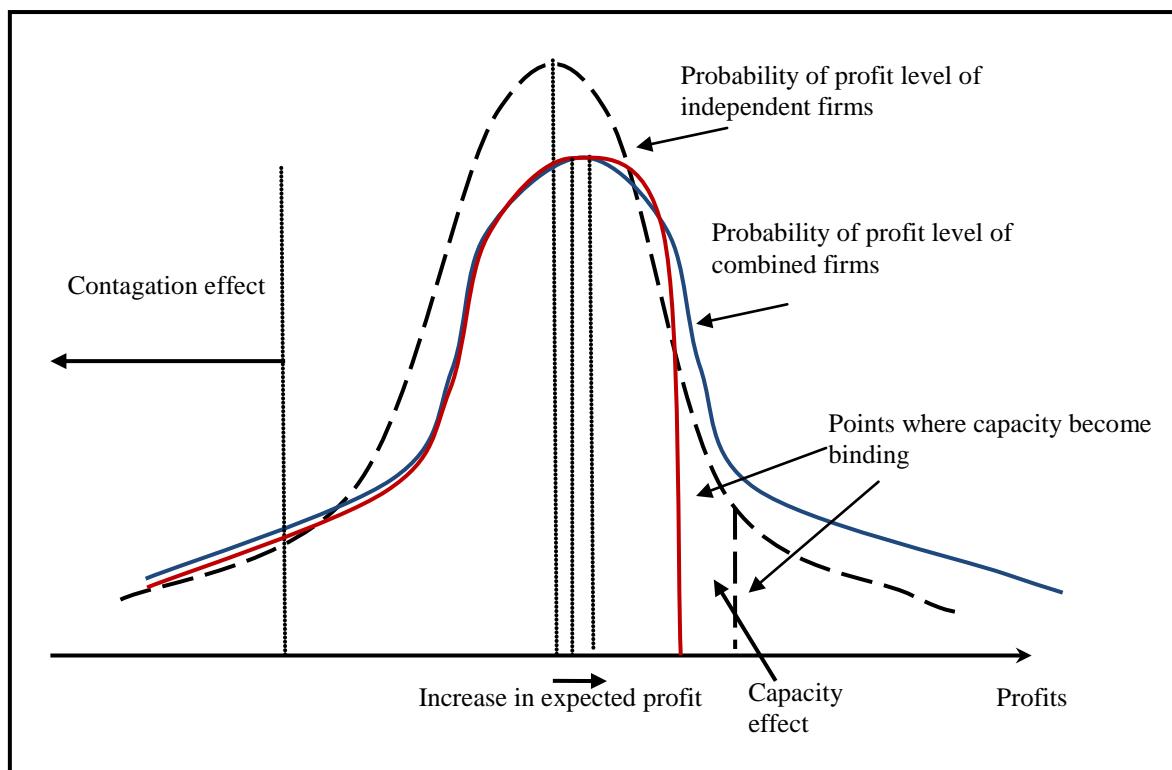


Figure 6: Contagion and capacity effect when the expected outcome is positive (Shaver, 2006:965 -967)

The figure above illustrates the potential risk of contagion and capacity constraints entailed by the integration of two companies. It is portrayed how the profit may be affected. These risks of constraints and effects of shocks to the economy must be taken into consideration when combining two units. Shaver emphasises the importance of the formulation and implementation of the acquisition strategy as failure to do this properly increases the risk of limitations.

2.4. Conclusion

M&A activity has varied over the last century and has been influenced by general economic and financial conditions. Although the efficiency theory was not deemed as the most plausible motive of mergers, academics argue otherwise. Over the years, corporations have changed their perspectives on value creation and value creation for the company's shareholders is now in focus. The mounting value and frequency of M&A place even greater attention on value creation.

Two main types of synergies; cost and revenue, were determined. The premium paid in a deal is highly connected to potential synergies and synergy valuation is of significant importance as it reduces the risk of overpaying and the risk of suffering under the Winner's Curse. Finally, pitfalls of synergies; negative synergies, and the contagion and capacity effects were discussed in order to raise the awareness of potential downsides of synergy achievement.

3. The Realization of Synergies in the Acquisition Process

Continuing from the conceptual framework, this section will present and discuss theories of the realization of synergies and when and how to realize synergies in the acquisition process.

3.1. Realization of Synergy

Synergies do not automatically appear and the acquiring company, the target, as well as the combined entity must actively seek to realize the potential synergies. In this section, the purpose is to create the theoretical structure of the realization of synergies. Three academic works have been selected to create this framework as the works all present different aspects of the realization of synergies. The box below is to outline the theories chosen.

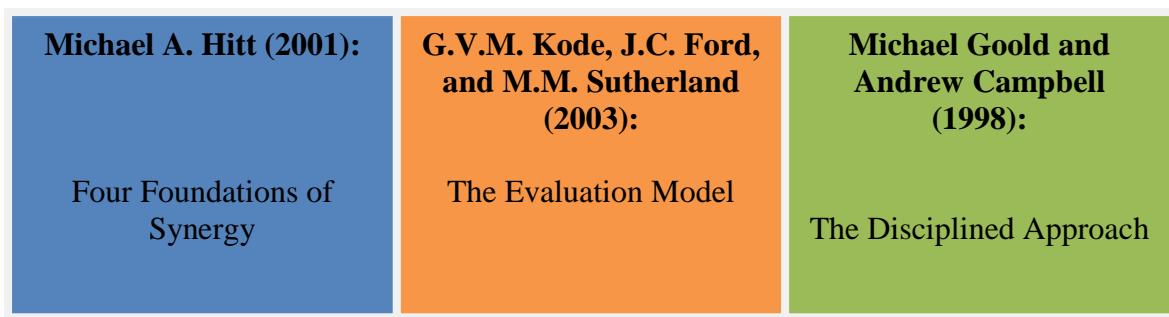


Figure 7: Three theories of the realization of synergy

3.1.1. Foundations of Synergy

Michael A. Hitt (2001:88) presents four foundations to be present for achieving synergies which together with the objectives and sources of each of the foundations are outlined in figure 8 on the following page.

The four foundations of synergy can exist individually, but the better overall fit the more successful realization of synergies. When the foundations of the transaction exist, the company are better off in order to be able to create the desired levels of synergy. Hitt (2001:pp101) especially emphasises the management of a transaction as essential in order to steer the organization through the transaction process. Recognizing the need of obtaining synergies, the awareness of external factors influencing the transaction, the opportunities of other value creating activities, awareness of the type of synergies to be achieved, and the retention of experienced professionals are all guidelines for managers to be aware of.

Foundation	Objective	Sources
Strategic Fit	Efficiently combining organizational competences	<ul style="list-style-type: none"> Operations synergy R&D/technology synergy Marketing synergy Management synergy
Organizational Fit	Compatibility within the organization strengthen the combined entity	<ul style="list-style-type: none"> Culture Systems Structure Management philosophies
Managerial Actions	Managing the transaction successfully	<ul style="list-style-type: none"> Dedication of time and energy Composition of a responsible management team Impose a common understanding of the importance To frame the behaviours that are expected in order to generate synergies
Value Creation	The benefits that can be derived from synergy must exceed the costs associated with developing and exploiting it	<ul style="list-style-type: none"> The purchasing premium The financing of the transaction Implementation actions required

Figure 8: Foundations of synergy (Hitt, 2001: 89 – 101)

3.1.2. Evaluation of Synergy

Kode, Ford, and Sutherland (2003) have been motivated to create a framework for synergy realization, when they discovered that M&A failure was mainly due to unrealised synergies and lack of integration planning. The realization of perceived synergies is to justify the premium paid and this highlights the importance of a successful implementation phase. In order to achieve success, Kode, Ford, and Sutherland highlight three techniques of realizing synergies (2003:34); adequate planning of the integration process, the establishment of efficient and effective incentive schemes, and founding the acquisition premium compared to the expected synergies. These underlying success factors have created the framework presented on the following page. The framework portrays the path towards value creation and by making use of the highlighted checkpoints; managers should be better suited to achieve success.

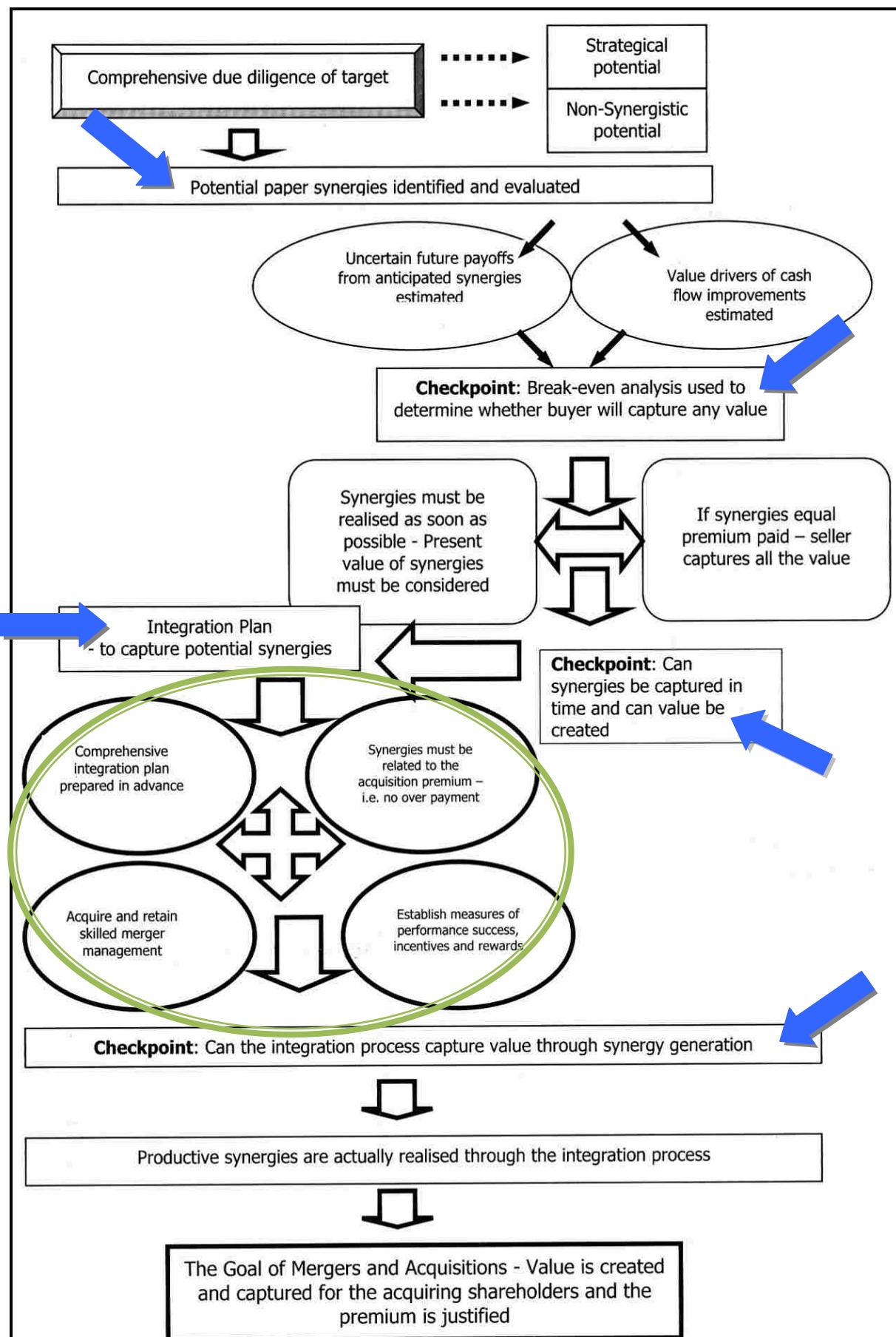


Figure 9: Value creation through the synergy evaluation model (Kode et al., 2003:34)

Important components of the realization of synergies are highlighted in the figure. Integration, evaluation of synergies, the retention and attraction of skilled management, and measures of performance success are emphasised as important components in the process towards realizing planned synergy.

3.1.3. The Disciplined Approach

Goold and Campbell (1998) present the disciplined approach to the realization of synergies.

The disciplined approach is founded on four managerial biases which may appear in spite of several activities initiated throughout the acquisition process.

1. *The synergy bias*: the benefits are overestimated whereas no significant attention is given to the assessment of costs.
2. *The parenting bias*: it is perceived that synergies can only be achieved if the business units involved are forced or persuaded to cooperate.
3. *The skills bias*: it is the perception that the knowledge needed to achieve synergies is available within the organization.
4. *The upside bias*: there will only be focused on the benefits of the possible synergies whereas the potential downsides are ignored.

In order to avoid these biases, management should approach the decision making with discipline. Through the disciplined approach, managers should: 1) clarify the real benefits to be gained, 2) examine the potential involvement by executive management at business unit level, and 3) be aware of the potential downsides of synergies. Managing synergy realization should be performed by assessing four areas (Goold and Campbell, 1998:pp139):

- If the business units involved are not aware of the synergy opportunities, management should intervene and create awareness and urgency of the synergies to be reached.
- When the benefits are not properly evaluated, management is essential in order to underline the size of potential synergy to be achieved throughout the organization.
- In the case when the organization is not motivated for pursuing the planned synergy, management involvement is of great importance.
- If skills lack in the implementation phase, managers must make the skills and knowledge needed available.

The disciplined approach emphasizes decision making as an important element of the realization of synergies as the management's decisions may be biased and therefore, approaching the transaction process with discipline and awareness of the potential biases is vital.

3.1.4. A Common Framework

The above theories on synergy realization have focused on three different aspects of the realization of synergies; overall fit, evaluation, and decision making. However, they all point towards common elements of the acquisition process which improve the achievement of synergies. This leads to the overall termination that the following areas are to be given attention when realizing synergies in the M&A process:

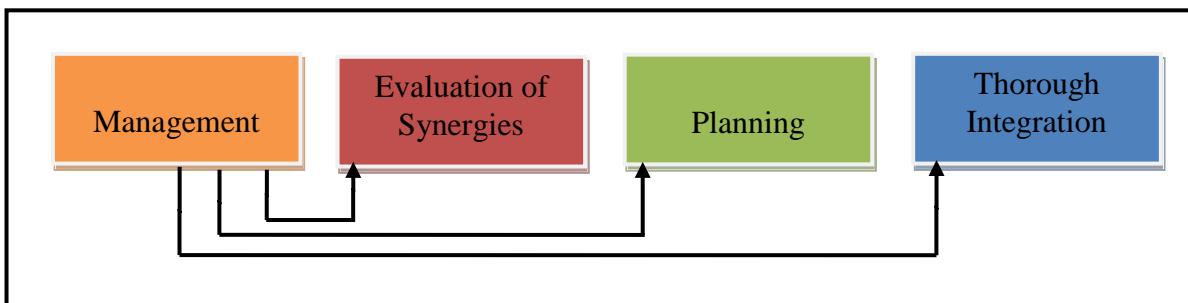


Figure 10: Characteristics of synergy achievement (Own contribution)

Overall, management is a systematic element of the integration process and therefore, the arrows to the other elements should illustrate management as an overlying crossbar influencing the other aspects of synergy realization. If the above identified elements are given a great deal of attention, the realization of synergies should, theoretically, be possible and hence create value in the merged entity.

3.2. Synergies and the Acquisition Process

In this section, the realization of synergies in the acquisition process is discussed.

3.2.1. The Acquisition Process

Subsequently, three different perceptions of the acquisition process will be outlined in order to portray the basic elements of the transaction process.

First, the acquisition process has been divided into three phases (Howell, 1970); investigation and selection, negotiation, and integration. Next, Rappaport (1998) presents five essential

stages of the acquisition process; competitive analysis, search and screen, strategy development, financial evaluation, and negotiation. Finally, Borghese and Borghese (2002) present a nine step M&A process as a management tool which focuses on; strategic objectives, structural capacity, identifying and screening, due diligence, valuation, legislative and tax structures, integration, acquisition score carding, and an acquisition feedback loop. Although the level of detail varies within the above perceptions, there are similar characteristics among the definitions and as such, screening, strategy, negotiation, evaluation, and integration are common phases of the acquisition process.

3.2.2. Synergies in the Acquisition Process

Four different approaches to synergy assessment and realization in the acquisition process have been identified by Kode, Ford, and Sutherland (2003):

- Synergy is evaluated throughout each step of the M&A process and requires a blueprint in order to create a strategy to implement the synergies in practice.
- Synergy is focused upon during the implementation and integration process.
- Synergy is achieved through one single and distinctive evaluation stage.
- Synergy is not given special attention, but is evaluated in an ad hoc manner during the process.

Kode et al. find evidence that type 1 and 2 are the most used ways of assessing, evaluating, and realizing synergies in the M&A process. The first type, to create a so called blueprint is consistent with Rappaport (1998:137) whereas the second typology of synergy achievement is in accordance with Habeck, Kröger, and Träm's (2000) presentation of post merger integration as the key to M&A success.

3.3. Conclusion

This section has examined three different approaches to the realization of synergies in the acquisition process. Overall, the foundation of the transaction, the evaluation of synergies, and management are elements of the three approaches to synergy realization. You can consider management as the overlying element which affects the three other identified elements. In the acquisition process, focusing on synergy achievement throughout the process is vital for success.

4. Key elements of the Integration Process

Based on the discussion above, management, planning, and financial evaluation are key elements of the integration process. In section 2.3.3 - Valuation of Synergies, the techniques and objectives of assessing and evaluating synergies were discussed and as such, this will not be examined further in this section. As a part of the integration phase, management is of great importance and influences all aspects of the integration process. Following, managerial actions will be examined as an individual element of the process together with strategy and organizational issues.

4.1. Strategy

The decision to pursue a company through an acquisition reflects, in many cases, the underlying strategy of a company and an acquisition can be viewed as an integrated part of the corporate strategy (Rappaport, 1998). As such, the strategic actions to be undertaken are founded in the overall strategy of the acquiring company. Through the definition of strategy, the potential synergies to be achieved can be identified and for the acquisition process the synergies are evaluated and assessed in order to define a strategy on how to realize the synergies.

Bruner (2004) presents how M&A is influenced by strategy and that it is the engine driving the process of a transaction. In order to determine the corporate strategy, well known strategic tools such as Porter's Five Forces and the SWOT analysis can be used to position the acquiring company towards the industry and its competitors, where it will be positioned after the transaction, and to which areas special attention must be drawn. Also, through a SWOT analysis, criteria of the desired target company can be determined before the deal, as the company gets a clear picture of its strengths and weaknesses (Borghese & Borghese, 2002). The use of Porter's Five Forces and the SWOT analysis is also consistent with the investigation and selection phase and the competitive analysis phase as presented as the initiate phases of the acquisition process in section 3.2.1. - The Acquisition Process.

Trautwein (1990:290) presents three categories of directions for merger strategies; choice of acquisition mode, choice of entry mode, and choice of integration mode. Each of the choices can be traced back to the company's competitive strategy. The categorise support the efficiency theory as a plausible explanation of acquisitions as discussed in section 2.1.2. - Motives and Drive Forces of M&A.

4.2. Organizational Issues

When two companies merge into one entity, two organizations are to be united into one new organization. Dependent on the objectives for the future organization and the planned synergies to be achieved, different units of the organization may be affected. Independent of the synergies to be attained, both organizations are affected by the merger since M&A transactions are some of the most substantial initiatives pursued and it may change the organization significantly (Parvinen and Tikanen, 2007). In this section, organizational structure, change, and culture will be discussed.

4.2.1. Organizational Structure and Change

Marks (2007) emphasises the importance of paying attention to organizational structure and change even before the merger takes place as lack of an organizational end state implies that partners are pulled apart rather than being brought together. After the transaction Marks introduces four E's in order to adapt into a new, combined organization; empathy, engagement, energy, and enforcement (Marks, 2007:726). Marks' four Es are supported by Petersen (2008), who emphasises credible communication, planning, easiness, and practical planning as key factors to an easier transition.

Lesowitz and Knauft (2003) highlight the need of creating an organizational structure that integrates and maximizes the various strengths of each individual organization in order to reap the benefits of the merger. In this manner, the competences and strengths of each entity can be actively shaped in order to realize the desired synergies. In order to integrate and change the two organizations into one entity, Lesowitz and Knauft continue to highlight that the integration and change should be motivated by an arrangement of financial, organizational, and operational factors as well as the characteristics of the already existing company cultures.

4.2.2. Corporate Culture

The change of an organization is of significant importance as the needed changes will affect corporate culture. Organizational culture is vital to the success or failure of a transaction (Bligh 2006).

The culture in an organization is the set of values, norms and beliefs, and understandings shared by the members of the organization. In order to understand the organization it is essential to understand Edgar Schein's three levels of cultural values (Daft, 2003); observable, exposed, and underlying values, of both the acquiring and acquired company in order to

assess how to merge the organizations. Managers involved in the transaction must be completely aware of the complexity of organizational issues and approach each of the topics discussed above.

4.3. Managerial Actions

The managers of both companies involved stand in front of a significant task when managing through the acquisition process and managing to realize the expected synergies. Not only should they pay great attention to the elements presented above, they are also required to be present throughout the entire process.

With reference to Hitt (2001:101), managers have four ways of managing the integration phase in order to achieve synergies in the acquisition process: dedication of time and energy, the composition of a responsible management team, to create a sense of purpose to make a common understanding of the importance, and to frame the behaviours that are expected in order to generate synergies. These four ways are consistent with steps of John P. Kotter's (1996) theory of change management through an eight step model which is an extensive and thorough practice of managing an organization through change. Also, Bligh (2006:400) recommends leadership that creates, changes, embraces, and integrates in a transition phase in order to achieve success. It is evident that present management and the management's skills within change management affect the outcome of a transaction.

Another essential part of managing the integration is the motivation of employees involved. Creating the right incentives for employees to cooperate and pursue the aims of the transactions is of great importance. Creating an upside potential for managers if they cooperate and downside risk in case of failure is a well known tool of motivation and is used especially in Private Equity.

Additionally, in order to retain highly skilled professionals and their knowledge through the uncertain and disturbing process of an organizational change, the right incentives must be created to do so. As described in section 2.2. - Value Creation, conflicting interests arise between corporate managers and shareholders. Managers are motivated to extend their company and enlarge their control. If managers are driven by personal objectives the growth of the company may be affected by managerial hubris and not the interest of the shareholders. What may cause managers to act in their own interest are information asymmetries and limited incentives as discussed in section 2.2. above on Value Creation.

In the acquisition process, managers from both the acquired and acquiring company might be reluctant to share their knowledge in order to protect their own position and future in the company. A way to respond to managers' personnel objectives is to provide the sufficient incentives to act in the best interest of the company throughout the acquisition phase. Examples of this may be options with great upside potential and depending on the outcome of the transaction.

4.4. Conclusion

Management is vital throughout the transaction- and integration process and within managerial actions strategy and organization are further elements of importance. The company's competitive strategy, its organizational structure and culture are to be considered in an integration process. With regard to management, incentive programs, retention of key personnel, and change management are fundamental actions to pay attention to.

5. Measuring Performance when Achieving Synergies

Measuring if synergies have been achieved and if the transaction has improved operations is important both for the assessment of the corporate performance, but also when determining the level of incentive pay to managers involved as presented by Kode, Ford, and Sutherland in section 3.1.2. - Evaluation of Synergy.

5.1. Company Objectives

Typically, a company has set certain objectives based on the future expectations of the merged company. Be it with regard to market position, financial targets, R&D, growth etc. Any of these objectives can be achieved partly through synergies and as such, assessing the success of corporate objectives post merger is of interest when evaluating the outcome of a transaction.

5.2. Financial key ratios

Another mean of measuring corporate performance is through the development of financial ratios which depict the company's profitability and ability to generate economic value and improve its operations. Below, four selected measures of performance and their characteristics are outlined.

The P/E Ratio	The P/E ratio – also referred to as the company's earnings multiple, shows the valuation of a company' share compared to its earnings. Generally, a high price earnings ratio suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.
Return on Equity	This measure is useful as it evaluates a corporation's profitability by enlightening how much profit a company generates with the money invested. The ratio depicts a company's capability to create value.
Return on Invested Capital	The measure depicts a company's efficiency at distributing the capital under its control to advantageous investments. An idea of how well a company is using its money to generate returns is given. One downside of the ROIC measure is that it does not reveal where the return is being generated - it does not specify whether it stems from continuing operations or from a one-time event.
The EBIT Margin	Using the EBIT margin as a performance measure is useful as the figure depicts the company's ability to profit not considering the capital structure and tax conditions for the company and therefore EBIT is additionally useful for cross-company comparisons.

Figure 11: Characteristics of selected financial measures of performance

Other financial key ratios can be measured when evaluating performance. One thing to remember when assessing financial measures is to compare with the peers of a company as the overall development in an industry will help evaluate to what extent – strong or weak, the company has performed compared to its competitors. In this case it is important to note that accounting practices, growth rate, and risk affects the level of comparison.

5.3. The Balanced Scorecard as a Tool for Measuring Synergies

When it comes to synergies, not all of them are easy to quantify and yet even harder to measure after the post merger process. *One* tool, however not conclusive, of tracing and measuring intangible synergies is the balanced scorecard introduced by Robert Kaplan in 1990 (Kaplan, 2006). The use of a balanced scorecard for measuring corporate performance has been promoted as a mean of solving the problem of efficient organizational performance measurement. Applying the balanced scorecard is justified by four criticisms of financial performance measures (Niven, 2002:6-7):

- Value creating activities are not only captured in concrete assets of the firm. Value creation takes place in many other parts of the company; customer and supplier relationships; innovation; people etc.
- The use of financial performance metrics is as “driving by the rear-view mirror” since financial ratios provide an excellent picture of the past performance of the company, but they do not indicate anything about future performance.
- By using financial performance measures there is a tendency to only pay attention to functional units which is not consistent with today’s cross functional company structure.
- Focusing on financial performance targets could imply short-term focus as cost cutting may be performed in order to improve the short-term financial statements. However, cost cutting might affect the company’s future opportunities negatively with regard to reduction of central resources etc.
- Financial performance evaluations are criticized for being too abstract and by that not to be relevant for the day-to-day activity of the individual business unit.

As synergies to a high degree also concern other aspects of the operation of a company, using the balanced scorecard as a performance measure is justified.

Kaplan and Norton (2006:10) introduced sources of synergies as arranged by the perspectives of the enterprise balanced scorecard; financial, customer, internal process, and learning and growth. Niven (2002) highlights how the four perspectives can be modified to be consistent with the company's overall strategy and as such, innovation, R&D, environment/sustainability, suppliers, and leadership may be other perspectives of the balance scorecard. By focusing and assessing the realization of synergies through the four perspectives of the balanced scorecard which frame each business unit's ability to enhance shareholder value, measuring synergies is extended beyond financial targets.

When the perspectives of the balanced scorecard are found, the objectives and measures used subsequently should reflect each of the perspectives chosen (Niven, 2002).

5.4. Conclusion

Three perspectives of performance measure have been examined in order to illustrate how performance is not only measured by changing financial performance. Of course, financials are a vital part of the evaluation of a company's performance, but some developments may not be measurable in numbers and therefore the use of a balanced scorecard can be one way of measuring intangible performance objectives which often may be the case when striving to realize synergies. Finally, the acquiring company may put forward corporate objectives as internal/documenting performance objectives and as such, those objectives may be evaluated with the best suited measures depending on their status as measurable.

6. Empirical Evidence on Value Creation

Over time, a wide range of empirical studies have been performed in order to determine if M&A transactions create value. This section is to give an overview of some of the studies performed and to discuss the outcomes in order to establish, together with the previous theoretical sections, a foundation for the following analysis, as well as illustrating the evidence of value creation in a wide range of worldwide transactions.

6.1. Global Evidence

This first section focuses on general, worldwide evidence and in section 6.2. a study of the post merger performance development in Danish acquisitions is carried out.

6.1.1. Sample Selection

The studies selected are performed within the period 1919 to 2006. M&A activity is volatile and one approach to the results of the studies is if the outcomes have changed over the years. A significant majority of the studies are carried out in the American market. This limits the validity of the conclusion of value creation in Europe and Asia. However, the American market is by far the largest when it comes to M&A activity and size. It will be examined, whether European and American transactions share the same outcomes and if this is the case, the overall conclusion can be applied to transactions in all markets.

Fifteen studies have been selected to illustrate and outline an overview of the evidence of value creation. The studies selected are semi-strong event studies (Bruner, 2004) which is considered to be the best method currently. The variety among the studies allows the discussion to characterize several aspects of the value creation; the time span, the market, characteristics, and outcomes.

Strengths and Weaknesses

One important quality of the studies in the sample is that all studies examine a significant number of transactions. The lowest number - due to hand data collection and dollar size of the transactions - of examined transactions is 50 (Healy, Palepu, and Ruback, 1995), whereas the largest number is approximately 3200 transactions (Rau and Vermaelen, 1998). Also, the time span, 1919 -2006, secures that trends such as waves and characteristics of certain decades etc. can be examined and the outcomes cannot be determined to be a result of a certain period. One of the weaknesses of the study sample is the discussion with regard to method used. The

studies are of semi-strong form (Bruner, 2004) and as such based on benchmark comparison. Franks, Harris, and Titman (1991) argue that their use of multi-factor benchmarks is superior and it is their opinion that studies performed before theirs make use of the insufficient single-portfolio benchmark. Also Rau and Vermaelen question the methods used previous to their study and use themselves data adjusted for firm size and book-to-market ratio to optimize their findings.

6.1.2. Overview and Evidence

The studies assembled are outlined in the table on the following page in order to construct an overview over the studies; authors, range of years, region/market, measures used, characteristics, and the outcome for targets, bidders, and the combined entity. The overview is to create the frame for the subsequent discussion and determination of the empirical evidence of value creation. For an extensive overview of the studies, see appendix 6.1.

Based on the study sample, seven different categories are identified; geographical tendencies, time period, methodology, form of payment, mode of acquisition, relatedness of the transaction, and outcomes, all giving an indication of how, under what circumstances, and which other common characteristics can be outlined from the various studies. Each of the characteristics is discussed following table 1.

Authors	Period	Market	Measures	Examination of Transaction Characteristics						Outcome		
				CAR (AR)	Acc. Data	Form of Payment	Transaction Mode	Relatedness /Objectives	Managerial Measures	Target	Bidder	Combined
Leeth and Borg	1919– 1930	USA	Y			Y	Y	Y				
Kaplan & Weisbach	1971– 1982	USA	Y			Y		Y				
Franks, Harris, and Titman	1975– 1984	USA	Y			Y		Y				
Healy, Palepu, and Ruback	1979– 1984	USA	Y			Y		Y				
Agrawal, Jaffe, and Mandecker	1955– 1987	USA	Y			Y		Y				
Parrino & Harris	1982– 1987	USA	Y			Y		Y				
Loughran & Vijh	1970– 1989	USA	Y			Y		Y				
Rau & Vermaelen	1980– 1991	USA	Y			Y		Y				
Mitchell & Stafford	1961– 1993	USA	Y			Y		Y				
Yook	1989– 1994	USA	EVA			Y		Y				
Walker	1980– 1996	USA	Y			Y		Y				
Mulherin & Boone	1990– 1999	USA	Y			Y		Y				
Sirover & Golovcsenko	1995– 2001	USA	Y			Y		Y				
Kohil / PWC	1995– 2004	Europe	Y			Y		Y				
Boston Consulting Group	1992– 2006	USA, Europe, Asia- Pacific	Y			Y		Y				

Table 1: Overview of empirical studies on value creation in M&A (Own contribution).

Geographical Tendencies

Most of the studies outlined above are based on the American market. Kohil/PwC (2006) has performed an entirely European study and Boston Consulting Group (2007) has performed a study including the US, Europe, and the Asia-Pacific. However, the two studies including Europe do not deviate significantly in their conclusion regarding value creation in European transactions.

Time Period

The sample ranges from 1919 – 2006 -- 87 years, and cover therefore most of the M&A activity in those years, except from 1930 to 1955. However, this period of 25 years was not a period with high activity (Boston Consulting Group, 2007:9).

The first M&A wave is covered by Leeth and Borg (2000). In the 1920, very few rules were established for M&A and the market of corporate control was less developed compared to today. The M&A wave around 1970 is covered by Kaplan and Weisbach, Agrawal, Jaffe, and Mandelker, Loughran and Vijh, and Mitchell and Stafford (2000). The increasing activity due to leveraged finance and the internet bubble from 1989 to 2000 is a part of the studies carried out by Yook (2004), Walker (2000), Mulherin and Boone (2000), Sirower and Golovcsenko, Kohil/PwC, and Boston Consulting Group. In their study, covering 1955 – 1987, Agrawal, Jaffe, and Mandelker look deeper into the four decades covered by their study and find no differences in the outcomes across the different sub periods.

Since the studies cover transactions from 1919 up to 2006, the results should give a fair outlook of the value creation of transactions during almost an entire century. Although legislation, focus, frequency, and size of the transactions have changed over the years, the samples of studies show, *on average*, similar results. Approximately half the transactions are unsuccessful, target shareholders gain from the transaction, and acquirer shareholders experience less than average returns.

Methodology

Different benchmarking has been used and this is a point of continued discussion with regard to the significance of outcomes, as also pointed out in the section on *Strengths and Weaknesses* of the study sample above. Boston Consulting Group notes that clinical case studies may give a different picture when performing an in-depth analysis.

Form of Payment

Several of the studies take the method of payment into account when evaluating their results and in order to examine the tendencies of the data samples further. Two forms of payment are evaluated; cash versus stock. Loughran and Vijh come to the conclusion that post acquisition returns for acquirers paying in cash experience positive returns whereas acquirers paying in stock experience negative returns. The argument of cash vs. stock is that companies maximize their welfare by paying in stocks when the share is most likely to be overvalued and paying in cash when their share is undervalued. Rau and Vermaelen, Mitchell and Stafford, and Yook support these findings in their studies and one of the arguments of this result is a combination of the asymmetric information hypothesis and the market under-reaction hypothesis.

Mode of Acquisition

With regard to the mode of the acquisition, attention is drawn towards mergers versus tender offers. The general definition of the two acquisition modes is that mergers are friendly negotiations between the two managements of the involved companies, whereas a tender offer is a method of acquisition where the acquiring company directly approaches the shareholders of the target company without the involvement of the target company's management (Loughran and Vijh, 1997:1767).

Across the sample, the average result is that tender offers seem to result in larger value creation. In approximately 60 percent of the tender offers the management of the acquired company is replaced within the first two years which generates value (Loughran & Vijh, 1997). This is also the result from the more corporate governance-focused study by Parrino and Harris (1999) who find that management replacement results in superior post merger performance. The reason why replacement of management leads to better performance is that the existing management may not act in the interest of shareholders or their incentives are not strong enough which is discussed previously in section 2.2. on Value Creation.

Related vs. Unrelated Transactions

Another component of acquisitions is whether the two merging companies are related or within different industries. Four studies examine the influence of relatedness of industries and businesses. Healy, Palepu, and Ruback find that especially firms with overlapping businesses experience significant performance improvements. The study carried out by Parrino and Harris shows that industry consolidation and growth implications generate below average

performance. Also, the study by Walker demonstrates how related acquisitions tend to earn normal returns, whereas unrelated transactions tend to generate negative returns.

Outcomes

The more specific elements of acquisitions and their affect on value creation are outlined in the sections above. This section is to classify the 15 samples into general characteristics; value creation, value deterioration, neutral, and following, the outcome of some studies are conditional upon different characteristics.

- **Value Creation:** The studies performed by Healy, Palepu, and Ruback; Parrino and Harris; Mulherin and Boone; and Kohil show improved operating performance, improved performance when management is replaced, and wealth creation in accordance with synergistic theories.
- **Value Deterioration:** Kaplan and Weisbach; Franks, Harris, and Titman; Agrawal, Jaffe, and Mandelker; Rau and Vermaelen; Loughran and Vijh; Mitchell and Stafford; Sirower and Golovcsenko; and Boston Consulting Group all report overall negative post merger performance.
- **Neutral Results:** Leeth and Borg; Yook; and Walker report neutral/breakeven results in their studies.
- **Conditional Results:** Although Parrino and Harris report positive post merger performance, the result is conditional on the actions taken in the integration phase. Only when the target company's management is replaced, the result is positive, whereas industry consolidation and growth implications result in negative post merger performance. Rau and Vermaelen report conditional results as mergers underperform their peers whereas tender offers experience a small positive abnormal return. In the study by Mitchell and Stafford, negative outcomes are reliant on the use of financing, as stock financing entail no evidence of underperformance. Yook found that the outcome is dependent on whether a premium is paid or not. Franks, Harris, and Titman question the benchmark used, but come to the conclusion, that their study does not exhibit significant abnormal returns for the sample of bidders. Finally, Sirower and

Golovcsenko determine that the success of deals is dependent on the initial reaction as well as on form of payment.

Overall, the main finding, based on the selected sample, seems to be that acquisitions do not generate value for the acquiring companies. Target companies seem to earn above average return and the form of payment and the mode of acquisition play a significant role to the outcome.

6.1.3. Future Studies

The sample of studies above indicates that several studies can be performed in the future. Based on the discussion on the methodology behind, caution is to be taken with regard to the data collection and treatment. Merger waves are an interesting phenomenon and in the future, further investigation of this concept is an obvious area of examination. Also, the different aspects of an acquisition can be taken into consideration such as payment, form of transaction, synergies, relatedness etc. Further determination of benchmarks can be developed in order to provide the best possible indication of value creation. Additional studies of European M&A would be of great interest, as limited results can be presented from this market, based on the sample above.

6.2. Evidence on Value Creation in Danish Companies

In the section above, the overall evidence was that value is destroyed for the acquiring company in a transaction. However, most of the reviewed studies were based on American results.

This section is to present a more specific investigation of acquisitions in the Danish market in order to see if there is any deviation in the results compared to the evidence presented above. Also, as the subsequent case study research concerns a Danish acquisition, an empirical investigation of the *average* outcome of Danish acquisitions is of interest and additionally, the direction of the project is determined as looking further into the Danish market.

6.2.1. Data Selection

Data is collected with regard to deals carried out by Danish companies in 2004 and 2005. In order to get the largest possible number of companies, non-listed targets are allowed. 2004 and 2005 are chosen as years of investigation as it provides a long range of years to examine. Often, synergies are not realized instantly and examining four and five years back,

respectively, gives a better indication of the post merger performance of the acquisitions. Also, the reason why two years are selected is that only 17 deals were performed in 2004 while the number was 22 in 2005. The test size is minor and as such the null hypothesis should be supported more than the alternative hypothesis – difference in the average outcome (Andersen et. al., 2002, 181). The limited sample size may influence the outcome and therefore, the small sample size should be taken into consideration. In both years some companies announced more than one deal. Therefore, two analyses are performed; one based on companies and one based on all deals performed in the given year.

In a few instances, a company is a part of a group and as such it is the group's share price performance that is considered although the result of these companies' financial performance should be regarded with some cautious. Additionally, when companies have changed name, the new name of the company is considered as reference at Nasdaq OMX Copenhagen.

In cases where the company has multiple share classes it is the most traded share class which is considered as a part of the data collection. The full sample of data collected is outlined in appendix 6.2.

6.2.2. Methodology

The analysis is based on the development of the companies' average share prices and the development of the OMX Copenhagen PI Index. The PI Index is a total index that covers all shares listed on the Nordic Exchange in Copenhagen. The function of the index is to reflect the recent status and amendments in the market (omxnordicexchange.com).

Since deals are carried out throughout the year for the analysis, the share prices for each month are collected for the first year. What would be more optimal was to compare share prices connected closely to each deal; however, since it is the companies' average development in share prices that are to be used, the collection of several data throughout the transaction year provides sufficient tendencies of the share price development. For the months and years in question, it is the share price primo the month and primo the year that is collected.

The t-test is performed as a test with similar variance. However, the outcome of the test shows how the variance is not similar, but the variance is closer to each other than when performing a t-test with uneven variance.

6.2.3. Results

Following, the results for 2004 and 2005 are presented and analysed.

Danish Acquisitions in 2004

The figure below illustrates the development in share prices for the group of companies which performed transactions in 2004 and the development in the OMX Copenhagen PI Index.

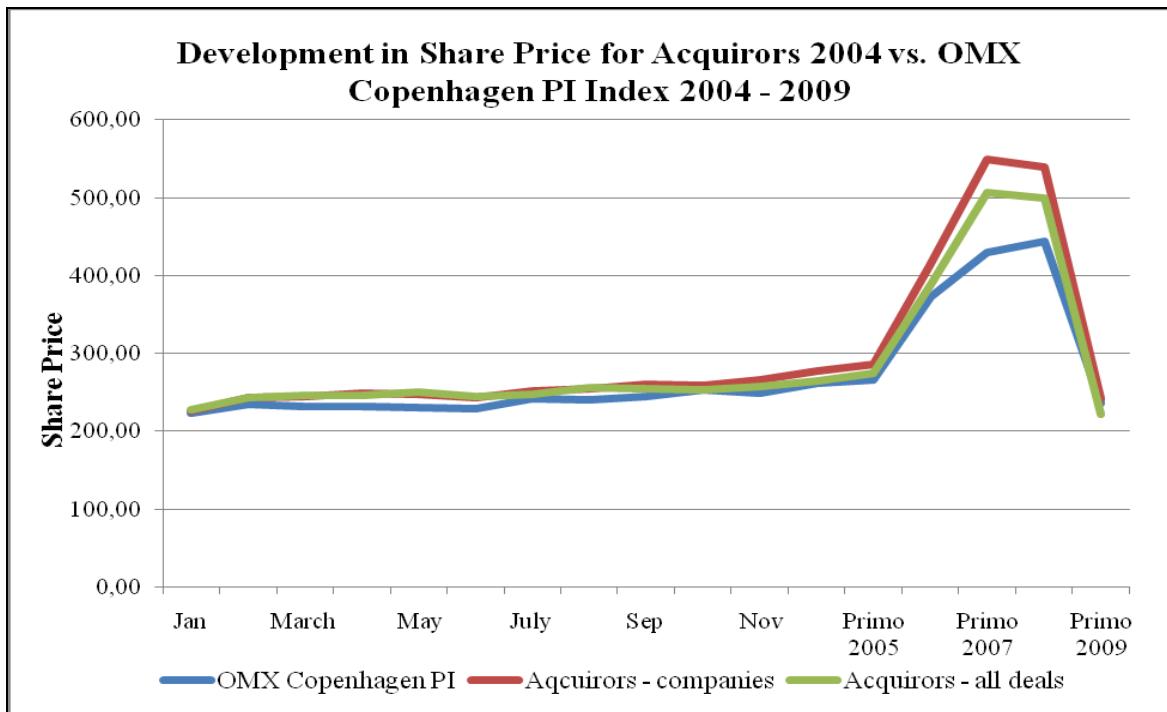


Figure 12: Share price development, acquiring companies vs. OMX Copenhagen PI Index 2004 – 2009

The overall apparent evidence is that Danish acquirers in 2004 outperformed the market. The next step will test the difference between the averages to see if the difference is significant. In order to do so, a simple t-test is performed. The data analysis tool in Microsoft Excel is used to calculate the desired values (app. 6.2)

The one-tailed value is used as the desired result is to know if the acquiring companies' average performance is larger than the OMX Copenhagen PI Index. As the P-value is 0.20 or 20 % for deals carried out by companies and 0.29 or 29 % for all deals it means that the average is not significantly higher than the index average. The test is performed at a 95 percent confidence level. Note that the values are significantly higher than 5 percent and as such, the average is not even close to being higher.

Another way to control if the averages differ is to compare the test level with the critical level at a 5 percent significance level. For 2004, the t-stat is -0.86 and -0.56 for companies and all

deals, respectively. The critical value for a one sided test is in this case 1.70. Therefore, the difference between the averages is less than the critical level for the significance level and as such, not big enough to be significant.

In the years 2005 – 2009 it seems like acquiring companies perform better than the market. However, testing only these years do not give a different picture than for the entire sample. This should be noted that the test sample is very small and this has most likely affected the test.

Overall, although the first evidence was that Danish acquiring companies in 2004 outperformed the market, the difference is not significant and the evidence cannot be considered as being applicable.

Danish Acquisitions in 2005

For 2005, the same procedure is used as for 2004. The figure below illustrates the development in share prices for the group of companies which performed transactions in 2005 and the development in the OMX Copenhagen PI Index.

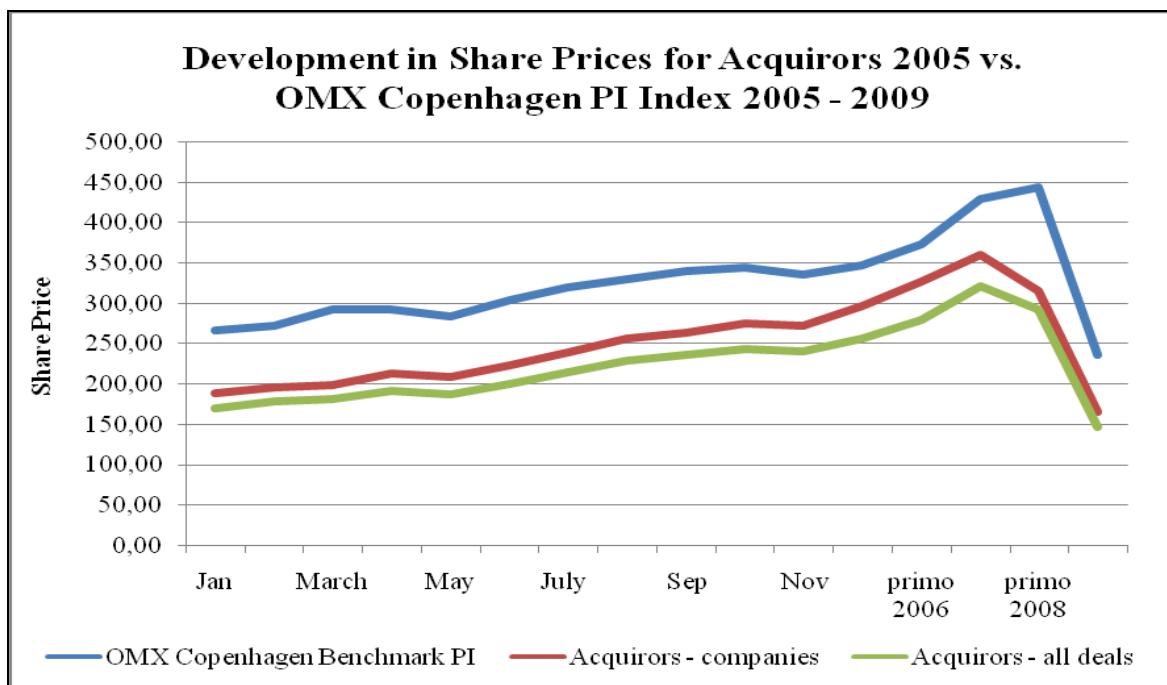


Figure 13: Share price development, acquiring companies vs. OMX Copenhagen IP Index 2005 – 2009

For 2005, the initial evidence is that acquiring companies underperform the market over the years under examination. To determine if this difference is significant, a t-test is again

performed by using Microsoft Excel's data analysis tools (app. 6.2). As for 2004, the one-tailed value is used as the desired result is to know whether the acquiring companies' outperform the OMX Copenhagen PI Index. As the P-value is 0.0004 or 0.04 % for deals carried out by companies and 0.000004 or 0.0004 % for all deals it means that the average is significantly lower than the index average. The test is performed at a 95 percent confidence level. Note that both P-values are to a large extent within the 5 percent limit.

Testing at a 5 percent significance level, the t-stat is 3.73 and 5.46 for companies and all deals, respectively. The critical value for a one sided test is in this case 1.70. Therefore, the difference between the averages is higher than the critical level for the significance level and as such, large enough to be considerable.

Overall, the first evidence was that Danish acquiring companies in 2005 underperformed the market, and by a simple test, it was concluded that the difference between the performances was significant and as such, the acquiring companies performed worse than the market in the time period examined.

6.3. Conclusion

Based on a sample of 15 international studies it is apparent that acquisitions seem to generate below average returns. Several aspects are to be taken into consideration such as form of payment, mode of transaction, relatedness, synergies etc.

A study of the Danish market with regard to acquisitions carried out in 2004 and 2005 showed that overall also in the Danish market acquiring companies did not outperform the market. For 2005, the evidence was that the group of buying companies underperformed significantly compared to the market when tested at a 5 percent confidence level.

The evidence from this section supports the need for more specific investigation and analysis of a single case in order to determine how firms seek to create value through the acquisition process.

7. Practical Experiences: A Discussion of Key Elements of Synergies

In section 3, the theoretical framework of the realization of synergies was outlined. In the following section, a similar professional framework will be created based on five professionals' insights, experiences, and knowledge of the acquisition process.

Jesper Svarer Nielsen is Vice President of Group Strategy and Development at ISS A/S a Danish provider of global facility services with a long track record of acquisitions (app. 7.1). Christian Schopper is M&A consultant and gives lectures in M&A at University of Vienna, Austria (app. 7.2). Mikkel Krogslund Andersen is partner and consultant in Strategy and Growth at Implement A/S, Denmark (app. 7.3). Kaare Damgaard and Anders Brønnum-Schou are consultants within Transaction Services and Corporate Finance at KPMG, Denmark (app. 7.4). Each of the five professionals has taken part in one or several acquisition processes from different perspectives. The professional experiences vary which will contribute to the quality of the following discussion concerning the acquisition process, the realization of synergies, and integration.

7.1. Elements of the Acquisition Process

In section 5 on Key Elements of the Integration Process, the strategy of the acquiring company was emphasised as affecting the assumptions of the acquisition as well as the following integration process. In the case of ISS, Jesper Svarer Nielsen explains how the strategy of ISS was founded back in the 1960's where the former CEO, Poul Andreasen, vision on creating a world leading and international company has affected the acquisitions made by ISS.

It is common that companies continuously screen the markets for potential targets. In many cases, companies have a list of potential target companies under observation and in the case of ISS, the managers in each region screen the market and the companies on their list in order to see: "*which of the companies can help close our competence gaps*"(app. 7.1:P17:L7). In ISS there is standardised procedures to be followed in order to get the funding of an acquisition approved; to establish the valuation model, writing acquisition reports, describe the target, evaluation of strategic fit of customers, services, and geography, the composition of customers, what did the due diligence attest, value calculations, and what you are willing to pay compared to the company's value.

How ISS approaches its acquisitions is related to Christian Schopper's experiences on how companies look for fit, overlap, strategic rationale, and the availability of the potential target.

Additionally, Christian Schopper has experienced how companies assess their markets and the development within them before initiating acquisitions.

While Schopper and Svarer Nielsen highlight the underlying assumptions of an acquisition, Mikkel Krogslund Andersen focuses on how “*Acquisitions are for many good reasons, opportunity based*” (app. 7.3:P7:L28). Although companies might have an extensive list of possible targets which they observe and assess, acquisitions are often founded on opportunities for the company. However, Krogslund Andersen does not neglige the importance of the company’s overall strategy and, based on Mikkel Krogslund Andersen’s experiences, it is important that the acquisition process supports the opportunities that you pursue in order to comply with the company’s main strategy. From Mikkel Krogslund Andersen’s point of view, building relations with the target management is another important aspect of doing acquisitions and can be of great help throughout the process as it all in all comes down to relations and bringing people together.

The initial search and assessment of fit, strategy etc. is affected by the information available on the target company. Both Kaare Damgaard and Anders Brønnum-Schou emphasise that the initial indication is a rough guess as the acquiring part does not have enough specific information on the target as the deal is not completed – the initial identification of synergies is done pre deal. Based on the initial synergy assessment, a spread between the company’s stand alone value and synergy value is created for the further negotiation on the price of the company. Brønnum-Schou explains how the final price is also dependent on the competition intensity for a given company and this affects the final price paid.

Finally, Mikkel Krogslund Andersen presents a very interesting point with regard to pursuing either industry opportunities or companies which are able to generate growth, it is Krogslund Andersen’s perception that “... *it is not the industry which bears it, it is the capability of the company.*” (App. 7.3:P21:LL34). And this should be more present when assessing opportunities according to Mikkel Krogslund Andersen.

Based on the above insights, strategic fit is the most vital part of pursuing an acquisition. Following, the information available and first relations between the two managements are of importance of the subsequent process.

7.2. Value Creation

“Buying a company is quite easy, but when you create value out of a transaction it must be the post-integration of the merger, of the acquisition target...how do I raise synergies? This is where it creates value.” (app. 7.2:P5:L2) - Christian Schopper strongly emphasises that value to a large extent is created via the realization of synergies.

In ISS’ case the management attempts to evaluate the transaction and assess the value creation in the best possible way. Jesper Svarer Nielsen presents EPS growth, Return on Capital Employed, and Return on Invested Capital as measures of value creation in a transaction, basically; return of the equity invested.

Being more wide in the characterization of value drivers Kaare Damgaard presents four main areas which may create value; synergies, options, strategic options, and business as usual. All four areas are important as each area is also a way to destroy value. Business as usual has not been mentioned earlier and Kaare Damgaard highlights how it is also important to remember the existing business operations of the acquired company when assessing value drivers.

With regard to the argument that most value is within revenue synergies, Kaare Damgaard agrees; *“Yes, I will say that of course there is a lot of value within this, but how you would integrate this in a valuation process, I cannot say”* (app. 7.4:P17:LL30). As such, Damgaard highlights the difficulties of tracking revenue synergies and the dependency of the level of knowledge of the acquired company you have pre deal. This is supported by Anders Brønnum-Schou who states; *“... it is only one of the company’s view on synergies, not the common”* (app. 7.4:P20:L1). There is no doubt that synergies may create value, however, tracking and quantifying revenue synergies challenge the evaluation of these synergies. As a result, valuating a potential target and negotiating is affected by the challenging identification and evaluation of synergies.

One of the areas, with regard to value creation, where Mikkel Krogslund Andersen sees a challenge is how to track the value creation through synergies. One thing is that synergies are one of the parameters you can adjust for future value creation. However, it is often hard to measure your changes – how do you know if it is your integration actions that actually create value? Krogslund Andersen submits that *“Of course one can then ask the question whether it was because of the strategy of companies or whether it was the acquisition in itself.”* (app. 7.3:P5:LL17).

7.3. Aspects of Synergies and the Realization of Synergies

Synergies are not the only objective of ISS' approach to acquisitions. Market opportunities and growth possibilities are further basis of ISS' approach to acquisitions which is a combination of the efficiency and monopoly theory as presented earlier by Trautwein in section 2.1.2. - Motives and Drive Forces of M&A. Additionally, the company assesses hard and soft synergies as defined by Jesper Svarer Nielsen and it is his opinion that it is with regard to soft synergies that “... *which I think is the biggest value, where the greatest value lies, but is harder to actually accomplish; it is these growth opportunities and cross-selling opportunities*” (app. 7.1:P17:LL22). Therefore, what Jesper Svarer Nielsen highlights, is that the hard synergies are easy to realize; combining two offices, reduce overlap, and in general save on having twofold activities.

When discussing synergies, Christian Schopper refers to people; cost synergies which are revenue related are firing people, closing offices etc. but this also affects people in Schopper's optics. For operational synergies, it comes down to how to realize these synergies, that is, through what people? Therefore, the main argument presented by Schopper is that it always comes down to people and people working together.

If you consider “a good deal” as the overlying reason for a transaction you can go one level below and then you have opportunities as according to Krogslund Andersen's hierarchy - opportunities be it growth, new technologies, or synergies. However, it generally always comes down to synergies – also in the case of a stand-alone transaction, synergies have to be basis for the foundation of the deal.

Integration is a major factor in the realization of synergies. Kaare Damgaard explains how valuation, synergy assessment, and planning all take place in the pre deal phase. At day 1, where you get access to the acquired company, it is the question of project planning, integration, and implementation. Damgaard explains how the first three to four months - also known as the 100 days program - are vital in constructing project plans for each “work stream” affected by the transaction, be it operations, sales, purchasing etc. What is important is to point out responsible teams for each area, coordinate their work from the transaction office, and designate the right people and enough resources in order to complete the integration. After the first 100 days when each team presents their findings of potential synergies, the long list of synergies are narrowed down and following, a major project plan for each area is elaborated in order to follow in the integration phase. Damgaard describes the 100 days program like “... *the big challenge is then that from day 0 and until day 100 we will*

have to create a project plan which shows exactly how we are going to reach the 100 (units of synergy red.)" (app. 7.4:P4:LL18).

M&A transactions are an extensive exercise to complete – it might take up to 12 months from initiating to finalising the deal. In the time between, it is Schopper's argument that as few people as possible should know about the deal in order to avoid uncertainty. However, when the deal is announced, it is of great importance to have a plan from that very moment; "*You have got to have a plan on what to say, how to communicate it, how to start with the first group meeting, how you make the two cultures become familiar with each other.*" (app. 7.2:P11:LL24). Also, in a combination of two companies, some elements might fuel the change process, be it language or other elements of the organizations. In this instance, Schopper argues that the change catalyst must be reflected in communication on the change process. Furthermore, good management is a key element of a successful post-merger integration and hence realization of synergies according to Schopper. Managers must be present in the implementation phase in order to trace the process.

With regard to the realization of synergies, Mikkel Krogslund Andersen presents two ways of doing it; either by making it a project to hunt down and realize the synergies or to create an environment for synergies to appear. One example was incentives for employees in order to generate cross-sales. Breaking the realization of synergies down, structure, approach, organizational change, and management are all key factors of the process of M&A.

In a case of the experienced company, ISS emphasises the importance that planning is determined. That is, the placing of responsibilities has to be clear on who is going to do what and at what time, Jesper Svarer Nielsen refers to this as "*who should do what when*" (app. 7.1:P19:L18) and illustrates how communication is carried out and how responsibility is allocated. The foundation of the integration in ISS' acquisitions is processes, responsibilities, knowledge transfer, directions, and the time frame which all activities should take place within. What is important is that whoever is in charge of the integration must be present throughout the process and therefore, the people responsible for the integration are from the business-units involved in the acquisition. In general, ISS begins the integration when they start assessing the target and they involve target management in order to align each party's expectations.

7.4. Conclusion - Overall Key Elements

With regard to the acquisition process, the underlying assumptions of a transaction as well as the strategic fit between the two merging companies are of great importance. These underlying fundamentals of a deal secure consistency in the company's strategy and vision and create the underlying basis of a successful outcome. This consistency will also entail stability in the transaction process and help connect the pre merger process with the post merger process. Also, the stronger consistency in the transaction and coherence with the overall strategy of the company, the easier it is to justify the acquisition.

With regard to value creation, synergies – especially revenue synergies – have been emphasised as being significant, however not easy to quantify.

Finally, the big challenge of acquiring another company is when it comes to integrating two organizations and through this manoeuvre to realize the planned synergies. With regard to this aspect, Jesper Svarer Nielsen, Christian Schopper, Mikkel Krogslund Andersen, Kaare Damgaard, and Anders Brønnum-Schou all highlighted planning, management, communication, allocation of responsibilities, and cooperation as vital success factors of the integration process. Respecting and understanding the cultures of both organizations is important when achieving success.

This section has discussed different viewpoints of success factors based on the insight, knowledge, and experiences of four professionals with different approaches to M&A. Overall, there have been consistency in the insights of success factors and the measures of a successful realization of synergies were conform with the factors identified in section 3 on The Realization of Synergies in the Acquisition Process. Another important measure of success is that of people; people cooperating, communicating, adjusting, and managing. This issue is present within most features of success and requires specific attention throughout the acquisition process in order for it to have a winning outcome.

8. Achieving Success – Presenting Propositions

Together, the findings from the theoretical part as well as the professional findings will be used to create a list of propositions which the case study is to verify or reject. The propositions are an expression of the concluding findings of sections 3 to 7 above. Furthermore, the propositions are the study propositions creating the focus of the subsequent case study.

- P1: The assumptions for a deal should be defined and understood in great detail - The fundamentals of a transaction must be solid in order to determine the transaction process.
- P2: Identification and valuation of synergies is essential – Therefore the underlying assumptions of the transaction should be complete in order to assess the potential synergies properly.
- P3: Avoid overpaying for the target - Paying too high a premium will most likely result in subsequent value destruction. Additionally, the buying company may suffer from the Winner's Curse.
- P4: Planning is vital. Focus on integration should be placed throughout the acquisition process
- P5: Pre- and post merger coherence is of great importance - From the beginning and throughout the process, there should be consistency between the pre-r and post merger vision and planning.
- P6: Management, a thorough integration, planning and financial evaluation are of great importance – By focusing on these four areas, success should most likely be achieved.
- P7: When it comes to it, it is all about the people - Cooperation, management, and communication depend on the people involved.
- P8: The outcome of a single deal may deviate from the *average* empirical evidence. In that case, benchmarks are not a sufficient way to measure the performance and other methods may highlight the outcome.

9. Case Study: Vestas Wind System A/S' Acquisition of NEG Micon A/S

In Denmark in 2004 Vestas Wind Systems A/S (Vestas) acquired NEG Micon A/S (NEG). The following is a study of this transaction - the case study research design is outlined in appendix 9.1. The analysis considers: Vestas, NEG, and the wind turbine industry; the transaction process; the synergy assessment and valuation; the realization of the planned synergies through corporate activities; a discussion of the company's performance; and finally, a conclusion where the propositions of section 8 above are answered.

9.1. Vestas, NEG Micon and the Wind Turbine Industry

To understand the characteristics of the companies and the industry in order to comprehend the underlying assumptions of the transaction a short introduction of the individual companies and the industry they operate within is performed.

9.1.1. Vestas Wind Systems A/S

Vestas was founded in 1946 and one of its main competences at that time was agricultural machinery. The oil crisis in the 1970's entailed an increased focus on sustainable energy sources and spurred by this; Vestas designed, built, and installed its first wind turbine in 1979. Vestas has been a company focusing mainly on organic growth. However, the company has performed a number of minor vertical acquisitions in order to secure demand of different parts of the production. The company was listed on the Copenhagen Stock Exchange in 1998.

In 2002, before the acquisition, Vestas had market power of 22 percent measured in MW (Vestas, 2003). Vestas' main market before 2004 was Germany and the US.

9.1.2. NEG Micon A/S

NEG was founded in 1997 through the merger between Nordtank Energy Group A/S and Micon A/S. Nordtank Energy Group A/S was initially producing trucks for transportation but due to the oil crisis in the 1970's and following excess capacity, Nordtank Energy Group initiated the production of wind turbines. NEG was described as a pioneer company developing into a leading production company which required extensive adjustments with regard to management and organization. NEG has throughout time performed several acquisitions. (Finansministeriet (FM), 2005:105). In 2003, before the merger, NEG held approximately 18 percent of the market share (Vestas, 2003).

The different developments of the two companies spurred concerns of the integration process (Wittrup, 2004; Advizing, 20/2007) as different cultures and half-integrated companies in the case of NEG could affect the outcome of the combination of the two companies.

9.1.3. Financials

The table below illustrates selected financial figures for Vestas and NEG in the two years preceding the merger and the first half year of 2002 and 2003.

<u>Vestas</u>	2001	2002	2002 1H (N.R.)	2003 1H (N.R.)
Revenue mEUR	1,282.3	1,394.5	532.2	658.5
EBIT, %	11.1	5.3	1.1	1.4
Annual Result mEUR	340.2	45.1	-0.4	0.8
NEG Micon				
Revenue, mEUR	717.1	842.1	223.0	225.2
EBIT, %	5.9	4.5	- 6.2	-17.0
Annual Result mEUR	27.4	21.3	-12.3	-35

Table 2: Key figures of Vestas and NEG, 2001 - 2003 H1 (Vestas, 2003:22-26)

Up until the merger, Vestas experienced decreasing financial results. Although revenue increased by 8 % from 2001 to 2002, the annual result decreased by 86.7 %. For 2003 H1, Vestas presented non-reviewed revenue of EUR 658.5 million and a half-year result of EUR 800,000. For NEG, the key figures demonstrate even greater financial challenges. In spite of increasing revenue from 2001 to 2002 the annual result decreased by 22.3 %. For 2003 H1, NEG also presented, though non-reviewed, revenue of EUR 225.2 million and a negative half-year result of EUR 35 million.

9.1.4. The Wind Turbine Industry

Global installed wind power capacity increased from 3,500 MW at the end of 1994 to almost 48,000 MW by the end of 2004 and was forecasted to amount to 117,142 MW in 2009 (BTM Consult 2005-9) - In 2008, the number was 120,791 MW (GWEC, 2009:annex). Politics and an increased awareness of sustainable energy sources spurred - and still do - the development of the industry.

Markets and Market Players

From 1995 – 2004 the largest markets were Europe, the Americas, and Asia with Europe being by far the largest market (BTM Consult, 2005-9:1). Currently, Europe, the Americas, and Asia are almost equally large markets (GWEC, 2009: annex: 4).

Before the merger in 2004 the top six suppliers were Vestas (Denmark), Gamesa (Spain), NEG Micon (Denmark), Enercon (Germany), GE Wind (USA), and Siemens (Germany).

Below, figure 14 illustrates how not only top six, but also top ten are positioned in the market. Note that the positioning is after the merger of Vestas and NEG.

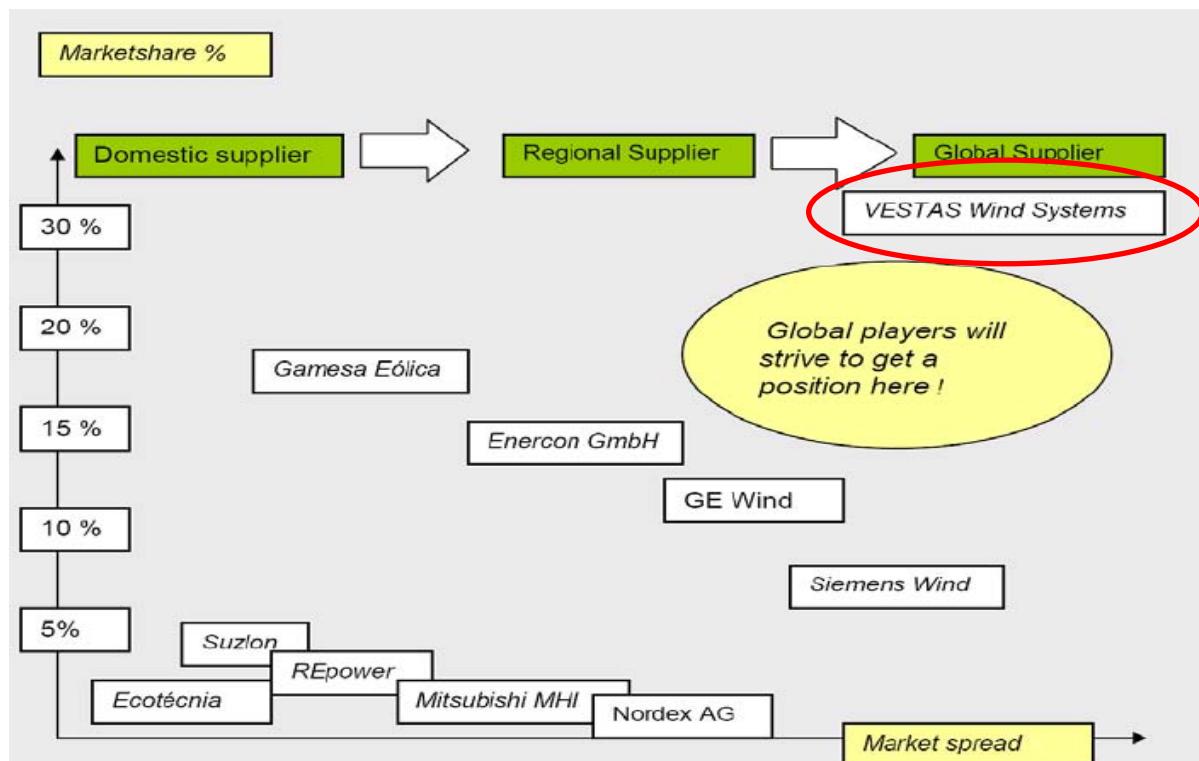


Figure 14: Market share and spread of top ten wind turbine suppliers 2004 (BTM Consult, 2005-9:2)

Porter's Five Forces

To characterize the wind turbine industry Michael Porter's Five Forces is a useful tool. Since a comprehensive industry analysis is outside the scope of this study, the figure below provides a brief overview of the forces within the wind power industry.

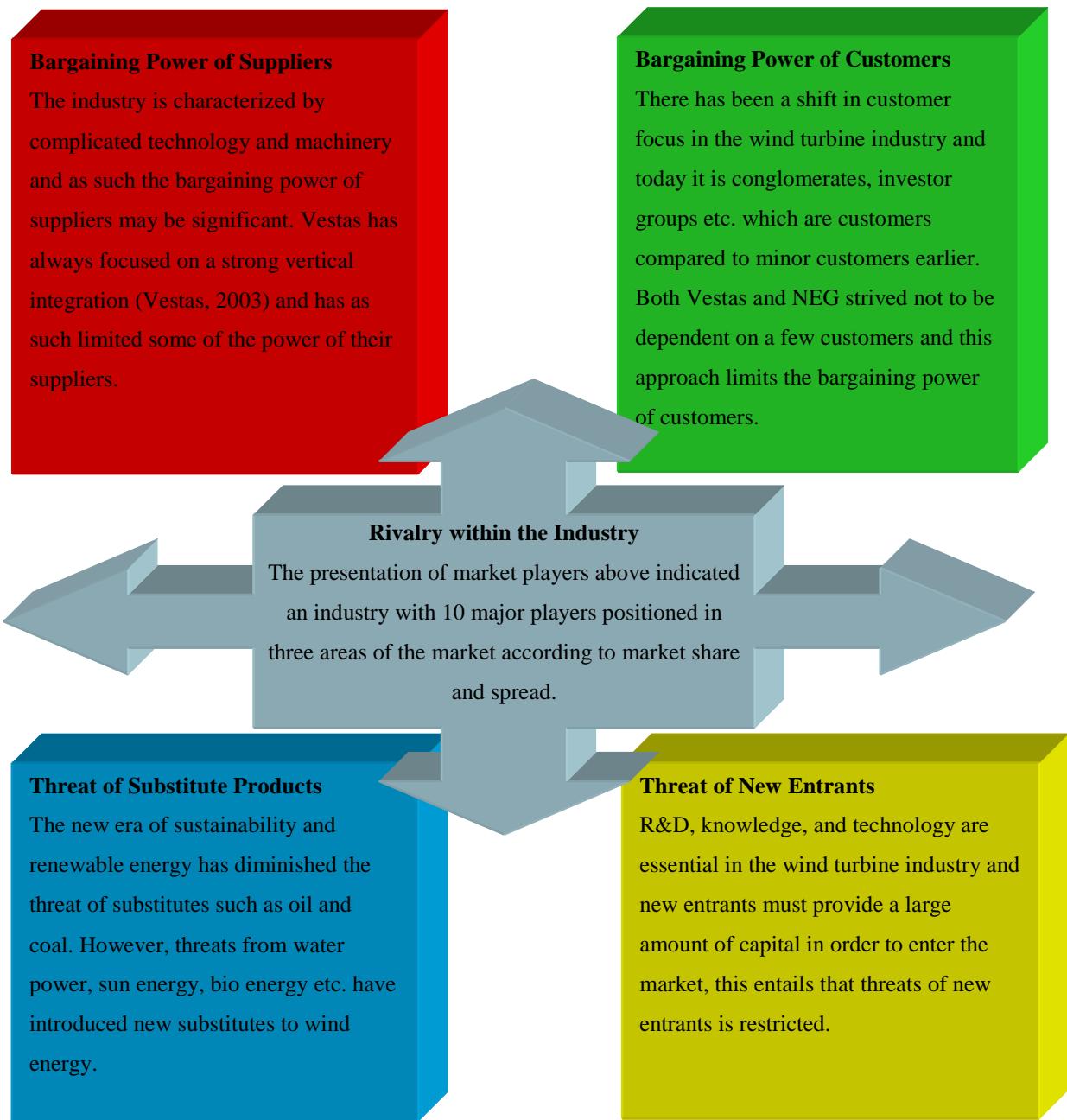


Figure 15: The wind turbine industry in Porter's Five Forces (Based on Porter, 2008:80)

9.1.5. Competitive Forces of a combined Vestas and NEG Micon

At last, a SWOT analysis of Vestas, NEG and the new company is carried out in order to support the rationale and strategic fit for the further analysis. The weaknesses and threats of the combined company should receive special attention in the post merger integration phase. Correspondingly, the strengths and opportunities of the new organization should help emphasise the underlying assumptions of the transaction as well as the future development.

SWOT	Vestas	NEG Micon	Combined
• Strengths	<ul style="list-style-type: none"> - Market leader - Organization - Management - Technology - Knowhow 	<ul style="list-style-type: none"> - Suppliers - Customers - Knowledge - Development - Market position 	<ul style="list-style-type: none"> - Market leader - Knowhow - Development - Best practices - Complementing resources
• Weaknesses	<ul style="list-style-type: none"> - Financial challenges - Market coverage - Dependency of suppliers 	<ul style="list-style-type: none"> - Financial instability - Unstable organization - Market coverage - “Leftovers” from mergers 	<ul style="list-style-type: none"> - Financials - Market coverage - Organization
• Opportunities	<ul style="list-style-type: none"> - Market growth - Politics - Environmental awareness - Vertical integration 	<ul style="list-style-type: none"> - Market growth - Politics - Environmental awareness 	<ul style="list-style-type: none"> - Market growth - Bargaining position - Politics - Stronger relations
• Threats	<ul style="list-style-type: none"> - Competition - Regulations / Politics - Economics - Patents 	<ul style="list-style-type: none"> - Competition - Regulations / Politics - Economics 	<ul style="list-style-type: none"> - Competition - Integration - Economics - Suppliers

Figure 16: SWOT analysis of Vestas, NEG Micon, and the combined company (Own contribution)

9.2. The Transaction Process

The first cautious ideas about the merger can be traced back to the beginning of 2003 when Vestas CEO Svend Sigaard and NEG CEO, Torben Bjerre-Madsen discussed the future of their companies (New Energy, 2004). In December 2003, Vestas presented NEG shareholders an offer to exchange NEG shares for Vestas shares. Shareholders approved the transaction during the spring of 2004 and in the meantime the deal was also approved by authorities (vestas.com). On March 9, 2004, the NEG share was delisted from the Copenhagen Stock Exchange and, on May 25, 2004 (zephyr.com) the combination of the two companies was a reality.

The transaction was paid via shares where one NEG share was exchanged with one Vestas share. The ratio entailed a share price premium of approximately 36 percent for NEG shareholders (Vestas, 2003:3 and zephyr.com). Of the premium of 36 percent only 20 percent

amounted to the assessed synergies and as such, the remaining 16 percent may have included goodwill. On the day of the announcement the Vestas share rose by 2.72 percent compared to a rise in the OMX Copenhagen C20 index, where Vestas is listed, of 0.29 percent – see appendix 9.2. Analysts were positively surprised by the announcement and saw great potential in the merger with regard to efficiency, product portfolio, and synergies in the export markets (Wittrup, 2004).

9.2.1. The Rationale of the Transaction

Four main reasons for the merger were presented in the offer document (Vestas 2003):

1. Changing market and industry conditions
2. Increased market power
3. Strengthened strategic focus
4. Synergies

Changing Market Conditions

Global power capacity has expanded rapidly over the years and turbines built to provide the power have developed correspondingly. This has demanded improved knowledge, R&D, and production processes. The installation of wind power was mainly performed in Europe and the US at the time of the merger, but political initiatives implied the belief of expanding markets (Vestas, 2003:7). A combination of the two companies would create a global production- and service network (Vestas, 2003). Technological expertise, extensive production capacity, and a strong capital foundation (Vestas, 2003) were further benefits to be reaped of the merger and would enable Vestas to meet the changing market conditions.

Increased Market Power

A combination of the world's market leader and number three in the row would entail that the combined entity would be the sole market leader. Additionally, economies of scale and scope would benefit the new organization with regard to increased production capacity and improved R&D.

Strengthened Strategic Focus

Based on the increased market power as well as the economies, Vestas would be able to focus on gaining additional market shares and expand geographically. Additionally, the opportunity of vertical integration in the production line was improved due to a better financial

foundation. The merged company would furthermore be able to standardise its activities and hence expand into new markets based on standard procedures and best practices. Based on the above, Vestas (2003:9) presented the following financial goals:

- Global market share of at least 35 %
- EBIT margin of 10 %
- Annual Net Working Capital of maximum 25 %.

Synergies

The fourth objective of the merger is the achievement of synergies. However, as this issue is the main element of the analysis, the following section will be dedicated to the analysis of the assessed synergy opportunities.

If you consider the underlying characteristics of the transaction and compare with empirical results, Vestas' acquisition of NEG had initiate mixed assumptions; the transaction was financed by stock which Loughran and Vijh found to destroy value, the deal was a friendly merger which, empirically, is not an advantage e.g. the findings by Parrino and Harris, and the merger was between related companies which should improve the case of a positive outcome as argued by Healy, Palepu, and Ruback.

9.3. Synergies

The achievement of synergies was based on the enlarged capital base, improved technological expertise, and global production capacity (Vestas, 2003:10). The expected synergies were assessed to amount to EUR 67 million annually before depreciations and taxes imposed by the merger. It was presented (Vestas, 2003) that the synergies were expected to be realized with EUR 14 million in 2004, EUR 47 million in 2005, and EUR 67 million in 2006. The allocation of the expected synergies is outlined in the pie below.

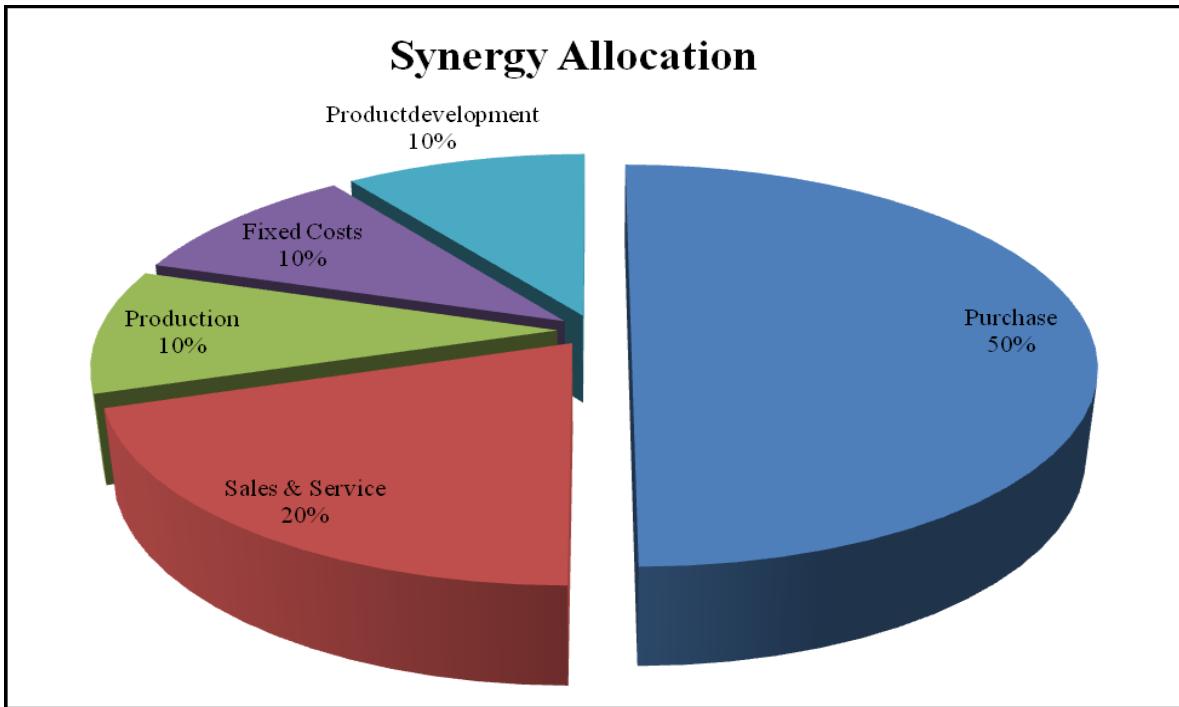


Figure 17: Allocation of expected synergies (Vestas, 2003:10)

All synergies were expected to take form as cost synergies. However, the improved operations within each area should create the basis of revenue growth. The combined company was expected to be able to reduce necessary investments compared to each of the individual organizations. This is based on the better utilization of production facilities and optimization of methods of production.

In connection to the post-merger integration it was expected that onetime costs of EUR 67 million would be necessary in order to execute the integration of the two organizations.

9.3.1. Valuation of the Expected Synergies

When focusing on cost synergies it is possible to come to a reasonable quantification of the expected value of those synergies. Vestas did not provide any publicly available details regarding the calculation of the expected synergies. Therefore, the following will discuss each of the expected synergies with regard to the underlying assumptions, the means to achieve the planned synergies, and activities to be implemented in order to realize the anticipated synergies. Based on this analysis it will be possible to answer if Vestas rationally has evaluated and assessed the synergies. The evaluation versus the premium paid can be discussed and hence the opportunities of creating value based on the discussion in section 2.3.3. – Valuation of Synergies.

Cost Reductions within Purchase

Vestas has relied heavily on vertical integration in order to avoid dependency of suppliers. Vestas produced wings and control systems entirely itself while the turbine towers were produced in part by Vestas and in part by external contractors (Vestas, 2003). Vestas' production facilities were spread out in Denmark, Scotland, Germany, Australia, Norway, Sweden, and Italy. Elements produced externally were mainly delivered by two major and internationally recognized suppliers.

NEG produced the main components; wings, towers, and control systems itself (Vestas, 2003) and the production facilities of the company were placed on Denmark, Spain, India, UK, and China. In spite of the internal production of wings, NEG had a close cooperation with the Danish wing supplier LM Glasfiber A/S.

By combining production facilities, the new Vestas should be able to entirely eliminate the supplies of main components and thus reduce purchasing costs with regard to those elements. Also, by utilizing the distribution of production facilities the new Vestas should achieve further costs reductions by eliminating external supply.

The achievement of cost synergies would be done by introducing best practices, reduction of material consumption, increase the utilization of materials and components, and the new organization's increased bargaining power. These measures are realistic as optimizing the know-how of the combined entity will improve the usage of materials in the organization.

The introduction of best practices imply a great degree of integration among the two organizations purchasing units, production units, and R&D units, as those three departments are involved in the purchase and use of materials and components. It implies a great risk of not achieving those synergies as the integration of the two organizations is complex and not certain of success.

Synergies within Sales & Services

The shift in the customer base from single customers to developers and utilities (Vestas, 2003:21) entailed larger orders to be placed which subsequently affected the sales and service strategies of both Vestas and NEG.

Vestas was placed in a lot of international markets and attempted to offer local presence either through own sales offices, subsidiaries, or agents. NEG worked close together with some of its customers in various markets where they cooperated on the different elements of the product development.

The geographical presence was essential in the achievement of synergies realized through the integration of sales offices and hence the removal of overlapping facilities. With regard to services the reduction of costs would be minor as the merger also entail a larger amount of turbines to maintain and as such, it might only be in the case of combining sales offices' physical location that would lead to cost synergies (Vestas 2003). One advantage of integrating sales offices is to combine the sales force and thus give the customer a better experience in respect to a competent sales force as you should respect that the best of the two companies' sales forces would be merged into one entity.

Again, integration is key when combining the sales force. Manifesting the combination of the company is vital in order to integrate with success – in this case it is very dependent on management, communication, and planning.

Production

Vestas had through its vertical integration achieved a broad and wide product line with regard to the production of various components. NEG was more reliant on suppliers as the NEG production was adjusted for producing larger MW turbines.

By combining the two organizations' production facilities, excess capacity would be reduced. Rationalization and optimization of the production facilities should reduce costs per single product produced. Reducing excess capacity is a conventional way of realizing synergies and requires integration, planning, and internal logistics for them to be achieved.

The ability to produce with the same production facilities available can be determined by calculating the change in the costs per produced unit which can be done by the cost-output elasticity:

Equation 2: Cost-output elasticity (oswego.edu)

$$EC = (\Delta C/C) / \Delta Q/Q$$

Where C is costs and Q is the quantity produced. EC will measure the percentage change in the cost of production resulting from a 1 percent raise in outcome.

Other Fixed Costs

Before the merger, Vestas' headquarters was situated in Western Denmark, while NEG's headquarters was in Mid-Eastern Denmark. The companies decided to locate the new headquarters at NEG's existing offices due to logistic considerations.

This reduction of headquarters is a classic aspect of synergies and is very hands-on, which, among others, Jesper Svarer Nielsen also emphasizes (app. 7.1). The decision to merge two headquarters also demands planning, logistics, and management as the merging of two staffs into one requires mutual respect and understanding of two cultures, behaviours, and values.

Product Development

Vestas focused on developing cost efficient and competitive turbines through known techniques and complex testing systems (Vestas, 2003). Within wings, towers, and OSs; Vestas developed significant know-how and technology. Also NEG developed the production of OSs, wings, and towers significantly. Developing turbines adjusted for wind- and weather conditions was key for NEG in order to stay competitive. Both Vestas and NEG were concerned by patents in their product line and both companies attempted to develop product elements not conflicting with intellectual property rights.

Combining two major players within product development would create one of the most experienced and competent development teams and this should inevitably entail improved product development and reduction of costs connected to this facility. You should expect that two minds think better than one and as such the new development unit should introduce new ideas and products faster, improve the utilization of materials, and keep up to date with developments in the markets.

The success of integrating two units of product development relies heavily on people working together, communication, and management and if the integration fails, no synergies in product development will be realized.

The arguments behind each group of expected synergies seem well assessed. However, the valuation is hard to estimate as no details have been disclosed. Realizing the synergies require extensive integration of the two companies as well as planning, management, logistics, and communication. Measuring eventual synergies may be a challenge in some instances as not all achieved synergies are as easy to trace as others as discussed in section 5. on Measuring Performance when Achieving Synergies.

9.4. Merging the Two Organizations – Realization of Synergies

The post merger process will be divided into two parts; the initial 100 day plan and “The Will to Win” strategy.

9.4.1. The 100 Day Plan

During the first 100 days of the merger, several integration initiatives were commenced; planning, structuring, people issues, corporate concepts, communication, and management.

Planning

The offer document to NEG shareholders indicated that the level one management, headquarters, incentive programs, and corporate governance already were decided upon. The new management was composed by executives from both organizations and two board members of NEG's board were to be elected for the new Vestas' board. These initiatives would diminish uncertainty in the combined company and manifest the sincerity of the decision to merge the two companies. Vestas initiated seven key goals of the 100 day plan (FM, 2005:101) which should pursued through various corporate activities:

1. Foundation of the structure of the group, organization, and corporate identity-team
2. Determination of 1, 2, and third management level
3. Determination of meeting structure
4. Implement lay offs
5. Establishment and operation of the global employee magazine *VestasInside*
6. Combine the product program
7. Future technologies in place.

Structure

A corporate control tower was implemented in order to manage the integration process. Overall, five project teams were implemented. The control tower would report directly to the Vestas management. For each synergy to be realized, several milestones were implemented as well as an extensive system of reporting. The overall project plans were adjusted in accordance with the results of the reports the control tower received from each project team.

This extensive structure and reporting system of the integration system corresponds well to the theory on realization of synergies as well as the key findings of the practical discussion. Especially Hitt's (2001) managerial actions and Kode, Ford, and Sutherland's (2003) emphasis on adequate planning as discussed in section 3. – The Realization of Synergies, relate to Vestas' approach to the integration process. Furthermore, the great level of detail is consistent with Kaare Damgaard's and Anders Brønnum-Schou's (app. 7.4) approach to the

integration process. Also, structuring the integration plan is consistent with Rappaport's recommendations of a blue-print.

People

As a consequence of the merger, employees were laid off during 2004. Additionally, some employees had to move due to the new headquarters in Randers. The layoffs were resolved locally in cooperation with Vestas. Relocations were limited since employees instead were transferred within departments, functions, and business units (FM, 2005:97).

An equally important element of the people issue was the retention of key employees throughout the integration process and for the continuing business. Kode et al., Mikkel Krogslund Andersen (app. 7.3), Christian Schopper (app. 7.2), and Kaare Damgard and Anders Brønnum-Schou (app. 7.4) all emphasise the retention of key employees and thus the knowledge within the new organization. The new HR-manager elaborated common guidelines for HR issues in the new organization. Introducing common guidelines of pay, bonuses, and incentives is necessary as each of the two previous organizations may not have the same levels of compensation and the introduction of common guidelines will as such diminish the feeling of "them" and "us" when employees are paid equally.

Corporate Concepts

The "control tower" has already been presented as a concept being introduced in the integration process. Further concepts framing the process were the establishment of a corporate identity-team and a set of common signals. The corporate identity-team was composed of employees from both Vestas and NEG and the aim of the team was to approach the new corporate identity and execute it through a new web site, brochures, and advertisements. Also, a range of symbolic measures were implemented. The establishment of Vestas as the name, the logo on letterheads and business cards, common work wear, and other visual means contributed to the new corporate identity (FM, 2005:106).

Communication

Especially the internal communication was essential for Vestas to be executed with success. An extensive communication plan should together with regular communication, cooperation, and communication as an integrated management task secure success (FM, 2005:104).

Vestas' communication plan entailed a list of initiatives, description of these initiatives, the rationale behind the initiatives, and the timing of the initiatives (FM, 2005:104). An example

of initiatives was weekly newsletters via Vestas' intranet which should provide general information of the integration process and other facts on the company's operations. The rationale of the weekly newsletters was to create transparency and understanding as well as prevent misunderstandings and rumours. Another project was management conferences at all levels which should enable managers at all levels to be aware of the new Vestas. The background for commencing this initiative was to clarify questions and doubt. The management conferences should be carried out continuously.

Vestas gave communication a great deal of thought and initiated a wide-ranging plan of communicating in order to avoid uncertainty which is related to elements of the theoretical as well as the practical discussion.

Management

Sven Sigaard was appointed CEO for the new Vestas and Torben Bjerre-Madsen was appointed deputy CEO. Also, the chairman and vice chairman of NEG's board were elected into the board of Vestas. In October 2004, Torben Bjerre-Madsen left the Vestas management and in May 2005, Sven Sigaard resigned as CEO and was replaced by Ditlev Engel who did not have a previous history with either of the companies as he came from a position as CEO at Hempel A/S. It is not uncommon that the CEOs of the former organizations resign after some time in the new organization and according to Svend Sigaard: "*The integration of Vestas and NEG Micon is a very important task, which is expected to be largely completed in the spring of 2005, and therefore the timing of a change to the position as managing director is correct*" (Vestas, 40/2004:1, L: 11-13). Empirically it is furthermore proved that management replacement improve the company's performance as discussed in section 6.1.2. on the evidence of the review of global empirical studies.

9.4.2. The Will to Win

When Ditlev Engel joined Vestas he introduced the strategy "The Will to Win" based on the cultural, financial, and technical challenges implied by the merger: "*The cultural integration is still a bigger challenge for us. We must create a new global Vestas culture*" (Vestas Q1-2005 ppt. pres/6). With this new strategy, Ditlev Engel wished to create one Vestas and move away from the perception of *them* and *us* which was a less desirable outcome of the merger (FM 2005:106). Additionally, Engel wanted to manifest wind power as a remaining source of energy and stated: "*Many people still regard wind power and thereby Vestas as a 'romantic*

flirt' with alternative energy sources. It is not. Vestas and wind power is a real and very competitive alternative to oil and gas" (Vestas, 16/2005:2).

Along with the cultural challenges the new vision was based on deteriorating customer satisfaction, unsatisfactory earnings level, entry of GE and Siemens, low standing in the media, inadequate transparency of business processes, the new business model had not secured the necessary ownership of decisions, and unbalanced currency flows (Vestas Q1-2005, ppt pres./18). Especially unsatisfied customers due to technical errors spurred the need for change. This also led to lean manufacturing with better focus on production procedures and sites.

Basing the new culture on a clear vision, mission, and values, changing the top level management structure, and forever say goodbye to the former "local" mindset "The Will to Win" should lead Vestas in to a new era. In order to implement the new strategy and vision, Ditlev Engel proposed an extensive program of visits throughout the organization in order to present all employees face-to-face about the new vision and be aware of the company's new management structure and corresponding responsibility.

"The Will to Win" was the first step of a dynamic strategy development within the company. The process is illustrated in the figure below as well as the characteristics connected to each of the steps.

The Will to Win

2005

- Four areas of focus; corporate governance, production and technology, constitution, customers, and reporting, and customer relations (Vestas, AR 2005 ppt. pres).
- Three new business units, technology, people and culture, and offshore - Especially the people and culture unit should emphasize the cultural integration and the future common corporate culture.
- The strategy was long term based and the first step on a road map towards 2008.

2006

- Vestas presented 13 constitution projects which highlighted the areas of focus in the organization - Especially product quality and the supply chain of turbines were a focal point and through this Vestas strived to achieve cultural consistency and common rules across business units (Vestas, AR 2006 ppt. pres).

No. 1 in Modern Energy

2007

- Vestas emphasised the importance of wind power and set it aside with power from oil and gas.
- When introducing this new strategic mission Vestas presented 12 Must-Win-Battles which should be fought (Vestas AR-2007 web cast).
- Continued focus on customer satisfaction and reduction of warranty provisions.

Operational Excellence

2008

- Has been in focus since the beginning of 2009 and will affect the company's strategy and operations onward.
- The 15 15 15 vision: 15 percent EBIT margin and 15 billion revenue in 2015 – the next roadmap for Vestas which was presented in November, 2009.
- This achievement will be reached by continuous focus on constitution projects, must-win battles, and excellence through alignment as well as advancing within the six sigma system where Vestas expect to reach level six no later than 2015 (Vestas Q3 2009 ppt. pres).

Figure 18: The strategy development process of Vestas 2005 - 2009

In each of the AR and QR presentations since 2005, Ditlev Engel keeps coming back to the “The Will to Win” strategy and the underlying mission and vision. Ditlev Engel proceeds to maintain an overall consistency in the company’s operations towards achieving the submitted goals. Ditlev Engel appears as a visionary and consistent leader and he recognized the need for change management and built further elements to the planned integration process – he continued the *VestasInside* communication initiative, initiated weekly web casts on management level in order to establish his thorough presence, and he created a dynamic strategy and vision to take Vestas to the next level. Based on Ditlev Engel’s management he approached the combination of Vestas and NEG in accordance with Bligh and Marks’

recommendation on extensive and thorough management throughout the process – section 4.2.1. and 4.3. on Organizational Structure and Change and Managerial Actions.

Distinguishing between the two parts of the integration of Vestas and NEG, the first part was very much defined by correct “text book” activities such as communication, signalling etc. The second part, from 2005 and onwards, focused on a strategic roadmap and the creation of one Vestas through “The Will to Win”, “No. 1 in Modern Energy”, and “Operational Excellence” and in 2015 the “15 15 15” strategy. There is evidence that the management of Vestas after the merger was affected by managerial biases as discussed in section 3.1.3. - The Disciplined Approach, since it is apparent that it was believed that the knowledge needed existed within the organization and the potential costs of realizing synergies were not correctly estimated. Also, the management failed to intervene even though it was noticeable that employees were not motivated by a common corporate culture.

9.5. Outcome – Did the Acquisition Pay?

In the 2003 prospectus Vestas proposed three overall goals of the combined organization. These goals have been consistent throughout 2003 – 2008 (Vestas’ AR 2004 – 2008):

- Market power of 35 %
- Net Working Capital of maximum 25 %
- EBIT margin of 10 %

The first examination of the outcome of the merger is with regard to Vestas’ own success criteria. Figure 19 below illustrates the development of Vestas’ global market share compared to its peers – Nordex AG, Suzlon Energy, and Gamesa Wind¹.

Through the merger, Vestas gained market share of 35 percent in 2004. However, the market share has diminished since and the company has thus not been able to fulfil its objectives with regard to market share.

¹ Those three companies are listed and additionally not a minor division of a conglomerate such as Siemens Wind Power and GE Energy.

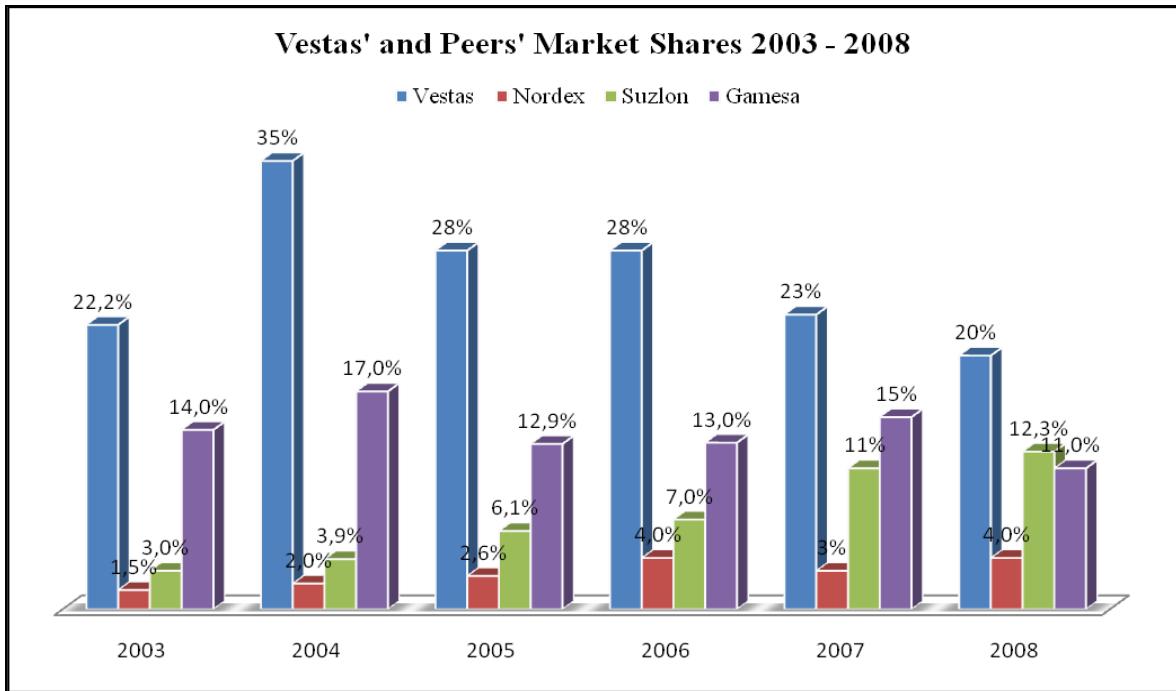


Figure 19: Vestas and peers' global market shares 2003 - 2008 (app.9.3)

Compared to the peer group, Gamesa is Vestas' biggest competitor. From 2004 to 2008, Vestas has experienced a decrease in its market share of 41 % and the same number for Gamesa is 35 % which indicate that both companies have equally experienced decreasing market shares.

Another aim of Vestas was to maintain an annual NWC of maximum 25 percent. Vestas reached this goal in 2006, where the net working capital was reduced significantly (app. 9.4). However, the NWC may not have been improved by the acquisition but by general economic conditions and developments in the market which has been characterized by an economic boost until the beginning of 2008.

The last measure of Vestas stated as one of its main goals is an EBIT margin of 10 percent. In figure 20, three financial margin ratios are presented whereof the EBIT margin is one.

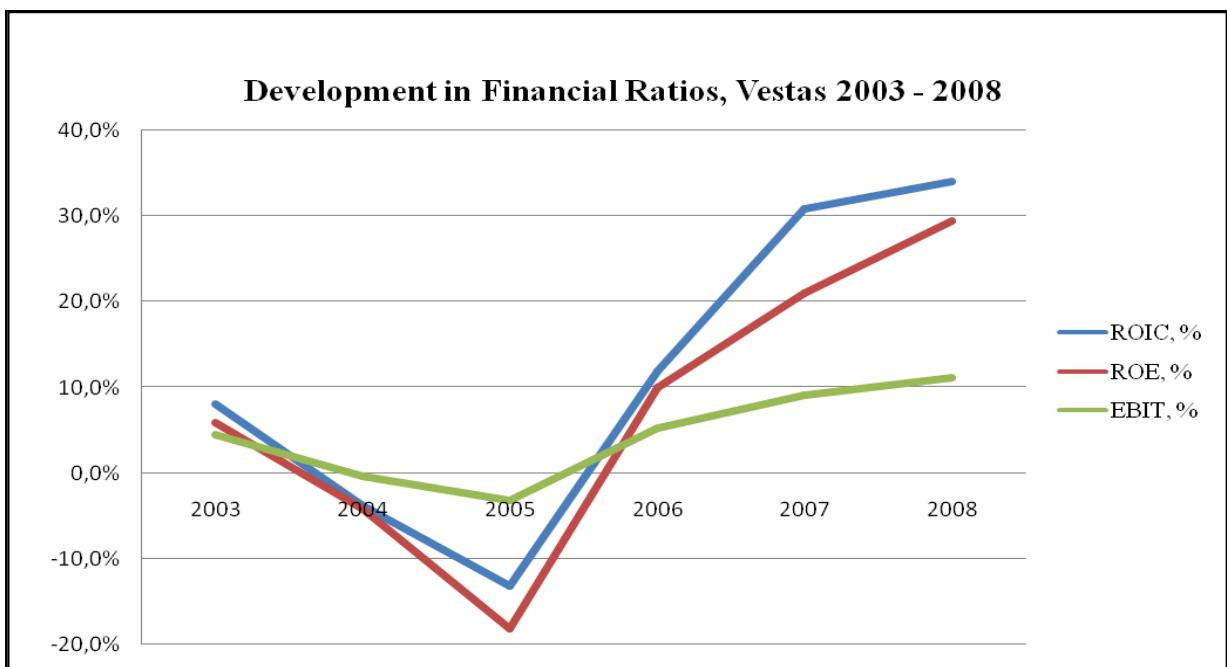


Figure 20: Development in financial ratios, Vestas 2003 - 2008 (Vestas ARs, 2003 - 2008 and app. 9.4)

Following the green line of the EBIT margin, Vestas has experienced an improvement since 2005 and since 2007 the aim of a 10 percent margin has been fulfilled. Thus, Vestas has been able to improve its ability to generate profit from its sales. Again, the EBIT may not have been improved by the acquisition but by general economic conditions and developments in the market.

Looking further at figure 20 above, two other financial ratios are depicted; Return on Equity and Return on Invested Capital. The figure highlights how 2005 was a year of significance as all three presented ratios improved from that year and onwards.

The P/E ratio is a third financial measure to be used for performance measure. Vestas P/E ratio should be compared to that of its peers. Figure illustrates 21 that Vestas, Nordex, and Gamesa all have experienced decreasing P/E ratios from 2006/2007 and as such, investors expected decreasing growth. Suzlon stands out in this comparison as the company saw increasing P/E ratio from 2007 and this may indicate changes within the market players of the industry and hence; investors' expectations.

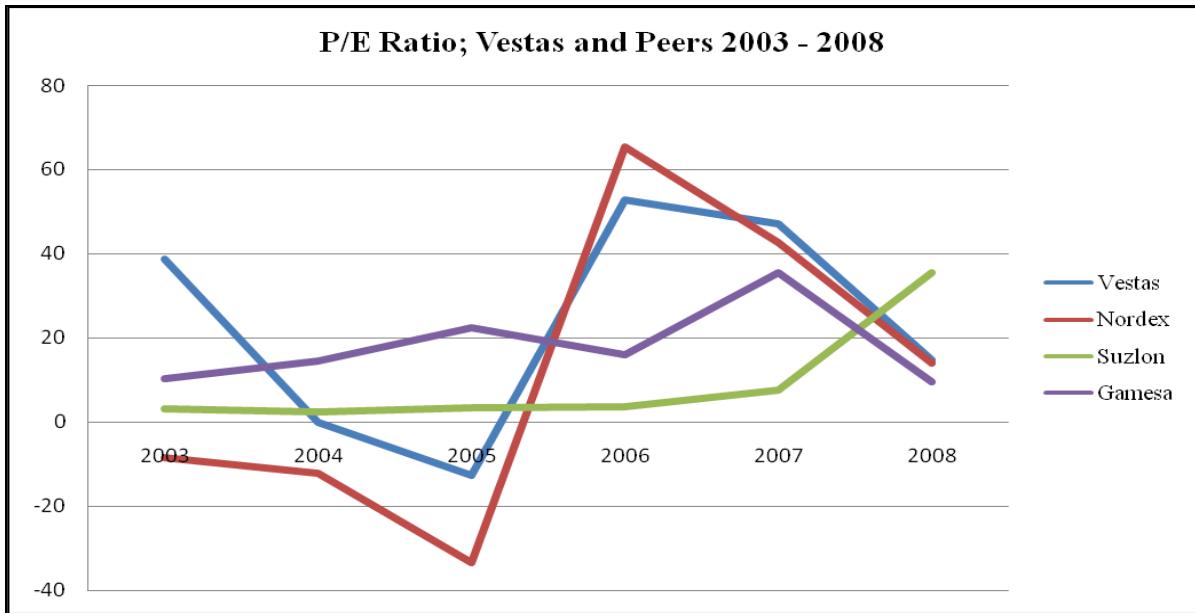


Figure 21: P/E ratios 2003 - 2008 for Vestas and its peers (ARs 2003 - 2008; Yahoo finance; app. 9.4)

With regard to efficiency synergies, one feasible measure is whether Vestas has been able to exploit economies of scale. Using the cost-output elasticity an outcome above 1 indicates diseconomies of scale and an outcome below 1 indicates economies of scale and as such improvements in production and cost reductions. Evaluating the results (app. 9.4) Vestas experienced economies of scale in 2005, 2006, and 2008. The significant diseconomies of scale in 2004 might have been due to the integration of NEG and the following periodical overlap of the two organizations facilities before they were reduced via combination.

In section 5 on Measuring Synergies, the use of a balanced scorecard was introduced. Vestas (2003:9) presented six aspects of the strategy of the new organization and based on these six strategic objectives five perspectives of Vestas' balanced scorecard are chosen and outlined in figure 22 on the following page together with the objectives, and measures of each of the perspectives.

The financial performance measures have already been concluded upon. With regard to customers, and the performance objectives Vestas has not been able to maintain its strong market position which it achieved through the merger. However, the amount of MW delivered has increased from 2,784 in 2004 to 5,580 in 2008 (Vestas, AR-2008:7) – an increase of close to 50 percent.

Perspectives	Objectives	Measures
Financial	Future growth, exploit increasing market share	Financial key ratios
Customer	Create value for customers, increase market share, integrate sales and services	Customer satisfaction and loyalty, market share, and sales volume
Innovation and R&D	Development and production of cost efficient and technological leading wind turbines	R&D expenses, warranty claims, improved processes
Growth	Internationalisation to new markets	Expansion in markets, market share in new markets
Internal Process and Employees	Growth to ensure larger orders on both on- and off-shore turbines. Vertical integration	Orders, supplier dependence, numbers of employees, training

Figure 22: Vestas' balanced scorecard (Based on Niven, 2002:117-140 and Vestas, 2003:10)

On the customer satisfaction side, Vestas has conducted customer surveys and the result of these caused a great deal of concern (Vestas, AR-2005) and has been a great area of attention since. In 2000 the average customer satisfaction was 96 % whereas the number was 43 % in 2005 where after the tendency changed and in 2006 the number increased to 44 %, 48 % in 2007, and 52 % in 2008 (Vestas ARs 2004 – 2008).

Warrant provisions have followed the same pattern as the other measures; increase until 2005/2006 where after the conditions improved and the provisions paid have decreased.

Throughout time, Vestas has advanced in the six sigma operating system and in 2005 Continuous Improvement Management (CIM) was introduced in order to diminish turbine failure and improve the reliability of the turbines. In 2007 no new CIM cases were reported (Vestas, AR-2007 ppt. pres.).

Moving to the growth perspective, Vestas has improved its amount of MW delivered in all markets over the years (app. 9.5) and especially MW delivered to the Americas and the Asia Pacific has advanced.

Finally, the last perspective drawn from Vestas' planned synergies is internal processes and employees and the results can be measured with regard to orders, supplier dependence and employee training and development.

The order backlog has increased since 2006 (app. 9.6), the supplier dependence has been reduced through close relations between Vestas and its suppliers (Vestas, AR-2007:20).

On the employee side, the number of employees has increased. Additionally, focus on training has been implemented and the number of trained staff members and members enrolled in courses has increased (Vestas AR-2006 ppt-pres.).

Overall, the first year following the merger indicated various challenges within financials, employees, customer satisfaction, growth, and product quality just to mention a few. Since 2005, when Ditlev Engel was appointed CEO, Vestas has, to a large extent, improved its financial ratios and the negative development within customer satisfaction and product and component quality has been reversed. It is important to note that the performance may in part be achieved due to merger effects but also in part due to economic conditions, market development, and other externalities.

9.6. Conclusion – Responding to the Propositions

Despite a “rocky road” the overall evidence is that today, Vestas is a company experiencing a positive development. Competition is fierce and the market conditions are continuously changing and entail numerous challenges for Vestas in the future.

The focus of the case study has been carried out in order to respond to the propositions submitted based on theoretical and professional discussions:

- *P1: The assumptions for a deal should be defined and understood in great detail - The fundamentals of a transaction must be solid in order to determine the process*
Yes, the strategic fit between Vestas and NEG was present and the assumptions of strengthened market power, increased knowledge, and growth opportunities were feasible for the merger. The ability to understand Vestas as one company seems, however, lacking in the initial planning.

- *P2: Identification and valuation of synergies is essential – Therefore the underlying assumptions of the transaction should be complete in order to assess the potential synergies properly.*

Yes, Vestas mainly focused on cost synergies through scale economies following the combination and understood that they would not be achieved immediately but through a range of years. Vestas would be best suited for assessing the value of the expected synergies and since no calculations were publicly available, only conjectures of their

feasibility can be provided. It should be mentioned that the synergy assessment seemed evaluated correct and this supports the valuation.

- *P3: Avoid overpaying for the target - Paying too high a premium will most likely result in subsequent value destruction. Additionally, the buying company may suffer from the Winner's Curse.*

No, despite paying a premium of more than the DCF of the planned synergies, the overall outcome is that Vestas achieved success. Goodwill and an underestimation of benefits reaped of the merger may have influenced the outcome. The merger was not competitive which might have influenced the price paid as no bid auction was initiated. However, market conditions and other factors may also have affected the development of Vestas.

- *P4: Planning is vital. Focus on integration should be placed throughout the acquisition process - Most companies focus on the integration throughout the process and this should imply success.*

Yes, an extensive planning eases the integration process. However, although Vestas outlined an extensive communication plan, decided on changes even before the merger, the company did not initially manage to create an overall common understanding of the new organization.

- *P5: Pre- and post merger coherence is of great importance - From the beginning and throughout the process, there should be consistency between the pre-merger and post-merger vision and planning.*

Yes, creating a common vision for newco is essential. Initially, the pre-merger vision for Vestas lacked and this fact is identified as one of the major sources of the initial challenges. Ditlev Engel was apparently capable of establishing a powerful new vision and through this a new corporate culture.

-
- *P6: Management, integration, planning and financial evaluation are of great importance - Focusing on these four areas, success should most likely be achieved.*

Yes, management is key – be it with regard to planning, people, communication, and strategy. A visionary leader such as Ditlev Engel is an example of executing an overall idea of the company throughout the organization by imposing a new strong strategy.

- *P7: When it comes to it, it is all about the people - Cooperation, management, and communication depend on the people involved.*

True, if people do not cooperate and yet even fail to understand the vision of newco, the merger may fail. Ditlev Engel and his management team strongly emphasised this by introducing constitution projects which focused on people and a common culture. The underlying aim was to make employees understand the new vision of Vestas.

- *P8: The outcome of a single deal may deviate from the average empirical evidence. In that case, benchmarks are not a sufficient way to measure the performance and other methods may highlight the outcome.*

Yes, looking deeper into Vestas as a single case the company has overall managed to be successful. The major reset in operations from 2004 and 2005 emphasize how difficult and complex a merger is and how important management and a common vision are. Additionally, measuring performance is complicated with regard to the underlying assumptions and planned synergies of a transaction as some results may be intangible.

Theoretically, Vestas did impose many of the recognized key elements of success in the transaction. Ditlev Engel and his management team have had a significant impact on the result. Also, Vestas' approach to the transaction was consistent with many of the elements emphasised in the practical discussion – especially management being present and consistent in the integration phase.

Finally, although empirical evidence cast doubt on the *average* outcome of M&A transactions, the single-case study demonstrated that success is possible. This result casts doubt on the difficulty on finding useful benchmarks for an empirical study in the semi-weak form and highlights the usefulness of single-case studies.

10. Conclusion

To answer the initial problem statement the paper has built up a theoretical framework, reviewed the empirical evidence, presented professional insights, and analysed a single case; Vestas' acquisition of NEG.

The overall result is that management is essential through the entire acquisition process and can be perceived as the crossbar of the whole exercise. Thorough integration, financial evaluation of synergies, and extensive planning are additional key elements of synergy realization. It is the result of the examination of synergy realization in the acquisition process that the realization and hunt for synergies should be in focus throughout the process.

Scrutinizing the theoretical the key elements of the integration process further revealed that organizational structure and culture are of importance for the outcome of the transaction as well as planning the process. Overall, management influences both issues and is additionally a further key element of the integration process which includes change management and employee motivation and retention. When it comes to measuring corporate performance and the achievement of synergies it was the evidence that three approaches were useful; measuring corporate objectives, evaluating financial key ratios, and using the balanced scorecard. The use of the balanced scorecard might meet the difficulties in measuring intangible synergies and provide a complete picture of the company's performance; however, the use is not conclusive.

The review of 15 empirical studies of post merger performance showed that the overall evidence is that a majority M&A transactions entail a negative outcome for bidders, positive for targets, and for the combined company the outcome is not convincingly positive. This was the same result for acquisitions in the Danish market in 2004 and 2005. The empirical evidence based on semi-strong event studies leads to question if the use of benchmarks is sufficient and raise the urge for a detailed clinical study of a single transaction.

The outcome of the discussion of insights of professionals resulted in a set of key elements of value creation through M&A: underlying assumptions of the deal, management, communication, people, and a thoroughly planned integration process. The professional insights were as such highly correlated with theoretical key elements of a successful outcome of a transaction.

The empirical evidence raised interest for investigating a clinical case further – also to specify the characteristics and experiences of a specific deal.

The case study of Vestas' acquisition of NEG revealed that management and a common vision for the combined company is vital for success. Following the “text-book” approaches has to be supported by a visionary and present management and in the case of Vestas, Ditlev Engel was appointed new CEO one year after the merger and this change in management induced a noticeable shift in the company's performance. The study of Vestas' acquisition of NEG shows how the management of the combined company may have the best intentions but still, a common vision, management presence, and a thoroughly planned future strategy is vital for a successful outcome.

Overall, the project has demonstrated that empirical evidence do not show the entire story when it comes to M&A results. Looking into a clinical case it has been illustrated how several elements must be managed in the acquisition process and not all of them are measurable in the market.

11. Recommendations

Theory and professional insights created the basis of eight propositions and the case study research provided answers for these propositions. Therefore, the recommendations are based on these responses.

- **The strategic fit** between the merging companies is vital. As such, understanding the target company and preparing the process based on these assumptions is essential.
- **Focus on cost synergies** is common and not less desirable despite the fact that revenue synergies have the highest upside potential. Also, expecting costs connected to the realization of synergies and the fact that synergies are realized over a range of years is important. In connection to the recommendation above, the underlying assumptions of the deal should support the synergy assessment.
- **The valuation and assessment are of great importance** no matter which synergies are expected in order to avoid paying too much since synergy evaluation is a great part of the price paid for the target.
- **An extensive planning eases the integration process.** An overall vision of the company should be implemented in the planning. A powerful common vision of the combined company is vital to create coherence across the company.
- **Management is key** – be it with regard to planning, people, communication, and strategy. Competent management may improve a deal even with the most challenging assumptions.
- **Symbols and a strong common vision strengthen the possibility of a successful outcome.** If people do not cooperate and yet even fail to understand the vision of newco, the merger may fail.
- **A deeper insight into a single case may show other evidence than empirical results.** Acquiring companies should be aware of the measurement of the company's performance.

Paying attention to the recommendations above, managers as well as analysts should be aware of the complexity of M&A transactions and that this complexity additionally affects measuring the outcome.

12. Future Perspectives

Synergy realization is only one fraction of M&A transactions and the paper has raised further issues to be examined within the universe of M&A. Three ideas have come up while working on the project; incentives, benchmarks, and synergy evaluation.

With regard to incentives, some studies have already been performed but further research on “*How to compose the right incentive programs to motivate managers and employees to act in the interest of shareholders and other stakeholders of the company in a M&A transaction*” is of interest. Furthermore, retention of key employees has been highlighted in both the theoretical as well as the practical discussion and therefore, looking into the elements introduced to retain key employees could be another element of research.

The empirical review and study have raised the question on “*How to create the right benchmark when studying post merger performance*”. It is not possible to conduct strong empirical studies. Therefore, the semi-strong studies should then be strengthened as much as possible. As such, looking further into the composition of benchmarks could be another area of analysis. With regard to empirical studies, further studies in the European market would additionally be an area of interesting research.

One last perspective brought forward by this project is “*The effect of premiums paid and the correlation with synergies assessed and evaluated*”. Here you could look deeper into the justification of the price paid and the method used for evaluating synergies as well as a further examination of cost- versus revenue synergies.

There is no doubt that M&A transactions will continue to be carried out. This study has shown that several elements should be considered in order to achieve success when realizing synergies. Due to the continuing M&A activity, regular examinations of the concept are motivating to see if things have changed.

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14. List of Appendices

It was mentioned in section 1.3. on Methodology that all appendices are included in the enclosed CD-ROM to this project. As the interviews performed with the professionals are extensive in scope, the transcribed interviews are enclosed in digital form to give the reader a better experience when they do not have to struggle with a large amount of papers.

The following appendices are enclosed in each of their folders on the CD-ROM:

Formalities:

- Appendix A contains the official number of pages as according to the guidelines of Copenhagen Business School.

To section 1 - Introduction:

- Appendix 1.1: Case Study Research

To section 6 – Empirical Evidence on Value Creation:

- Appendix 6.1: Extended Table on Empirical Studies
- Appendix 6.2: Evidence on Value Creation in the Danish Market

To section 7 - Practical Experiences: A Discussion of Key Elements of Synergies

- Appendix 7.1: ISS A/S, Denmark - Jesper Svarer Nielsen
- Appendix 7.2: Christian Schopper, University of Vienna
- Appendix 7.3: Implement, Denmark - Mikkel Krogslund Andersen
- Appendix 7.4: KPMG, Denmark - Kaare Damgaard and Anders Brønnum-Schou

To section 9 - Case Study: Vestas Wind System A/S' Acquisition of NEG Micon A/S

- Appendix 9.1: Case Study Research Design
- Appendix 9.2: Share Price Development, Vestas Wind Systems A/S and OMX C20 Copenhagen
- Appendix 9.3: Market Share
- Appendix 9.4: Financial Key Figures 2003 – 2008
- Appendix 9.5: Development in MW Delivered, Broken down into Markets
- Appendix 9.6: Order Backlog 2006 - 2008

Appendix 1.1: Case Study Research

Performing a case study is a comprehensive and demanding task and the technique behind is extensive. Yin (2009) has dedicated an entire book on the subject and this book will be referred to in the following section on the research design for the case study being a part of the project.

The case study performed is a single-case study as it is based on the rationale that the study is representative or typical as according to Yin's definitions (2009:48). This determination entails that the lessons learned from the study can be assumed to be informative about the skills of the average organization. As such, the assumption is that many of the assumptions, approaches, and outcomes are common for more than just the examined company.

Why a case study is performed is due to the fact that the central point of case study research is that the method tries to enlighten one or a set of decisions: why they were taken, how the decisions made was implemented, and with what outcome. As M&A is based on the decision making of a company, the case study method is therefore applicable on this event.

The Outline of a Case Study Research

The figure below illustrates the outline of the case study research, how each part of the process interferes with each other and how the development of the research is dynamic.

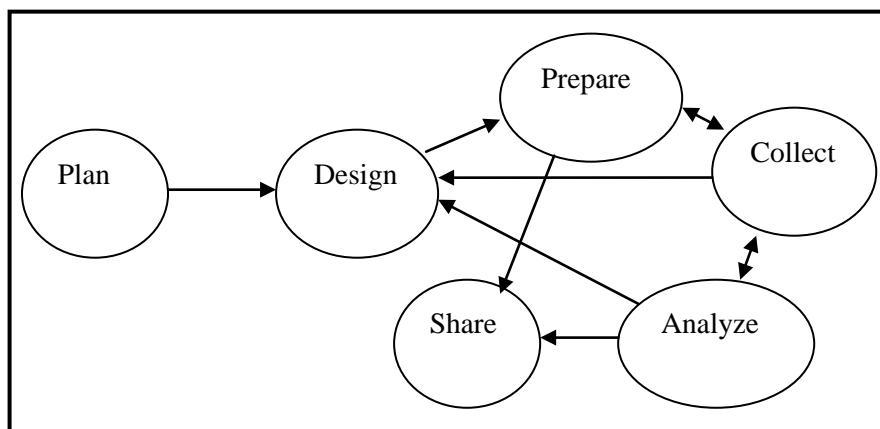


Figure 1: Outline of case study research (Yin, 2009:1)

Planning

In the planning process you identify the research questions and the rational of doing the study, you decide to pursue the method of the case study, and you are aware of the strengths and weaknesses of the case study.

Research Questions, Rationale, and Decision

For this case study, the main research questions are those outlined in the problem statement in section 1.2. Subsequently, the research design will enclose more detailed question, but as a start, the main question to be answered in this project is the research question. The rationale for performing the case study and not an empirical study or even a multiple-case study is that empirically, M&A overall seem to destruct value for the combined entity and especially the bidder's shareholders. However, M&A is still a frequent activity among most companies and as such an in-depth analysis of a single case may provide another picture that empiric and as such, expand the theory within the same topic. This argument is the foundation for me to decide upon the case study method.

The design is based on the scope of the case study (Yin, 2009:18) and creates a further foundation for why the case study has been decided upon:

1. A case study is an empirical enquiry that
 - a. investigates a contemporary phenomenon in depth and within its real-life context, especially when
 - b. the boundaries between phenomenon and context are not clearly evident.
2. The case study inquiry
 - a. copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
 - b. relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
 - c. benefits from the prior development of theoretical propositions to guide data collection and analysis.

Concerns of the Ability to use the Case Study Method of Generalization

One concern of the case study method is that it gives limited basis for scientific generalization (Yin, 2009:15). The simple answer to this concern is that case studies are able to generalize with regard to theoretical propositions and not entire populations or universes. As such, the case study research does not represent sample and the aim when performing a case study is to expand and generalize theories – analytic generalization, and not to specify frequencies – statistical simplification.

Based on this, the exact aim of the project is to expand the theory of realization of synergies through the acquisition process and see if theory and practice correspond.

Design

When determining the research design, one must define the unit of analysis and the case to be studied; develop the theory, propositions, and issues underlying the anticipated study; identify the case study design; and define the procedures to maintain the quality of the study (Yin, 2009:24).

According to Yin (2009:27), a research design should include the five subsequent elements.

Study Questions

The questions to be answered are based on “who”, “what”, “where”, “how”, and “why” – especially the “how” and “why” questions when it comes to the case study method. One approach to come to the research questions is to examine the literature on the topic in order to narrow your questions down to a few key topics to be covered.

In this project, the conceptual framework, the theories on the realization of synergies through the acquisition process as well as the professional key elements provide the underlying material for determining the research questions. Also, inspiration may be sought in similar case studies which, in addition, also can be used as a control mechanism for quality.

Study Propositions

The propositions of the study direct certain attention to something in the case that should be studied – in this project, the event of a transaction. The propositions created are a way to maintain a focus of the study. In this project the hypotheses created from both the theoretical as well as the practical discussion, will found the propositions to be answered through the study.

Unit of Analysis

The unit of analysis should be determined during the elaboration of the research questions (Yin, 2009:30). When the case and the unit of analysis are established, other clarifications appear such as the persons involved within the topic and what persons might be included as a part of the context of the study. Furthermore, specifications such as geography, services, and time are all elements to be determined in order to determine the scope of the data collection and the distinguishing between the data about the phenomenon compared to its context.

Linking Data to your Propositions

In order to create the connection between the data collected with the established propositions several techniques are present to be used for this. What is a requirement is that the data collected is combined as instant evidence of the initial study propositions.

Criteria for Interpreting the Findings

As the case study in this project will not contain statistical tests, the interpretation of the data found will mainly consist of the identifying and addressing rival explanations for the findings. These rival explanations will be elaborated as a part of the data collection.

The Role of Theory

Developing the theory covering the topic of the case study is essential in the phase of designing your research. In this case, all theory examination has been completed before the case study research and as such, the theory has been developed before designing the study. The theory developed is mainly based on illustrative types of theory (Yin, 2009:37) as it is founded on theory on the topic as well as discussions with fellow students, colleagues, supervisors, and professionals.

Generalization between the Case Study and Theory

One of the concerns with regard to the case study research is the ability to generalize the findings of the study with theory. However, when doing case studies the aim is to perform an analytical generalization which, according to Yin (2009:38), implies that previously identified theory functions as a template with which the findings of the case study is compared.

The Quality of the Research Design

Four tests of quality are present; construct validity, internal validity, external validity, and reliability. Construct validity is related to data collection and the composition of the study as it refers to the correct identification of the operational measures for the means being examined. Internal validity is related to the data analysis as the test is seeking to create a causal relationship in which certain conditions lead to other conditions. External validity is related to the research design as the aim of this test is to define the area to which the findings of a study can be generalized. Finally, reliability is related to the data collection of the case

study as the test seeks to demonstrate that the operations of a study can be repeated with the same results.

These four tests will all be considered when designing the research.

Overall, the case study method can be outlined as in the figure below which also illustrates the different phases of the case study process. The figure is adjusted from the original in order to illustrate the single-case study.

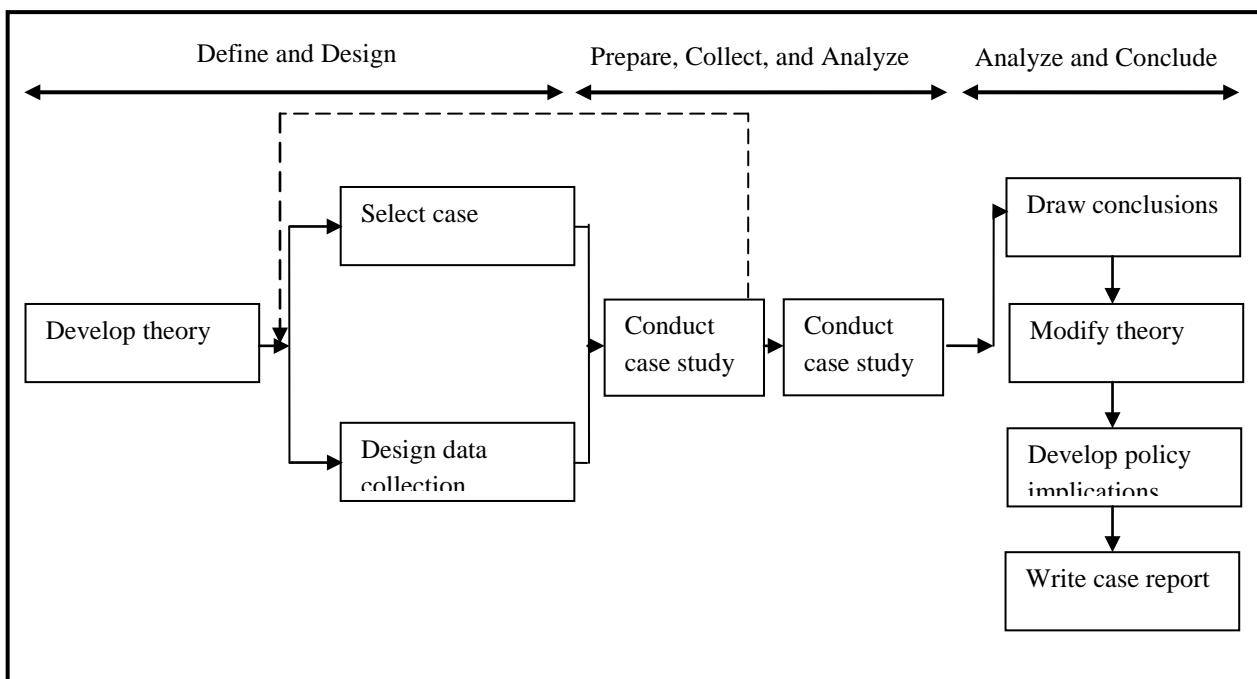


Figure 2: Case study method (Yin, 2009: 57)

Doing single-case study is critiqued as being an exercise where you “put all your eggs in one basket” and the analytical benefits might be limited.

In the case of this project, the single-case study is chosen in order to provide an in-depth analysis of an event as M&A is an occurrence which empirically does not create value but transactions are continuously carried out and the frequency and value size of transactions are increasing. Therefore looking into a single case will provide insights into what measures are used for the underlying rational and what measures are used in order to achieve success. Another aim of the single-case study is the discussion of the validity of benchmarks used in the empirical studies. You could argue that the market reaction, which is used in a majority of the studies, include a lot of noise and as such a clinical study might be of more interest for

parties involved in the transaction process. Boston Consulting Group (2007), Anders Brønnum-Schou, and Kaare Damgaard (app X) additionally questions the feasibility of event studies and emphasizes the rationale of conducting a single-case study.

Collecting Case Study Evidence

Of the preparation before collecting the case study data, two are important to outline in the case of this specific case study. Developing a procedure for the examination and screening case candidates are in this case elements of attention.

The procedure of examination will help increasing the reliability of the research and four sections should create the protocol (Yin, 2009: 81 – 83):

1. an overview of the case study which will communicate the case study's purpose and settings
2. field procedures which entail guidelines for performing the data collection
3. case study questions which reflect the actual line of inquiry of the study
4. a guide for the case study report which sketch the outline, format, and in some cases the audience of the report

Screening and selecting the final case for analysis is the final step of the preparation in which the final unit for analysis is identified. In order to define the best suited case for analysis, Yin (2009:91) recommends defining a set of operational criteria which should be fulfilled for a candidate to be able to serve as a case.

Collecting Case Study Data and Evidence

The most important factor with regard to case study evidence is that the validity and reliability of the research increase with the number of sources of evidence. As such, the case study should be based on several sources in order to pursue this goal. In the case study of this project, documentation, archival records, and interviews are used initially as sources of evidence. Those three sources should be sufficient in order to create variety in the evidence and considering the scope and time frame of this period, these three sources should be the most accessible.

Analysis

When analyzing the data and evidence found it is important to rely on the strategy and propositions previously established when designing the research. Based on this one or more analytical techniques can be used and can be based on either qualitative or quantitative evidence or both. As earlier mentioned, rival explanations will be an essential part of the case study as no statistical evidence will be performed. Finally, the analysis should display the data found apart from the explanations.

In the case study research of this project the explanation building (Yin, 2009:141) will be used as the goal of this technique is to analyze the case study data by creating an investigation of the case. This technique of analysis has been chosen as the case study performed will be of explanatory type and will be a part of a hypotheses-generating and answering process.

The best way to perform the explanation building is to have the explanations to reflect some theoretical significant propositions which is the goal of this research.

Reporting Results

In order to present the evidence and explanations found through the case study, Yin (2009:164) outlines four elements of reporting; selecting the audience, compose materials, display the evidence, and review and re-write. All these elements are to be considered when communicating the reports and the four factors will only be shortly described in the following. First, the report is to be implemented as a part of the overall project and as such the audience is professionals as well as academics. Second, the material used will be in the shape of a written report with illustrating figures and tables in order to provide the readers with the most sufficient information. Third, the evidence will be displayed as a part of the overall written report. Finally, extensive reviewing and re-writing based on the review of fellow-students will be carried out.

Ending Note

This section has been elaborated in order to provide extensive thoughts and discussions of the several phases of the case study research which is an essential part of this project. The detailed research designed used for the case study is outlined in appendix 8 of this project and will be based on the principles of the techniques presented above.

Appendix 6.1: Overview of empirical studies of value creation of M&A

Author(s)	Year	Market	Methodology	Primary Outcome
J.D. Leeth and J.R. Borg (2000)	1919 - 1930	USA	Abnormal returns from the announcement period to the completion period and expected returns are calculated. Industrial relatedness, mode of acquisition, and means of payment are investigated. Both target and bidder results are examined.	Target firm shareholders gained wealth, the acquiring company's shareholders broke even, and aggregate gains were humble. No evidence of concurrence between mode of acquisition and mean of payment and the return of the transactions was found. Furthermore, no evidence of difference of gains based on the level of relatedness of the transactions seemed to be present.
S.N. Kaplan and M.S. Weisbach (1992)	1971- 1982	USA	The extent to which divestures in the 1980s represent unsuccessful or failed acquisitions. Transaction value of more than \$100 million. Several regression analyses were performed.	44% of acquirers reporting divestitures report loss on the sale. Divested units are sold at 90 % of purchase price compared to S&P 500 in the same period. Negative returns to acquirers, overall slightly positive results to acquirers and targets combined.
J. Franks, R. Harris, and S. Titman (1991)	1975 - 1984	USA, NYSE and AMX firms	Evaluation of post merger performance as a mean of returns for target, acquirer, and the portfolio of target and buyer. Use of multi-factor benchmarks from the portfolio evaluation literature in order to eliminate mean-variance inefficiencies.	Findings of negative post merger performance. However, this is dependant on the methodology used. When using multi-portfolio benchmarks, the performance is not different from that of other non-acquiring firms. Benchmark errors can affect the result.
P.M. Healy, K.G. Palepu, and R.S. Ruback (1995)	1979 - 1984	USA	Usage of post merger accounting data to test for changes in operating performance. Study performed via regression analysis.	Merged firms have significant improvements in operating cash flow returns after the merger; due to an increase in asset productivity compared to the company in question's industry. Performance improvement is especially

				significant for companies with overlapping businesses.
A. Agrawal, J.F. Jaffe, and G. N. Mandelker (1992)	1955 – 1987	USA, NYSE and AMEX companies	Measure of abnormal share performance and the Returns Across Time and Securities are used to measure the post merger performance. Both mergers and tender offers are analyzed.	Shareholders of acquiring firms suffer a statistically significant wealth loss of 10% over the five year period following the transaction.
J.D. Parrino and R. S. Harris (1999)	1982-1987	USA	Focus on classification of acquisitions; management replacement, industry consolidation, and growth implications. Share price movements and post merger performance via cash flows are evaluated via regression analysis.	Management replacement results in superior post merger performance. Industry consolidation and growth implications generate below average performance.
T. Loughran and A.M. Vijh (1997)	1970 - 1989	USA	Mode of acquisition and form of payment is a part of the study. Regression analysis of buy-and-hold returns as well as book-to-market value. A five year period is analyzed.	The post acquisition return of acquirer's share appears to be related to both mode of acquisition and form of payment (cash vs. equity). Tender offers and cash payments tend to create positive returns whereas mergers and stock payments result in less-than-matching firms returns.
P. Raghavendra Rau and T. Vermaelen (1998)	1980 - 1991	USA	CAR is calculated relative to size of the company and book-to-market benchmarks. Companies are divided into portfolios which returns are used as benchmark. Focus on glamour (low book-to-market ratio) vs. value bidders. Investigation of the three hypotheses of payment, performance extrapolation, and EPS myopia is carried out.	Merger acquirers seem to under perform three years after the transaction while tender offer acquirers seem to earn a small positive abnormal return. “Glamour” acquirers seem to influence the negative performance significantly. The hypotheses examined are not mutually exclusive. The hypothesis of performance extrapolation is, however, more consistent with the data

M. L. Mitchell and E. Stafford (2000)	1961 - 1993	USA	Buy-and-Hold abnormal return is used as performance measure. Taking into account Equal-Weight and Value-Weight. Also considering payment form (stock vs. cash). An additional study of Calendar-Time Portfolio Abnormal Returns (CTARs) is performed.	With the potential of positive cross-correlating event-firm abnormal returns taken into account in accordance with the dependence of events, the study shows very limited long-term abnormal performance for acquiring firms.
K. C. Yook (2004)	1989 - 1994	USA	Comparison of firm EVA and industry EVA as the perception that EVA, theoretically, is the direct link between performance measure and shareholder value. Mode of acquisition, premium, payment form, and business similarity are taken into consideration.	Overall, the acquiring firm experiences significantly weakening operating performance after the transaction. However, this is not generally different from industry counterparts. Premiums deteriorate acquiring firm's value. Tender offers tend to earn higher returns than mergers at a statistically significant level. However, premiums taken into account, this difference deteriorates.
M. Mark Walker (2000)	1980 - 1996	USA	Evaluation of the impact of corporate takeover announcements. Cumulated market-adjusted returns (CMAR) and matched firm adjusted returns are used to evaluate the stock price performance. Strategic objectives are taken into account.	Related acquisitions tend to earn normal CMARs, whereas unrelated transactions tend to generate negative CMARs. In general, acquiring firms' shareholders earn normal returns. Tender offers and payment-in-cash transactions perform generally better than mergers and stock transactions. Geographic expansion and increase in market share are the most profitable takeover strategies.
J. H. Mulherin and A. L. Boone (2000)	1990 - 1999	USA	Study of announcements effects of both acquisitions and divestitures. Includes considerations of synergistic	On average, the combined target and bidder companies earn a median abnormal return of 18.4 %. For acquirer firms, the median

			and non-synergistic theories.	abnormal return is negative. On average, however, an acquisition in the 1990s created wealth. The value creation is consistent with the theories of synergies whereas it does not seem as non-synergistic theories affect value creation.
M.L. Sirower and M. Golovcsenko (2004)	1995 – 2001	USA	Total shareholder return was calculated and used as performance measure; one week for, one week after, and one year after the transaction. Results were examined compared to relative total shareholder return.	Initial market reactions affect the future success. More than half of the deals performed worse than peers. A good start indicates success. Larger premiums entailed worse-than-peer performance. Target shareholders gain the most.
A. Kohli/PwC (2006)	1995-2004	Europe	Bid value larger than £10m, value of target, and initial stake in target. Share price performance and CAR ¹	Just over half of the European deals create value. The risks associated with M&A appear to be a significant downside for the acquirer's shareholders.
Boston Consulting Group (2007)	1992-2006	North America, Europe, Asia-Pacific	Examination of top quartile transactions in each market. Estimation of CAR is used and total shareholder returns. Regression analysis of abnormal returns	On average, more than half of the transactions destroy value. Clinical studies show nuances and might give a different picture from case to case. High premiums and low multiples generate the largest value creation.

¹ Cumulative Abnormal Return

Appendix 6.2: Data Analysis of Danish Aquisitions in 2004 and 2005

Danish Acquisitions in 2004

The data below is used for the elaboration on the graphs illustrating the share price development for Danish acquiring companies in the period 2004 – 2009. Furthermore, the OMX Copenhagen Benchmark PI Index is used for comparison.

OMX Copenhagen PI	2004												Primo 2005	Primo 2006	Primo 2007	Primo 2008	Primo 2009
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec					
	222,85	234,46	232,00	232,00	230,47	228,82	242,35	240,15	244,54	253,59	248,50	261,37					
Acqurors – companies													primo 2005	primo 2006	primo 2007	primo 2008	primo 2009
Carlsberg A/S	215,12	212,13	226,02	218,8	245,4	238,13	216,74	250,6	230,86	226	222,79	211,5	225,62	274,05	457,69	487,25	187,75
Danware A/S (now Netop Solutions)	98,00	123,50	96,50	132,00	108,50	101,50	97,00	99,00	98,00	102,50	96,00	104,00	104,00	122,00	117,50	73,00	35,00
Danisco A/S	268,50	285,00	284,00	288,50	295,00	290,50	284,50	309,50	306,50	295,00	323,00	345,00	341,50	488,00	482,00	360,00	220,00
TDC A/S	213,50	243,50	248,50	219,00	211,50	202,50	199,00	202,00	215,00	213,73	215,25	230,75	237,25	378,50	214,75	277,00	194,00
Brødrene A & O Johansen A/S	555,00	600,00	660,00	625,00	605,00	620,00	715,00	700,00	745,00	700,00	725,00	735,00	750,00	1310,00	1690,00	2350,00	350,00
PARKEN Sport & Entertainment A/S	255,00	260,00	265,00	278,00	282,00	293,00	308,00	316,00	318,00	329,00	325,00	318,50	307,00	515,00	1278,00	1194,00	465,00
Danske Bank A/S	142,00	140,50	143,00	137,50	139,00	140,00	145,50	142,50	149,00	157,50	164,75	169,50	168,75	224,25	254,00	202,50	54,25
Ove Arkil Holding A/S	635,00	720,00	700,00	700,00	660,00	640,00	640,00	630,00	680,00	690,00	715,00	810,00	850,00	900,00	955,00	1150,00	579,00
Gyldendalske Boghandel Nordisk Forlag A/S	154,00	159,00	174,00	172,00	182,00	176,00	180,00	175,00	186,00	185,00	210,00	212,00	235,00	655,00	970,00	780,00	600,00
Thrane & Thrane A/S	185,50	202,00	198,00	200,00	216,00	217,00	235,00	252,00	260,00	254,00	237,50	231,50	250,00	244,00	317,00	315,00	183,00
AGF Kontraktfodbold A/S (Part of Århus Elite A/S)	10,00	9,90	9,50	9,95	8,00	7,00	9,50	8,15	8,20	9,00	10,00	9,50	7,75	5,55	7,25	9,95	6,20
Bryggerigruppen A/S	372,50	395,00	390,00	410,00	427,00	400,00	403,00	391,00	340,00	344,50	359,00	359,50	387,00	542,00	755,00	526,00	126,00

RTX Telecom A/S	45,40	53,50	49,80	52,00	48,50	43,90	58,00	52,00	57,00	53,00	51,50	56,00	51,50	114,00	71,50	37,20	15,40
ITH Industri Invest A/S (now Renewagy)	2,80	2,85	2,98	3,00	2,75	2,78	2,80	2,78	3,10	3,00	3,40	3,80	4,75	8,85	11,40	14,50	8,50
Glunz & Jensen A/S	50,00	48,00	46,00	42,20	40,00	38,70	38,70	41,00	28,50	34,60	31,00	32,50	40,00	87,50	82,00	40,90	22,90
Flügger A/S	328,00	345,50	340,50	370,00	370,00	359,00	393,00	389,50	398,00	413,00	429,50	462,00	466,50	630,00	728,00	600,00	350,00
Topdanmark A/S	318,00	335,00	323,50	374,00	369,00	372,00	363,00	374,00	394,50	388,00	409,00	418,50	439,00	570,00	953,00	738,00	703,00
Middelværdi	226,37	243,26	244,55	248,94	247,63	243,65	252,28	255,00	259,86	258,70	266,33	277,03	286,21	415,81	549,65	538,55	241,18
Standardafvigelse																	
	178,38	196,77	201,45	199,82	193,81	192,27	205,10	202,16	213,86	208,92	217,67	233,22	241,34	344,48	493,28	598,04	228,79
X	0,08	0,18	0,26	0,35	0,36	0,32	0,20	0,30	0,30	0,10	0,34	0,28	0,35	0,51	1,01	0,65	0,09
Normfordeling	0,51	0,52	0,52	0,53	0,54	0,53	0,52	0,53	0,53	0,51	0,53	0,53	0,53	0,55	0,60	0,56	0,51
P-value	0,20																
Acquirors - all deals	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	primo 2005	primo 2006	primo 2007	primo 2008	primo 2009
Carlsberg A/S	215,12	212,13	226,02	218,8	245,4	238,13	216,74	250,6	230,86	226	222,79	211,5	225,62	274,05	457,69	487,25	187,75
Danware A/S (now Netop Solutions)	98,00	123,50	96,50	132,00	108,50	101,50	97,00	99,00	98,00	102,50	96,00	104,00	104,00	122,00	117,50	73,00	35,00
Carlsberg A/S	215,12	212,13	226,02	218,8	245,4	238,13	216,74	250,6	230,86	226	222,79	211,5	225,62	274,05	457,69	487,25	187,75
Danisco A/S	268,50	285,00	284,00	288,50	295,00	290,50	284,50	309,50	306,50	295,00	323,00	345,00	341,50	488,00	482,00	360,00	220,00
TDC A/S	213,50	243,50	248,50	219,00	211,50	202,50	199,00	202,00	215,00	213,73	215,25	230,75	237,25	378,50	214,75	277,00	194,00
Brødrene A & O Johansen A/S	555,00	600,00	660,00	625,00	605,00	620,00	715,00	700,00	745,00	700,00	725,00	735,00	750,00	1310,00	1690,00	2350,00	350,00
Carlsberg A/S	215,12	212,13	226,02	218,76	245,39	238,13	216,74	250,64	230,86	226,02	222,79	211,49	225,62	274,05	457,69	487,25	187,75
PARKEN Sport & Entertainment A/S	255,00	260,00	265,00	278,00	282,00	293,00	308,00	316,00	318,00	329,00	325,00	318,50	307,00	515,00	1278,00	1194,00	465,00
Danske Bank A/S	142,00	140,50	143,00	137,50	139,00	140,00	145,50	142,50	149,00	157,50	164,75	169,50	168,75	224,25	254,00	202,50	54,25
Carlsberg A/S	215,12	212,13	226,02	218,76	245,39	238,13	216,74	250,64	230,86	226,02	222,79	211,49	225,62	274,05	457,69	487,25	187,75
Ove Arkil Holding A/S	635,00	720,00	700,00	700,00	660,00	640,00	640,00	630,00	680,00	690,00	715,00	810,00	850,00	900,00	955,00	1150,00	579,00

Gyldendalske Boghandel Nordisk Forlag A/S	154,00	159,00	174,00	172,00	182,00	176,00	180,00	175,00	186,00	185,00	210,00	212,00	235,00	655,00	970,00	780,00	600,00
Thrane & Thrane A/S	185,50	202,00	198,00	200,00	216,00	217,00	235,00	252,00	260,00	254,00	237,50	231,50	250,00	244,00	317,00	315,00	183,00
Thrane & Thrane A/S	185,50	202,00	198,00	200,00	216,00	217,00	235,00	252,00	260,00	254,00	237,50	231,50	250,00	244,00	317,00	315,00	183,00
AGF Kontraktfodbold A/S (Part of Århus Elite A/S)	10,00	9,90	9,50	9,95	8,00	7,00	9,50	8,15	8,20	9,00	10,00	9,50	7,75	5,55	7,25	9,95	6,20
Bryggerigruppen A/S	372,50	395,00	390,00	410,00	427,00	400,00	403,00	391,00	340,00	344,50	359,00	359,50	387,00	542,00	755,00	526,00	126,00
Bryggerigruppen A/S	372,50	395,00	390,00	410,00	427,00	400,00	403,00	391,00	340,00	344,50	359,00	359,50	387,00	542,00	755,00	526,00	126,00
TDC A/S	213,50	243,50	248,50	219,00	211,50	202,50	199,00	202,00	215,00	213,73	215,25	230,75	237,25	378,50	214,75	277,00	194,00
RTX Telecom A/S	45,40	53,50	49,80	52,00	48,50	43,90	58,00	52,00	57,00	53,00	51,50	56,00	51,50	114,00	71,50	37,20	15,40
TDC A/S	213,50	243,50	248,50	219,00	211,50	202,50	199,00	202,00	215,00	213,73	215,25	230,75	237,25	378,50	214,75	277,00	194,00
ITH Industri Invest A/S (now Renewagy)	2,80	2,85	2,98	3,00	2,75	2,78	2,80	2,78	3,10	3,00	3,40	3,80	4,75	8,85	11,40	14,50	8,50
Carlsberg A/S	215,12	212,13	226,02	218,76	245,39	238,13	216,74	250,64	230,86	226,02	222,79	211,49	225,62	274,05	457,69	487,25	187,75
Glunz & Jensen A/S	50,00	48,00	46,00	42,20	40,00	38,70	38,70	41,00	28,50	34,60	31,00	32,50	40,00	87,50	82,00	40,90	22,90
Flügger A/S	328,00	345,50	340,50	370,00	370,00	359,00	393,00	389,50	398,00	413,00	429,50	462,00	466,50	630,00	728,00	600,00	350,00
Topdanmark A/S	318,00	335,00	323,50	374,00	369,00	372,00	363,00	374,00	394,50	388,00	409,00	418,50	439,00	570,00	953,00	738,00	703,00
Middelværdi	227,75	242,72	245,86	246,20	250,29	244,66	247,67	255,39	254,84	253,12	257,83	264,32	275,18	388,32	507,05	499,97	221,92
Standardafvigelse	149,01	164,33	167,58	167,39	162,87	160,74	171,54	168,09	176,18	172,40	180,11	193,28	199,98	289,28	418,45	495,09	189,38
X	0,16	-0,25	-0,41	-0,42	-0,61	-0,49	-0,16	-0,45	-0,29	0,01	-0,26	-0,08	-0,23	-0,27	-0,93	-0,56	0,38
Normfordeling	0,51	0,52	0,53	0,53	0,55	0,54	0,51	0,54	0,52	0,50	0,52	0,51	0,52	0,52	0,57	0,54	0,47
P-value	0,29																

The numbers below are based on the data analysis tools in Microsoft Excel

t-test: Two samples with similar variance

<i>2004 - Companies</i>	<i>Variable 1</i>	<i>Variable 2</i>
Mean	274,79	301,79
Variance	5171,67	10689,45
Observations	16	16
Pool variance	7930,56	
Hypotese for difference in mean	0	
Extents of freedom	30	
t-stat	-0,86	
P(T<=t) one-tailed	0,20	
t-critical one-tailed	1,70	
P(T<=t) two-tailed	0,40	
t-critical two-tailed	2,04	

t-test: Two samples with similar variance

<i>2004 - All Deals</i>	<i>Variable 1</i>	<i>Variable 2</i>
Mean	274,79	290,96
Variance	5171,67	8181,53
Observations	16	16
Pool variance	6676,60	
Hypotese for difference in mean	0	
Extents of freedom	30	
t-stat	-0,56	
P(T<=t) one-tailed	0,29	
t-critical one-tailed	1,70	
P(T<=t) two-tailed	0,58	
t-critical two-tailed	2,04	

<i>2005 - 2009 - Companies</i>	<i>Variable 1</i>	<i>Variable 2</i>
Middelværdi	349,67	406,28
Varians	8920,73	19954,06
Observationer	5	5
Puljevarians	14437,39	
Hypotese for forskel i middelværdi	0	
fg	8	
t-stat	-0,74	
P(T<=t) en-halet	0,24	
t-kritisk en-halet	1,86	
P(T<=t) to-halet	0,48	
t-kritisk to-halet	2,31	

<i>2005 - 2009 - All Deals</i>	<i>Variable 1</i>	<i>Variable 2</i>
Mean	349,67	378,49
Variance	8920,73	16642,356
Observations	5	5
Pool variance	12781,54114	
Hypotese for difference in mean	0	
Extents of freedom	8	
t-stat	-0,40	
P(T<=t) one-tailed	0,35	
t-critical one-tailed	1,86	
P(T<=t) two-tailed	0,70	
t-critical two-tailed	2,31	

Danish Acquisitions in 2005

The data below is used for the elaboration on the graphs illustrating the share price development for Danish acquiring companies in the period 2005 – 2009. Furthermore, the OMX Copenhagen Benchmark PI Index is used for comparison.

OMX Copenhagen Benchmark IP	2005												primo 2006	primo 2007	primo 2008	primo 2009
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec				
	265,95	272,90	292,9	292,9	283,95	303,54	320,27	329,71	340,01	343,83	335,21	347,44				
Acquirors – companies													primo 2006	primo 2007	primo 2008	primo 2009
Danisco A/S	341,50	344,50	382,00	401,00	398,50	414,00	400,00	404,50	389,50	418,00	397,50	454,50	488,00	482,00	360,00	220,00
Bryggerigruppen A/S (now RoyalUnibrew)	387,00	453,00	445,00	488,00	455,00	488,00	490,00	542,00	530,00	545,00	485,00	480,00	542,00	755,00	526,00	126,00
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Gabriel Holding A/S	75,00	75,00	80,00	84,00	85,00	97,00	102,00	98,00	104,00	106,00	104,00	121,20	143,00	182,00	163,20	78,00
TDC A/S	237,25	242,25	256,00	242,50	249,00	259,00	264,00	275,50	311,00	329,50	353,00	377,00	378,50	214,75	277,00	194,00
Gyldendalske Boghandel Nordisk Forlag A/S	235,00	250,00	250,00	295,00	295,00	310,00	330,00	431,00	510,00	570,00	590,00	635,00	655,00	970,00	780,00	600,00
FE Bording A/S	360,00	350,00	335,00	345,00	320,00	337,00	325,00	365,00	377,50	365,00	360,00	350,00	360,00	784,00	830,00	705,00
Århus Elite A/S	7,75	2,90	3,24	3,10	2,92	2,65	2,39	2,63	2,81	2,80	2,87	2,85	5,55	7,25	9,95	6,20
Amagerbanken A/S	163,40	165,20	168,00	168,40	181,20	199,80	235,00	242,20	237,20	237,20	236,80	229,60	277,00	379,00	251,50	25,00
Carlsberg A/S	225,62	221,99	233,69	236,52	230,86	242,57	253,47	265,17	282,53	289,39	274,45	275,76	274,05	457,69	487,25	187,75
Det Østasiatiske Kompagni A/S	290,00	289,00	300,50	341,00	343,00	398,00	436,00	485,00	464,00	453,00	475,00	581,00	599,00	320,00	396,50	184,00
DFDS A/S	288,00	323,00	326,00	365,00	322,00	374,00	425,00	455,00	443,00	416,00	368,00	372,00	385,00	692,00	785,00	396,00
GN Store Nord A/S	59,50	61,50	61,75	66,00	61,50	69,75	70,00	68,75	77,50	81,50	75,50	75,75	85,75	84,50	40,30	10,90
Danske Bank A/S	168,75	168,50	174,75	169,50	168,75	174,75	185,50	193,50	183,25	190,50	198,00	205,50	224,25	254,00	202,50	54,25
SimCorp A/S	420,00	452,00	487,00	465,00	455,00	486,00	580,00	584,00	590,00	628,00	568,00	619,00	689,00	1394,00	980,00	616,00
Schouw & Co A/S	63,50	66,50	76,50	79,00	73,50	82,00	94,00	107,00	111,00	120,50	103,50	108,50	119,00	180,50	224,75	84,00
Scandinavian Brake Systems A/S	550,00	550,00	501,00	640,00	675,00	700,00	765,00	775,00	840,00	950,00	1080,00	1300,00	1590,00	340,00	274,00	51,00
Dalhoff Larsen & Horneman A/S	39,50	43,60	44,30	50,50	46,40	54,80	64,50	69,80	72,00	71,00	73,00	75,50	85,00	108,00	87,50	28,60

Danware A/S (now Netop Solutions A/S)	104,00	123,00	123,00	123,00	112,00	106,00	120,00	139,00	135,50	130,00	119,00	118,50	122,00	117,50	73,00	35,00
Pharmexa A/S (now Affitech A/S)	25,82	29,00	27,55	26,28	20,91	20,27	22,37	22,18	20,82	22,55	21,09	21,00	22,18	16,55	7,00	0,80
Capinordic A/S	3,90	4,23	3,90	3,60	3,90	4,37	8,65	10,50	14,10	12,50	13,60	17,40	24,80	30,70	22,00	2,91
SP Group A/S	90,00	90,00	95,00	95,00	90,00	96,00	100,00	96,00	104,00	100,00	102,00	99,00	111,00	159,00	173,50	42,00
Middelværdi	188,39	196,42	199,55	213,58	209,10	223,91	240,13	256,59	264,11	274,95	273,19	296,78	326,87	360,76	316,24	165,91
Standardafvigelse	152,74	159,33	158,04	177,59	177,57	188,54	203,98	214,70	223,25	242,33	255,14	297,70	348,56	351,84	290,24	211,27
Tfordeling	0,0134	0,0176	0,0057	0,0242	0,0307	0,0304	0,0398	0,0626	0,0629	0,0984	0,1335	0,2169	0,2712	0,1862	0,0256	0,0669
X	2,4	2,3	2,8	2,1	2,0	2,0	1,8	1,6	1,6	1,3	1,1	0,8	0,6	0,9	2,1	1,6
P value	0,00031															

Acquirors - all deals	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	primo 2006	primo 2007	primo 2008	primo 2009
Danisco A/S	341,50	344,50	382,00	401,00	398,50	414,00	400,00	404,50	389,50	418,00	397,50	454,50	488,00	482,00	360,00	220,00
Bryggerigruppen A/S (now RoyalUnibrew)	387,00	453,00	445,00	488,00	455,00	488,00	490,00	542,00	530,00	545,00	485,00	480,00	542,00	755,00	526,00	126,00
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Gabriel Holding A/S	75,00	75,00	80,00	84,00	85,00	97,00	102,00	98,00	104,00	106,00	104,00	121,20	143,00	182,00	163,20	78,00
TDC A/S	237,25	242,25	256,00	242,50	249,00	259,00	264,00	275,50	311,00	329,50	353,00	377,00	378,50	214,75	277,00	194,00
Gyldendalske Boghandel Nordisk Forlag A/S	235,00	250,00	250,00	295,00	295,00	310,00	330,00	431,00	510,00	570,00	590,00	635,00	655,00	970,00	780,00	600,00
TDC A/S	237,25	242,25	256,00	242,50	249,00	259,00	264,00	275,50	311,00	329,50	353,00	377,00	378,50	214,75	277,00	194,00
FE Bording A/S	360,00	350,00	335,00	345,00	320,00	337,00	325,00	365,00	377,50	365,00	360,00	350,00	360,00	784,00	830,00	705,00
Århus Elite A/S	7,75	2,90	3,24	3,10	2,92	2,65	2,39	2,63	2,81	2,80	2,87	2,85	5,55	7,25	9,95	6,20
Amagerbanken A/S	163,40	165,20	168,00	168,40	181,20	199,80	235,00	242,20	237,20	237,20	236,80	229,60	277,00	379,00	251,50	25,00
Amagerbanken A/S	163,40	165,20	168,00	168,40	181,20	199,80	235,00	242,20	237,20	237,20	236,80	229,60	277,00	379,00	251,50	25,00
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Carlsberg A/S	225,62	221,99	233,69	236,52	230,86	242,57	253,47	265,17	282,53	289,39	274,45	275,76	274,05	457,69	487,25	187,75

Det Østasiatiske Kompagni A/S	290,00	289,00	300,50	341,00	343,00	398,00	436,00	485,00	464,00	453,00	475,00	581,00	599,00	320,00	396,50	184,00
DFDS A/S	288,00	323,00	326,00	365,00	322,00	374,00	425,00	455,00	443,00	416,00	368,00	372,00	385,00	692,00	785,00	396,00
GN Store Nord A/S	59,50	61,50	61,75	66,00	61,50	69,75	70,00	68,75	77,50	81,50	75,50	75,75	85,75	84,50	40,30	10,90
Danske Bank A/S	168,75	168,50	174,75	169,50	168,75	174,75	185,50	193,50	183,25	190,50	198,00	205,50	224,25	254,00	202,50	54,25
SimCorp A/S	420,00	452,00	487,00	465,00	455,00	486,00	580,00	584,00	590,00	628,00	568,00	619,00	689,00	1394,00	980,00	616,00
Schouw & Co A/S	63,50	66,50	76,50	79,00	73,50	82,00	94,00	107,00	111,00	120,50	103,50	108,50	119,00	180,50	224,75	84,00
Scandinavian Brake Systems A/S	550,00	550,00	501,00	640,00	675,00	700,00	765,00	775,00	840,00	950,00	1080,00	1300,00	1590,00	340,00	274,00	51,00
Dalhoff Larsen & Horneman A/S	39,50	43,60	44,30	50,50	46,40	54,80	64,50	69,80	72,00	71,00	73,00	75,50	85,00	108,00	87,50	28,60
Carlsberg A/S	225,62	221,99	233,69	236,52	230,86	242,57	253,47	265,17	282,53	289,39	274,45	275,76	274,05	457,69	487,25	187,75
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Carlsberg A/S	225,62	221,99	233,69	236,52	230,86	242,57	253,47	265,17	282,53	289,39	274,45	275,76	274,05	457,69	487,25	187,75
Danware A/S (now Netop Solutions A/S)	104,00	123,00	123,00	123,00	112,00	106,00	120,00	139,00	135,50	130,00	119,00	118,50	122,00	117,50	73,00	35,00
Danware A/S	104,00	123,00	123,00	123,00	112,00	106,00	120,00	139,00	135,50	130,00	119,00	118,50	122,00	117,50	73,00	35,00
Pharmexa A/S (now Affitech A/S)	25,82	29,00	27,55	26,28	20,91	20,27	22,37	22,18	20,82	22,55	21,09	21,00	22,18	16,55	7,00	0,80
DFDS A/S	288,00	323,00	326,00	365,00	322,00	374,00	425,00	455,00	443,00	416,00	368,00	372,00	385,00	692,00	785,00	396,00
Capinordic A/S	3,90	4,23	3,90	3,60	3,90	4,37	8,65	10,50	14,10	12,50	13,60	17,40	24,80	30,70	22,00	2,91
SP Group A/S	90,00	90,00	95,00	95,00	90,00	96,00	100,00	96,00	104,00	100,00	102,00	99,00	111,00	159,00	173,50	42,00
Columbus IT Partner A/S	9,10	16,10	16,00	11,30	10,80	10,10	9,90	13,30	10,80	10,40	9,95	10,20	11,00	8,35	6,35	2,68
Middelværdi	169,53	177,60	181,08	191,12	186,54	199,70	214,79	229,38	235,80	243,19	239,87	256,83	279,55	321,53	291,99	146,45
Standardafvigelse	142,88	148,22	148,08	165,49	163,96	175,45	190,10	200,09	207,64	222,58	231,45	266,72	309,05	325,01	282,93	191,06
X	3,70	3,52	4,14	3,37	3,25	3,24	3,04	2,75	2,75	2,48	2,26	1,86	1,65	1,81	2,95	2,57
Tfordeling	0,00045	0,00072	0,00014	0,00107	0,00144	0,00149	0,00249	0,00512	0,00509	0,00967	0,01588	0,03648	0,0544553	0,0400535	0,0031374	0,0077426
P value	2,37466E-06															

The numbers below are based on the data analysis tools in Microsoft Excel

t-test: Two samples with similar variance

2005 - Companies	265,95	188,39
Mean	329,67	254,54
Variance	3076,12	3007,92
Observations	15	15
Pool variance	3042,02	
Hypothesis for difference in mean	0	
Degrees of freedom	28	
t-stat	3,73	
P(T<=t) one-tailed	0,000431	
t-critical one-tailed	1,70	
P(T<=t) two-tailed	0,00	
t-critical two-tailed	2,05	

t-test: Two samples with similar variance

2005 - All Deals	265,95	169,53
Middelværdi	329,67	226,36
Varians	3076,12	2297,98
Observationer	15	15
Puljevarians	2687,051699	
Hypotese for forskel i middelværdi	0	
fg	28	
t-stat	5,46	
P(T<=t) en-halet	0,000004	
t-kritisk en-halet	1,70	
P(T<=t) to-halet	0,00	
t-kritisk to-halet	2,05	

Appendix 7.1: ISS A/S and the Interview with Jesper Svarer Nielsen

The following information is based on information available on the company's corporate web site (www.issworld.com).

ISS is a global company operating in approximately 50 countries. At the moment the company employs 415,000 people. ISS was founded in 1901 and is one of Denmark's largest companies. Since the foundation and until 1960's ISS mainly operated in Denmark with cleaning services as its core business. In the 1960's ISS began expanding its services through foreign acquisitions. ISS went public in 1977 and in the years to come the company sought to rationalize, professionalize and diversify. From the 1970's and forward ISS expanded its business areas e.g. energy control, sanitation, security, etc. – all areas which were later phased out again.

ISS was, due to its increasing acquisition strategy, called an “acquisition machine” as it grew by taking over privately held companies at lower price to earnings ratio.

In the mid 1990's, ISS experienced a crisis in the US because of accounting misstatements, fraud etc. and the US subsidiary was divested. The same decade was dominated by expanding service areas, the transition from a cleaning company to a service company and focus on organic growth.

As ISS changed from a cleaning company to a company offering integrated facility services (IFS) the company needed time to implement the strategy. The acquisition strategy was slowed down and focus was shifted to contract trimming. The ending of contracts caused a negative impact on organic growth and earnings. Together with decreasing stock prices in the same period, ISS experienced a period with less equity to finance its acquisitions. It seemed like the market did not believe or understand the strategy of ISS and this resulted in an issue of corporate bonds in 2004 as a substitute for bank debt.

The industry concerning integrated facility services is a somewhat diffuse area. In an attempt to generalize the operating fields the industry can be divided into 5 different services. These constitute property management, cleaning, security, catering and office support. The most significant players are represented by roughly a handful of relevant businesses which are ISS, Compass Group, Sodexo, Group 4 Securitas, Rentokil, Mitie and Serco.

The characteristics of the industry of integrated facility services is that none of the players mentioned above possesses significant market shares in more than one of the services. Actually only few of them are noticeably large in just a single market which could indicate that each company specializes within a single service and provide the rest in order to fulfill the concept of IFS. Each of the different service segments are only covered by an accumulated small percentage of the providers of IFS. This indicates that while a company might be large with respect to IFS, its presence within a single service could easily be of little importance when compared to specialized market suppliers.

Appendix 4.1: Interview with Vice President, Jesper Svarer Nielsen

Telephone interview, Friday, September 11, 2009 at 09.30 – 10.45

Interviewee: **Jesper Svarer Nielsen** (JSN), Vice President, Group Strategy and Business Development, ISS A/S

Interviewer: **Jo Bjerre Østergård** (JBØ)

5

JSN: Jesper Svarer

JBØ: Ja, hallo, det er Jo Østergård

10 JSN: Hej Jo

JBØ: Ja, tak for din deltagelse vil jeg først lige sige

JSN: Det var så lidt

15

JBØ: Okay, først vil jeg lige høre om det er i orden jeg optager det her interview

JSN: Det er helt i orden

20 *JBØ: Det er mest til eget brug, jeg skal vedlægge interviewet som bilag men optagelsen er mest til eget brug så jeg kan høre det igen da der er noget tid til jeg skal aflevere*

JSN: Ja, så du kan gå ind og genspille det.

25 *JBØ: Lige præcis, og så er der en anden ting: jeg ringer over Skype, af praktiske årsager så jeg lige har mine hænder fri til at tage noter. Der burde ikke blive problemer, men skulle der blive det, ringer jeg dig straks op fra min faste telefon.*

JSN: Jeg kan også bare ringe dig op på din mobiltelefon, hvis det er lettere for dig.

30

JBØ: Ja, nej det skulle nu også fungere og så kan jeg have hænderne fri. Det skulle nu også fungere, jeg er kørt det af her hele morgenen, men man ved jo aldrig helt med internettet...

JSON: Det er fint, kvaliteten er fin

JBØ: Det er godt, ellers må du endelig sige til

5

JSON: Ja, det er godt du siger det

*JBØ: Godt. Ja, jeg sendte jo, en måske lidt lang, liste med spørgsmål til dig i forgårs og jeg tænker at det er jo ikke fordi vi skal gå spørgsmålene slavisk igennem, men det er de overordnede emner
10 jeg sendte til dig, som jeg synes er interessante at snakke om og som er en del af min opgave og skal være med til at skabe en sammenhæng mellem teori og praksis. Så jeg synes det kunne være spændende at snakke om de her forskellige områder.*

JSON: Ja, må jeg høre hvad din overordnede problemstilling er? Hvad er din titel på din opgave?

15

JBØ: Ja selvfølgelig, altså den er ikke helt fastlagt endnu, men indtil videre er det hvordan virksomheder realisere synergier igennem hele akquisitions processen.

JSON: Mmm...

20

JBØ: Så jeg prøver at identificere, hvad det er der gør en handel succesfuld på baggrund af synergier. Det ser jo ikke alt for godt ud, når man ser på de empiriske resultater.

JSON: Nej, der er i hvert tilfælde meget der tyder på det ikke er så godt. I hvert tilfælde ikke for det
25 købende selskab.

*JBØ: Lige præcis, og det jeg ser tendens til indtil videre at det er integration, kultur og så videre der spiller ind for det kan jo på papiret været en god handel, men den efterfølgende proces kan være svær og det er så det jeg vil prøve at se på. Er det integrationen og er det efter man har
30 overtaget en virksomhed at der er nogle problemer.*

Min motivation er at jeg synes M&A er et spændende område. Det er så komplekst et område og der er både strategi, organisation og finansiering ind over det fra en virksomheds synspunkt, så jeg synes man kommer godt omkring mange områder af virksomhedsdrift

5 JSON: Ja, og en hel masse jura

JBØ: Lige præcis, det kunne jeg forestille mig. Det er nu ikke så meget det jeg ser på, men jeg synes i hvert tilfælde at det er et meget spændende koncept... eller fænomen.

10 JSON: Ja det kan man sige, der er utroligt mange facetter i en virksomhedshandel.

JBØ: Lige præcis, der er mange folk der skal involveres og arbejde sammen.

JSON: Ja, man kommer omkring mange ting når man skal kigge på en virksomhedsovertagelse.

15

JBØ: Ja

JSON: Men vi kan godt bare gå dine spørgsmål igennem, det har jeg ikke noget imod.

20 JBØ: Okay

JSON: Jeg har bare lige skimmet dem igennem, så det styrer du bare helt selv

JBØ: Ja, okay. Jamen så synes jeg vi skal starte sådan bare lige overordnet med ISS, så lad os

25 *starte fra en ende af.*

JSON: Hvor meget kender du til ISS?

JBØ: Jeg skrev et projekt sidste år som en del af vores semesterafslutning. Det var et projekt der

30 *fokuserede på EQT og Goldman Sachs. Så jeg kender ligesom ISS fra den side af.*

I den forbindelse var vi selvfølgelig inde på at se, hvilke konkurrenter ISS har og hvilke markeder de operere på. Så dybdegående er det nok ikke helt tilstrækkelig med viden, men jeg kender virksomheden fra Private Equity siden.

- 5 JSON: Så du kender mest til Private Equity. Hvad med den måde som... hvad med de strategiplaner som vi har fulgt for at komme dertil, hvor vi er i dag?

JBØ: Ja, I havde først – nu kan jeg ikke huske hvad den hedder som I havde frem til 2005, men så ændrede I den til ”the ISS-way”.

- 10 JSON: Ja, vi havde en i 2005 der hed ”Route101”

JBØ: Ja, det var det den hed.

- 15 JSON: Og så før det havde vi en der hed ”Create2005” og så før det havde vi en der hed ”Aim” fra 2002. De har hver haft deres sigte for at transformere virksomheden simpelthen. Helt tilbage fra Poul Andreasen han var direktør for ISS der havde han en ambition om at gøre det her til en verdensomspændende virksomhed og han internationaliserede selskabet allerede på daværende tidspunkt.

- 20 De strategiplaner der siden er fulgt har fokuseret på at foresætte den internationale ekspansion, dels også at udvide antallet af serviceydelser vi udbyder. Hvis vi kigger tilbage på starten af 2000 eller ultimo 1999, så udgjorde rengøring over 90 procent af vores samlede omsætning. I dag udgør den 50 procent. Lidt over 50 procent af den samlede omsætning. Det har været et klart strategisk mål at fokusere på andre ydelser end rengøring. Og der har vi bygget nogle andre ben op som hovedsageligt er Property Services, Catering, det der hedder Office Support – vi kalder det faktisk nu Support Services, som er en række funktioner der knytter sig til det at drive en ejendom. Og så har vi haft den service ude der hedder Security – det skete for nogle år tilbage. Den lå tidligere lidt gemt under det der hedder Support Services. Den har vi taget ud som separat ben for at få mere fokus på den også.

- 25 30 JBØ: Okay, ja.

JSON: Og til at binde alle de her ting sammen, der har vi overlæggeren om man må kalde det og det er det vi kalder Facility Management. Ved et kombinere alle de her services der er det vores value proposition at tilbyde en integreret ydelse, hvor vi har mulighed for at bruge de enkelte medarbejdere til at supportere i de enkelte service områder.

5

JBØ: Okay, så det vil sige, at det er jeres overordnede bevæggrund for at drive forretning, at det er det I stræber imod? At tilbyde flere forskellige service ydelser, at tilbyde dem globalt, og ja, inden for flere områder?

- 10 JSON: Det er korrekt, dels at vokse i vækstøkonomier, der er et klart strategisk mål at være tilstede i verdens vækstøkonomier og dels også at være repræsenteret i de store lande dvs. for nogle år tilbage, i 2007 gik vi ind i USA – igen. Vi gik ud af USA for nogle år tilbage pga. nogle irregularities I forbindelse med det selskab vi havde derovre.
- 15 JBØ: Ja, det kan jeg godt huske.

- JSON: Det var ved at koste ISS livet på det tidspunkt. På daværende tidspunkt der talte USA-omsætningen cirka en tredjedel af koncernens omsætning. Den omsætning vi tilkøbte i 2007, den udgør 2 – 3 procent af den samlede koncernomsætning. Så det er en anden exposure vi har over for USA i dag og vi har selvfølgelig lært af de fejl fra før da vi var i USA – til at få bedre styr på de kontroller og den forretningsstyring og de procedure der skal sikre at vi ikke kommer ud i en lignende situation. Det er selvfølgelig ikke kun gældende for USA – det er gældende for alle de markeder vi er i.

- Det er i hvert tilfælde lidt omkring den fase vi har været igennem. En fase der selvfølgelig har været fulgt af en masse akquisitioner der er blevet gennemført for at kunne opnå den strategiske målsætning om at... eller for at opnå den transformation, fra – hvis vi går helt tilbage, at være en nordisk virksomhed til at komme ud i verdenen, til også at leve mere end rengøringsydelser, til også at inkludere andre serviceydelser. Det er ikke fordi vi ikke vil leve rengøringsydelser - det er stadig en kerne kompetence, men det er for at kunne tilbyde kunden en større palet af ydelser.
- 30 Den nyeste strategiplan, "The ISS-way", den fokusere mere på at få integreret alle de virksomheder som i har købt. Og det betyder også at vi arbejder mere på standardisering, knowledge sharing og best practices. Dels på tværs af services og dels på tværs af lande.

Da vi nu er i 50 lande, der gør det det meget svært for os fra centralt hold, fra hovedkontoret her i Bredgade i København, og gå direkte ud og have effekt på 50 lande. Vi sidder cirka 100 mennesker i Bredgade, så vi er i principippet et meget lille hovedkontor i en meget stor organisation. Vores medarbejderantal er i dag lige under 500.000, så det er en voldsomt stor organisation at flytte når vi

5 laver strategiske ændringer og prøver at transformere over mod det sigte som vi har.

JBØ: Javel.

JSON: Så derfor har vi på nuværende tidspunkt lagt støtte vægt på regioner ved at dele vores lande op
10 i 9 regioner. Og de 9 regioner de arbejder på hver deres sæt for at fremme den knowledge sharing og sharing af best practices og indarbejdelse af de procedure som vi fra centralt hold udstikker.

Selv leveringen af markedsydeler, tager udgangspunkt i det enkelte markeds niveau. Men på den måde; hvad er det for en efterspørgsel der er i det pågældende land. Der er nogle lande som vi ved
der er langt længere fremme i outsourcing tankegangen end andre lande.

15

JBØ: Ja, lige præcis.

JSON: Så det er noget vi prøver at tage højde for og den organisering vi har lavet af de 9 regioner,
den har også taget højde for både stadiet i dag – hvor de ligesom er, den udvikling fra at være en
20 enkelt service virksomhed til at være en multi service virksomhed og dermed kunne tilbyde Facility Services.

JBØ: Javel.

25

JSON: Men også de kulturelle forskelle. For eksempel, de nordiske lande er den region der er mest udviklet, sådan generelt set, men vi har også masser af organisationer rundt om i verdenen som er meget sofistikerede. For eksempel har vi en virksomhed ude i Asien og et selskab i Hong Kong der er meget langt fremme på Facility Management-delen. Så det... og det er alle sammen kompetencer der er kommet ind via opkøb.

30

JBØ: Okay.

JSON: Så det var bare lige for at klæde dig lidt på i forhold til, hvad det er for nogle faser vi har været igennem og hvad det er vi egentlig p.t. arbejder med.

- JBØ: *Ja, så det I egentlig gør nu er så at få en rød tråd gennem alle de opkøb I har foretaget jer under den sidste overordnede strategi, er det forstået korrekt?*

JSON: Ja vi har brugt akkvistioner... akkvistioner er stadig en del af vores strategi. Men... vi har lige strammet lidt på skruen og sagt at nu ser vi lige lidt indad – vi laver stadig akkvistioner, men ikke i det samme tempo. Det er vigtigt at se på det vi har købt at vi får det til at spille sammen.

- 10 Og dermed, og det synes jeg godt vi kan kalde at integrere dem indtil videre.

JBØ: *Jeg tror vi skal gå videre og snakke om din generelle viden om virksomhedsovertagelser inden vi går mere i dybden med ISS, synergier, integration osv.*

- I dokumentet jeg sendte til dig, der vedhæftede jeg bl.a. en figur med de her berømte cykler over 15 M&A aktivitet og det vil jeg egentlig gerne snakke lidt om da jeg har nogle ting som jeg gerne vil have bekræftet. Mit første spørgsmål er således om det er din erfaring at der været perioder hvor det har været mere ideelt at gennemføre overtagelser – her tænker jeg eksempelvis på lave renter eller, ja, hvordan forholdene har været til at overtage virksomheder i?

- 20 JSON: Det er klart at den periode vi har været igennem, hvor vi har haft meget billig finansiering, har været med til at skabe en meget stor efterspørgsel efter at vokse fordi det har været billigt at vokse.

JBØ: Javel.

- 25 JSON: Ved at lånefinansiere. Det er samtidig... i og med dine aktiekurser, for de virksomheder der er børsnoteret, de er boomet og det har det også gjort det nemmere at finansiere sig via den vej.

- JBØ: *Jeg tænker at sådan noget som Private Equity de har også haft en enorm vækst især i 80'erne og 90'erne. Vil du mene det er noget der har påvirket almindelige virksomheders aktivitet? At de 30 lige pludselig har konkurrence udefra?*

JSON: Det er klart når man kigger på overtagelser, det er såvel for os som for andre virksomheder der bruger akquisitioner som et værktøj for at opnå nogle strategiske målsætninger, det er jo flere der kigger på og kan se det er attraktivt at købe kompetencer og markedstilstedeværelse. Jo konkurrence der er, jo mere vil det presse prisen op.

- 5 Empirisk har man jo det begreb der hedder Winner's Curse, det ved jeg ikke om det er empirisk, men det betyder jo at den der ender med at løbe med virksomheden, jamen de har betalt for meget. Det vil jeg sige, selvfølgelig er det rigtigt i nogle tilfælde, men det kommer jo også an på, hvor stor konkurrence der er om de aktiver, de virksomheder som man kigger efter.
- De virksomheder som vi typisk har kigget efter, hvis man kigger ud fra ISS' perspektiv, der har
- 10 selvfølgelig været noget interesse for dem, men det er ikke alle virksomheder vi decideret har kigget på, som vi har været i konkurrence om. Fordi vi har screenet markedet og fået et kendskab til, hvad er det for nogle virksomheder som kan hjælpe med at lukke de huller som vi kigger efter at få lukket i vores givne markeder. Det kan være nogen der har været på arbejdskærmen i længere tid og vi vil typisk forsøge at få et overblik over, hvad er det for nogle markedsspillere der er og hvad er
- 15 det for en konsolidering der sker. Og vi ser på, hvilke af dem der kan være med til at lukke vores kompetence-huller. Og så kontakte dem direkte i stedet for at indgå i deciderede bud-runder - auktionsprocesser. Vi prøver at undgå det, men dermed ikke sagt at vi ikke deltager i det, men det er absolut ikke vores intention at bidrage til disse auktionsprocesser fordi vi ved de typisk er påvirket af Winner's Curse.

20

- JBØ: Javel. Nu vi snakker kapitalfonde, vil du mene der har været en forskel fra ISS har været børsnoteret og til den nu er taget af børsen igen og overtaget af EQT og Goldman Sachs. Hvordan påvirker det jeres strategi i forhold til akquisitioner at I ikke har nogle aktionærer at I i principippet ikke skal leve op til og kommunikere med. Har det givet mere ro, hvis man kan sige det sådan – i*
- 25 *forhold til jeres strategi?*

- JSON: Jeg vil sige... vi har fået færre aktionærer at kommunikere med i og med vi kun har to ejere at kommunikere med nu. De to ejere repræsenterer selvfølgelig en række investorer, men de to ejere har vi kommunikationen med. I og med de sidder repræsenteret i bestyrelsen gør det det en del
- 30 nemmere at kommunikere med de pågældende ejere og blive afklaret med om de er afklaret med den strategiske retning som man har og få beslutninger omkring akquisitioner, så man ikke skal ud og... for eksempel hvis man ønsker at foretage en større akquisition, så man har brug for en større

gang kapital og man skal ud og have den kapitaludvidelse, så vil det være lettere umiddelbart at få den i stedet for at skulle ud og fortage en kapitaludvidelse via en aktieemission i aktiemarkedet.

Men dermed også sagt at kapitalfondsmodellen bygger på en gearet leverage model så jo mere egenkapital de putter i virksomheden, jo mere diluter det deres mulighed for at få deres money

- 5 multiple om man vil, dvs. hvor mange gange de kan få deres penge igen. Det sætter en begrænsning for, hvor meget egenkapital de har lyst til at kaste i virksomheden. De ser hellere en brug af gæld og der er også den måde vi har finansieret os på. Vi har finansieret os dels ved vores Free Cash Flow og dels har vi optaget lån. I den periode vi har været igennem der har vi kunnet få fordelagtige lånevilkår dels via udstedelse af obligationer, og dels ved at optage gæld i banker. Der har vi åbne
10 faciliteter, direkte for at kunne foretage opkøb. Så der har vi simpelthen haft åbne credit lines direkte til bank på X antal milliarder som vi har kunnet bruge af inden for bestemte rammer uden at skulle spørge dem. Det har selvfølgelig været en fordel, men jeg vil sige at fordelen den havde vi også haft, vi kunne også have haft de fordele ved at være et børsnoteret selskab. På den måde så ser jeg ikke den store forskel. Det der har været den store forskel er at i stedet for at bruge meget tid på
15 at kommunikere med aktionærer – gennem investor relations og den vej rundt, så har vi i stedet brugt meget tid på vores gældspakker. Dvs. hele vores gældsstruktur. Så der har været masser af kommunikation med bankerne og rapportere tilbage til dem og også de obligationshold som vi også har.

- 20 *JBØ: Så der er ikke udprægede fordele eller ulemper – eller det vil sige at det er der, men det er inden for forskellige rammer i forhold til om man er børsnoteret eller ej.*

JSON: Det er selvfølgelig lettere alt andet lige at have færre ejere på den måde at du lettere kan få en beslutning igennem fordi de umiddelbart sidder med i bestyrelsen. Så du har hurtigere mulighed for

- 25 at få testet nogle ting og dermed få go eller no-go til dine forslag.

*JBØ: Okay, ja. Så lige her til sidst når vi nu snakker eksternaliteter og markedet og så videre. Lige nu ser det jo ikke helt fornuftigt ud med det finanzielle marked, men der har så også samtidig været snak om – nu Kraft har lige givet et bud på Cadbury – og det kunne være tegn på endnu en
30 overtagelsesbølge. Hvordan vurderer du det nuværende marked om det er gunstigt for virksomhedsovertagelser? Altså, der kunne vel også opstå nogle muligheder med virksomheder der ikke kører så godt hvis de har været ude i noget rod, rent finansielt.*

JSON: Set ud fra en markedsbetragtning, så er det klart at der kan være en masse, finansielt attraktive virksomheder. Kigger man fra en virksomhedssynspunkt, som ISS så er det klart at vores investeringer i andre virksomheder er ikke kun udtryk for en finansiel investering – det skal passe

5 strategisk ind i vores virksomhed før vi ønsker at kigge på den pågældende akquisition.

Det kun at kigge på det ud fra et generelt investeringsgrundlag uden at tage ISS i betragtning, så er det jo klart at dem som har kapital i øjeblikket, de står i en klart bedre situation til at gå ud og fiske nogle aktiver som måske er lidt distressed. Og dermed har mulighed for at rette op på det. Spørgsmålet er, hvordan man vælger at finansiere. Hvis man ikke har egenkapital i ryggen så tror

10 jeg det er svært. Fordi, så vidt jeg er orienteret, så er den deal mellem Kraft og Cadbury, den er vist også delvis finansieret gennem en udstedelse af aktier fra Kraft. Det vil sige at de jo selvfølgelig er afhængige af, hvordan deres aktiekurs er på nuværende tidspunkt i forhold til om det kan betale sig.

Det må de jo vurdere at det er en attraktiv handel

15 *JBØ: Ja, der kan jo også nå at ske meget inden det kommer i stand. Der er jo nærmest daglige spekulationer om, hvordan det vil komme til at se ud fremover.*

JSON: Ja. Nu kender jeg ikke Krafts finansielle status, men hvis de er, hvad noget kunne tyde på, i en god position og har en balance der gør at de sagtens går ud og foretage sådan et opkøb, så står de jo i

20 en stærk position ved at gå ud og samle nogle aktiver op som tidligere har været langt, langt dyrere. Men vi kommer hele tiden tilbage til, hvordan passer det ind rent strategisk. Jeg tror at de har vurderet at de har set et strategisk fit og vækstområde som de kan se passer ind i deres forretningsmodel. Jeg kunne forestille mig at der er nogle distributionssynergier som de kan gøre gavn af. Fordi de alligevel leverer til de samme butikker eller har de samme indkøbere rundt om i verdenen. Dermed have flere produkter med at få en bedre position i forhold til andre virksomheder. Alle, med store retailkæder som Tesco, Walmart etc. Har brug for stærk bargain power for at få deres produkter placeret ordentligt i butikkerne.

25 *JBØ: Godt. Så har jeg bare lige et enkelt spørgsmål. Nu handler projektet jo også om, hvordan man skaber værdi. Og så har jeg tænkt meget over at man jo kan sige at en virksomhedsovertagelse på sigt har nogle fordel. Der kan være noget med forskning og udvikling, der kan være noget med nogle operationssystemer som man gerne vil overtage eller man vil udvide sin produktportefølje*

som ISS jo så også bl.a. benytter sig af. Men man kan sige i mange henseender er det jo ikke noget man kan læse direkte på bundlinjen fra dag til dag. Hvordan mener du, at værdiskabelse kan læses i aktiekurser, hvis vi nu ser bort fra at ISS ikke er børsnoteret, generelt er det min opfattelse at det kan være svært at kommunikere de her værdiskabende faktorer ud til aktionærerne og markedet i det hele taget?

5 JSON: Det er klart. Jeg tror den hyppigste måde man kommunikere værdiskabelse, det er vækst i Earnings Per Share (EPS). Jeg ved ikke om det er et godt mål eller om det er et dårligt mål. Men det måler i hvert tilfælde evnen til at forrente din kapital, undskyld, egenkapitalen og det der falder under der. Det er et regnskabsmæssigt begreb, det er afhængig af, hvad er der nede på bundlinjen. Det påvirkes af diverse regnskabsmæssige principper og behandlingen af de regnskabsmæssige principper. Det kan være lidt svært at tage det for gode vare, men jeg tror det er et af de mål der typisk vil blive brugt til at se hvor hurtigt, hvor gode er vi til at lave vækst i vores earnings. Altså målt op i forhold til den egenkapital der er skudt ind.

10 15 Generelt, med der resultater vi ser over for aktiemarkedet, jeg vil hellere se på, som investor, hvad er den samlede kapital der er puttet ind i virksomheden og så se det i forhold til det resultat der bliver genereret. Dermed se bort fra den finansiering den pågældende virksomhed har. Der taler jeg om det begreb der hedder Return on Capital Employed og Return on Invested Capital hvor du dermed også kan regne værdiskabelse ud per periode hvis du vil. Det er at fratrække det afkast der 20 er lavet de kapitalomkostninger der er brugt til at finansiere den vækst. Dvs. din WACC.

Det begreb som vi bruger og som er en fundamental del af at vurdere virksomhedsopkøb det er at bruge en række metoder, hvor man bl.a. bruger Return on Capital Employed, som er en vigtig del af vores model.

25 JSON: Jeg fik lige øje på et spørgsmål du havde omkring om der er en "ISS-way" i forhold til den måde vi udfører overtagelser på. Og det kan man sige at det er der, og det er der i høj grad. Vi har en meget standardiseret for hvilke procedure, hvad godkendelsesproces man skal igennem for at få funding til et opkøb. Der er standardiseret valuationmodel, der er standardiseret akquisitionsrapporter til at beskrive hvad er target, hvad er det strategiske fit på kundesegmente, inden for services, inden for geografi, hvordan er kundesammensætningen og afrapportering på due 30 diligence, værdiberegninger, altså hvad er man villig til at betale i forhold til hvad man mener virksomheden er værd. Gøre op, hvad virksomheden er værd i stand-alone og i forhold til den værdi ISS kan tilføre i forhold til synergier og kost reduktioner, krydssalg, mersalg og eventuelle

finansielle synergier. Det er en meget standardiseret proces vi har i ISS omkring det. Som vi kalder ”The ISS way of doing acquisitions” mere eller mindre.

JBØ: *Og det går jeg ud fra er mere eller mindre funderet i jeres mange årlige erfaringer med akquisitioner. Det er en måde i gør det på baseret på, hvad I har lært undervejs?*

5 JSON: Det er det i høj grad. Man kan sige det er et system, det er nogle processer der er raffineret over tid og udviklet over tid.

10 JBØ: *Så der kan man sige at jeres placering/bevægelse på learning curve har noget at sige der, hvis man skal tage højde for fagtermer?*

15 JSON: Det har den i stor grad. Selvfølgelig, alle de investeringer vi har lavet, eller opkøb vi har lavet, det er selvfølgelig ikke alle sammen der er gået lige godt. Nogen er gået bedre end andre, der er også nogen der har været decideret katastrofer. Og dem må vi jo håndtere på bedste vis. Enten må vi revurdere om det koncept der formålet da vi købte det, egentlig står mål med de forventninger og de forudsætninger som vi lagde til grund for købet i sin tid. Om vi stadigvæk er valide. Hvis de ikke er det og vi ikke mener vi er de bedste til at få værdi ud af de forudsætninger som rent faktisk er gældende, så er vi blevet meget opmærksomme på, at så bliver vi nødt til at vurdere om vi ikke skal 20 finde en der er bedre ejer af det her i stedet for at vi skal bruge ressourcer fra vores management side for at lave damage control.

Tager vi beslutning om at det ikke er fokus for os, at forudsætningerne ikke står mål med det vi oprindeligt regnede med, så vælger vi at skille os af med det pågældende forretningsområde og fokusere på det vi kender om man vil.

25

JBØ: *Okay, godt. Så vil jeg gerne snakke lidt om ISS’ bevæggrunde for at foretage en virksomhedsovertagelse. Først vil jeg gerne høre mere, selv om vi har været inde på det, om hvordan ISS vurderer et nyt target? Er det... kommer det i ryk, så I siger at ”nu trænger vi til at udvide inden for catering eller inden for operation services” Eller er I hele tiden i gang med at se 30 om der skulle være et eller andet der kunne være interessant? Hvordan forholder I jer til hele den her screening proces, er det noget der er konstant eller kommer når der er behov for det?*

JSON: Det korte svar er konstant. Der er hele tiden radar systemer ude for at afsondre markedet – også i det her marked. Der kører vores radar systemer stadigvæk selvom vi ikke foretager så mange opkøb. Hvad er de for nogle virksomheder der klarer sig godt som vi ved vil passe godt ind. Selvom vi vurderer tidspunktet ikke er det rette i forhold til at gøre opkøb lige nu, så følger vi stadig med.

- 5 Det der er vigtigt at forstå, også i den henseende, det er at vi bruger akkvisationer som en del af vores research & development, til at udvikle, til at produktudvikle, til at kunne levere flere ydelser. Det fungerer i principippet på den måde at hver vores 50 lande har ansvaret for at kigge på ”hvad er det jeg mangler i min produktporbefølje for at kunne levere det jeg mener markedet efterspørger i mit land”. Og for at kunne levere på de globale kontrakter som vi har i ISS. I den forbindelse er der
- 10 nogle processer med at screen i det lokale land, vi sidder ikke udelukkende her fra corporate og siger ”hov vi har spottet den her mulighed i Italien, så nu køber vi det her selskab og så propper vi det ind i vores italienske organisation.” Det vil være det værste vi kan gøre og det vil højst sandsynligt ikke gå særlig godt bagefter fordi vi ikke har den forankring af ansvar og og buy-in fra det lokale management team. Derfor er al akkvisations aktivitet funderet fra de lokale landes
- 15 ledelser. Og det er en del af de business-reviews og de forretningsplaner der bliver lagt for hvert land.

JBØ: Godt. Så har jeg et lidt mere generelt spørgsmål. Det er, at overordnet har man fremsat tre grunde til at overtage en virksomhed: en fordelagtig handel, at man udskifter ledelsen eller at man

20 *har et ønske om at opnå nogle synergier. Hvor det så er blevet argumenteret at det ikke er muligt at foretage en fordelagtig handel fordi der er så meget konkurrence og udskiftning af ledelsen har måske været i forbindelse med corporate raids tilbage i 80’erne, hvor det var en mere aggressiv opkøbsstil. Hvad er din opfattelse, mener du at størstedelen af de virksomhedsovertagelser der*

25 *bliver foretaget i dag det er for at opnå synergier, det vil sige enten kost reduktioner, men også synergier på et mere operationelt niveau?*

JSON: Jeg tror faktisk det er en kombination. Jeg tror dels det er for at opnå synergier, stordriftsfordele og så tror jeg dels at det også er for at udnytte nogle markedsmuligheder som man kan se passer godt ind – hvis man kan se der er nogle vækstmuligheder i det pågældende marked.

- 30 At der pågældende virksomheder har nogle strukturer der kan være med til at accelerere og få værdiskabelsen ud af de pågældende virksomheder vi kigger på. Jeg tror det bl.a. var, hvad kan man sige, et af de opkøb i nyere tid som har skabt debat, det er Ebays opkøb af Skype, hvor Ebay fandt

ud af at de forudsætninger de lagde bag nok ikke helt stod vand så de er i gang med at skille sig af med Skype igen. Jeg tror deres oprindelige holdning det var at ”jamen vi har vi har et behov for at få vores strategi dækket her og vi mener Skype passer godt ind i.” Det har så vist sig efterfølgende ikke at være helt sandt. Det de har tilført selskabet – de har tilført meget mere struktur og procedure

5 og opfølgning, som i en vækstvirksomhed som Skype nok ikke har været funderet så kraftigt. Så på den måde så tror jeg Ebay har tilført Skype masser af værdi i den periode den har været ejet af Ebay på de her områder. Man kan sige, når det er sagt så tror jeg også det er vigtigt at sondere imellem forskellige former af synergier. Det vi kalder hard synergies og det vi kalder soft synergies. Hard synergies det er sådan nogen, i vores verden, en form for synergier der er relativt lette at håndtere

10 og lette at skille sig af med. Dvs. det er reduktioner af overheads, det er reduktioner af footprints, altså produktionsenheder og det kan være reduktion i antallet, eller kombination af kontorer. De er relativt lette at reducere for det er bare at gøre det. Du lukker bare det pågældende kontor ned og flytter det sammen med noget andet. Det der er lidt sværere, det er det der defineres som soft synergies. Det er mersalg og krydssalg. Det er lidt sværere og det kræver en større integration og er

15 lift mere flyvsk fordi det er ikke nogle synergier du har som umiddelbare, det er nogen du skal arbejde for. Der er masser af potentiale. Jeg tror det største potentiale i opkøb det ligger omkring mersalg og krydssalg, fordi det integrerer de to virksomheder ordentligt.

JBØ: Jeg går ud fra, at når du har sagt at det er lidt en kombination af synergier og markedsmuligheder, så er det også på de baggrunde at ISS overvejer virksomhedsovertagelser, at de tager flere aspekter ind når I overvejer et køb?

JSN: Det gør vi i hvert tilfælde. Vi har i principippet tre overordnede prioriteter, det første er strategisk fit, det andet er om vi kan lave værdi ud af det og deriblandt om der er synergier, men også om der er vækstmuligheder og det sidste er om vi kan styre det – har vi ressourcerne og kapitalen til at kunne styre det her? Både internt men også eksternt. Internt på den måde, har – hvis vi kigger på ISS, har det pågældende land som laver det her opkøb, har de en sund udvikling i forvejen? Det hjælper jo ikke noget for vores organisation at vi har et selskab der ikke klarer sig så godt og så siger vi ”jamen okay, så må vi hellere købe et selskab for at det klarer sig bedre.” Det er næsten dødsdømt. Så det kræver, at vi kigger i hvert tilfælde på, at hvis det pågældende land ikke har det godt rent performancemæssigt, så skal vi heller ikke købe før den performance er on track.

JBØ: Så man styrker fundamentet før man foretager sig mere?

5 JSON: Ja før man køber. Du kan sige at en af de erfaringer som vi har gjort os også, hvad kan man kalde det... lidt generel erfaring, det er heller ikke at købe store virksomheder på små organisationer. Hvis vi har et land der ikke er særlig stort, hvor vi ønsker at vokse meget kraftigt, så
er det næsten dødsdømt at købe en stor organisation og lægge den sammen med vores nuværende organisation. Der vil vi... der har vi lært at vi i hvert tilfælde aldrig får den rigtige kultur ind i virksomheden og de rette processer er meget svære at styre. Så... vi har haft succes med det et sted, men det er ikke noget vi udpræget går efter. Det er mere at bygge op i små skridt og bygge op i udvalgte enheder, både service mæssigt men også geografisk.

10

JBØ: *Det fører os videre til synergier og integration, som er mit næste område som jeg gerne vil snakke om og jeg... så var mit første spørgsmål hvordan ISS, hvordan du, opfatter synergier, og hvilke der er mest fordelagtige i forhold til den fremtidige drift og hele set-uppet omkring den her virksomhedsovertagelse. Men, når du siger at det er mersalg og krydssalg og det er det man betegner som de mere bløde værdier eller bløde synergier, så er det vel også det I forsøger at komme frem til på den lange sigt. Er det det der er mest fordelagtigt?*

15

JSON: Som jeg nævnte før, så kan man definere det som de hårde synergier som er lette at realisere ved at reducere i sin administration. Du har typisk ikke behov for to administrationskontorer. Så der
20 kan være nogle muligheder. Også ved at kombinere kontorer, spare på husleje, spare på at have to faciliteter generelt. Det er de relativt lette at realisere.

25

De andre, som jeg mener er den største værdi, der hvor den største værdi ligger, men også er sværere rent faktisk at få realiseret, det er på de her vækstmuligheder og krydssalgsmuligheder. Det er der, der skal sættes mest ind, for det er der vi mener der er mest value at stake om man så må
sige. Så det er der der virkelig skal planlægges om kommunikeres på den rigtige måde.

JBØ: Javel. Hvordan gør I så når I går ud og ser på et mål, når I eksempelvis skal til at identificere synergier, er det så i forhold til hard synergies eller soft synergies?

30

JSON: Der liver kigget på begge dele, det gør der. Og der bliver vurderet, der bliver lavet en analyse af, hvor meget... hvordan passer den pågældende virksomhed geografisk, det vil sige er der nogle overlap mellem de kontorer vi har og mellem de kontorer som target har, er der overlap i nogle af

de backup funktioner, er der mulighed for at reducere generelt og mulighed for at effektivisere og sætte vores systemer op i stedet for dem de bruger der. Generelt skal det alt sammen over og køre på vores platform før vi kan få den bedste integration. Jeg vil sige, generelt i ISS sammenhænge, der er det også sådan at de akquisitioner vi foretager er relativt små i forhold til de landeorganisationer. Så det er hele tiden det vi kalder bold-ons eller strategiske opkøb som ligger til og ikke de store massive opkøb. Det er kun typisk når man går ind i nye lande og de transaktioner bliver så styret her fra corporate, hvis vi ikke allerede er i det pågældende land. Men ved at gå ind i... ved at bygge på hele tiden, så har vi bedre mulighed for at styre det og vi har en mulighed for at minimere risikoen i forbindelse med de opkøb der bliver lavet. Og til at bygge erfaring op i organisationen til hele tiden at opbygge erfaringer med de processer der ligge både før selve opkøbet, men også efter, som er selve integrationen. Og dermed også at få realiseret de værdiskabende elementer som man har identificeret i forbindelse med ens due diligence. I ISS sammenhænge, der er det mest de salgsmæssige synergier.

- 15 JBØ: Okay. Rent teoretisk er der meget fokus på, sammenhængen mellem hvad man betaler for en virksomhed og værdiskabelsen efter – altså den præmie man betaler skal ikke være for høj i forhold til den værdiskabelse efter. Er det sådan at I værdisætter de mersalgs-muligheder og vækstmuligheder, eller hvordan indgår de i en valuation af sådan en overtagelse?
- 20 JSON: Det er en del af vores finansielle standardmodel som vi har bygget. Der er mulighed for at taste ind hvad er ens forventninger til dels synergier på kost siden, det er det vi definere som umiddelbare kost synergier. Dels muligheder for at lave mere effektiv drift det vil sige margen justeringer. Så kan vi prisfastsætte salgsvækst der er genereret udelukkende fra det her opkøb. Så vi deler i principippet virksomhedsværdien op i forskellige elementer. Dels, hvad vurderer vi er værdien af den virksomhed som vi kigger på i stand-alone-value, altså uden ISS' involvering, hvad værdi kan vi kreere ved at lave mere effektiv drift, ved synergier vi har, ved at lave mersalg til vores eksisterende kunder og ved at lave mersalg til de kunder target medbringer og så dels på eventuelle finansielle synergier. Finansielle synergier, der tænker jeg på vores mulighed for at finansiere os billigere i forhold til mindre virksomheder. Man kan sige i det nuværende miljø vi har, der vores 25 måde at finansiere os på, der er det nok så som så med finansielle synergier.
- 30

JBØ: Javel ja.

JSON: Men vores model deler simpelthen de elementer op hver for sig så vi kan tale om, hvor er det værdien bliver skabt og hvad er det for en værdi vi maks. skal betale for det her target ud fra dels den her analyse, dels ud fra benchmarks i forhold til generelle multipler, Return on Capital Employed eller din IRR om du vil. Vi har forskellige moduler, det er leveraged buy out moduler der vurderer, hvordan bliver værdien skabt og hvor er det vi mener vores perception for at betale for den her virksomhed.

JBØ: Okay, ja. Her til sidst vil jeg gerne tale lidt om integration og du sagde godt nok i onsdags at ansvaret for hele integrationen ligger hovedsagligt på business-unit-level. Men har I også en form for blueprint for, hvordan man angriber den her realisering af synergier ligesom I har et blueprint for hvordan I screener og værdiansætter og hvordan I analyserer med due diligence i starten af forløbet?

JSON: Det har vi selvfølgelig, vi har en holdning til det. Og det er... i bund og grund er det et spørgsmål om at have dine processer på plads, det vil sige at have et klart ansvarsdeling over hvem der gør hvad, hvornår. Man kan sige lidt populært at du skal have lagt din integrationsplan til at gøre - sagt på engelsk "who should know what when" på kommunikationsdelen og dermed også vide hvem er det der skal gøre hvad over for hvilke grupper, hvornår i integrationen. Og der deler vi det op i hvad er det for nogle områder vi har med at gøre. F.eks. er det salgsmuligheder, er det salgsintegration, er det back-office integration, er det medarbejder integration, er der nogle bestemte temaer såsom knowledge transfer, hvis vi køber en virksomhed, hvor vi ikke har den viden i forvejen så vi køber den som en form for kompetenceudvikling, en R&D transaktion. Så er det vigtigt at vi får sat de processer op og får dedikeret hvem er det der er de ansvarlige og hvad er rapporteringsprocesserne og hvem er det der er overordnet ansvarlig for at få det realiseret inden for hvilke tidsrammer. Så der bliver lagt en hel specifik plan med hvem er det der er ansvarlig på de områder og hvornår man forventer de her ting skal være integreret. Det er lidt generisk og det er nok det jeg kommer tættest på for det som sådan ikke er os der sidder med det konkret og laver den pågældende integration.

30

JBØ: Nej, men det er vel også som du siger at i Italien der har de viden om Italien og italiensk mentalitet og arbejdsforhold osv. Så der har de vel også større, eller bedre forudsætninger for at

kunne integrere to italienske virksomheder frem for at I sidder i København og ved hvordan det måske kan gøres, men I har det ikke på fingerspidserne.

JSON: Man skal simpelthen være til stede for at udføre integrationen og det kan man ikke fra hovedkontoret. Vi kan kun... vi kan via vores månedlige business-reviews, som vores regionale direktører er rundt at foretage en opfølgning på, hvor langt de er i integrationen i de opkøb vi har lavet. Hvad er det... er der nogle udfordringer i det eller kører det som planlagt. Så på den måde der er der en integrationsaktion her fra corporate, det er opfølgning over for vores lande og have en diskussion med dem omkring, hvor langt de er i de processer der er aftalt for at integrere target.

10

JBØ: Ja, okay. Nu har jeg lige glemt mit næste spørgsmål, men jeg kan lige gå videre. Når du nævner sådan noget som krydssalg og mersalg og så videre, har I så nogensinde oplevet at der måske har været en eller anden form for, ja overlap som du også har været inde på, men som gør at I i princippet ikke kan nå så langt som... I bliver begrænset, i form af I ikke har personale nok selvom I har opkøbt en anden virksomhed... at I bliver begrænset af kombinationen af to virksomheder?

JSON: Det er et spørgsmål, hvor jeg har svært ved at vide hvor du vil hen ad med det...

20 *JBØ: Ja...*

JSON: Det der skulle være en begrænsning skulle være... ville typisk være der hvor der er kulturelle forhold. Den kulturelle integration er... skal man ikke helt undervurdere.

25 *JBØ: Nej*

JSON: Og det er vigtigt at have den, hvad kan man sige... Generelt sagt starter vi allerede vores integration når vi begynder at kigge på target. Og involverer ledelsen så snart vi begynder at have dem i kikkerten og fortælle dem hvad er det vi har af planer med dem og selvfølgelig lytte til, hvad deres forretningsplaner er for den videre fremtid og sørge for der er en alignment mellem vores forventning og deres forventning. Det værste man kan gøre er bare at sige ja og betale prisen – sige ja til alle krav og betale prisen. Der har vi nogle eksempler på, hvor der ikke har været en stor nok

stillingtagen til om...de pågældende virksomheder de tror bare de skal køre videre under nye ejere og ikke rigtig integreres og det er det værste man kan gøre og det vi så også har været nødt til at gøre efterfølgende i de situationer, det er simpelthen at skille os af med de pågældende ledere fra den enhed vi har købt og så få sat... det viser sig at være begrænsninger for at kunne realisere de

5 synergier som vi gerne vil have.

JBØ: Det bringer mig tilbage til det spørgsmål jeg havde før, men som jeg glemte. Det var mht. integrationsplan. Som jeg forstår det er det en I ligger helt fra starten af. At så snart I har identificeret target så planlægger I også hvordan det videre forløb skal gå også efter overtagelsen?

10

JSON: Ja, det er en dialog med ledelsen i det pågældende target. Det indgår faktisk allerede i alle de diskussioner man har før man laver due diligence. Du kan sige på det tidspunkt hvor vi fremsætter vores første tilbud på virksomheden, der har man allerede haft en række diskussioner omkring, hvad er deres beskrivelse af virksomheden, hvad er deres forventninger til fremtiden, hvad er det vi gerne

15 vil med virksomheden. Så der har man allerede haft de indledende diskussioner om der er en samhørighed, forventningen om hvad det er vi gerne vil bruge hinanden til. Så den snak starter allerede der. Efterfølgende går man så ind i flere diskussioner, det bliver meget proces for der er det så man skal have verificeret sine oplysninger så dit bud også holder stik, så der laver man sin due diligence og finder ud af om der er nogle deal breakers. Hvis det viser sig at der ikke er nogle bad

20 surprises jamen så kan man gå videre med gennemførelsen af ens juridiske kontrakt. Og så umiddelbart derefter få fokus igen på, det vil sige det har du sideløbende med hele due diligence og juridiske kontraktforhandling, om hvordan er det vi gør det her, hvad er det for nogle mennesker der skal involveres. Så hele den diskussion den foregår hele vejen igennem i processen.

25

JBØ: Så her til sidst mht. integration. Når I overtager en virksomhed er det, nu ved jeg ikke om det er et for øbenlyst spørgsmål, men jeg går ud fra at når I implementere så er det i forhold til at ISS skal være den overordnede virksomhed, at det er strategien... ISS' strategi der skal følges og organisation og struktur – I prøver at integrere dén vej så det er den overtagede virksomhed der skal integreres i ISS og ikke omvendt?

30

JSON: Det vil det typisk være i den form for opkøb som vi laver. Jeg kan sagtens se at i mange andre tilfælde, hvis du for eksempel tager to store virksomheder og klasker dem sammen, f.eks. nu skal

jeg nævne et opkøb som ikke er gået alt for godt: Daimler, den tyske Mercedes producent og så Chrysler, den amerikanske virksomhed. Der kan jeg forestille mig at der er det nogle andre overvejelser der går om det, hvem er det der er den stærkeste part.

- 5 *JBØ: Ja, men der er vel i de tilfælde at man snakker om Mergers of Equals og som I prøver at holde jer fra ved ikke at overtage mål der er større end organisationen i det pågældende land.*

JSON: Typisk vil det slet ikke være muligt fordi vi, vi er typisk, eller, mange gange vil vi være de førende i vores markeder, så selvfølgelig kan man altid sige at vi ikke er førende inden for alle vores produktområder i alle vores markeder, men overordnet så vil man måske sige at vores forretningsvolume vil være større end det pågældende target, så det kan godt være det pågældende target vil være stort i forhold til vores specifikke serviceline, men der er det stadigvæk, for ISS' vedkommende i hvert tilfælde, at der er det et must at det bliver integreret i vores større sammenhæng. Den største udfordring det er at implementere, hvis vi bare ser på 50 lande der kører hver deres strategi og som har hver deres målsætning som ikke er align med den overordnede gruppe strategi, det vil være fuldstændig umuligt at styre og vi ville ikke få de synergier ud af det ved at køre sådan. Hvis man skulle vælge at køre sådan et system så skulle det udelukkende være ud fra finansielle betragtninger – at man mener man kunne lave værdi den vej. Det tvivler jeg på, men hvis der er nogen der mener at det vil være en feasible way, så er det i hvert tilfælde for deres egne penge og ansvar de skal gøre det.

Så alt det omkring implementering og integration det starter tidligt i selve processen og det er vigtigt allerede at have en alignment der for at forstå hvad... typisk i ISS der vil styrkeforholdet være på vores side fordi vi er de store og de er de små. Man kan så vælge at se det fra andre punkter, hvis du kommer ned i de enkelte business units. F.eks. i Spanien sidste år eller forrige år, der var vi ikke i catering, men vi var store i cleaning og andre property services, men vi havde ikke noget i catering. Der, den virksomhed vi købte på det spanske marked, jamen virksomheden var mindre end vores davarende ISS organisation i Spanien, men i og med vi ikke havde en catering virksomhed så ville det selvfølgelig være den og dens processer vi valgte at køre videre. Men strategien og de kundesegmenter man går efter de skal selvfølgelig være align med den resterende strategi for ISS i Spanien.

JBØ: Ja, godt. Mine sidste spørgsmål er lidt mere overordnede igen – om du kan, baseret på dine erfaringer, identificere nogen gennemgående forhold og udfordringer som har været udslagsgivende for de overtagelser I har gennemført? Hvis du skulle sætte tre ord på, er det kultur og integration eller strategisk fit som vi har været inde på tidligere? Kan du sige hvad der generelt

5 *er med til at gennemføre en overtagelse succesfuldt?*

JSN: Jeg vil mene at den første må være, i min optik, det må være at købe de strategisk rigtige kandidater, sørge for at købe det der passer ind i dit service-mix, geografisk og kundefokus-mix.

Det gør det alt andet lettere at få det integreret. Så er det vigtigt også at forstå den anden

10 virksomhed. Men på den måde du skal købe noget der ligger tæt relateret til din nuværende forretning. Det kan godt være lidt abstrakt, men hvis du prøver at konkretisere ISS situation, så er

det at købe noget... ISS er en kontraktvirksomhed, dvs. den største del af vores omsætning den er baseret på langvarige, eller længerevarende kontrakter. Der hvor vi typisk har haft udfordringer, det

er der hvor vi har købt en virksomhed der er baseret på det vi kalder once-only. Dvs. du hele tiden

15 skal ud og lave, forny de her tilbud eller lave nysalg. Der har du typisk et andet forhold mellem din fixed kost base og din variable kost base. Hvis du ikke er sikker på du har kontrakten i lang tid, jamen så skal du være sikker på at du har en fleksibel kost base så du kan nedskalere i de tilfælde,

hvor omsætningen ikke er der mere. Du kan sige at vores forretningsmodel er, at jamen vi har længerevarende kontrakter, derfor kan vi også tillade os at have medarbejdere på længerevarende

20 kontrakter. Men omvendt, hvis vi køber nogle virksomheder som ikke har kontraktsalg, jamen så skal vi sikre os at vi forstår at styre den måde at drive forretning på. Så dermed forstået, at det skal ligge tæt op ad ens egen forretning for at kunne få den bedste værdi ud af den og dermed ikke

brænde fingrene på at tro at man kan forstå noget og som ikke ligger nær ens nuværende organisation. Den sidste ting vil jeg sige er integration og man skal ikke undervurdere de kulturelle forskelle. For ISS' vedkommende er vi en meget opfølgings-orienteret organisation med forholdsvis

standardiserede finansielle systemer og det kan godt være meget overvældende for nye virksomheder at komme ind i sådan et system hvor der er stor fokus på opfølgning og finansiel rapportering konstant. Jeg vil sige at en af de overordnede er don't pay too much, vær sikker på

25 hvad du betaler for virksomheden og ha gjort dit hjemmearbejde ordentligt og lav din due diligence ordentligt. Det vil sige, sørge for at have en god kombination af folk der har forretningsforståelse og folk der kan gennemføre en akquisition. Både kunne vide hvordan du kan minimere dine risici og vide hvordan du værdiansætter dit target.

Jeg tror der var en ting under, da vi talte om synergier, jeg er ikke helt sikker på jeg fik svaret på, hvordan vi værdiansætter og hvordan vi deler dem op. Den måde vi praktisk gør det på det er at beregne cash flowet af de pågældende synergier og så inkludere det i vores pågældende værdiansættelse. Det er en simpel EVS, eller EVA model er det faktisk – det er det samme, det er de

5 samme principper.

JBØ: Aha, men det kræver vel en meget konkret forventning til de synergier, hvis I skal kunne identificere cash flowet og kunne beregne ud fra det?

10 JSON: Det er korrekt.

JBØ: Men samtidig kan man vel sige at med ISS' erfaring...

JSON: Man skal gøre sit hjemmearbejde, det kræver man har nogle forudsætninger man putter ind.

15 Og det vil altid... at de forudsætninger, dem skal man hele tiden test op imod om de er plausible eller ej. Og det har vi en diskussion om når vi sidder og ser på de pågældende akquisitioner, er det forventeligt at man kan realisere de her vækstrater som I har lagt ind, er det forventeligt at det ekstrasalg som vi regner med, at det kan realiseres så hurtigt. Regner I med at I allerede næste år kan komme op og få 20 procent i mersalg? Har I sælgerne til det, har I processerne til det, er det...

20 og så har man diskussionen ”ja hov, det har du måske ret i”. Vi skal også regne med at vi køber selskabet i lad os sige september måned, det vare lige... husk også at få integrationen på plads, det kan godt være vi ikke skal være så ambitøse det første år, det kan godt være vi først skal regne med vækst i år to af vores regnskab. Så der er en masse, både forudsætningsmæssige og tankemæssige forholde som der skal tages hensyn til. Og så er det de vækstprocenter og marginer man ligger ind.

25 Det kan ikke være bedre end ens bedste gæt som skal være fundamentert i ens egen forståelse af de pågældende forretningsenheder. Og hvis det er at man allerede har noget af det område i ens forretningsportefølje i dag, så har man nogle bedre forudsætninger i dag for at kunne putte ind i modellen. Med vores struktur hvor vi køber meget forskelligt rundt omkring i verdenen, så har vi altid nogen der ved noget omkring hvilke forudsætninger vi bør ligge til grund for det her opkøb.

30 Og på den måde har vi en god knowledge base i vores organisation som vi kan trække på. Det er selvfølgelig også en styrke som man kan gøre brug af på tværs af landene.

JBØ: Lige præcis. Ja, det var også min umiddelbare indskydelse for at kontakte jer, at den erfaring I har, jeg ved ikke om det er en fornærmelse at kalde jer en opkøbs-maskine, men jeg mener jo netop at I har nogle erfaringer at trække på fra gang til gang.

- 5 JSON: Din label af ISS er nok ikke helt forkert. Udefra kan vi jo nok godt blive betragtet som en opkøbsmaskine.

JBØ: Men det var...

- 10 JSON: Vi gør det i forbindelse med nogle strategiske overvejelser, som skal være opfyldte før vi ønsker at gøre det.

- 15 *JBØ: Det var nu heller ikke ment kritisk fra min side af, men det ved jeg at der er måske nogen der ikke følger den strategi, men der er jo mange virksomheder der har opkøb som en del af deres overordnede strategi og det er jo vækst over den næste årrække.*

- 20 JSON: Og du kan sige at strukturerne i vores industri er meget fragmenteret, så det gør at der er en stor mulighed for at bruge akquisitioner til at vokse på. Markedet er enormt og fragmenteringen er enorm. Det er selvfølgelig forskelligt inden for vores produktkategorier, hvor stor fragmenteringen er. F.eks. inden for catering markedet er der en udpræget grad af konsolidering, hvor der er nogle store spillere og det samme inden for security markedet, men på globalt plan, hvis man går ned og ser på nogen af vores markeder, så er der stadigvæk en forholdsvis stor grad af fragmentering. Og mulighed for at kombinere de forskellige områder og skabe sig en god markedsposition.

Det er selvfølgelig den kontekst man skal forstå vores ageren i.

25

JBØ: Netop. Jeg har ikke flere spørgsmål nu...

JSON: Vi nåede igennem alle sammen.

- 30 *JBØ: I allerhøjeste grad. Det må man sige.*

JSON: Jeg håber du kan bruge det til noget.

JBØ: Det er helt sikkert, nu skal jeg lige se på hvad jeg kan ud af det, men det er helt sikkert at jeg har fået rigtig mange gode synspunkter.

Appendix 7.2: Christian Schopper

Name	Christian Schopper
Background/Profession	Specialises in acquisitions & divestitures in Central and Eastern Europe. Gained extensive experience in European investment banking with Creditanstalt Austria, Morgan Stanley and most recently Merrill Lynch, where Mr. Schopper focused on Germany, Scandinavia and Emerging Markets. At Morgan Stanley, co-ordination of corporate finance coverage of Central & Eastern Europe and Austria. Doctorates in Law and Economics from the University of Vienna and MBA from IMD in Lausanne, Switzerland. In January 2009, I followed a course in M&A taught by Dr. Christian Schopper at University of Vienna and shortly after this we decided to pursue to cooperate with regard to my master thesis.
Contacts	christian.schopper@aon.at

Appendix 5: Interview with Christian Schopper

Telephone interview, Friday, September 11 2009, at 11.00 – 12.00

- 5 Interviewee: **Christian Schopper** (CS), professor at University of Vienna, Austria
Interviewer: **Jo Bjerre Østergård** (JBØ)

CS: Christian Schopper

JBØ: Yes hello Christian, this is Helene Jo calling from Denmark

- 10 CS: Hi, wie geht's?

JBØ: Ganz gut danke

...

- 15 CS: Yes, I have screened the document; it is just that I do not think that my PC can open my document. Anyway, we can go through it, I mean step by step.

*JBØ: Yes, what I have sent you was also what I would like to know – my overall questions.
We might go in a different direction throughout the questions.*

CS: That is fine.

JBØ: Okay, let us have a look at it. First, I have some general questions regarding M&A and the activity. You talk about M&A as appearing in waves, they have this kind of cyclical movement which is also illustrated in the figure. So, how do you assess this M&A activity, I mean, do you agree for instance with the illustration in the figure that I have attached? And how do you in general assess M&A activity?

CS: Yeah, well. First, when I read the document the first time, you know I went through it yesterday, and your argument was cyclical and what is it based on. My view is... there are two observations; first of all, totally clear, if there is financing available there is more M&A activity, it is as simple as this. And the other thing is, funny enough, the market is not acting I would say counter-cyclical. Respectively, they say certain markets certain assets are cheap, therefore you know, these buyers have cash at hand in order to go and buy this. A known fact is that there is a certain correlation between valuation at one hand and M&A activity at the other hand. Meaning, firm valuations are recently high actually. Then there is more M&A activity which is weird you know, which is not what you would think. It is not what a rational human being would do, but that is the way it is... So it is A: financing and B: funny enough, it is in regard to valuation. I mean, the fact that financing is driving M&A activity in general, I mean, we have seen how it works, having said this, what has happened the last 18 months or so, you can clearly observe what is happening, the financing is dried up in particular on the private equity side, be it on the leverage side, be it on the banking side and, basically, M&A activity came down.

JBØ: Recently, with Kraft's bid on Cadbury, actually, they talk about a new merger wave might appear in the near future because the market is getting started again and some companies will still have capital left and they have opportunities to make a bid on another company.

CS: The problem is, when you have M&A activity a lot is linked to psychology and if you go out and buy something, whatever it is, and then you need to justify it to your board and your shareholders. And the question really is, who has the guts to do it in an environment where all

shareholders are acting conservative as many of the shareholders, being public institutional ones, have lost a lot of money and suddenly you say I make a big acquisition – I take a risk. I mean, you see some activity at the moment but where is it actually coming from? The one is a little bit over from the geopolitical angle – that is China, China is coming up. You see it in the

5 food business you see it in particular in the oil and gas business. My brother for example is working for a major oil and gas exploration company, they were just by Chinese around eight weeks ago – the largest ever transaction the Chinese ever made and they point clearly is; they have capital. They have a lot of capital and they are probably the only ones right now who have sufficient capital the literally can spend. The Russians do not have it as much anymore,

10 they have lost a lot of their reserves as you know which affects the rubble. They are not doing any restructuring, they are stuck with a lot of reforms that they have what else would they do? and all the major Russian companies have been below leverage. So there is not a lot of activities on their side. Otherwise you do not really see any region that is really very active. I mean we see banks, obviously, but what is M&A there? Basically, all the major M&A

15 activities have been cancelled. Look at all the major bank acquisitions that we saw two years ago, 18 months ago still. Most of these deals have now stalled. What is now the forefront is funding – funding, funding, funding.

So I mean, coming back again into the theme how important financing is. Look at private equity. Private equity is stuck because they cannot get financing for their deals neither from

20 the leverage side nor the banking side. They have investors who have lost money so they are not happy to finance any further or fund add-ons funds. So the problem many of these funds basically have is that, you know, the equity is closer to going down one period. And the question is, where are they going to exit? The ideal market is literally non-existent we will see in the next couple of weeks if there are any ideal markets at all out there. You know... so how

25 can you get out of the investment, how can you capitalise on the investment? How can you raise capital again to reinvest this capital? It is not there you know.

JBØ: Exactly

30 CS: So coming back to more fundamentally, you see how important funding is to M&A activity. And the only ones who can do it right now are those who have cash, okay. Clearly companies or funds that have cash available. But yeah, not a lot is going on right now.

JBØ: No, I agree. But how would you assess... I mean some companies have it as a part of their strategy to perform acquisitions. Is it possible then to guard themselves for these financial conditions? I mean having some kind of back up in funding or available cash. Is it

5 *your experience that those companies that have acquisitions as a main strategy they also have some kind of a buffer to overcome financial or economic challenging conditions?*

CS: No, the answer is they will have to slow down their acquisitions, bad luck I mean, they will just have to slow down. There is nothing like this because they are all dependent on their

10 share price, I mean, they can say okay “cash is not available but our share price is so attractive that this is something buyers will be happy to accept.” But when would you do this? As seller, you will only accept shares when there is a substantial upside on the share price. You accept shares as a seller... you first of all will have a higher premium compared to cash because shares are more risky more volatile compared to liquids, dadida... and there is a lockup period

15 quite often. Basically, the acquirer would need to have that is A: attractive, but also have potential upside potential. Otherwise I would not go for it. Or, the acquirer is offering an enormous premium over the fundamental value of the acquisition target. So, basically meaning that the acquisition gets extended. Now considering the current environment in particular, I mean how to overpay an acquisition right now – the answer is no. People would

20 not dare to do it.

JBØ: I see.

CS: So all with the buffer and all this, no. Personally I do not see this. The only one who can

25 really move right now is those with cash and has cash available. As a footnote, look at this Cadbury situation, you know. And everybody is awaiting right now what the Hershey family is going to do and the bottom-line is they are stuck by a family trust, they cannot move you know. So they are stuck again by funding and financing and by dilution issue by current shareholders.

30

JBØ: Well, it is quite interesting since we worked with Cadbury in January.

Okay then, if we move on to value creation since that is my main motivation behind even writing this paper, I mean, I was first looking at, you know, general value creation within M&A but then as I moved on I found out that synergies are often one of the main drivers for an acquisition.

- 5 *So, first of all I would like to ask you a few questions on value creation and first your perception of value creation and how companies assess the possibilities in an acquisition, how does it affect the planning?*

10 CS: The important point, first of all, is when you do M&A you, or you should at least, look at the back end. I mean, the transaction as such is an easy thing, buying a company is quite easy, but when you create value out of an transaction it must be the post-integration of the merger, of the acquisition target. So you always got to start with the back end you know. What to do with this target, how do I integrate the target, how do I maintain the people, how do I maintain technology, how do I raise synergies? This is where it creates value. This is the 15 reason why more than half of all transactions basically fail. They fail in the post-integration work.

20 Once the merger is done, once it is completed; yeah, then the real work starts. People tend to think that the moment you have actually closed the deal that's it. No, that is actually the beginning of the whole story – that is when it is starting to get interesting. So, in that context preparation of a deal and thinking about the post-merger integration is the key thing. This is where you create value, nothing else. I mean, you might get it cheap, what is it? At the end of the day what you are going to do is to create value through integration.

25 JBØ: *Okay. Also with regard to value creation, there have been some arguments that investors and the market focus too much on short term results so they expect to see results today or tomorrow rather than in a month or in a year. So that should impose some kind of pressure on the company's strategy. Is it your opinion that this is something companies should adjust from and consider it in their planning and their communication to the market and to their investors?*

30

CS: Sure, yeah, I mean there is always a conflict. Firms always say something like they are influenced by the market. Sure, you know. They are thinking long term, the market is thinking

short term but actually, you got to adapt to it to some extent. The institutional or the shareholders are not out about it. Because at the end of the day your shareholders have to sign of the transaction – they got to b happy in the long run. But I, I mean, the point is clearly that there is an influence. Look, when assessing M&A activity do not miss out on the egos, the
5 players that actually execute these deals. And I think these issues are, basically, the senior management is asked by research analysts or sometimes their major institutional investors “what’s the strategy, what are you going to do, what is the catalyst to improve the valuation?” bla bla bla... And, obviously the M&A activity is, or can be, part of the creation.
Now, would you say that shareholders push management into M&A activity – that can
10 happen, but I have not seen it often. Getting back more to your question on the short-terminism, I mean, bottom-line is; in a M&A transaction from the beginning to the end from the moment that you say “okay we are going for this target” until it is over, basically, it is taking you nine to 12 months – it is not shorter. So when you include value creation everybody has to be aware of this exercise might take three to five years until you see the
15 visible results. So, my view is that M&A and short-terminism exclude each other so when you say “well we have investors who are thinking quarter to quarter”, well I would say bad luck, this is... you cannot combine this.

*JBØ: Ja, that leads to my next question and that is if value creation can be read other places
20 than just on the bottom-line of an income statement or at the stock exchange through the share price of the company. I mean, right now we have a company in Denmark, LeoPharma, I do not know if you know it, but it has just acquired a major Australian company and they are going to pay with own assets so you can see it on their bottom-line. So it will set them back but in the long run they are going to expand their R&D department, product portfolio, and
25 operation systems and so on. So I mean, is it going to be reflected by the market these long term results or is it going to be a struggle to communicate these improvements to the market?*

CS: I would argue like this. Financially, what is happening is... the immediate effect of a transaction is dilution or the creation of the P/E, okay. That is a multiple that is something that
30 immediately is a part of your valuation approach etc etc. So therefore there might be, you know how it works, that is a matter of the P/E dynamics, that is whether the company has a lower or higher P/E than the acquired company that has an immediate affect. So you might

say “o gee, there is a dilution here so that might be bad for my company”, and that might actually be the case if target has different growth dynamics or it might be a strategic rationale why you are entering a market. So, at the end of the day, then you need to see okay what are the synergies? I mean that is the only other measurable component that you say okay here is

5 an implicit and this whole post-integration process. You will need to have lay off people, you will need to cut overhead, you will need to make people work together, you will need to concur new markets etc etc and that will take time. And I would argue, probably for the next 18 to 24 months that you probably might even expect a negative impact on your bottom-line and you hope that within the next three to five years the synergies will really kick in, that is

10 when the post-merger integration really works. It has eventually a positive effect on this. But here it is very important the way the CEO and CFO communicate with the capital market and the investor community. To communicate how important and the strategic value the transaction is. But at the end of the day, these people got to deliver, they have got to deliver what they say, deliver what they promise to these investors and where this works. And

15 experience tells us that in many cases this does not work. It is a fact. I mean, in the mean time after all these years in M&A and corporate finance, I always tell my clients now “think hard if you want to do a deal”. Because of all these issues. These days when some say “oh, we have decided to do a deal” I actually say “okay, let us go through what you actually think, what the rational is, why do you want to do this, whether you think you get everything locked up in a

20 row, if everything is ready”.

JBØ: Yes, that is also why it is so interesting to analyze and to look into because it is such a complex situation when you come in to a transaction.

25 CS: That is the point! It is easy to buy a company, that is easy, everything is easy. If you have the funding and all this – that is easy. The difficult part is afterwards and this is when the egos... I mean, this is the less sexy part of the work. The sexy part is to do the deal. The sexy part is to go out to the press, to go out to the analysts, and so on – this is the good part. The real difficult part is when... who is going to do the work? Who is going to integrate the two

30 companies, who is going to do this? Who is going to move out the next three years from the headquarter to China, I do not know, to where you acquire a company and do the groundwork

and make sure it works. Take care of the communication, bring in the right people, make sure people are working together and so on.

JBØ: Okay, so if we move on from value creation to the objectives behind a deal. How is it
5 *your experience that companies do the screening and search for a company? Is it a continuous search, is it purely by macroeconomic developments, or is it... okay they see a possible target, they look into it, and then they might continue with the acquisition process?*

CS: It depends, it really depends! There is one interesting observation from all these years,
10 that is, companies know less about their competition as you might think. That is always surprising; I thought that when you are in a certain industry be it food, telecom, or banking you know exactly what your competitors are doing. Frankly, yes people meet at trade fairs and people meet at conferences and so on and so forth and obviously you look through the results of the competition but at the end of the day it is quite interesting, I always thought that
15 as a banker or a consultant you do not have a lot of value added, but actually you might know a lot more about the industry and the competitors sometimes than somebody who is actually in there. Not necessarily producing something, I would never tell anyone how to run a company. But what the competition is doing they know less about. But it depends I would say - from company to company. Some are in a more continuous way screening through potential
20 acquisition targets, others do it when they see there is an industry situation that cries for solution let us say we are in a very fragmented industry and you just wait until someone is taking the first step into consolidation and if you are positively one of these players that should initiate it or actually, you want to divest part of your business you say okay let us consider a partial divestiture. Sometimes it is also because somebody else has done it. This is
25 now happening in the food industry – which you see as a part of the Cadbury situation right now. You say that okay if these two companies go together what are then number 3, 4, 5, and 7 then going to do? And then clearly you start screening a little bit more and then is the question not only more; okay who will fit? And you look into the fit, overlap, strategic rationale, but also; is the target available? It might be available for various reasons; because shareholders do
30 not want it, because there is a shareholder structure, because there is certain competition at trust, you know; a clause, competition rules will not allow it and so on and so forth. The feasibility of a transaction would be screened through a second step. The point is there is no

clear pattern. And obviously you might know the market and the competition better which is closer to your home turf than abroad.

I can give you an example of Telekom Austria it is something you know pretty well but if one day another European company came and bought up Telekom Austria, I mean; it is not going 5 to happen soon but just an example, they would not know much about this let us say that one day a Russian company came, an American company came, an Asian company came; to use it as an entry to Europe – puh! They would need to start from scratch.

JBØ: *I see. Well during my work so far I have come across the proposition that acquisitions*
10 *are driven by buying cheap, replacing existing management and then synergies. But it is also argued that buying cheap and replacing existing management is part of the previous activity in M&A so buying cheap is not an option any more because of increased competition and replacing management is from a more aggressive investor's point of view e.g. as a part of corporate raids. Is it also your perception that synergies are becoming the main driver of transactions?*

CS: Well I mean, at the end of the day synergies create value – whatever synergies are. Synergies are such a buzz word but at the end of the day, yes this is where the value creation is. But the all the egos get in, I mean synergies, where is it – it is most about people again, 20 people working together and all this. But, all this is a matter of control and trust. I mean, let us face it; A is buying B, okay – if A is rational it takes the best people of B and the best people of A and the bring them together and the bad people of A and the bad people of B, you fire. Now that is not the reality always. A might say “okay I would rather bring together the people I trust” and these are people from A and they might be mediocre people. And the people at 25 company B get frustrated particularly the good ones and they are going to leave to competitors; “We've got to leave – this is not a culture we are happy about; this is not a place we would like to work”. I can give you an example of my brother's company, it is a Geneva based company in the oil and gas business, you know; a very multicultural environment and all this. The Chinese got in and people basically got scared and said “Well, we do not know 30 them, we do not understand their language, we do not understand their culture”. The Chinese that got in basically promised bonuses, you get a closing bonus, everybody gets half a year of salary now if they stay on by the company for a year, the next 12 months they will get another

half year of salary if they stay. So basically; what the acquirers are doing here is that they are buying the people, they are giving them money and are trying to motivate them. What would they do if all these people were gone? This is exactly what the Chinese want in this case; they want to have western expertise, access to western culture, deal management. Because they

5 know, that if the Chinese start running around suddenly buying oil and gas assets in Western Europe or even in the Middle East, they might be kicked out.

So coming back, at the end of the day it is much into people; that is so important. And the value creation at the end of the day is purely in the post-merger integration. There is nothing about buying cheap or hot guess, clearly you might say it is all up to the math and then see

10 what it says, you know.

JBØ: It is more about integrating two companies. It seems like it is the biggest challenge. Then a final question with regard to the drivers of M&A; there is this popular term that managerial hubris, managerial ego and acquisitions as a control mechanism might be other factors driving M&A. What is your experience with that? Is it just a popular term or is it something that actually happens?

CS: It clearly does happen, sometimes you have very well known dealmakers, I mean, check out Welch or someone like him, within GE for many years through the 80's. He was a superstar, like a rock star, and got around and bought companies. But he had a clear strategy; he said "Look, in every market we are we want to be number 1 or 2 and anything other than that – we will not look at it." And he basically went up... and yeah, clearly there was an ego behind it. But I must admit that point in time, that period in the 80's and early 90's that was probably a good combination – a very good combination. You also had the guy that ran the

20 Swedish company ABB – Percy Barnevik; he was the guy... that combination was a fantastic combination; it then went terribly wrong at the end of the day for various reasons, but at that point of time it was a fantastic combination. Was it this guy's ego? Yes at the one hand, but it is not totally egos, it is a match with strategy what they were doing. But actually, I have seen other situations where the ego was more important, yes – I have seen this. I would say,

25 however, when you have public companies these days, I would argue that the shareholders and institutional investors – they are, well they are asking questions these days. I would not exclude it; I think the ego factor is still important but it is not so easy.

JBØ: No, it is harder to get around I guess since there is now increased control.

Okay, then I think we should move on to talk about synergies since it also a very important part of my project. First of all; how do you categorize synergies? We talk about either about cost synergies or operational synergies or hard synergies versus soft synergies, and the realization and the opportunities in the future for the combined company. Can you say something about the categorization and also about the future operation of the company?

CS: Well yes, the categorization is right, I mean in what you are saying. There are various synergies, I mean look they are all at the one hand these sort of revenue related synergies and these cost related synergies. The problem really is... the problem I see is at the end of the day; how do you get there, to these figures and at the end of the day you will see it is again, sorry that I am always saying the same topic, is the people. Cost synergies are very often related to cutting offices and to fire people, okay good. In respect to revenues, that is basically increasing revenues through synergies is also by concurring new markets; how do you do it, you want to meet new people for this. And it is again a question on how do you bring people together for this? So at the end of the day; behind these figures and numbers is always how people are going to work together. But also another thing when you slim down your operation, what does it mean for the morale? Let us say you have two legal departments, and two firms and you bring them together, and you fire a third of these people. What does this mean for the morale, how are these people going to work together are they going to have an impact are they going to work efficient – so what I am saying: I always come back to the term people. Now clearly, on the technology well you might say that the company being the target has a new technology. And to apply this across the board well we have got to have synergies, cost effects, so this is not only people. But it is the same thing here; how do you transfer this technology that company B has that you require into company A, into the production process. Who is going to make it? You know... somebody is going to apply this. So I am saying: whatever you do, however you look at it; you will always end up with people.

30 *JBØ: I see. And also, when you identify in the due diligence process or in the pre-acquisition process, is it also then coming back to people all the time? I mean, who are the people who are going to execute these synergies?*

CS: I think the thing is when you do such thing as M&A, I mean, at the same time you do not want to disturb anyone. Because M&A activity, acquiring another company is something which, regarding to the outcome, is of course risky. But the point is, you do not want to have

5 too much insecurity in the company, you do not want to have rumours, you do not want to have people not focusing on doing their job for the next nine months until the deal is done. So you do not want to have too many people who know about this deal. So you have a deal team on each side that might include the most senior people who know about it but the rest of the organization does not know about it. That is the tricky thing here, you know. And then you

10 suddenly unveil the transaction and tell that you have acquired someone, have merged with someone and then everybody is getting scared. But for this moment you have got to already have a plan. You have got to have a plan on what to say, how to communicate it, how to start with the first group meeting, how you make the two cultures become familiar with each other. You need a plan already for this. So that is reality, you know... I mean M&A is not a basic

15 democratic game – it is not what it is. You have deal teams who do this. But clearly the question is how you bring the organizations together and that is the hardest part of management.

JBØ: Okay yes. If we move on to the more financial part of synergies and the valuation, some

20 *theorists argue that the premium paid and expected synergies are highly connected. Is that also your opinion?*

CS: Let me see this again; let me go to your questions...

25 *JBØ: It is more or less question 5 and 6 under the section on synergies.*

CS: Maybe you mean that synergies being part of the premium or being part of the acquisition price?

30 *JBØ: Yes, exactly.*

CS: well, yes absolutely, this is the way analysts look at it. I mean, what you do is, I would say we have cost synergies every year of 100 million, the company is trading currently at, I will just throw a number, 8 times P/E and we multiply this by 8 and get 800 then this is what you can pay in connection to the current fundamental value of the target company. Yes, that is

5 something you would include in the price.

JBØ: Okay, yes. Because, I mean... often you hear that synergies are the justification of doing a deal or at least pursuing the acquisition, you say well we are going to achieve cost synergies or we are going to get a new R&D department and because of that we can pay this

10 *and this premium. So you see a high correlation, or at least in theory, you see a high correlation between the premium paid and the expected synergies. So far, what I have seen is that it seems like you look at the cash flow from the expected synergies, but still, it is quite an exercise first to identify the synergies, identify possible cash flow – are you going to evaluate a worst case and a best case scenario?*

15 CS: I agree, I am going to simplify this because nobody is going to have a very simplified plan for this. You will have a rough idea about what the cost savings might be and which you communicate to the market. But at the end of the day you will need to have some benchmarks for the analysts and the investors, saying is it reasonable what they are paying, do they have 20 these synergies? And then the next question is how to save these 100 million a year; what are they going to do? And the company says look we are going to cut costs here and we are going to penetrate certain markets etc. and we are going to have certain answers ready.

JBØ: Okay, I think it now will be more interesting to talk about integration. In the

25 *questionnaire I sent you earlier this year you referred a lot to the post-merger integration, people, cultural clashes and so on. So now I would like to talk more about integration. First, how do you realize synergies, do you follow a plan or how do you approach the realization of synergies in the integration process?*

30 CS: You have a plan. I remember when Daimler-Chrysler merged, I mean; the story is over by now, they had a sort of a war room and supposedly on the spread sheet, or on the table, it was the best ever post-integration merger plan that anybody had ever created. It was in detail

for each department, and by what time they would have achieved which steps and so on and so forth. That did not work! I mean, clearly you have got to have a plan; clearly you will have to set up something. But the problem Daimler-Chrysler had, I mean what the market cannot predict, I mean when there is a crisis and people stop buying your cars it is bad luck. But,
5 clearly, at the end of the day the question is if you have the people to implement this. Will the people on the ground, on the shop-floor, really effect what we have on the paper here? Who is going to control and monitor this process? Who is going to do it you know?

And here it was the same story. You probably had 10 or 15 people sitting in this M&A merger transaction team from each side – probably even more. But what happen was that it did not go
10 down to the last detail. And you cannot plan everything – when you have 30 people sitting in Stuttgart and they say okay we merge two globally operating companies together and you think of all the operating systems you have, you cannot anticipate any questions you might have, any topic; you just cannot, you cannot plan everything.

15 *JBØ: No exactly, but then I guess, since you cannot plan everything you would have to have few people or just one person who is following the process throughout time and communicate between the corporate office and the business units which is going to be implemented. If you are going to say that this will be a successful transaction would it then be to the extent of the detail, communication, or the people?*

20 CS: It is a combination of all things. What for example OMV did when they acquired Petrom in Romania, one of the signals they did was to say okay we have now a new language of the company which is not speaking English. And now, the whole communication within the OMV Group, is in English; every email is in English, every meeting is in English, every
25 internal conference they have is in English. So they said “we will not have language barriers between our Romanian friends and our Austrian friends” and for both parties it will be difficult to speak English, they have always spoken either German or Romanian, but at the end of the day it is new for everyone. It is not that you say now company A is taking over company B and now the main language is German and the Romanians are then so threatened
30 and say “well it is not fair, we are disadvantaged, it is not easy for our career” and so on and so forth. That was the catalyst to change something. Now look, this is not a guarantee for success in the post-merger integration, but it is a signal. And as such, what I show you with

this are that there are various tools with what you can do, well at the end of the day it is; make it work. Make people working together; make people see that the other party is bringing value added to the table, seeing something they do not see. So how to do it? There are various ways to do it, you can do it by meetings, you can do it, obviously, by communication, by regular

5 updates; where are we standing, what has been achieved, what has not been achieved? But a thing that is also very important is to bring it down to the level where people for their own working area do understand why they are doing different things. That is management in general, you know, every one in a firm, the larger the firm becomes the bigger this gets, needs to understand why certain demands are there and they need to see an immediate impact on

10 their own work, you know, why they should do certain things maybe differently in the future that they have done in the past. But they must understand this and relate this to their immediate working environment. I mean, how do you motivate people? You cannot motivate, sorry to say, a worker sitting somewhere in Romania by the share price of OMV stock. You know what I mean; they are not interested in this. I mean, they never even have had a savings

15 account some of them.

JBØ: No, exactly.

CS: Because they got cash in the bag in the past. You know what I mean; you cannot be to

20 extract that is what I want to say. You need to relate this whole post-merger integration work to the level or at the level which is immediate but close to the individual. I think otherwise they are going to fail.

JBØ: Yes, and that was also another thing you referred to in our previous correspondence via

25 *email; that is cultural clashes as one of the main challenges in the post-merger integration.*
Do you think you can elaborate on that?

CS: Culture, yeah what is culture, hey?

30 *JBØ: Yes, this could be a long conversation*

CS: It is clearly designed by geography; you know where the company is coming from but also how it is run. I mean, it is like countries; you have some cultures that are more bureaucratic, some that are more democratic, you have top-down approaches and you have bottom-up approaches. You have companies that are more focused on value creation, money, 5 and share price and you have some which are more based on value creation for the society. Look in the former Eastern block you have many companies that had hospitals and clinics and kindergartens and hotels and, it did not work we know, but at the end of the day it was to make workers and their families feel comfortable and a part of a community – a big family. You have the Western approach, more brutal you could say, in America, at the end of the day 10 you get your money and you do with the money whatever you want to do. If you want to buy a big car; buy a big car, if you want to buy a big house; do it. Do what you want; we will not interfere into your life and into your family, what you are doing. But that is not what you see for instance in Japan. What I am saying is: it very much depends where it comes from, how 15 the company is developed. One thing is also interesting; you know there was this study once by the Harvard Business Review, saying what is the success of the company, one of them saying that it could be: how old can the company become and at the end of the day; the age of a company, to an extent it is dependent on a very good technology or something like this. That is not it, the most important is culture. And one of the oldest companies we have in the world actually is in Scandinavia. And they have reinvented them so many times. Look at 20 Nokia, Nokia 50 or 60 years ago; they produced conveyer belts. They were conveyer belts and now they are a high tech company that is two completely different things and it is still Nokia. It is obviously integration, it is people working together and this will be something they will be able to change over time. And here we are, we have two different companies that come from total different histories. Also in investment banking, what I have seen; companies 25 look from the outside often very similar. If you look at Morgan Stanley and Merrill Lynch. If you look at the organizational chart; they are basically the same. When you look into the culture and the people they are completely different. The reason is very simple; Morgan Stanley was founded in 1894 as a M&A boutique – they are focusing on advisory business, they are focused on clients, and they have a long term vision. They work together strategically 30 with their clients. Merrill Lynch... Mr. Merrill and Mr. Lynch who merged their firms in 1900 where two brokerage companies, I mean; they were traders, they were looking to make big bucks on a short term – in days or weeks. So they are a company which is still, you know,

short term focused. And where advisory service is less important than capital markets and basically the advisory service is on the side - a side product. You know this you still see today in these companies. That is actually amazing; what is a company culture? That is what culture is; it is tradition it is people working together it is to hooch.

5

(Phone ringing)

10 *JBØ: But would you say that integration could be a deal breaker when you first pursue a target and then you do a thorough due diligence and you experience the differences in the culture and you might even withdraw from the transaction again?*

CS: Puh... that I have not really seen. Then I think you should give up before. That is a good point. When you ask me... have I ever seen this before? No not really.

15 *JBØ: I remember - that was actually in Austria, we talked about Siebel Systems and Google for instance; two very different cultures, very laid back at Google and very corporate at Siebel.*

20 CS: But a transaction that failed between signing and closing because people realized they could not work together... You will find other reasons...

JBØ: No I have not experienced any instances either.

25 CS: There might be reasons like this but I will tell you one thing; the answer is no, you will find another excuse.

JBØ: I agree, but a company like Siebel Systems and Google, they would never merge, probably not because of that, but it was more, yeah, for illustration purpose.

30 CS: I think you might want to think about this before. And the way you do it is that you probably already have some people from the competitors of your firm – they give you some feedback. How this company works. You think about it very carefully. If you do a transaction

you think very carefully of what you are doing because all CEOs and CFOs are all much occupied the next 12 to 18 months by this transaction. You know what I mean? – You spend a LOT of time on this.

And you would not do this; you would not spend your time if you, at the end of the day, find
5 out that the culture... I mean, the culture might not work eventually, that is true, but then I would say A: think about it before if it is completely not working – but also, I would say, if the two sides do not want to work together you already have a certain sentiment like this, the senior management. These conversations before you even sign a deal will probably collapse early on. If they cannot agree on certain synergies, they cannot agree on a joint vision, they
10 cannot agree on a certain strategy – that happens before you sign a deal. You know what I mean... otherwise something goes wrong in the negotiation.

15 *JBØ: Okay yes. Then just to round up, can you identify common factors and pitfalls for transactions. What I mean is; can you say the first thing that has to be fulfilled in order to achieve success is, yeah, e.g. integration?*

CS: I think, the way I do it these days is to scare people. The first thing I tell them is be aware – way more than half the transactions destroy value. So basically, already the way you think of a M&A transaction is not necessarily wrong but there is a chance that in more than 50
20 percent it will destroy value. And you have got to be aware of this. And I believe that many people already start thinking about this. You know, that is the starting point because then you reflect very carefully; have you thought through all the issues, have you thought through the post-merger integration work and so on and so forth. I can tell from my experience that that is the first thing I do.
25 I first scare the people, I first ask them if they are aware this might go wrong and if they have thought about it. And then people start explaining why they want to do a deal and then you start asking questions, and then you get into dialogue and you reflect again whether it makes sense or not. This is again sort of checking the company – I think it is a key issue here. The key issue is; have you thought it through very carefully what you want to do here. What does
30 it mean for your current situation, operations, but also for your job? This is risky; if this fails you will lose your job. You might have a very comfortable situation; good job, god position

in a company. You might have worked up another ten years and retire as a rich man or you might loose all this within 18 months because it goes terrible wrong. There is a lot at stake.

JBØ: So to boil it down all we have talked about it is integration, people, and communication

5 *that are main factors in order to make a transaction successful?*

CS: Yes.

JBØ: That is my impression also.

10

CS: It is people, people, people. It is always the same; people, people, people. And then you see the market and then you see operations. But it is all about people.

JBØ: Okay, I think that was more or less all I had.

15

CS: It is really people business. And I tell you; frankly, when I see all these post-merger integrator consulting companies and the work they do and all this, I am so fucking sceptical about it because I do not trust them at all. At the end of the day you need very good managers with a lot of track record and expertise in such things. This is where the key solution is in 20 successful M&A work; you need to have managers who implement successfully in the post-merger integration; who are open-minded in joining the formed vision, can communicate, and are very tough in implementing the post-merger integration. Not some one who is only good in communicating this to the capital market once the signatures are done and once everything is closed. Basically just walk away to the next thing. No, this is when the real work starts. 25 You got to have, not necessarily somebody who is a wunderkind, but you have got to have somebody who is really behind this.

JBØ: Okay. Well that was my questions.

30 CS: Sure, if you need anymore, let me know.

JBØ: yeah, I might get in contact with you when I have had a further look at the questions we have been through.

Appendix 5.2: Written reply to questionnaire by Dr. Christian Schopper - answered via mail,
5 May 12, 2009.

The answers to the questionnaire below were used as a foundation for the further oral interview.

Financial/Economic Aspect of M&As
From a financial perspective, where are especially the pitfalls when considering an acquisition?
<ul style="list-style-type: none">• <i>In most of the cases in respect to the post-integration process which is not carefully assessed ahead. This process is a very complex task, involving various themes and topics, such as strategy-related; but foremost acquisitions and mergers fail amid cultural differences among the firms which eventually cannot be swiftly and efficiently brought together. – Price and funding are obviously pitfalls (e.g. consider the current environment) as well as concerns voiced by monopolies and mergers commissions. – But culture is the prime reasons why acquisitions fail.</i>• <i>In respect to a financial perspective, overpayment mostly linked with an inadequate funding structure is a prime reason. Obviously excessive leverage resulting from a too high purchase price might reap benefits from a merger. Overpayment as such is in most of the cases driven by too high / optimistic expectations in respect to synergies (what ever these may be) – which then cannot be achieved because – here we are again – cultures collide</i>
Will the current financial conditions affect the M&A activity, e.g. will some acquisitions not be undertaken and will some companies benefit substantial from a “cheap deal”?
<ul style="list-style-type: none">• <i>Financing for transactions has dried up; hence acquisition financing is a major issue. Consequently, private equity-driven deals are hardly doable and such deals have taken a large junk of total transactions over the last years. There is also only limited “bargain” transaction activity right now, as players with cash at hands are quite choosy still and expect the environment to worsen even further</i>
How is your experience regarding economic cycles and the activity of M&As, is there a correlation?
<ul style="list-style-type: none">• <i>There is definitely a cycle in that context. Also important are interest levels in that context. Over the last years we had record low interest rates and that has fuelled transaction activity even further. – The fact that we now have low interest rates and</i>

there is only very limited activity is amid the current overall economic environment

.....

Considering the current financial situation, does it your opinion entail that companies have to perform even better in order to succeed and to raise the needed capital?

- *Performance is certainly a key criterion. What is important, though, as well are additional components, such as the overall leverage of the balance sheet as well as “soft factors” such as corporate governance structures. In addition, historical track record and overall impression with the investor community does play an important role.*

Synergy and Growth

When talking about synergies, there are both financial as well as operational synergies, are they mutually exclusive or can they co-exist?

- *They can definitely co-exist. The one set is focused on management / operations and the other one on funding and balance sheet structure as well as leverage vis-a-vis creditors and / or the capital market(s)*

In your opinion, do companies use acquisitions more and more often as their growth strategy? Does this differ among industries?

- *In my view this very much depends, foremost also in what state / stage an industry is in. Growth acquisitions are definitely observed in more mature / stagnating industries to reap cost benefits and enhance bargaining power (defensive transactions).*
- *Also, in cases where a certain technology / know how is not imminent in a company and crucial to further growth. And, finally, in cases where certain markets (usually geographies) can only be captured on the basis of acquiring local knowledge through the acquisition of an already existing regional player. – Having said this, and referring to the items mentioned above, some companies are very much aware the risks of such transactions, and therefore decide to grow organically and maintain corporate culture (but this would not be applicable for defensive transactions)*

Can the focus on synergies and growth through acquisitions exist without focus on cash flow, in that sense that the acquisition might be very long-term determined?

- *If it is a privately-held company, then this may be the case. In respect to publicly listed companies I would believe that such a strategy were literally impossible to implement, as it would be turned down by the shareholder base*

Shareholder/Corporate Value

In your opinion, can shareholder value affect the long-term value creation in a company

negatively, if you take some shareholders somewhat short-term expectations of value creation into considerations?

- *Definitely, and I would also add that certain features in respect to preparing accounts (e.g. US GAAP) are a major contributor to that. Whilst – as mentioned above – this might not be applicable to privately-held corporate, such as family-owned companies.*
- *What might be added is the importance of a CFO's understanding of the expectations of the shareholder base of a company. Whilst retail investors can be rather erratic in their behaviour and might contribute to a short term focus, equally well hedge funds for example, investors with a longer holding period horizon, such as insurance companies, would tend to behave differently*

When going “beyond the deal” and creating significant shareholder value, what conditions must, in your opinion be fulfilled?

- *Foremost a solid strategy, a strong management team to implement it and a solid funding base from which to operate from – Hope I got the question right ;-)* ...
- *Always: post-merger integration, of course and melting the cultures*

After the deal is closed, companies seek shareholder approval of the deal and in cases where capital needs to be raised shareholder approval of capital increases are needed. How can companies most efficiently prepare and present the deal to shareholders and what are to be considered from the shareholders' point of view?

- *To start with, the CFO and his team need to know the structure of the shareholder base and the key expectation criteria. And then – hopefully – the shareholder structure as such is reasonably coherent.*
- *In a next step, communication is key. Anchor investors might be approached directly – e.g. in the form of a road show to achieve pre-approval. In respect to the remaining shareholder clusters, any form of media appropriate will be relevant, such as TV, radio, newspapers. An additional accompanying measure is the involvement of equity research analysts so that these (i) like the intended transaction; and (ii) write favourably in their reports*

Can acquiring companies, in your opinion, pay too much for a company, although it has a great strategic, innovative, or technological value for the company, and in that way, at least in the short term, destroy shareholder value?

- *Absolutely: If the cultures cannot be combined and a joint vision and purpose be developed, communicated and implemented*

Post Deal Process

When looking at acquisitions from a theoretical viewpoint you can argue that M&As are divided into three phases of pre-, during-, and post-acquisitions phases. How can a company evolve in order to create knowledge from its acquisition activities and how can it measure its

post-acquisition performance?

- *There are firms, such as UK-based WPP, which have only grown through acquisitions for decades and are therefore specialists in merging companies. (In respect to WPP this is particularly interesting, as they deal in the creativity industry). Hence, it is learning by doing and over time there are specialists within a firm which have undergone many transactions and therefore know what to do*
- *Involving outside specialists can be a solution, but also can be tricky and cause costs and consume lot of time. They may be used rather as catalysts in the course of the post-merger integration*
- *In respect to measurement, this can be many-fold: share price; performance targets; soft targets*

When approaching a deal in order to determine the overall success and assess the possibility of success and future value creation, which components of the process of the deal would you look at (e.g. rationale, financials, prospects, strategy, process etc.)?

- *It has to be benchmarked against the overall strategic rationale of the transaction which can – as mentioned before – vary according to the structure and shareholder base – e.g. privately-held companies might have “other” rationals*
- *Share price is certainly a good indicator (as a proxy for creating shareholder value)*

In our opinion, why is it that, as often argued, that only one fourth of all acquisitions are successful and, based on your experience, does this concern certain markets or industries?

- *(i) This is a fair statement. (ii) It is affecting every industry, as the main reason is the failure in merging cultures*

Market Indicators

How efficient do you assess the market as an indicator on the value creation of an acquisition? In quite many cases you see the market react quickly to the rumours or announcement of a deal?

- *That is true in respect to empirical research of anticipated share price patterns of the acquirer (share price usually going down) respectively target company (share price usually going up). Key to mitigating these factors and put a positive twist to the overall reception of a transaction is swift and convincing communication with key stakeholders in the transaction (shareholders; employees; analysts; journalists; unions)*
- *The market opinion may – however – frequently over-/undershoot and is therefore also regarded with a certain scepticism*

At the moment, several companies propose creation of capital either in order to strengthen their balance sheet and financial flexibility in an economic and financial challenging time. In some instances, e.g. in the UK, shareholders are becoming more reluctant to just approve capital increases. Could this be the same case for M&As – that shareholders become more

critical and assess the deals more thoroughly?

- *I think yes; there is some additional caution. But still, I tend to believe that merger-like structures and smaller transactions will be more easily implemented than larger (acquisition) transactions which also require outside (debt / equity) funding which will be viewed more critical*

Ending Note

If you have any further comments or maybe even ideas to the topic of M&As and how/if they create shareholder value, I would appreciate a few words.

- *There have been books written about this – I think it might be best, if we catch up by phone some time*

Appendix 7.3: Implement and the interview with Mikkel Krogslund Andersen

The following information is derived from the company's web site (www.implement.dk).

Implement is a consultancy agency which operates in the Scandinavian market and has offices
5 in Copenhagen, Oslo, and Stockholm.

The agency's core competences are within

1. Strategy & Growth – where they assist in laying down and implementing a corporate strategy and the strategy of business units. Through a transformation programme the consultants seek to create significant, profitable and continuous growth in cooperation with their clients. The company has the strategic experience to ensure overview and the practical insight to challenge and create solutions that are realised.
- 10 2. Operational Excellence – where the agency consults on integrating the development of the business system with the development of the people who create results and additional development through the system.
- 15 3. Service Operational Excellence - which focus on the success of service organisations which depends on the ability to organise processes that meet the customer's expectations to the value of the service in relation to price, the way the service is delivered and the customer's experience. Service Operational Excellence is a state of excellent operational management and continuous development of the business and its processes.
- 20 4. Leadership & Projects – this is about assisting companies at implementing development activities and strategic challenges. Implement offers expertise in order to help companies to attract, develop and maintain the best managers and project managers.
- 25 5. IT & Infrastructure – is a service offered for both public and private organizations if they feel the increased pressure of having to deliver more with the same effort. To significantly improve the support of the organization's requirements and objectives, the IT organisation needs to focus on IT strategy, processes in the IT organization, sourcing, selection and implementation of new systems as well as the underlying architecture.

M&A is within the competence of Strategy & Growth and Implement offers services within strategy, implementing, and project management.

5 Interview with Mikkel Krogslund Andersen

Mikkel Krogslund Andersen is partner and consultant within Strategy & Growth.

Interview, Monday, September 14, 2009 at 15.00 – 16.00, Implement, Hørsholm

Interviewee: **Mikkel Krogslund Andersen (MKA)**

10 Interviewer: **Jo Bjerre Østergård (JBØ)**

...

MKA: Jamen, jeg hedder Mikkel og jeg er partner her og har ansvaret for vores M&A område. Og, hvad hedder det, Implement... vi er vel 200 konsulenter og så service personale oveni og vi har kontorer i Oslo, Stockholm og København. Og det vi laver... vi har en række
15 områder: vi har et område der hedder Strategy & Growth, det er det område, hvor M&A bl.a. er i og den slags ting – jeg tror vi er en 35 stykker eller deromkring i det område. Som arbejder med strategiudvikling, men også i virkeligheden arbejder med generel toplinje udvikling. Der er også nogen der arbejder med mere kommercial excellence disciplin, pricing
20 og sådan nogen ting. Så har vi et område der hedder People & Projects som handler om ledelse og herunder særlig meget projektledelse. Vi er baseret... det her hus er som udgangspunkt startet op på projektledelse. Og det vil sige det er alt lige fra træning, til project governance, modeller til porteføljestyring, til opbygning af project offices, transformations offices i en integration – alt muligt det handler om når man arbejder med projekter på alle mulige vinkler – både de bløde og de hårde sider kan man sige. Og så har vi vores
25 Operational Excellence som i virkeligheden både består af nogle supply chain folk og nogle SAP/APO folk, noget der er meget over mod manufacturing. Og så har vi også noget Service Operational Excellence – det er klart vores største område, der er 80 – 90 konsulenter som bl.a. arbejder med supply chain, meget med LEAN og meget med den slags ting. Og så har vi IT management afdeling, ja, vi sælger ikke noget software og laver noget IT som sådan her i
30 huset, men vi igen arbejder vi en del med projektledelse, vi arbejder selvfølgelig også med assessment og IT strategier osv. Så det er sådan set huset hurtigt fortalt. Og vi har... man kan sige vores kundebase der har vi to typer af kunder kan man sige. Vi har mange store danske virksomheder og dermed også internationale virksomheder, hvor vi typisk vil ligge og lave

nogle taktiske og operationelle ting for dem f.eks. opbygge en projektledelses model eller lave en segmentering af deres kunder eller hvad det nu måtte være. Det laver vi, kan man sige, for de allerstørste virksomheder. Og så er der en række andre virksomheder som er mere i 5 mellemstørrelsen af virksomheder, hvor vi mere er med, kan du sige, på hele rejsen. Hvor vi også sidder med i forhold til strategi og i forhold til udvikling af den virksomhed. Mange af dem der er kapitalfonds ejede – jeg har stort set kun arbejdet med kapitalfonds ejede virksomheder, det er ligesom mit særlige fokus, det er kapitalfonds ejerskab og kapitalfonde, som passer meget godt til vores accelerated growth tilgang og dem har vi så også... ja, nogen 10 af dem er vi så også rigtig rigtig tæt på. Og de har også været med til at spare på vores tilgang til tingene. Så det er så lidt om de grupper vi arbejder med. Så er der så selvfølgelig en masse offentlig sektor kunder. Vi har relativt mange, vi har nok en tredjedel af vores forretning som er i den offentlige sektor. Hvilket er meget raret lige i øjeblikket. Så det er sådan noget i den stil.

15

JBØ: Så det vil sige, nu har jeg jo også læst mange af sådan nogle "how-to" bøger, hvor man snakker om M&A teams osv. Og virksomheder de udliciterer måske hele den proces med at screene markedet osv. Er det noget I bl.a. kommer med indover eller hvordan er det i forhold til de mindre virksomheder?

20

MKA: Ja, der er en kæmpe stor forskel i... jeg tror vi har lidt om det, men det kan vi komme ind på til sidst. Jeg synes der er en kæmpe stor forskel i om man snakker, for en konsulent tilgangsvinkel, er der en meget stor forskel om vi snakker over mod industrien eller over mod kapitalfonde. Snakker vi over mod kapitalfonde er vi meget med i screeningen, også brancher 25 og alle de der ting, altså i virkeligheden kan du sige... ja, vi har sågar været med til at designe en investeringsstrategi for en fond – for en ny fond der blev åbnet. Så der er vi meget med på, kan man sige, i alt det der med at finde ud af, hvordan man gør og så videre. Men jeg tror man... jeg tror der er nogle få huse der måske har noget spændende at tilbringe virksomheder, men de fleste virksomheder som er inde i en industri, de kender simpelthen deres industri så 30 godt at det at bibringe dem med noget det er muligt at meget meget få konsulenthuse, det er dem der virkelig har et globalt netværk og sådan noget, kan spille ind med et eller andet spændende på banen til dem. Men generelt ser, så er det ikke der man bruger konsulenter. De fleste de har styr på deres industri og sådan noget. Det er klart at hvis de siger, at nu vil de ud

i en ny industri eller nu vil de undersøge noget, så kan det være man sætter et markedsstudie i gang. Men industrien... jeg har, de virksomheder... de fleste virksomheder har kørende sådan en form for liste hele tiden f.eks. i deres strategi processer så er det en del af de business plans som man laver i divisionerne. Det er at køre sådan en og sige okay vi har top ten targets og ranket på nogle forskellige ting. Så ligger de så... så man sørger for sine ledelser hele tiden sørger for at holde fokus på det det. Og det gør de selv. Men vi kan godt... vi har så været inde og lave opkøbsstrategier nogle steder og det er så i virkeligheden steder hvor vi så er inde og facilitere; hvordan er det så vi prioriterer, hvordan strukturerer... hvordan understøtter forskellige muligheder industrien osv. Men det er nok virksomheden selv der mere spiller kortene på banen. Det er klart nok at så undersøger man dem og sådan noget, men virksomheden har som regel hurtigere viden om spillerne.

15 *JBØ: Ja lige præcis, det er også den opfattelse jeg er kommet frem til; at det kan være et problem for konsulenterne at de ikke har...*

MKA: Det er klart, men det vil, næsten som i alle andre opgaver i consulting, være et spørgsmål om at strukturere og skabe overblik og den slags ting. Så derfor er der masser af steder hvor vi er inde og arbejde med opkøbsstrategier.

20 *JBØ: Ja, okay. Så har jeg et lidt generelt spørgsmål, et spørgsmål der er en del af mine indledende spørgsmål, og det vender lidt tilbage til den opfattelse jeg har indtil videre hvis man ser på empiriske studier, så skaber Mergers and Acquisitions ikke værdi. Er det også din opfattelse med den indsigt du har i M&A?*

25 MKA: Nej men det er jo rigtig nok at der er den der... der er jo altid noget sjovt ved empiriske studier. Det er jo lidt ligesom de der empiriske studier der viser at der kun er 17 procent af alle strategier der implementeres og at alle andre falder ved siden af i en eller anden version og der er det med mergers, nu kan jeg ikke huske hvordan det er, men der er da nogle 30 studier der viser at der er få der kommer til at give værdi osv. osv. Jeg synes jo... du kan sige, lige nu ser vi en række mergers som, du kan drøfte værdiskabelsen af dem men du ser jo nogle mergers lige nu som er ligeså meget et spørgsmål om at gøre en god handel – altså på rigtig købmands-jysk. Og det er da rigtig nok at det ikke altid er selve... at i virkeligheden

handler det mere om at gøre en god handel end det i virkeligheden handler om den store synergijagt. Det er ikke lige altid at den er til stede, eller at den er åbenlys. Det er helt sikkert. Også fordi, at uanset hvad så er der også omkostninger kan man sige.

5

JBØ: Ja. Men man kan så også sige, hvad... det er svært at definere værdi – det vil jeg i hvert tilfælde mene. Du kan sige at aflæser du på bundlinjen og derudover direkte ud i aktiemarkedet eller når du tænker langsigtet og du har en strategi ind over det, så tænker du måske fem år ud i fremtiden og det kan man måske ikke lige umiddelbart se værdiskabelsen i?

10

MKA: Jamen det er faktisk en af de sjove ting for det er en klassisk diskussion. Det er at sige jamen okay vi ved vi har købt virksomheden for det her, vi ved vi har haft nogle deal costs på det her. Okay, vi ved så at ved at skrue på de forskellige parametre skal det sådan her ud i fremtiden, og der er synergier en af de parametre. Men der er jo tit så det der, hvordan tracker 15 vi så? Om vi rent faktisk får... du kan sige, det er der i... om du i virkeligheden gennemføre en sammenlægning af to virksomheder eller om du, som der er mange virksomheder der erude i nu, laver nogle restruktureringer som så skal gennemføre, hvordan vil man måle på den restrukturingsplan? At det rent faktisk er den der kommer til at gøre de der afsæt rundt omkring. Fordi du er i sådan en projektverden her og så er du i en kontoplan verden herover 20 og er det så lige den der betyder alle de her ting. Og det er jo lidt det samme med... der er jo rigtig rigtig mange akquisitioner, hvor det er svært at måle på det sidste. Men det er jo klart nok, at hvis man overordnet set, og det vil det jo være, så kan man finde akquisitioner hvor man kan se at det bare er gået rigtig rigtig dårligt bagefter. Så kan man selvfølgelig derefter 25 stille sig spørgsmålet om det var på grund af strategien i selskaberne eller om det var akquisitionen i sig selv.

Det kommer jo også an på hvad man måler dem imod, der er jo... altså nu er vi ved at være lidt tilbage igen... men altså hvis man ser hvordan fluktuationen er i priser for virksomheder så er det klart er der er nogle tidspunkter, hvor det er sværere at bevise at det her det er en god handel.

30

JBØ: Javel. Vil du så mene, at når du siger det så... at lige nu vi ser nogen virksomheder være skruet meget i bund på deres aktiepriser og deres værdiansættelse, vil du så mene at der lige nu er nogen der kan gøre et "røverkøb"?

MKA: Ja, der er ingen tvivl om at hvis du har likviditet i ryggen i øjeblikket, så kan du gøre et røverkøb. Forstået på den måde at – nu er det faktisk lidt sjovt – priserne er faktisk ved at 5 være tilbage nu, hvor de var i slutningen af 2008. Som jo så også var levere igen, end de var i 2007. Men man skal jo sådan ta', det er jo i virkeligheden noget man ser på nærmest på måned til måned basis, ikke? Så man skal... jeg vil bare... jeg vil i virkeligheden sige det på 10 den der... altså jeg tror noget af det klogeste der er sagt inden for det her det er det med at der er ikke ret mange industrivirksomheder, specielt ikke alle dem der arbejder i kapacitetstunge brancher, hvor det ikke... altså det er som regel en ret god ide at købe på bunden - og lade 15 være med at købe på toppen. Altså, og det er klart at det er meget nemmere at få hentet ideerne hjem og få bevist synergierne når du ikke har betalt helt vildt meget for det du har købt. Så jo, der er da helt specielt muligheder... Så kan du sige i øjeblikket... Altså en ting er 20 selve synergierne som er meget, kan man sige, baseret på mikroforhold i forhold til virksomheden. Noget andet er de makroforhold der er om du rent faktisk kan få ændret på nogle branchestrukturer. Jeg har lige siddet her med en virksomhed hvor vi simpelthen kan se at kapaciteten i den der branche bare begynder at dale. Og det er jo bare vildt interessant at se, for når så efterspørgslen er der igen, så kan de ikke nå at hente det – så vil der blive et par år 25 hvor du ikke kan nå at hente det ind, så vil de være der igen. Men hvor du ikke kan nå at hente det ind, det kan man simpelthen logisk regne sig frem til i forhold til det tager X tid at producere de der ting og sådan noget og stille de fabriksanlæg op. Så du ved – du kan simpelthen allerede regne dig frem til nu at du rammer en underkapacitets situation i en given periode i den branche. Det er jo super interessant! Det er jo grundlæggende, det er jo god fornuft at være der.

25

JBØ: Ja. Nu skal jeg lige se, hvad vi så skal snakke om. Jo, sådan generelt om værdiskabelse, der er jeg bl.a. stødt på et argument at investorer og aktiemarkedet i det hele taget er meget kortsigtet i deres syn på, hvornår virksomheder skaber værdi og det var også lidt det vi snakkede om før, at hvornår skaber man værdi – er det noget der skal kunne aflæses direkte 30 på bundlinjen, eller er en opkøbsstrategi fem år ud i fremtiden lige så værdifuld i jeres øjne?

MKA: Ja, man kan jo sige... at det eneste man altså jo bare skal passe på, det er når man værdiansætter virksomheder. Så har man jo en prognose fremadrettet på den her virksomhed.

Det er jo klart. Så værdiansættelsen er jo et udtryk for den forventning man har til fremtiden. Hvis du ligesom tager, du ved, hvis du tager et værdiansættelsesperspektiv ind i den måde du arbejder med strategi og forretningsudvikling. Hvis du altid regner EVA på det hele i den her virksomhed og hvis du hele tiden har det her fokus. Så der er ligesom et perspektiv der handler om, at den er grundlæggende fremadrettet og det er jo klart, der er jo et eller andet med at noget der ligger meget langt ude, der kan nå at ske meget, så det er jo klart at man føler de er tættere på, de penge der er her, her og nu.

Og når du sammenlægger to virksomheder og du i første omgang kan se, i den første runde at dine underleverandører kan skærer 5 procent af prisen, at du har to supply chain systemer, så er de som regel nemmere at kunne argumentere for end at du kan se en eller anden spændende markedsmulighed, hvis du så lige for købt den og får gjort så videre og så videre, ikke?

Så man kan sige, jeg ved ikke... om aktiemarkedet... aktiemarkedets natur er jo at være kvartalsfokuseret og det er der jo ikke så meget underligt i, men der er jo ikke nogen, der er jo ikke nogen kapitalfonde, der er jo ikke nogen i øvrigt der opkøber virksomheder, som ikke går op i, hvordan man tror den der virksomhed kommer til at udvikle sig fremadrettet.

Så jeg ved ikke... jeg synes ikke... man kan godt sige at der er forskellige holdninger, altså man kan sige værdiansættelse som princip og metode og tilgang og også i virkeligheden at bruge den meget aktivt inde i virksomhederne, det er jo noget af det som jeg synes er rigtig sjovt; at bære nogle af de ting ind, tools, på mange niveauer. Det synes jeg ikke man kan sige er kortsigtet. Altså, det er jo bare som det er. Men det er jo klart at der vil være perioder af sådan mere historiske årsager, og alt sådan noget, perioder hvor man tænker mere kortsigtet. Og det er klart at lige nu der tænker man mere på om der er cash flow og hvordan virksomheden i et par år med dårlig situation, i virkeligheden vil stå. Det er jo nok første priorititet, men det skal det jo egentlig nok også være.

Jeg ved ikke... jeg har jo mødt det mange gang, argumentet, fra kapitalfonde og jeg vil sige, at det ikke er min oplevelse.

Altså, man har en stor forståelse af at hvis man skal sælge noget videre så skal der også være en spændende historie som nummer to historie.

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JBØ: Ja, okay. Så, det er så lidt tilbage til, selvom du siger det ikke er helt jeres rolle, men det når man screener efter et nyt target, hvordan er det så jeres oplevelse: er det sådan at virksomhederne netop følger den her liste, at de hele evaluerer markedet, eller er det hvis der

eksempelvis lige popper noget op, hvis der er en virksomhed der byder sig selv til salg, at nogle virksomheder går ind og overvejer fra sag til sag? Eller er det kontinuerligt som en del af deres strategi?

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- MKA: Jeg tror helt grundlæggende, sådan i sin grundforstand for dem der sidder her med sådan en opkøbsliste med flere hundrede selskaber, dem overvåger man jo løbende og kigger på. Men opkøb er af gode grunde opportunity based. Og man kan sige at det man kan gøre med en strategi kan være at man er skarp i, hvad det er for nogle opportunities man følger –
- 10 det er det ene. Det andet er at man er skarp i at der er en klar understøttelse for de opportunities op til sin koncern eller op til sin samlede virksomheds strategi. Er derfor, hvis man allerede ved, at hvis man køber denne her virksomhed, eller noget lignende den her virksomhed, så gør man det grundlæggende fordi den skal understøtte de og de og de elementer i virksomhedens strategi. Og det gør at man allerede kan forholde sig til det. Den
- 15 bedste måde at understøtte de og de elementer, det er at integrere den stærkt eller ikke integrere den særligt meget. Så på grund af de ting, har du allerede et billede af det her. Men noget af det næsten allermest sjoveste i de her opkøbsstrategier, der så at de her virksomheder der så er interessante, der laver man jo så som regel en liste med dem og forholder sig så til: okay, det er de her ejere, hvornår er det jeg næste gang møder dem? Jamen jeg skal til messe i
- 20 Düsseldorf, så kan det godt være at jeg lige skal... og så videre, ikke? Og så laver man nærmest sådan en bearbejdningsplan af alle de her, hvor det handler om, du ved, det kan jo være lang, lang tid, men det er jo relationsbygning. Jeg tror at man skal huske på at når man køber og sælger virksomheder, så er det mennesker der køber af mennesker. Uanset, hvordan og hvorledes vi så ønsker at vende og dreje det. Selvfølgelig er der store elementer af rationalitet, men der er nøjagtig lige så store elementer af det modsatte. Og derfor kan man
- 25 sige, det er sådan en relationsting.

I virkeligheden kan man sige at meget af den tænkning der bliver brugt omkring, hvis det er det du vil arbejde med: hvordan skaber man relationer, som der jo er forskellige mennesker der arbejder med, hvad er det for noget med relationer?

- 30 Det synes jeg er super relevant. Og hvis du tager en kapitalfond, hvis du tager de rigtige corporate finance virksomheder, så er de relationsvirksomheder, nøjagtig ligesom det her konsulenthus.

JBØ: Men det kan man vel, det kommer vi måske også ind på senere, men du opbygger nogle relationer og det gør det måske også nemmere i integrationsprocessen at folk de kender hinanden måske på kryds og tværs. Nu ved jeg ikke hvor dybt man går ned i de relationer...

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MKA: Helt bestemt. Det er i sagens natur helt sikkert topledelsen der har de relationer, men det er jo i øvrigt en meget god pointe kan man sige i en lidt anden vinklen men det er klart at i en integration der handler det også at finde ud af om man kan skabe nogle personlige relationer.

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JBØ: Ja det er der jo noget om. Min professor fra Østrig, han understregede at samarbejde det var en af de helt store faktorer der kunne vælte korthuset i sidste ende, hvis det ikke fungerede.

15 MKA: Det er meget basalt for det er som regel mennesker der kan vælte korthuset i alt. Fordi det er mennesker det handler om, det er det. Og det er jo bare der hvor man skal ud af den firkantede tankegang, hvis man skal få noget til at ske.

JBØ: Et af de argumenter jeg har stødt på, er en billig handel som en af grundene til at foretage de her opkøb, et andet er et ønske om at udskifte ledelsen og så synergier. Vil du mene at det kan være en kombination af disse når man overtager en virksomhed, at du ser på flere forskellige parametre, eller mener du at synergier eller cost reduktioner er den hovedsagelig baggrund for virksomhedsopkøb?

25 MKA: Jeg tror, og en god handel, nu er det jo overlæggeren, hvis vi skal ligge hierarki i det, for en god handel det kan jo så bestå af nogle forskellige ting. Og der kan klart... grundlæggende er det man kigger efter opportunities – nedenunder ordet en god handel. Og opportunities kan selvfølgelig være mangt og meget, hvis du for eksempel... jeg spiste frokost med en virksomhed i torsdags og de deler for eksempel op, de deler de køb de kigger på op i 30 to kategorier: de tænker op i teknologikøb og de tænker op i synergikøb. Og teknologikøbene de handler simpelthen om at der er en teknologi de vil have, så de kigger ikke på running business. Og det er måske 10-mands virksomheder, 20-mands virksomheder, virksomheden er måske stadig baseret på offentlig forskning, som de går op i og som target er prisfastsættelsen

en hel, hel anden. Og modellen er en hel anden, de køber ikke en virksomhed, de køber en teknologi på et givet niveau. De afvejer så risikoen ved om den bliver til noget eller om den ikke bliver til noget. Og hvis den bliver til noget, jamen så skal den så bare kunne puttes ind i eksisterende apparat, så de er ude i en hel anden tankegang.

5 Og det er klart hvis du er ovre i synergikøbene igen, der er der nogen virksomheder, hvor det er klart at det er meget de operationelle, de kost mæssige synergier de kigger på.

Men selvfølgelig kan der også være muligheden for at sige jamen okay, hvis vi allerede sælger, vi har indgangen til kunderne og I har produktet – det er jo også en synergি selvom 10 den er knap så kost fokuseret – det er mere en kommercial synergі. Der er også kommercielle synergier. Men det er klart nok, hovedparten af de virksomheder vi har lavet, det er synergier. Og det er som regel også når du køber stand-alone virksomheder, det der ligesom skal være basis i casen – ret ofte. Fordi der er to ting du kigger på. Ved stand-alone køb vil du ofte kigge 15 på og sige jamen er der toplinie udvikling i branchen bredt og hvad er så i virkeligheden cost synergierne i virksomheden? Hvis de to ting er sådan nogenlunde på plads og man tror på det, jamen så har man en god mavefornemmelse.

JBØ: Nu vil jeg så argumentere at den virksomhed du henviste til, ved at købe teknologiske virksomheder, at det også er en form for synergі fordi det jo er en form for strategisk fit. Det 20 er jo strategisk at de forsøger på en måde at forstærke deres fundament ved at være en teknologisk virksomhed. Der kan man jo sige at det er inden for forskning og udvikling, men du kan jo også tilkøbe et produkt og så få det med ind i din produktportefølje. Så som jeg ser det så er synergier stort set alt andet end...

25 MKA: Jamen det synes jeg du kan have meget ret i. Jeg tror grunden til de kalder de to puljer det er at det handler nok om at de siger at det ene det er running business som man køber, de andre der kigger du ikke på den forretning du køber som sådan. Du kigger på den teknologi de har og så kan der være noget virksomhed ved siden af eller ikke noget virksomhed ved siden af osv. osv.

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JBØ: Hvis de så bare for skrællet det overflødige væk...

MKA: De skal have den teknologi med på hylden og så er det jo så ofte at de skal have et par mennesker med til at sikre det. Så det er nok mere ud fra den vinkel de kigger på det. Men jeg er da enig i at principielt er det hele synergier. Altså, jeg synes jo, at det kan være synergier 5 både i den ene og den anden retning, men erfaringsmæssigt må jeg sige at det som oftest er operationelle synergier eller kost synergier der sådan er fundamentet for at tro på casen. Det har jo lidt at gøre med lang og kort sigt igen.

JBØ: Ja, fordi det er også noget jeg har diskuteret herigennem forløbet at de hårde synergier,
10 *kost synergierne, det er dem man hurtigt fokuserer på fordi du nemt kan lægge to administrationer sammen, du kan nemt gøre det ene og det andet og det tredje, men så glemmer du måske at følge op på mersalg og krydssalg og alle de mere operationelle synergier.*

15 MKA: 100 procent. Og det kan jo være nok så vigtigt. Det er jo derfor det oftest er interessant. Nogen synergier jagter man jo bedst ved at gøre det til et projekt at jagte det, men der er jo også synergier der i virkeligheden skal opstå og der skal man i virkeligheden skabe miljøet for at de opstår.

Vi sidder faktisk med en nu der sidder med en virksomhed i USA og arbejder med netop efter 20 en sammenlægning at skabe synergier via krydssalg. Og det angriber vi faktisk ikke så projektorienteret, det handler mere om at skabe en incitamentsstruktur, der gør at, den incitamentsstruktur, at man både økonomisk men også karrieremæssigt for mest ud af det for at få begge ting bragt i spil.

JBØ: Aha, interessant. Jeg har faktisk været inde og kigge på incitamenter for det er jo også 25 en del af det.

Okay, så en sidste ting om synergier fordi jeg er kommet omkring at man ofte fastsætter den præmie man er villig til at betale for en virksomhed i forhold til de synergier man forventer at realisere. Vil du så mene...

30 MKA: Du tilbagediskonterer cash flowet for basalt set, det vil du jo regne med i din case.

JBØ: Men så skal der jo være en eller anden nedre grænse for hvilke synergier du forventer at realisere og så er der jo så måske dem der kan komme til hen ad vejen som du så kan

realisere ved at skabe det rigtige incitamentsprogram osv. Et eller andet sted er det vel så en gråzone at lige præcis identificere og evaluere de potentielle og hyper-potentielle synergier...

- 5 MKA: Sådan er det jo meget med køb og salg af virksomheder. Når du regner, du kan ligesom lave running the business. Hvis du tænker på alle de mange parametre der i virkeligheden ikke er andet en tal i excel-arket, fordi det du siger det er okay hvordan værdiansætter vi den stand-alone. Det gør vi ved at lave en fremskrivning på den og tilbagediskonterer vores cash flow. Det skal man finde enighed om og det er jo både toplinie
- 10 vækst og alt muligt andet stand-alone ting. Og så har du så i virkeligheden at skulle kunne estimere de synergier der så i givet fald måtte være. Du skal i øvrigt kunne forholde dig til de deal costs der måtte være og så for øvrigt, kan man sige, ting der måtte skjule sig og som trækker den anden vej. Og der kan man så sige, der for er virksomhedshandel... når du ligesom kan regne nogle klare ting ud og det kan begge sider af bordet faktisk som regel, så er
- 15 det jo en handel derimellem. Og så er det jo et spørgsmål om at sige, hvad tror vi på, hvad tror vi ikke på og der tror jeg ikke, altså nogen gange kan du sige... på det område tror jeg du har bedre viden hvis du allerede har en virksomhed i den pågældende industri. Bortset fra det, så tror jeg ikke det er så forskelligt fra at købe stand-alone.
- 20 JBØ: *Så vil jeg gerne snakke mere om implementering og integration som jo relatere til jeres navn og der var i hvert tilfælde derfor bl.a. blev henvist til jer og som jeg kan se på jeres hjemmeside, at det går i meget op i. Altså, hvad er jeres erfaringer med... så køber man den her virksomhed og det er her at der så er mange der siger at det først er her at handlen skal eksekveres fordi at det altid er efter det der så kommer at du ser tingene falde fra hinanden.*
- 25 *Hvad er jeres erfaringer med det, hvordan holder man alle de her bolde i luften og skaber den her famøse værdi?*

MKA: ja der er jo, kan man sige, rigtig mange elementer af det. Men, man kan jo sige, nogen af dem... der jo noget af det der både handler om sådan mere, du ved, hvordan går vi egentlig til værks med det her? Hvordan strukturerer vi, hvordan gør alting omkring det her? Men inden vi måske lige dobbeltklikker i den kasse, der er det jo også lidt... det her er jo også et spørgsmål om holdninger og tilgange til det. Altså i virkeligheden er det jo, hvis man skal sige det meget overfladisk, så handler det jo om, så handler det jo mega meget om ledelse. Altså

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- det handler jo omledelsen og ledelsens måde og udøve lederskab på som bliver sat på spidsen når du laver rigtig store ændringer. Og det her jo, i den forbindelse, en rigtig stor ændring. Og vi har sådan et par regler – nu ved jeg ikke om man kan kalde det regler, men vi har sådan et
- 5 par ting som vi plejer at understrege og som vi plejer at bruge i det arbejde vi gør. Og den ene er i virkeligheden at noget af det vi synes er lidt pudsigt, det er at noget af alt det pre-merger arbejde der er blevet lavet, due diligence og alt muligt, det bliver tit lavet på en måde, plus det bliver tit glemt når du så kaster dig ind, i virkeligheden, i din post-merger. Så der er et eller andet grundlæggende med at sikre at sige jamen de aktiviteter du foretager før signing og det
- 10 der foregår efter signing, det skal du binde sammen. Og den mest banale måde at gøre det på det er at tænke i mennesker igen. Så det er noget med at sige vi har allerede haft nogle folk inde på den her case, vi ved noget om hvordan det skal fungerer, vi har måske noget erfaring allerede når vi kigger her – nogen der allerede har lavet integration af virksomheder har vi også med inde og så prøver vi at bruge det bagefter. Og der vil jeg sige, vi laver sådan noget
- 15 der hedder implementerings due diligence, hvor du i virkeligheden også laver en assessment af virksomhedens evne til at gennemføre store ting, projekter og sådan noget lignende. Og det er meget raret at vide om man er på vej ind i en virksomhed som i virkeligheden har evner til at gennemføre sådan noget eller som hver eneste gang der skal rulles et VRP system på eller hvad det nu måtte være går fuldstændig ned.
- 20 For så er det sådan set ligegyldigt om det er det ene eller det andet – det handler noget om at kunne, det er en del af en drift at kunne arrangere og få det til at fungere. Så det er den ene af de ting, det pre og post og sørge for der er en eller anden korrelation mellem det. Og det er bedre gennemtænkt, og det er både på menneske siden og det hele håndgribelige nede, den måde du laver det på.
- 25 Så er der det andet element i det som er det der med at du meget ofte... meget ofte bliver det her jo en ekstremt indadvendt proces fordi det kommer til at handle om kasser og organisationer og synergier og da da da. Og derfor kan man sige, at i virkeligheden, sådan at lave kundens business case og vi er igen på det der lidt højere abstraktions niveau ligesom det med pre og post, vi er ikke helt nede i... men vi tror faktisk på – om det så er ledelsen eller
- 30 forskellige mennesker rundt i virksomheden – det der med at have en proces der så siger, okay hvad er det vores kunder skal have ud af det her? Hvad er det de skal opleve? Du bliver nødt til at skabe en vision der er mere end du ved, jeg tror vi kan fjerne vores distributionscenter i Tinglev, ikke? Så det der med at sørge for, og bruge noget energi på at

tale det ud fra kundens perspektiv, det er også noget af det vi sådan... hvad er det du siger i din først udmelding, hvad er det der står i din pressemeldelse, hvad for et perspektiv har du valgt. Der tror jeg meget på simpelthen at tage kundeperspektivet. For det er simpelthen den 5 nemmest at glemme, ikke? Du kommer sgu nok til at huske på at der er nogle mennesker og de brokker sig og sådan noget internt. Og du kommer også huske på at der er nogle ejere der skal have noget værdi og noget bundlinje og sådan noget, men kunden; ham glemmer du fuldstændig.

- 10 *JBØ: Det er interessant, det har jeg endnu ikke stødt på. Men det kan du da have ret i.*

MKA: Og så kan man sige, det andet er lidt, hvem er det der driver den her proces i virksomheden, altså have noget logik og tænkning ned over det. Og der er det bare igen, og der hænger jeg ved at sige, jamen det er jo meget ofte at du vil have finance meget i front på 15 det her. Og det skal de måske også være til et vist niveau. Men man skulle måske i højere grad tænke i at bruge sin organisation, især hvis man er en virksomhed på den rigtige side af en milliard eller sådan noget så man kan begynde at sige at de har en reel organisation. Så der kan f.eks. sige, jamen hvis det er synergier i logistik, eller hvis det er faktisk salgssynergier så 20 skal vi måske meget mere lade sales drive den her integration og sammenlægning, eller lade supply chain eller hvem det nu måtte være. Men i hvert tilfælde sige, i hvert tilfælde tænke lidt i, hvor er det vi skal lave det primære ejerskab i den her M&A. og det kunne være at det primære ejerskab for den har opgave faktisk skulle være i højere grad linket op på dem som er 25 de væsentligste, det kunne også være R&D, hvis det var en R&D baseret case.

- 25 *JBØ: Ja, så dem der egentlig bliver påvirket af det skal være mere ind over det?*

MKA: Ja, dem der egentlig skal hente synergien hjem skal måske mere i front på at drive den her. Og det er jo der det fede er i virksomheder som i forvejen er vant til at tænke ind i projektorientering. At det er nemmere at hive dem ud af en struktur og sige jamen vi blander 30 jer på kryds og tværs. Virksomheder der ikke er vant til at løfte store projekter og som ikke er vant til at arbejde på tværs og arbejde uden for linjen, bliver jo konkret mere udfordret af sådan noget her.

Så man kan sige, det var tre af de der mere high-level pointer. Når det så er sagt, så er der jo et væld af elementer med i det her. Altså vi kan godt prøve at snakke processer igennem, hvis du er interesseret i det?

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JBØ: ja, det kunne være rigtig spændende at snakke om!

MKA: Altså, vi har nogen... i virkeligheden vil jeg bruge en af mine kunder som jeg synes jeg har lært rigtig meget af – som er rigtig cool. Fordi han er ikke så meget til management udtryk og det første han sagde var, at ”den der 100 dages plan, den kan de godt glemme altså. Jeg laver lige præcis tingene når jeg synes jeg skal lave dem.” Og det er meget fedt egentlig at prøve, det er godt at have læst bøger, at have tænkt ting ind og kende begreber. Men det er jo egentlig meget fedt som leder at sætte sig så meget ved roret at man ikke lader sig diktere af... altså det her det er jo sådan meget paradigmer ned i det her. Som regel er der jo en række klassikere; det skal være sådan og sådan, du melder din organisation ud og så da da da. Det er meget... og noget af det er jo rigtigt, selvfølgelig er det det, men det er også noget med at hvile i og sige jamen vi er i en change og kære venner, det jeg kan give jer det er, at jeg kan give jer ærlighed, men jeg kan ikke ændre på at vi er i en forandring. Det betyder også... ham her fyren han kørte med folk på dobbeltposter i tre måneder tror jeg; han ville lige se, hvad det var for nogle folk inden han valgte hvem det var han ville have. Og det kræver at du er en rimelig hardcore type, men alt ære og respekt for det, men det var der var sådan lidt mere lavpraktisk, det var at for det første så startede han med at lave en før sommerferien plan sådan al la en 100 dages plan, men den var ikke defineret i projekter – den var faktisk projektløs. Men den var ufatteligt mange aktiviteter, som f.eks. at få skrevet de rigtige navne på bilerne og sådan noget – rigtig mange gode synlige ting. Og da den periode var overstået der udråbte han også skulle være i det nye leder team fordi der havde han hvem der havde fået gennemført alle de her ting. Og det var faktisk, synes jeg, en super god ting. Det eneste han faktisk mergede sådan fra starten det var finance og på toppen af finance så han havde styr på det. Og så fik han det her leder team på plads og så definerede de sammen de her lidt større projekter eller projektspor som var en fire fem stykker og som skulle følges derefter, som så skal hive de her synergier hjem. Og som han så organiserer rundt omkring som projektoffices – ganske klassisk med et PMI office og de her ting. Men der var den der ro i mellemperioden på en eller anden måde som jeg synes er utrolig beundringsværdig, for der er jo mega meget

pres i den her periode, og det var jo ikke for di der ikke skete noget i virksomheden i den periode, men det var ikke bare sådan ”uh uh, vi skal have fart på for vi skal nå det hele til i morgen.” Og det var helt med hans eget ønske, det var han meget cool omkring. Så jeg synes
5 jo, for det første at han til det at starte med hev alle de små ting hjem og gøre mange synlige elementer. Og det havde han... altså det han kunne svare på med det samme, kan man sige, det var hvad integrationsniveauet af de her virksomheder skulle være. Det var han mega klar omkring. Var integrations niveauet var i det her og hvad den primære grund var til de her to skulle lægges sammen og så kørte han i virkeligheden den her periode med alle aktiviteterne
10 og fandt den her ledelse, som så i samarbejde fik defineret alle changene. Det er også meget godt, tror jeg, du ved; at få lavet en masse små ændringer, det er klart der går alligevel nogle måneder med at få det hele på plads og sådan noget så det er ikke sikkert man kan vælte virksomheden med det samme med otte store projekter. Og dem har han så kørt i stilling til de her projekter og så er han samtidig gået ud i medierne og ligesom tændt den store vision for,
15 hvad det er der skal ske. Så det er blevet til mere end, end bare du ved; nu er det blevet den store forretningsvision, men også en kundemæssig vision for, hvad vi vil med det her. Så er det ligesom meldt ud. Der har han jo også været klar på at sige first people, then strategy. Og det er jo også lidt... ofte kan du jo sige at du ikke helt har styr på hvem teamet er men du skal
20 jo melde ud med hele ideen med det her og det kan jo godt være svært nogle gange. Men det har været et meget sjovt forløb at se, fordi han gjorde mange af de klassiske ting, men alligevel på sin egen måde.

JBØ: Hvad så med de ledere der måske ikke blev udvalgt, jeg ved ikke om du havde indsigt i, hvordan de reagerede på at gå i en periode og så alligevel ikke blive valgt til sidst. Det kan man måske godt forestille sig at de...

MKA: Jamen det havde de det dårligt med, de var jo også... altså vi var sådan på til og med vice president level, så det var senior vice president og vice presidents, så det ved man jo er gamet og de har jo et halvt år eller 10 måneders lån så det var jo bare sige at det var det.
30 I virkeligheden skal du jo ikke tænke særlig meget... altså noget af det klassiske er at komme af med folk – også i krise tider som det er nu. Det der sker det er jo at man ofte tænker enormt meget på de folk man skal af med. Både hvis der er nogen der går af sig selv og hvis der er nogen der bliver fyret. Men i virkeligheden skal man jo ikke bruge energi på dem

nævneværdigt. Altså, du skal sådan set tænke meget over hvem der er i den pulje der er tilbage, hvad er deres følelser. Så det er nok vigtigere at gøre det.

Og der er det jo så bare helt klassisk. Du nævnte det selv; man laver jo ikke et PMI kontor
5 uden der er nogen med fra begge organisationer osv. os. Det nytter ikke rigtig noget. Men når det så er sagt så synes jeg også man skal være klar i om det her er en assimilering, en integration, eller hvad det egentlig er for en logik man har lagt ned over det. For det gør det lidt nemmere at man er klar i sit sprogbrug omkring hvem der er storebror og lillebror i det her forhold.

10

JBØ: Men det synes jeg også det virker som, også med det eksempel du lige har nævnt, at kommunikation også er en af de store faktorer der spiller ind, at du skal kommunikerer ud til dine medarbejdere, du skal kommunikere ud til dine aktionærer og til markedet. Men også, hvis man tænker på mht. integration, at du skal kommunikere ud, hvad der skal integreres,
15 *hvorfor og med hvilket formål og hvilke folk der skal indgå.*

MKA: Det er jeg helt enig i og jeg vil gå så vidt som til at sige at strategi implementering er, first and foremost, kommunikation fra et ledelsesmæssigt perspektiv. Og det tror jeg det er for virkeligheden er jo sådan, at i ledelser der sker der jo kun noget, hvis du kan trykken andre så
20 meget på maven at de gør noget i den rigtige retning. Og det nemmeste det er jo sådan set bare at blive ved med at sige det samme igen og igen og igen. Lad os prøve at gå over i den politiske verden, jeg har været assistent for en toppolitiker tidligere og sådan noget. Dem der er rigtig dygtige, lad os tage Anders Fogh, det han var rigtig god til, det var bare at sige det samme igen og igen og igen. Og han brugte ikke forskellige ord og var også meget bevist om
25 ikke at bruge forskellige ord. De er ekstremt kedeligt at høre på når man er tæt på men det er enormt powerfult og virkningsfuldt og det er et eller andet med simpelthen at gentage sine budskaber og tænke i de samme baner hver gang. Det er meget basalt, men det er det bare. Og selv om du måske kun er en virksomhed på 100 mand så er der alligevel et hav af mennesker
30 når man går rundt og spørger; de føler sig ikke oplyst om noget. Det er virkeligheden... og det er ikke fordi man ikke har gjort et stort stykke arbejde for det har man helt sikkert. Men sådan er det bare når det har med mennesker at gøre og det der sker i næsten alle change processer det er jo, at topledelsen, de har måske et par måneder at vænne sig til det her i, mellemledelsen de har en uge eller to og medarbejderne de har en 10 minutters tid. Så jo

længere du går ned i hierarkiet jo mere forventer du egentlig fordi du har mindre tid til at mønstre dine situationer og du har ingen påvirkning af dem. Så helt banalt handler det jo om at tale dig op til det her og få det til at ske. Så jo, det er klart at kommunikationsdelen er

5 vigtig.

Men kommunikation virker, og det er jo også banalt, men det virker kun, hvis det du siger det er også det du gør.

JBØ: Ja, det virker jo til at i mange tilfælde der kommer det netop an på de folk der er

10 involveret helt fra top til bund, eller bund til top alt efter hvordan og hvorledes.

Hvis vi går lidt mere i dybden med implementering og integration; der arbejder jeg med fire koncepter, hvordan man rent strategisk integrerer, du laver jo selvfølgelig en due diligence før du overhovedet på begynder den her transaktion. Du skal vel vurdere dig selv såvel som den overtagne virksomhed. Hvordan fungerer den strategiske integration i praksis? Tit er det jo

15 netop den større der køber den mindre og på den måde bliver den lille virksomhed så opslugt så der må jo være en strategi der så lige pludselig skal integreres i den mindre virksomhed. Har du noget erfaring inden for det?

MKA: Ja, man kan jo sige, hvis du ser på det i niveauer så kan du sige at du starter helt fra din

20 opkøbsstrategi og dit investeringsniveau som udgangspunkt. For hvis du er relativt skarp omkring hvilke parametre det er du er på udkig efter, så har du allerede været inde på og se på hvilke elementer understøtter din strategi. Så laver du selvfølgelig en due diligence, men den hypotese målretter du også så din due diligence i virkeligheden undersøger op imod din strategi. Hvis det du vil købe dig til det bl.a. er en stærkere markedsposition i Asien, og den

25 virksomhed leverer inden for det selvom der er to andre parametre den ikke leverer inden for så er det der synergierne skal hentes og så er det det der skal værnes total meget om. Så man ikke fortaber sig i grunden eller logikken i man gjorde det her. Og når man så holder fast i det som det afgørende i at understøtte sin due diligence så er det selvfølgelig også den parameter man skubber med over når man skal lave selve integrationen. Og der tænker jeg så også igen

30 at det gælder om at vælge de rigtige mennesker for at få det til at ske i forhold til at sammensætte sit team. Det har også noget med at gøre at sige, hvad er ligesom nøglen nede i det. Altså er det; hvis vi nu gennemfører et stort projekt på supply chain strukturen, næ det er det egentlig ikke, den tager vi det når det kommer, det er faktisk meget meget vigtigere at vi

får bygget en fælles opfattelse. Så mit egentlige mål til at starte med, det er number one, det er det. Så der ligger gængs klar prioritering og der er det klart at jo mere strategisk klart det er, jo nemmere er det at prioritere.

- 5 Så er der jo også... de fleste virksomheder – nu er det jo lidt særpræget, men de fleste virksomheder der bliver købt op lige nu – du vælger ikke at sælge en virksomhed lige nu, hvis du ikke er på spanden, altså basalt set. For bare alene det at være nået til 2010 og være nået over det her og hvis du ser nogenlunde ud efter det her, vil det alt andet lige gøre at dine multipler bliver bedre. Så det er jo ikke sådan... det er som regel nogen der er rimeligt
10 pressede og der vil som regel være meget mere end det man kalder synergier ind over det. Der vil også være noget med at sige jamen vi vil i virkeligheden også lede den her virksomhed på en helt anden måde og vi vil lave nogen actions som vi godt kunne have lavet uden at kalde det for synergি. Men du pakker dem jo selvfølgelig ind i det her alligevel sådan rent change mæssigt og ind i det samme PMI kontor og sådan noget. Og det er en af de ting du afklarer
15 relativt hurtigt og ser hvilke quick change du kan tage der. Så kan du sige at integrationsmæssigt, igen så er det helt afgørende hvilket virksomhedsniveau vi snakker om. Hvis du tager meget meget store virksomheder, så er det en anelse om at sige, jamen, specielt hvis du ikke er 100 procent klar på din opkøbs grunde og logik og måske ikke har fastlagt dit
20 integrationsniveau, for i din opkøbsstrategi i din due diligence, der må du ligesom have fastlagt det integrationsniveau man forventer at gå efter. Hvis det ikke er tilfældet, så er der tit for mange hvidbøger der sådan begynder at rulle og der er nogen virksomheder... jeg tror der var en virksomhed hvor de fik 50 kald om dagen i den koncern der var blevet købt. Og det var lige fra IT chefen til det ene og andet. Så helt lavpraktisk så er der tale om at beskytte den virksomhed du har købt, hvis du i den grad er storebror. Så der er sådan noget gate keeper...
25 jeg havde et sted hvor at de kun måtte få tre opkald om dagen i virkeligheden – der var ingen der måtte ringe til virksomheden uden at de ringede igennem den her gate keeper, for at sørge for de ikke vältede den her virksomhed. For de er jo i virkeligheden ikke interesserede i at destruere værdi fra starten af. Men man kan sige, at basalt set, så er der tale om at lave en ordentlig due diligence der påpeger de kriterier vi går efter, sørge for at indrette integration
30 mod det kriterium, både den måde vi vælger at sætte mennesker sammen på og de synergier vi ønsker at jagte med mest power. Men så er der sådan nogle basale ting som samarbejde – hurtigt finde ud af om ledelsen er en vi kan samarbejde med eller en vi ikke kan samarbejde

med og det skal man jo have fundet ud af. Og få den på plads og skabe fælles billede med den på plads. Og så er det jo i virkeligheden bare at begynde at blande folk.

Det er klart at hvis man grundlæggende siger at man overhovedet ikke er interesseret i, nu det generelt med ikke at blive alt for generisk ned over det her, for vi er faktisk ikke interesserede i at de her to virksomheder de skal have noget nævneværdigt med hinanden at gøre – så er det jo en hell anden opgave, ikke?

JBØ: *Kan det være i tilfælde, hvor der er forskellige i mange henseender? I forhold til organisationskultur, struktur, i forhold til måderne de arbejder på? Eller hvad er din opfattelse af at... hvad er det der gør at man holder virksomhederne mere adskilt i stedet for at integrere dem?*

MKA: Jamen, du kan jo sige, hvis det man i virkeligheden, hvis... det er klart; hvis du tager synergi siden, hvis du ser mere generisk på det, jamen hvis du tager synergi siden, det er meget organisatorisk eller det er meget kost synergier vi i virkeligheden skal jagte ind i det her, så har du i virkeligheden ikke noget valg. Så er du inde i en meget meget tæt integration af det her. Hvis det nu var teknologi, eller det var innovationskraft og du virkelig gerne vil have det til at blomstre, så kan du måske godt leve med at det lever uden for din virksomhed i en given periode. Hvis du nu var at du arbejde på en market entry så kunne du måske udelukkende sælge dine produkter med og tænke i hvordan... det kan være der skal laves en fælles salgsorganisation derude, men virksomheden som sådan, den bliver ikke påvirket herhjemme eller hvad det nu måtte være. Så det er med at tænke lidt intelligent, hvis du er drevet af et meget klart formål, så er det nemmere at ligge ud af den linje og der er jo nogle virksomheder, nu nævnte du tidligere ISS, der fra top, top top strategisk niveau har valgt at gøre det her fordi der er noget helt givent de vil med det her. Og det er jo klart at en opkøbsmaskine som dem sætter... altså langt de fleste virksomheder vi arbejder med køber jo ikke nævneværdigt op, det gør de måske hvert tredje år eller sådan noget eller noget i den stil. Og derfor er det jo ikke en maskine og derfor er der altså nogle tænkninger og overvejelser du skal igennem.

Hvorimod når der nærmest er tænkt som et virksomhedskoncept, så er det jo selvfølgelig noget andet. Men de har om noget været igennem alle de her ting, de tales bare ikke på den her måde og det er fordi de nærmest er lagt ind i hvidbøgerne, ikke?

JBØ: Ja, de har jo været igennem hele processen på learning curve, så de har nogle...

- 5 MKA: Noget af det vi har gjort nogle steder med nogle virksomheder der måske køber op i mindre takt men som alligevel lave nogle opkøb. Og være inde og lave på, ikke gennemføre integrationen, men lagt et rul ind over, evaluering osv. på baggrund af det få skrevet en slags PMI tilgang. Og så har man den så man har et eller andet at holde fast i når man skal til at begynde på det.

10

JBØ: Jeg kunne godt tænke mig at snakke om, nu sagde du I har en fyr der sidder i USA med incitamentsprogrammer osv. og det er jo også et ledelsesmæssigt spørgsmål. Men netop hvis du skal have, i hvert tilfælde hvis du som udgangspunkt skal have nogle ledere til at samarbejde, hvordan er jeres erfaring med at konstruere de her incitamentsprogrammer?

15

- MKA: Altså, vi sidder ikke og konstruere dem rent teknisk. Det incitamentsprogram jeg lige snakkede om, det var et program hvor vi forretningsmæssigt har lavet et incitamentsprogram der handler om at sælgerne skal generere krydssalg. Men rent... i øvrigt, de fleste kapitalfonde gør jo det, når de køber en add-on, så gør de jo det at den købende virksomhed plus de ledere der skal fortsætte de får jo altså aktier ind i den samme virksomhed. Det er sgu meget effektivt, for det er en fælles succes så. Og hvis du bliver bundet... der har kapitalfondene jo nogle andre muligheder fordi de binder folk op med at få dem til at investere relativt solidt af deres egen – altså parcelhuset derhjemme det bliver gældsat. Og det gør jo at folk har en anden commitment.

- 20
25 Det er klart at hvis du... det er jo ikke anderledes end en organisation, men hvis du vil have noget til at ske så er der et tool der hedder struktur, det er fint. Der er også et tool der hedder proces og ledelse, så er der arbejdsprocesser, det er fint det skal man også bruge. Så er der noget der hedder kompetencer... Der er jo også det vi kalder personlig incitamentsstruktur som er en rigtig rigtig god måde at skubbe til en organisationsændring på, for du ved også at 30 hvis du rammer folk på det personlige på at få noget ud af det her så er der alt andet lige også en bedre motivation. Det har kapitalfondene været vildt gode til og det har der været rigtig mange virksomheder som ikke har været så gode til.

JBØ: Nej, kapital fonde har på den måde mange friheder, at de kan styre ledelsen, de sidder jo selv i bestyrelsen og kan styre ledelsen.

- 5 MKA: Det er jo klart og så kan du jo lave... jeg tror egentlig at på topledelses niveau så må
det handle om det uanset hvad. Det er klart at nogen af de fusioner du ser, hvis der nu ikke er
så hård integration, sådan noget som de store reklamebureauer de køber jo ret mange
virksomheder op hvert år. Hvis du tager nogen af de rigtig store amerikanske og deres opkøb.
Der er det næsten altid bitte små virksomheder de køber i forhold til dem selv. Og der
10 laver du i virkeligheden en incitamentsstruktur der handler om en earn-out model, som er at
du kun får en given del af pengene nu og så kører det på den performance du laver om året og
der bliver købt en del ud hvert år – den bliver værdiansat... og jo mere der er på bundlinjen.
Så du får en mega super optimerende struktur, men det vil du egentlig også gerne have for der
er ikke nogle forkromede ting ned i det der. Det er klart at, hvis du ligger to store ligeværdige
15 virksomheder sammen med stor backup, stor organisation bag sig, der er det nok noget bedre
at prøve at skabe noget fælles incitament med dem samme for ledelserne. Men idet her
handler det jo om – det er noget af det jeg synes kapitalfondene gør godt, at man kan snakke
meget om incitamenter og lave KPI strukturer og det ene og det andet. Men basalt set, hvis du
har en bundlinje og du kan fremvise at du tjener penge, så er det nu engang det der tæller. Og
20 det kan jo så have en tendens til at blive kortsigtet. Det må man jo så styre af anden vej; god
ledelse, strategiplaner og ting og sager.

- JBØ: Lad mig lige se... Jeg synes faktisk vi har været vældig godt omkring det jeg godt kunne
tænke mig at snakke om. Jeg kan begynde at se nogle fælles træk. Så jeg har ikke flere
25 spørgsmål. Jeg ved ikke om du har nogle yderligere kommentarer.*

- MKA: Nej, egentlig ikke så meget. Jeg synes der er en ting. Når vi snakker om vækst så er det
måske et meget interessant perspektiv jeg lige kan smide på (PowerPoint) som er... noget af
det jeg synes er meget skægt det er at rigtig mange virksomheder de går efter at kigge, når de
30 skal købe op, hvad sker der i den her branche, rykker den her branche og sådan noget. Der er
lavet noget kæmpestort noget der hedder PVI database eller sådan noget der har lavet et
kæmpe stort studie af branche vækst og performance for de her virksomheder. Hvor det i
virkeligheden viser sig (viser på ppt) at inden for brancher der er det her spænd over hvem der

kan vækste og hvem der ikke kan altså ret stort. Alt andet lige så skal man i virkeligheden passe lidt på at være drevet alt for meget af en makro logik ned i, hvor er det – i hvilke virksomheder er det jeg skal købe op? Det handler i virksomheden om hvad er det for nogle virksomheder der er i stand til at skabe den her vækst, hvad er det for nogen der er rigtigt gode internt? Fordi ting du gør internt det virker meget mere effektivt end et eller andet makro perspektiv i det. Og det er måske også meget sjovt i forhold til opkøb, det handler jo om at 1: finde de der virksomheder der kan det, hvis du snakker det ud fra en kapitalfond. Men det andet, det handler mindst ligeså meget, hvis du ligger her (gennemsnitligt) men får købt en af de her (vækst) at du ikke får dem trukket ned i dyndet havde jeg nær sagt. For det er ikke industrien der bær det, det er virksomhedens egen evne. Og derfor er det vel også at man ser rigtig ofte at virksomheder er nervøse når de gør et opkøb fordi de er nervøse for at ødelægge det der. Og man kan sige, den nervøsitet den ser man ikke ret meget nu, hvor man køber meget der er på røven, for der har man en anden selvtillid når man går ind og køber det. En anden ting er; det er næsten sværere at købe noget der går helt enormt godt for hvordan er det man skal få det til at give... skal man bare beholde det som guldægget? Eller hvordan er det man skal arbejde med det? Der kan du godt se nogle store ledere i nogle store virksomheder der er lidt håndsky for at ødelægge den der. For han har åbenbart ikke fået den samme performance kultur ind i sin egen virksomhed. Og det er sådan et sjovt element af at købe nogle af de bedste, hvordan er det lige man gør det? Det kan være nemt nok at købe en dårlig, for der har man selvtilliden til at gå ind og samle op.

JBØ: Det er da rigtig interessant.

Appendix 7.4: KPMG and the interview with Kaare Damgaard and Anders Brønnum-Schou

KPMG is a provider of audit and advisory services, and the company employs more than 1,600 people in 25 offices located all over Denmark. KPMG's global network of audit and 5 advisory firms is represented in 144 countries all over the world.

Within the company's advisory service, corporate finance and transaction services are a part of the solutions offered and especially the global departments of transaction services have elaborated extensive reports on M&A – *Doing Deals in Though Times, Best Practices of Leading M&A Teams* (KPMG, 2008), *The Determinants of M&A Success, What Factors 10 Contribute to Deal Success?* (Kaplan & KPMG, 2007), and *All to Play for - Striving for Post Deal Success* (KPMG, 2008).

Interview with Kaare Damgaard and Anders Brønnum-Schou at KPMG

Interview, Tuesday, September 22 2009, 14.00 – 15.10

15 KPMG Office, Glostrup

Interviewees: **Kaare Damgaard** (KD) and **Anders Brønnum-Schou** (ABS)

Interviewer: **Jo Bjerre Østergård** (JBØ)

KD: Men som sagt, så er der I sådan en transaktion mange afdelinger i KPMG som har 20 forskellige roller i transaktionen, og derfor så... Anders kommer fra Corporate Finance og jeg kommer fra Transaction Services. Og vi har nogle forskellige input til de områder, for det er sådan nogle lidt bredere områder som du breder dig over i dine spørgsmål, i hvert tilfælde.

Mig selv, jeg arbejder i Transaction Services og tidligere har jeg arbejdet i Mærsk, hvor jeg bl.a. har arbejdet med PLO Nedloyd som var et stort rederi som Mærsk købte op for en 4 – 5 25 år siden. Senest har jeg arbejdet med integrationen af Skandinavisk Tobakskompagni som blev købt af British American Tobacco, som også var en stor transaktion. Så mit fokus det er meget integration af opkøbte virksomheder og separation af opkøbte virksomheder og sådan meget synergiaspektet – vurdering af synergier og realisering af synergier, kan man sige. Så det er sådan... når jeg kigger på dine spørgsmål så er nogle meget specifikke omkring 30 realisering og nogen er sådan mere transaktions / makro overordnede.

JBØ: Ja. Det vil sige... de spørgsmål jeg har nu – det er ikke sikkert jeg kommer til at bruge al informationen, men de er bygget op omkring den ramme jeg har for opgaven indtil videre så de starter ved starten af opgaven og slutter så der hvor jeg er kommet til nu, så det er baggrunden for mine spørgsmål.

5

ABS: Jeg sidder som sagt i Corporate Finance afdelingen, hvor jeg sidder med – vi har sådan flere ben nede i Corporate Finance – jeg sidder med klassik køb og salg af virksomheder. Og det som vi sidder med som er anderledes i forhold til det de laver i Transaction Services det er at vi sidder, kan man sige, med rådgivning fra... hvis man sidder med en sælger så sidder vi 10 med den primære rådgivning for den her sælger kan man sige og koordinere hele salgsprocessen og planlægger den fra starten før man kontakter køber. Vi laver købersøgninger og finder ud af hvilken køber, sammen med ledelsen, man skal kontakte, hjælper med, hvad skal man sige – udarbejder... hvis vi ser på købssiden, så hjælper vi med at udarbejde bud, hvis det er på sælger siden så sidder vi og sammenligner forskellige bud og 15 kontakter køberne. Vi har koordineringen mellem de forskellige rådgivere der er involveret i processen og så videre. Så vi har sådan en projektstyringsrolle, hvor vi også har en værdiansættelse del og en, kan man sige, en køber kontakt / køber søgnings del. Så det er det vi sidder med.

Men lad os se, hvordan vi kan komme rundt omkring dine spørgsmål.

20

KD: Forhåbentlig kan vi dække det hele.

JBØ: Jamen det er jeg slet ikke i tvivl om.

25 KD: Det jeg tænkte det var at jeg vil prøve at gå igennem nogen slides for dig til at starte med. For ligesom at gå igennem processen og nogle områder af processen. Så kan det være vi allerede på den måde kan få dækket nogle af spørgsmålene på den måde, om ikke andet så får du en introduktion til den måde vi arbejder på. Og igen, det er så... mit perspektiv på det er særligt på integrationsperspektivet på det og synergiperspektivet på det. Ellers, du afbryder 30 endelig hvis der er noget... hvis der er nogle spørgsmål undervejs.

Det nemmeste det er bare at gå igennem de her slides.

JBØ: Jamen, de kommer helt sikkert til at besvare nogle af mine spørgsmål for de handler jo om KPMG og, hvordan I arbejder...

KD: Klart...

5

JBØ: ... og hvordan I forholder jer til det.

KD: Jeg går ikke helt detaljeret igennem slidesene, men det er måske meget rart at have dem efterfølgende om ikke andet. Og det er nogen jeg har samlet fra forskellige steder, bare så det
10 er noget du har i mind.

Først og fremmest nå man kigger på værdi i forhold til en transaktion, så er der nogle forskellige områder som man kan realisere noget værdi på. Hvis vi kigger på det, så er der overordnet fire områder man kan kigge på, nu vi er ovre i, hvordan man skaber værdi, når en virksomhed har overtaget en anden virksomhed. Man kan sige der er nogle synergier, det kan
15 være et område. Det kan dels være nogle omkostnings-synergier, men det kan også være nogle revenue-synergies. Så kan man sige... ved at lave et opkøb, en akquisition af en virksomhed, så kan det føre nogle muligheder af, kan man sige. Det kan være at man har gået og pønset på at lave en omstrukturering af virksomheden men har ikke haft muligheden for det, men fordi man så går ind og laver en integration eller en transaktion så skaber det
20 ligesom, hvad skal man sige... man ryster posen og så får man mulighed for at skabe nogle andre projekter som en slags spin-off af den her turbulens der i forvejen er, den her forandring der foregår i organisationen. Så kan der være nogle strategiske options som kommer ud af det her. Det kan være man vælger at sælge nogle dele af sin virksomhed fra fordi det måske ikke giver mening mere eller det kan være at købe ting op fordi det giver mening i den her nye
25 virksomhed som man skaber. Og så er der business as usual – og business as usual er dels, hvad kan man sige... en mulighed for at skabe værdi, men det er især en mulighed for at tage værdi fordi det er meget klassik, så går man ind og så er man pludselig i en integrations proces og alle folk er meget fokuserede på at de skal ud og realisere nogen synergier og i øvrigt klare sit arbejde og inden man har set sig om, så har man en kundeservice der er
30 elendig, man har salg som halter og så videre og så videre og så videre. Så man glemmer ligesom at fokusere på business as usual fordi man bruger så mange ressourcer internt i

organisationen på den her integration. Så det er fire overordnede områder som man i hvert tilfælde skal kigge på i den forbindelse her.

Hvis vi prøver at kigge på en integrationsproces bare for at give en introduktion til, hvordan den ser ud. I virkeligheden, så den her slide... der mangler i virkeligheden noget på den her.

- 5 Først og fremmest så snakker man om en pre-deal planning, så kommer der det som man kalder et 100 dages program og så kommer der implementeringen efterfølgende. Men i virkeligheden, før den her pre-deal planning så ligger der jo en hel masse arbejde allerede der. Fordi at før man ligesom har sagt at man gerne vil købe den her virksomhed, jamen der er det jo at I (ABS – Corporate Finance) har været i gang med at identificere potentielle købere,
- 10 hvad skal den her virksomhed koste, man har gået ind og lavet en synergy assessment, f.eks. osv. osv. så der ligger en hel masse arbejde før den her fase 1 som du kan se, i virkeligheden. På et eller andet tidspunkt går man ud i pressen eller man siger nu vil vi gerne købe den her virksomhed og sådan og sådan og sådan, og laver en eller anden announcement. Og så kan man sige, så er det virkelig at man går ind i den her pre-deal planning fordi den her virksomhed den er ikke købt bare fordi vi siger vi vil købe den. Der kan være en hel masse ting som der gør at vi ikke kan gennemføre den her transaktion med det samme. Det kan være at der er nogle, f.eks. hvad skal man sige... juridiske ting der gør det. Eksempelvis i British American Tobacco og Skandinavisk Tobakskompagni der skulle transaktionen godkendes af EU. Så det vil sige fra det tidspunkt man køber virksomheden til man får virksomheden der
- 15 går... i det her eksempel tror jeg der gik måske op til et halvt år, hvor EU skulle ind og sige jamen det er i orden, fordi markedsandelene er så og så store, vi lover så at sælge noget fra osv. osv. osv. Så det er klart, den her proces; det kan være uger det drejer sig om, men det kan også være måneder det drejer sig om. Og det gør selvfølgelig en stor forskel for, hvordan man skal forholde sig til den. Men det det selvfølgelig gælder om, det er at være så forberedt til
- 20 den her pre-deal planning så man kan være så godt forberedt til integrationen som overhovedet muligt. Dvs. man... det der er udfordringen det er at du har ikke adgang til den virksomhed nødvendigvis har købt, du har ikke nøglerne til den. Så det vil sige, du kan ikke gå ind i virksomheden og snakke med de medarbejdere omkring, hvordan... hvad har I af ressourcer på det og det og det, hvad har I af udfordringer på det og det og det. Du har måske
- 25 noget viden om virksomheden og dens drift, men du har ikke adgang til det hele. Fordi det man skal huske; det kan jo være at EU går ind og siger nej I må ikke købe den her virksomhed og derfor har man ikke adgang til hele informationen. Så det er det der er udfordringen, det er
- 30

at man kan opstille nogle retningslinjer og det er at man kan sammensætte nogle teams måske på overordnet niveau, men du kan ikke sammensætte de teams ned i organisationen, for du har så at sige ikke fået nøglerne endnu og du har ikke adgang, fysisk, til virksomheden.

- 5 ABS: Det er klart at hvis EU siger nej, så går hele handlen jo tilbage og så er det ligesom det var før.

JBØ: Ja.

- 10 KD: Så derfor er der klare retningslinjer for, hvordan du vil få informationen. Du vil måske ikke få prisinformation, du vil måske ikke få information om kunder osv. osv. osv. Når vi så har closing så er vi der hvor der står day 1 her. Og det er jo så der vi, som vi populært sige, får nøglerne til virksomheden og så gennemføre vi det som vi kalder et 100 dages program. Og hvorfor det hedder 100 dages program – det er bare blevet populært at kalde det, og så kan 15 man sige, det er en eller anden form for integrations proces som varer en tre – fire måneder. Og i virkeligheden... integrations processen er ikke en... det er ikke der du laver integrationen, det er en misforståelse at sige det. I virkeligheden, er integrationsprocessen, det er en stor udarbejdelse af en projektplan, det er i virkeligheden det det drejer sig om. Selve integrationen den starter i virkeligheden først når man er færdig med de 100 dage og jeg vil 20 prøve at illustrere sådan et 100 dages program. Det er selvfølgelig på overordnet niveau og så prøver vi at dykke ned i detaljerne bagefter (går til white board).
Men hvis vi har... vi har en eller anden form for closing her. Så det er her vi får nøglerne og får lov til at gå ind i virksomheden og vi har købt den for så og så meget. Inden den her closing, så havde vi en ide om at vi kunne realisere synergier for lad os sige 100 millioner i 25 den her virksomhed og den ide den havde vi på sådan en synergi assessment som vi havde lavet. Men vi skal huske på, at den her synergi assessment den er baseret på begrænset viden, for vi har kun fået adgang til en lille bitte smule viden om den her... Og vi har ikke snakket med ham der står nede og betjener maskinen, som siger den kun kan spytte så og så meget ud i timen. Så derfor er det et eller andet sted så er det overordnet et gæt. Det er et gæt der er 30 baseret på den viden som man har til rådighed på det tidspunkt.
Så det betyder at vi står her på et tidspunkt og siger vi har et mål på lad os sige 100 et eller andet enheder og vi skal realisere synergierne år nummer 4. Og den store udfordring er så at

fra dag 0 og til dag 100, der skal vi have udarbejdet en projekt plan som viser præcist, hvordan vi når frem til de 100. Og et eller andet sted, så når man jo aldrig frem til de her, for det er et kvalificeret gæt, men man skal heller ikke være for langt fra det. Og det kan være der kommer mere et sted fra og det kan være der kommer mindre et andet sted fra. Men det er

5 sådan det der gælder.

Det vi gør, det er at vi har fire... man kan kalde det at vi har fire leverancer... i bund og grund er det at vi har fire milestones i løbet af sådan et 100 dages program. Og den måde man organisere sådan et 100 program på – det kan du se ud til højre her – det vil jo typisk være at du har nogle work streams kan man sige. Og de her work streams de kommer selvfølgelig an

10 på, hvad er det for en slags virksomhed du overtager. Typisk vil du have... du vil typisk have en HR work stream og su vil have en IT work stream. Så kan det være du har noget indkøb alt efter hvad det er, det kan være du har noget operation og noget commercial osv. dem her, der er meget typiske for de work streams du vil have. Så det det gælder om i løbet af de 100 dage

15 det er i virkeligheden at få lavet en hel masse projektplaner for de her work streams. For nogle af synergierne skal komme fra operation, nogle skal komme fra indkøb og nogle skal komme fra HR. så det vil sige at hver af de work stream skal ud i deres organisation og så skal de sige... jamen eksempelvis indkøb skal gå ud og sætte sig med indkøb fra den anden virksomhed og sige jamen okay, det her er hvordan vi gør det i vores virksomhed og det her, det er hvordan I gør det i jeres virksomhed, hvordan finder vi så de 10 millioner i synergier

20 som vi har fået at vide at vi skal finde? Så finder de måske ud af at det er fuldstændig urealistisk, at det umuligt kan lade sig gøre og så er det i den her proces at de finder frem til noget fornuftigt. Fordi man har ramt ved siden af med indkøb – det kan kun lade sig gøre at finde 5, men til gengæld kan det lade sig gøre at finde 5 et andet sted. Så den måde man arbejder sig hen imod – eller vi gør, vi starter med at lave sådan en form for long list for hver

25 af de her long lists. De sætter sig simpelthen ned med den anden virksomhed og så brainstormer de på, hvad er det for nogle potentielle synergier de har og så har de en lang list, det er lige meget om de er store eller små, men de har en lang, lang liste. Så løbende i løbet af den her proces, så bliver de her synergier mere og mere specifikke. Og i del to der er det fint nok vi har den her long list, men så skal vi vide om det store synergier eller om det er små

30 synergier. Den her den er rigtig stor, den her er rigtig stor og den her er rigtig stor, den er meget lille, den er meget lille og den er meget lille. Desuden vil vi gerne vide, hvad der er for risici som man har for hver enkelt af synergierne. Så kommer vi herhen og så siger vi; nå

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- okay, så vil vi gerne have nogle tal på, nu er det ikke nok at se stort, nu vil vi gerne vide, hvor meget der er i den her synergি. Og når vi kommer herhen så vil vi ikke bare vide hvor meget der er, så vil vi vide præcis, hvor meget der er og vi vil også vide, hvornår det fader; er det i år fire det falder, eller falder halvdelen i år to, eller falder halvdelen i år tre? – hvad ved jeg. Så
- 5 når vi kommer herhen så har vi i virkeligheden for hver work stream,, så har vi en, i virkeligheden, en liste over de synergier vi kan leve. Det er hvornår de er phaset til, det er de risici som er forbundet med dem og i virkeligheden så har vi for hver work stream en projektplan for, det er de mennesker der skal gøre det og det er de og de milestones der er undervejs. Og det er i virkeligheden det, hele det her 100 dages program det drejer sig om.
- 10 Det drejer sig om at komme fra en lang, hvad kan man sige, brutto liste over synergier til at komme til X antal helt konkrete synergier, projektplan, risici, organisation, phasing og det hele. Fordi så vidt som jeg vil sige, så er det aller mest kritiske i forhold til at ramme de her 100, det er at man har en person i organisationen, som er ansvarlig for hver del af synergien, fordi det du gør her det er at du har en top-down approach til synergier, hvor du siger I skal finde 10, I skal finde 20, I skal finde 30. det giver ikke noget commitment overhovedet, men hvis man bliver tilstrækkeligt motiveret, så bliver man nødt til at finde de der 10. Men for at man skal finde de her synergier så bliver du nødt til at ha'... du bliver nødt til at have dit navn på en liste ud for at jeg skal finde to, du bliver nødt til at have commitment, dvs. du laver i virkeligheden en bottom-up approach, hvor du siger okay, hvor meget kan vi finde her? Og så
- 15 finde 10, I skal finde 20, I skal finde 30. det giver ikke noget commitment overhovedet, men hvis man bliver tilstrækkeligt motiveret, så bliver man nødt til at finde de der 10. Men for at man skal finde de her synergier så bliver du nødt til at ha'... du bliver nødt til at have dit navn på en liste ud for at jeg skal finde to, du bliver nødt til at have commitment, dvs. du laver i virkeligheden en bottom-up approach, hvor du siger okay, hvor meget kan vi finde her? Og så
- 20 bygger du den samlede synergie case op nede fra og op. Og forhåbentlig lander de ikke så langt fra hinanden, men de indeholder garanteret forholdsvis forskelligt et eller andet sted.
- Så det er et typisk 100 dages program, og som du kan se, kan man sige, så starter den fase efterfølgende i virkeligheden med implementeringen af de her synergier. Så det starter man ikke med før programmet i principippet er færdigt.
- 25 Så jeg ved ikke om det giver mening?
- Selvfølgelig kan man også sige at der også er en masse ting som ikke drejer sig om synergier. Der er en masse forandringsledelse, der er HR issues, som kører sideløbende med det her og det vil være nogle ting der kører på tværs af de her work streams. Der vil være nogle kommunikations mæssige ting på tværs af de her work streams, der vil være nogle HR mæssige ting på tværs af work streams osv. osv.

I forholde til den måde som vi, kan man sige... vi vil typisk have i hver work stream at der sidder en fra hver del, der sidder en fra hver organisation og så har man en integrations manager som, ja, som sandsynligvis kommer fra den overtagende virksomhed.

Den næste slide vil jeg ikke gå så meget i, men den dækker netop over den her synerg

- 5 assessment og hvordan man går ind og kigger på det, men det synes jeg næsten... jeg vil ikke gå så meget i detaljen med det.

Typiske integrations issues... hurtigt, jamen vi skal have realiseret de synergier, de her targets vi har fået sat oppe fra en eller anden M&A afdeling, dem skal vi rent faktisk have implementeret, det er et typisk deal issue. Samtidig så skal vi have forberedt os til day one.

- 10 Organization, people det er klart et stor issue i sådan en proces her fordi det der typisk sker her, det er at folk de tænker - det er ikke bare her, det er på alle niveauer, det er nede på fabriksniveau, det er senior management, de tænker "hvad sker der med mig?" det er de første de tænker på. Det er fint nok med strategier bla bla bla bla – what's in it for me? Og så længe man ikke har afklaret det, så vil man have en hel masse issues. Dertil kan der så komme
15 nogle fagforenings mæssige ting, der kan komme en fagforening med folk, at de skal have så og så meget varsel osv. osv. osv. Så alle de her people issues, de er bare altoverskyggende i sådan en proces her. Benefits alignment, jamen det er jo også... det er meget sensitivt det her for du kan jo også have to virksomheder der ligges sammen og i det ene virksomhed, der får ledelsen dobbelt så meget som i den anden virksomhed. Hvad vil du så? – vil du sætte det op i
20 den ene virksomhed, eller reducere det i den anden virksomhed? Det er også svært kan man sige.

Project Management, integration... jamen man skal tænke på alle de her folk der sidder i de work streams vi snakkede om før de har et dagligdags arbejde før de blev involveret i den her integration og de har sikkert travlt til daglig i forvejen og nu sidder de lige pludselig her som

- 25 leder af en work stream, hvor der er fuldstændig pres på og der er fokus på fra senior management osv. osv. osv. Så ressourcer er et konkret problem i sådan en proces her. Så det er nogle af de klassiske issues.

Integration challenges, lidt det samme... hvis jeg skal fremhæve nogen; lack of communication, der er også en tendens til, hvis man ikke ved, hvad man kan sige eller, hvad

- 30 der er godt at sige, så lader man være med at sige noget. Og det går hele vejen ned i organisationen. Dels er der en kommunikationsafdeling som kommunikerer at nu har vi købt den her virksomhed og det er de og de konsekvenser det får, men det... hele vejen ned i

virksomheden, i hver afdeling så får manageren noget at vide om hver del i processen, men vedkommende er måske lidt i tvivl om, hvad vedkommende kan sige videre og så lader vedkommende være med at sige noget som helst. Kommunikation er et stort problem og det er tit under kommunikationen

- 5 Lack of dedicated integration team, det er lidt det samme, at – som vi snakkede om før, at folk de har travlt i forvejen, så det er fuldstændig kritisk at de har ressourcerne til at være en del af det her integrations team. Underestimation of Complexity of Integration det er også lidt det samme. Det er sværere end man lige går og tror. Det kan godt være det ser nemt ud på papiret, men i virkeligheden så kommer der en hel masse ting frem lige pludselig.
- 10 Barnyard behavior har jeg skrevet... det betyder simpelthen at man laver det meget klassiske, at der er nogen... der kører nogle sideløbende integrations processor, hvor man har måske nogle indkøbs work streams som jo selvfølgelig skal være en del af det her store integrations program, men du har ligesom nogle folk der er vant til at gøre tingene på deres egen måde og de gør... de gør tingene efter deres eget program, optimerer i den her indkøbssilo, men glemmer ligesom at være en del af en større enhed. Og så kommer der en hel masse kampe internt, politik og jeg bestemmer det ene og det andet og det tredje og det fjerde... så folk de har svært ved at arbejde sammen kan man sige. Et andet problem det er jo også når man skal have folk til at styre den her integration og det er at man tænker måske, vi skal have en til at stå i spidsen for den her work stream, hvem kan vi undvære? Så i stedet for at sige at det her
- 15 er et fuldstændig kritisk område, at vi får succes med det, så er de bedste personer det er tit dem der har mest travlt. Så den der måske ikke har så travlt, det er der måske en årsag til. Så det kan være den forkerte motivation til at placere de forkerte folk på vigtige poster, kan man sige.
- 20 Det var sådan den meget hurtige gennemgang, den sidste det er bare for den her integration, det vil jeg egentlig ikke gå så meget ned i detaljen med, men du kan prøve at se om det har interesse.

ABS: Men det man kan høre det er jo at der er mange faldgruber.

- 30 KD: Der er rigtig mange faldgruber.

ABS: Der er mange grunde til det kan gå galt.

JBØ: Ja og det gør det jo også. Ofte.

ABS: Ja, det er der jo noget der tyder på at det til tider gør.

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KD: Præcis.

ABS: Så det er en udfordring.

10 KD: Ja.

JBØ: Helt sikkert.

KD: Men vi vender nok lidt tilbage til nogle af tingene kan jeg forestille mig. Når vi nu går
15 spørgsmålne igennem.

JBØ: Ja. Nej det var en god oversigt, men det gør vi jo nok. Det vil jeg give dig ret i. Jamen så har vi vel nærmest fået svaret på, hvilken rolle I spiller, både på det ene og det andet område.

20 *Jamen så kan vi vel lige snakke videre om det vi lige snakkede om med det at M&A de generelt ikke skaber værdi, det er sådan... det svinger lidt mellem 50 og 70 procent, men det er som udgangspunkt kun en tredjedel af virksomhedsovertagelser der ser ud til at skabe værdi.*

25 ABS: Nu kan jeg ikke huske, men hvordan er det, hvordan er det de opgør det? Kan du huske det?

JBØ: Jamen det er især dem jeg har kigget på det er Cummulative Abnormal Return. Det er en del amerikanske studier jeg har været inde og se på. Men også... nu sidder jeg med sådan et mindre studie, der skal være illustrativt med danske virksomheder bare baseret på aktieprisen fra det år de overtager og fem år frem og det er ikke fordi de overperformer.

ABS: Man har jo hørt, at det er det de undersøgelser siger. Altså man kan sige... det er svært at have en holdning til, ikke. Det eneste man kan sige det er at folk... eller at der bliver ved med at være fokus på det og virksomhederne vil blive ved med at gøre det. Det er meget muligt at der er forhold som man ikke kan måle på den måde, så man går ind og tager... som 5 man har fokus på. Så meget ofte så køber virksomheder op, det kan være for at holde andre ude fra et marked, det kan være fordi der er nogle positioner de simpelthen skal tage, det kan være der er... hvis der er en generel... et strategisk rationale, så kan det være svært at måle. Men om det skaber værdi og hvordan værdier måles det er svært at sige.

10 *JBØ: Det vil jeg give dig ret i fordi det er jo netop svært at se, hvad lige præcis det underliggende rationale er og det bare, i virkeligheden, at måle på aktiekursen, det kan diskuteres i hvert tilfælde – i aller højeste grad. Men det er jo det man ser slået op og det var ligesom et af udgangspunkterne. Men så er argumentet jo så igen, at hvis du går ned i en klinisk case, f.eks. Skandinavisk Tobakskompagni, så kan du se at det er succesfuldt og det er 15 det hele vejen igennem, så hvis du tager det på case niveau så er det måske et helt andet billede i forhold ti, hvis du tager og analyserer 120 handler over 10 år som jo ofte er tilfældet i USA.*

ABS: Det må være... hvis man skal ind og gøre det, så skal man ind og se de mål man satte 20 fra starten, er det de mål... har man nået de mål? Og de mål de kan jo være af alle mulige forskellige karakterer.

JBØ: Ja og så er det jo netop at du skal gå i dybden med en.

25 ABS: Så skal du gå i dybden med en case og det er måske også det du har tænkt dig at gøre?

JBØ: Ja, det er det jeg arbejder hen imod.

ABS: Det tror jeg er det rigtige. For det andet med at lave en eller anden større undersøgelse 30 med... hvor man har alle mulige aktiekurser osv. Det er et eller andet sted, det er sgu svært at forholde sig til, ikke?

KD: Der er også utroligt mange ting, det er jo utroligt svært at lave en generalisering. Hvad er det for et benchmark du kører op imod, f.eks. bare i Danmark der har du jo meget svært ved, med den mængde virksomheder der er i Danmark, at lave noget fornuftigt i benchmarking på dem... på det niveau. Og det er også... det kommer an på utroligt mange ting, altså.

5

ABS: Man kan sige, at hvis man i hele den her proces har sat sig de mål fra starten, og hvis man, til en eller anden grad, til en vis grad når de mål, så kan man sige det er succesfuldt. Så kan der jo selvfølgelig være sket nogle andre ting undervejs også, som har intet med fusionen at gøre, men, hvad skal man sige, som gør at det ser, at det ikke ser så godt ud fra en anden synsvinkel.

10

JBØ: Ja, det kan jo være at der er nogle industri strukturer eller nedgang i forventningerne der gør...

15

KD: Man kan sige igen, det er også svært fordi der vil altid være en eller anden tendens til – hvis du har meldt noget ud til aktiemarkedet og sagt vi forventer synergier på 100, så vil jeg godt... så vil jeg sige at der er en stor sandsynlighed for at du også remmer de 100 på den ene eller den anden måde, altså... Og det er jo ikke sværere end at definitioner; hvordan opgør du det ene og det andet og det tredje og det fjerde. Jeg synes det er utrolig svært at gå ind og måle på sådan nogle ting.

20

JBØ: Jamen om ikke også... det er jo tit når man går ind og aflæser markedsreaktionen på det tidspunkt der kommer den her deal announcement, der skal jo selvfølgelig være en god portion af information fra virksomhedens side af, men det er jo heller ikke sikkert at analytikerne kan forholde sig til al den information de nu engang får. Altså med deres kendskab... Så det er helt sikkert noget man kan diskutere til uendelighed næsten.

Ja, hvis vi går... så må vi hellere gå videre til...

ABS: Om vi opfatter det som cyklist?

30

JBØ: Ja, altså det er jo måske mere baggrundsviden, men man ser på de her figurer og så ser man at der er mere opkøbsaktivitet i nogle årtier, altså det svinger meget. Der er... den sidste

bølge var vel i slutningen af 90'erne og omkring årtusinde skiftet. Er det også jeres... hvordan opfatter I de her cykler og hvordan påvirker det... hvordan opererer virksomheden inden for disse makroøkonomiske forhold?

- 5 ABS: Altså ud fra min synsvinkel, så er det ekstremt cyklisk. Absolut. Og som jeg ser det, så havde vi indtil for nylig, i min verden, en meget stor opkøbs / køb og salg bølge. Indtil krisen kom her i 2007, i virkeligheden også et meget godt 2008. det... hvor det så er dykket helt ned nu. Det skyldes jo selvfølgelig den her finanskrisen og det der ligesom er afgørende her i Danmark, men også i mange andre steder i den verden som vi kommer fra det er jo at der ikke
10 er nogen finansiering. Bankerne låner ikke penge ud, så der er ikke noget til at finansiere virksomhedernes opkøb. Og det vil sige, at man kan ikke få ret meget for din virksomhed, så du har ikke lyst til at sælge din virksomhed, men det kan du blive nødt til. Det kan du blive nødt til af mange grunde. Det kan være du bliver nødt til at bakke ud fordi du ikke kan betale, du har nogle lån du må realisere og så bliver du nødt til at sælge på det vi kalder et dårligt
15 tidspunkt som det er nu. Du får ikke særligt mange penge for det som du gjorde for to år siden. Så man kan sige, pointen er, at der er ikke nogen der har lyst til at gå ud og sælge nu medmindre de bliver nødt til det.
- Der er mange der gerne vil købe, de store virksomheder der har en god kapitalstruktur og mange penge de vil gerne købe nu fordi de kan få noget billigt, de prøver selvfølgelig at gøre
20 de chancer der er. Hvis du sidder som en eller anden privatejet virksomhed så vil du aldrig sælge i dag, medmindre du blev nødt til det eller, hvis du skulle lave noget generationsskifte. Så når den generelle økonomi er dårlig så kan jeg ikke se at der skulle være nogen høj M&A aktivitet. Og det er der heller ikke som det er lige nu.
- 25 JBØ: *Så snakker man jo lidt om, at det der kommer til at ske, som at krisen den aftager, så vil man se at der kommer aktivitet igen... hvad er det, nu har man jo set Kraft Food og Cadbury og LeoPharma der har overtaget, eller købt en australsk virksomhed, så er det jo så netop dem med kapital i ryggen der så kan gå ind og lege lidt med det.*
- 30 ABS: Præcis, præcis. Altså så snart de store virksomheder de ser nogle muligheder, så vil de gøre ind.

JBØ: Ja. Hvad så med sådan noget som kapitalfonde, der har jo også været argument for at de har øget konkurrencen henover tid, fordi det har presset priserne op fordi de ligesom er opstået som fænomen og de har været meget mere aktie – men de er vel i lige så store, hvis ikke større vanskeligheder, fordi de i forvejen har en forholdsvis høj leverage, så hvis de skal 5 yderligere ind og finansiere, det er jo ikke muligt for dem.

ABS: Absolut. Jeg vil sige at kapitalfondenes indtog de sidste år de har ekstremt meget været drevet af at de kunne finansiere en utroligt stor del af købssummen til en relativt lav rentepris, til en relativt lav pris på lånet. Så det har været ekstremt meget drevet af det. Det vil sige 10 at den egenkapital de har skulle sætte op for at købe virksomheden, det har været en relativ lille del af den samlede købssum. Det vil sige at så har de taget så og så meget af en virksomhed, og så er der så en meget lille del der er blevet ordnet af bankerne. Så de har købt op som... det har drevet en meget stor del af den M&A aktivitet der har været. Men som det er nu, så er det klart at de bliver ramt af den her meget høje gearing og så har vi set en række 15 virksomheder som har måtte overgive nøglerne til banken. Vi har haft BIVA, vi har haft Auvit, vi har haft flere kapitalfonde som har måtte overdrage til banken fordi kapitalfondene ikke ville putte flere penge i.

JBØ: Så kan man sige på den anden måde... nu har jeg læst jeres rapport "Doing Deals in 20 Tough Times" og man kan sige, at dem der så stadigvæk har styr på deres integration og har styr på deres aktiviteter de har trods alt stadig mulighed for at klare sig selvom det ikke ser for godt ud for deres konkurrenter.

Godt... det var vist nok på det område. Jamen så, hvis vi går lidt tilbage til at snakke om markedsreaktioner og aktionærsværdi. Altså, hvor stor en rolle spiller aktionærer i sådan en overtagelses proces. Det er selvfølgelig med fokus på børsnoterede selskaber, men i hvor stor grad tager man højde for aktionærer og for deres billigelse af en overtagelse?

ABS: Det er et godt spørgsmål...

30 JBØ: Grunden til at jeg også har fokuseret lidt på det det er at, der hvor jeg arbejdede i Bruxelles det var fra et Corporate Governance synspunkt, hvor vi analyserede M&A i forhold

til investorerne og Corporate Governance og der ser man på det på en helt anden måde end i forbindelse med value creation.

ABS: Ja det er svært at sige. Ja... nu har jeg ikke selv arbejdet med nogle køb/salg af
5 børsnoterede selskaber, så jeg har ikke nogen personlig erfaring med det.

JBØ: Man kan vel sige, at man kan rationalisere, at hvis virksomheden selv går ind for det og har hele planlægningen og alligevel fuldføre den her plan, det skulle da være mærkeligt, hvis markedet så går i en hel anden retning og siger det kan ikke passe det her, det er ikke rigtigt.

10 *Man må alligevel tro på, at dem der har fingrene nede i det, de har et større kendskab end analytikerne.*

ABS: Det er klart. Det må man sige, det må man sige. Ja, altså jeg har jo sjældent set en virksomhedsovertagelse – det er jo sjældent at der sker en overtagelse medmindre bestyrelsen
15 siger god for det, ikke. De plejer at komme med deres anbefaling til et købstilbud – de skal sige ja eller nej til et tilbud. Det må være dem, sammen med ledelsen, der har fingrene nede i det. Men jeg har ikke mange andre... jeg har ikke så mange synspunkter på det ellers, synes jeg ikke.

20 *JBØ: Det er måske også mere et spørgsmål om bagefter, hvis det er gået galt at man høre fra aktionærerne. Det har man da set i England bl.a.*

ABS: Det er klart, det kræver utvivlsomt en hel anden planlægning, en hel anden... du kommer virkelig til at stå til ansvar.

25

JBØ: Ja, men det er måske igen, hvis vi går tilbage til kommunikation, som vi har snakket om før, så er det ikke bare internt, det er også udadtil, hvis man kan kommunikere sit mål ud og sit formål med den her overtagelse, så skulle det være mærkeligt, hvis ikke også aktionærerne tog det for gode varer. Det er i hvert tilfælde det jeg er kommet frem til efterhånden med dem 30 jeg har snakket med. Det spiller en rolle, men det er ikke det afgørende, fordi det er en naturlig del af processen at man skaber værdi og man gør det af gode grunde – man overtager jo ikke bare en virksomhed for sjov. Der sættes jo mange ressourcer ind på det.

ABS: Det lyder som en fornuftig forklaring.

- JBØ: Okay ja. Hvis vi går videre til, hvorfor man egentlig overtager en virksomhed, jeg ved ikke om det er jer begge to der er inde over det, men det sådan med at screene markedet, der er vel en del af de store virksomheder, der måske har sådan nogle... eller det er det jeg er kommet frem til, de har lister af virksomheder som de hele tiden holder øje med i markedet og de finder ud af, hvornår er der måske en god mulighed for at gå ind i det eller for at tage kontakt, at de ligesom hele tiden har nogle følgere ude. Hvad er jeres erfaring med det?

10

- ABS: Jamen hvad kan man sige. Altså, det har de helt klart, det har de. Jeg kan huske, hvordan er det, det er – vi har haft flere, det kan jeg huske ude fra Handelshøjskolen, Danfoss har været ude og sige, hvordan de vil være nr. 1 eller 2 på alle deres markeder osv. Så de har et klart billede over, hvilke virksomheder de skal holde øje med, hvad for nogle virksomheder som de eventuelt kunne gå in og overveje at købe op for at få den position som de gerne vil have og ser efter. Men altså, selv her, har vi da arbejdet... vi har arbejdet for en række virksomheder, hvor vi simpelthen er blevet sat til at – vi har de og de mål, vi vil gener have den her markedsposition på de her markeder, inden for de her produktområder – og så er vi sådan set blevet til at finde potentielle opkøbsmål, som opfylder de kriterier. Og der kommer man selvfølgelig med en eller anden brutto liste som man derefter går igennem med ledelsen og køre flere runder indtil man til sidst finder frem til en lille gruppe, som man så tager kontakt til mht. om de eventuelt vil gå ind i dialog om et fremtidigt salg.

Så det gør de, det gør de helt klart – det er der mange der gør på en meget struktureret måde.

- 25 JBØ: Ja. En af grundene til jeg spørger det er, at i forsommeren der var der tale om, at det kunne være interessant for Vestas at opkøbe Hansen Technologies, mener jeg det hedder, i Belgien, sådan en gearkasse fabrikant. Er det... har de haft den virksomhed i tankerne længe eller er det, altså jeg mener, det kunne også være en mulighed der opstår i markedet fordi de er kommet ud i noget uføre. Men i princippet, så burde Vestas vel selv have overvejet det 30 opkøb i længere tid.

ABS: Altså jeg går ud fra... nu kender jeg ikke lige detaljerne fra den sag, men jeg går ud fra at det selvfølgelig har været en stor leverandør til Vestas og jeg kan forestille mig at de, der er selvfølgelig forskellige forholde der gør det, de vil garanteret sikre sig, det er sikkert en vigtig leverandør, og de vil sikre sig at den leveringskilde den er der. Af forskellige årsager kunne 5 de sikkert se at der var nogle fordele i det og det vil de bare fuldstændig... det vil de ikke tage nogen risiko på.

JBØ: Jeg tror også at argumentet var, at så ville de stå stærkere i forhold til Suzlon og trænge dem ud fra markedet, eller i hvert tilfælde fra den leverandør.

10 *Jamen så... rent teoretisk så er der tre grunde for, hvor man skulle overtake en virksomhed og det er en fordelagtig handel, ønsket om at udskifte den eksisterende ledelse og så ønsket om at opnår og realisere synergier. Men så er det igen argumenteret at de to første grunde de måske ikke er særlig overvejende længere fordi markedet ikke giver mulighed for det. Er det også jeres opfattelse?*

15

ABS: Nej det synes jeg ikke.

JBØ: Man leder stadig efter gode handler og dårlige ledelser, hvis man kan sige det sådan?

20 ABS: Det synes jeg. Altså det er min opfattelse at når vi kommer helt ned på etikken, at det vil der altid være. Det kommer altid an på... det kommer helt klart an på den vinkel som en potentiel køber har, men der vil stadig være dårlige ledelser og der vil stadig være mulighed for at gøre en god handel ud fra... af forskellige grunde. Hele det her med markedsmekanismene og minimering af arbitrage og alt det her, at det skulle fjerne sådan 25 nogle muligheder det mener jeg ikke... det kan man ikke gøre helt i praksis.

30 *JBØ: Godt, jamen så vil jeg gerne gå videre til synergier og snakke lidt om det. Og først, jamen det er lidt generelt, så det er nok mere dig jeg skal have fat i Kaare, men hvordan opfatter I synergier og hvilke synergier ligger i vægt på? Der bliver snakket meget om Cost synergier og operationelle synergier, kan du sige mere om dem?*

KD: Jamen for det første kan man sige der er jo helt generelt delt mellem omkostnings synergier og revenue synergier. Og den helt store, kritiske forskel, vil jeg sige, det er at ufatteligt svært at tracke en revenue synergি. Så det er fint nok at man går ind i en handel og siger at vi kan spare 100 millioner eller hvad det nu måtte være, i omkostninger, og så kan vi

5 så samtidig tjene 100 millioner på revenue synergies – det er utrolig taknemmeligt at kunne sige det, fordi hvordan vil du nogensinde tracke de synergies som du har sagt du vil have. Jamen er det fordi markedet er gået nedaf at du kun har fået 50, eller er markedet gået godt og du har ingenting gjort og så har du alligevel fået de 100. Så fordi man ikke kan tracke det, så et eller andet sted, så bliver det jo en meningsløs begrundelse for, et eller andet sted for en

10 handel hvis man ikke efterfølgende kan spore det og vise, hvordan man får implementeret det her.

Men det er jo ikke det samme som at sige at revenue synergier ikke er en del af en baggrund for en handel, det må du også kunne snakke med om (henvendelse til ABS).

15 ABS: Absolut. Det er virkelig svært at kunne kvantificere dem.

KD: Præcis.

ABS: Dokumentere dem kan man sige.

20 JBØ: Men samtidig har jeg også fået at vide, at det er der den største værdi ligger. Fordi en ting er at du kan hurtigt lægge to administrationer sammen, du kan hurtigt skære nogle stillinger væk, men der hvor det er rigtig sjovt, det er at realisere de her operationelle synergier gennem mersalg eller krydssalg eller gennem en udvidet kundeportefølje eller

25 hvordan det nu kan være.

KD: Klart

JBØ: Er det også jeres mening at det er der værdien ligger, hvis man ser bort fra de

30 "nemme" synergier?

KD: Jamen jeg vil sige at der ligger helt klart meget værdi der, men hvordan du vil tage dem ind i en valuation approach, det ved jeg ikke.

ABS: Jeg vil sige, hvis man skulle lave en værdiansættelse forud for man skulle give et bud,

5 så vil du selvfølgelig lave en værdiansættelse, hvor du slet ikke tager højde for din synergি. Så du ser på virksomheden der skal købes, og så lave du en stand alone og ser, hvad giver det for en værdi. Og så er man godt klar over, at oven i det, der er der nogle synergier inden for nogle forskellige områder og nogle gange prøver man at kvantificere dem og nogen gange gør man ikke. Men altså, på det vidensniveau man er på, på det tidspunkt, hvor man laver den

10 værdiansættelse, så er det jo nærmest meget meget tæt på at være umuligt at kvantificere de her synergier. Du prøver på et meget meget high level at gøre et forsøg på det. Det kommer an på, man kan sige, det kommer an på om du sidder for en industriel spiller, som gerne vil købe en anden. Så kan den ledelse som sidder, den du arbejder for, den ledelse der, lad os sige Danfoss, og den ledelse der sidder der og hjælper dig med opkøbet af en konkurrent, de kan

15 have nogle meget skarpe synspunkter på, hvad der er synergier og kan komme med nogle udmærkede, stadig meget high level, synspunkter for, hvad for nogle værdier kan der være, eller hvilke synergier kan der være inden for distribution, hvad kan der være inden for administration og alle de her klassiske områder. Og så kan man prøve at indarbejde det på en eller anden måde – det kan man overveje. Men at begynde at indbygge salgssynergier, det tror

20 jeg ikke jeg har prøvet meget mere end en gang eller to i værdiansættelses sammenhæng og ud fra metodologi i virksomheden.

Men man ved at der er en stand alone værdi her, så er der nogle synergier der giver så og så meget værdi, du ved, så plejer man at sige at så er det ligesom det område man har at forhandle inden for mellem køber og sælger, hvem skal have del i de synergier og så lander vi

25 et eller andet sted imellem.

JBØ: Det er også et af mine spørgsmål og det er i hvor høj grad den præmie man er villig til at betale for en virksomhed den er linket til de synergier man forsøger at evaluere og identificere?

30

ABS: Det må være... det kan være...

JBØ: Det giver et spænd eller hvad?

ABS: det vil give et spænd at arbejde inden for og det vil afhænge af, hvor, altså kan man
sige, hvor stor konkurrence intensiteten er omkring den transaktion. Det vil sige at jo mere
5 konkurrence der er, jo mere kommer du op omkring de fulde synergier som går så og så højt
op. Hvis der ikke nogen konkurrence er, så kan du komme til cirka tæt på den stand alone
værdi du har beregnet.

10 *JBØ: Jamen mit argument det er også at det er lidt en gråzone når man bevæger sig ind på
synergier og en ting er at man kan identificere nogle ”måske” synergier og så kan man lave
en slags worst case og bedst case og så kan man bevæge sig inden for det.*

15 ABS: I virkeligheden kommer du først ind og kan se det rigtige synergipotentiale når du
kommer ind og i virksomheden kan se, okay vi have... vi arbejder en del på at se på synergier
udefra, det gør I jo også (henvendt til KD), kan man sige, i den første af jeres faser. Det er jo
faktisk der vi allerede er færdige. Så der er vi... da vi lavede vores værdiansættelse der havde
vi slet ikke været i det man kalder datarummet og fået, I har trods alt fået en del fortrolig
information fra virksomheden. Der hvor vi sidder der er vi allerede... der er vi rimelig langt
tilbage. Vi kan så opdatere den værdiansættelse løbende som processen skrider frem når vi får
20 mere og mere information, men der er man jo allerede inde i, kan man sige, i en forhandling
og der er mange faktorer der spiller ind.

25 *JBØ: Men den lang liste af synergier som du snakkede om (KD) tidligere, det er så en
kombination af begge virksomheder og deres teams, hvor de sætter sig ned og laver en
brainstorming?*

30 KD: Lige præcis. Det er netop for første gang de mødes i indkøbsafdelingen, så sætter de sig
ned, hilser på hinanden og siger okay, det her det er sådan vi gør det og det her, det er sådan I
gør det. Hvad har vi i øvrigt, hvilke delte leverandører har vi... Så deler de al den data som
ingen har haft lov til at se før og så kommer de ud med en liste og det er brutto listen af
muligheder vi kan se. Og så arbejder de så hen imod at kunne komme frem til noget helt

konkret omkring det. Men det er jo første gang at den information ligesom bliver delt mellem de to virksomheder, det er jo når de sætter sig ned i starten af den proces og deler det.

ABS: Ja og det kan man så sige, det vil først være lang tid efter, hvor man kan sige, at vi er
5 færdige med vores arbejde.

KD: Præcis.

ABS: For det er klart, det er kun den ene virksomheds synspunkt på synergier, ikke den
10 fælles.

JBØ: Er der så nogle overvejende ting, der ofte går igen fra handel til handel, er det din erfaring, at det tit er det samme, eller ikke det samme, men at der er nogle overordnede punkter som...

15

KD: Jamen jeg synes det kommer ufatteligt meget an på, hvad det er for en branche vi taler om, hvad det er for en type virksomhed. Er det en eller anden type af industriel spiller inden for et eller andet, jamen så er det nogle synergier, eller er det et eller andet medie, eller noget andet eller tredje. Det er jo klart, at deres omkostninger de ligge nogle forskellige steder og
20 der er også der du kan finde synergierne. Det kan være noget produktionsmæssigt, det kan være operationelle synergier eller det kan være det er noget outsourcing eller noget data eller det kan være noget, lad os kalde det processing synergier, hvor de måske har en eller anden aftale med en eller anden leverandør om at de kan levere til dem. Og hvis de kan få dobbelt op på den her aftale, så kan de få 30 procents rabat på prisen. Så det kommer ufatteligt meget an
25 på karakteren af virksomheden.

JBØ: Og deres rationale bag opkøbet vel?

KD: Fuldstændig. Men det er klart, der er altid nogle klassiske synergier. Det er altid sådan at
30 man har to hovedkontorer og der kan man godt lukke det ene og man har også typisk nogle leverandører til nogle standard ting som også kan sige jamen godt nu har vi kun en til det her og en til det her og en til det her. Så man kan nok godt lave en lang liste over de samme 50

ting som vil gå igen i alle transaktioner. Jeg tror der hvor det ligesom batter noget, det er jo ligesom ved deres kerne rationale for den her transaktion.

ABS: Det er klart, der er nogle omkostnings-synergier der går igen hver gang og de er altså
5 også relativt lette at kvantificere udefra. Det vil der være.

Det er klart at når de sætter sig sammen i indkøbsafdelingen i første omgang og finder ud af, at der skal måske være en indkøbschef, så er det jo allerede at udfordringen er der – på det personlige niveau ikke.

10 KD: Ja ja, præcis.

ABS: Det er en af dem der er virkelig nem at kvantificere.

KD: Ja, det er en sprængfarlig proces den der.

15

JBØ: Jamen så... Hvordan, vi har været lidt inde på det, men hvordan fungerer den her proces og hvordan realisere man de her synergier, og der er et af hovedargumenterne en utrolig grundig integration. Men integration det er jo et stort område, det er jo netop fra begge teams de sætter sig ned og bliver enige om hvilken vej de skal gå under hele projektforløbet. Kan du uddybe din erfaring på det område, hvad der skal til.

KD: Altså, hvad der skal til for man for succes med sin integration i bund og grund?

JBØ: Ja, hvad er det for nogle ting man skal putte fokus på og lægge vægt på.

25

KD: Jamen for det første, så skal man have gjort sig nogle tanker om det på forhånd. Det nyttet ikke noget at stå ved day one og så først der skal man i gang med at planlægge, hvordan man vil lave en integrationsproces. Men skal ligesom have tænkt integrationsprocessen igennem i principippet hele vejen igennem transaktionen, så man ved præcis på forhånd – for 30 det er jo ikke sikkert at du har seks måneder til at planlægge day one for det kan jo være at EU lige skal sige ja eller nej. Det kan også være du har ganske kort tid. Så nyttet det ikke noget at det først er der du begynder at planlægge, hvordan du vil kommunikere til

medarbejderne, hvordan vil du have HR til at udpege topledelsen og det ene og det andet og det tredje og det fjerde.

Så først og fremmest vil jeg sige at succes kriteriet må være at du har en... at du har planlagt det i godt tid, at du har tænkt det igennem tidligt i transaktionen. Og hvis man ikke har nogen erfaringer med det. Man kan sige at som rådgiver så er det selvfølgelig også vigtigt for mig at sige, at have en ekstern rådgiver det er en succes kriterium. Men et eller andet sted så kan man sige at det er de færreste danske virksomheder som har erfaringer med at lave store transaktioner i virkeligheden. Og så kan man... selvom de har erfaringer med det, så kan det godt være at de medarbejdere som sidder i de positioners levetid. Der er alligevel ikke så mange virksomheder der er specielt serie opkøbere, som opbygger kompetencer inden for virksomheden når man har sådan en integrations proces. Så at have en ekstern rådgiver på, som har en metode til at angribe det her på, men også som kan stå, hvad skal vi kalde det, ind imellem og løse de her politiske spændinger som altid opstår i en situation som den her... fordi det er ikke nødvendigvis, at folk de arbejder sammen hen imod et andet mål. Det de gør det er at enhver person arbejder med det formål at optimere sin egen position i sådan en integration, et eller andet sted. Så det gør at processen ikke altid forløber helt planlagt og der kan det være godt at have en uafhængig spiller i midten som ligesom kan opfange de her signaler og, hvad kan man sige, ambassadøren i midten. Men også ligesom kan tage... hvan kan man sige, kan formidle de tunge beslutninger og det er også godt at have nogen der kan komme ind og validere den her proces og som ikke nødvendigvis, kan man sige, skal se folk i øjnene når den her proces den er færdig. Men et eller andet sted så er det en god ide at have en man kan skubbe de trælse beslutninger på, når virksomheden ligesom skal komme over det her og skal komme videre.

Så noget omkring planlægning, noget om eventuelt at have en ekstern rådgiver på... jamen det er jo lidt tilbage til de her ting som vi snakkede om, så det drejer sig om at have kommunikationen i orden og det gælder om at minimere usikkerheden hurtigst muligt for hele organisationen – det er fuldstændig kritisk for det vil jeg sige, ja.

JBØ: Jamen godt, vi snakkede om, det sagde du også selv, at folk, folkene i begge virksomheder spiller en utroligt stor arbejde, hele samarbejdet og ansvaret også – ansvarsfordelingen, men det kommer vel også tilbage til integrationen og planlægningen fra starten af? At man peger de folk ud der skal være ansvarlige og vel også peger folk ud fra de

afdelinger, hvor det skal foregå, at man ikke bare eksempelvis kun har finance ind over det og så management, men at du rent faktisk, hvis det er salg der skal realisere, så har du slagsafdelingen ind over, men hvis det er noget med distribution og logistik at gøre, og så videre, så er det den afdeling du har ind over det. Så man går ned i afdelingerne i virksomheden og... så de er med inde over det og har hovedansvaret for en implementering.

5 KD: Altså med inde over og hvad...?

JBØ: I integrationsprocessen, at du har... du delegere ud til de relevante afdelinger og ikke 10 bare har en overordnet PMI ind over det.

KD: jamen helt klart, det er det du gør. Man kan sige den rolle som det overordnede integrationskontor har det er i virkeligheden bare at koordinere antal work streams. Så du vil altid ha, lad os sige, kommerscielt, du har to salgsafdelinger der ligges sammen og du har to 15 salgschefer der skal ligges sammen til en salgschef. Og så vil man nedsætte en kommersiel work stream og sige, fint nok, hvordan håndterer vi de udfordringer som der måtte være. Og typisk vil du så have en der vil være... som ligesom står i spidsen for den her work stream, du kan også godt have to som står i spidsen for den her work stream og det er så dem der leverer ind til det. Så det kommer sådan hele tiden... og det er hele pointen med det her, viden skal 20 komme nede fra organisationen og op, det er ikke noget der skal komme oppe fra et bestyrelseslokale eller noget. For du bliver nødt til hele tiden at vide præcis – det kan ikke lade sig gøre fordi vi har en eller anden begrænsning på den her maskine, den kan simpelthen ikke lave firkanter, så vi kommer aldrig til at gøre det her. Altså, det er jo typisk at man har siddet et eller andet sted på overordnet strategisk niveau og sagt det giver god mening men 25 når det så kommer til virkeligheden så er det faktisk ikke. Så det er klart, det skal komme nede fra organisationen.

JBØ: I hvilken grad motivere man så de folk der er indblandet i det? Det kan vel være svært... netop den usikkerhed...

30

KD: Helt klart. Altså først og fremmest gælder det om at få minimeret den usikkerhed der er så hurtigt som muligt. Og der starter man typiske med at udpege en ledelse og så kører man

ligesom nedad i organisationen og får udpeget de relevante folk i sådan en integration eller i den fremtidige organisation kan man kalde det. Men det er klart, du er jo så heller ikke interesseret i, at dem der så ikke bliver udpeget, at de så forsvinder ud af virksomheden lige med det samme. Så typisk så vil man jo så også gå ind og lave nogle incentives og sige det er fint nok, du har gjort et godt stykke arbejde, du passer desværre ikke ind i den fremtidige organisation, men hvis du bliver og arbejder i et år mere, så får du en stor pose penge. Det vil også være en del af den proces, hvordan vil man sikre sig, at holde på de medarbejdere som der måske ikke er plads til, men som har en vigtig viden. Men det er jo så sådan noget HR sidder og laver typisk.

10

ABS: Men i en begrænset periode.

KD: I en begrænset periode, helt klart.

15 *JBØ: Ja for der har jeg nemlig hørt et eksempel på en manager der gik ind og fik bare lavet en masse små ændringer i løbet af det første tre måneder og efter de tre måneder der havde han så udset sig, hvem det var der kunne få tingene gjort og hvem der arbejdede sammen og sammensatte så sit lederteam på baggrund af det. Men, der var argumentet så, at man behøver måske ikke tænke på de folk der ikke... det er jo vigtigere at fokusere på de folk der 20 er inde i organisationen, men som du siger kan der være brug for et år ekstra for at udnytte deres viden bedst muligt.*

KD: Jamen helt klart...

25 *JBØ: Men kommer det an på størrelsen af organisationen?*

ABS: Jeg vil tro, at nogen gange kan du have to dygtige mennesker i bund og grund, men i principippet skal der kun være den ene indkøbschef og der er ikke nogen af dem der har lyst til at være vice indkøbschef for så er det jo ligesom om at deres ambitionsniveau skal ned for 30 den ene af dem, men du har stadig brug for at få viden fra begge organisationer. Så du bliver ligesom nødt til, du siger okay ham her, ham beholder vi og du, du kommer kun til at være her

et år og så er du nødt til at give ham en eller anden stay on bonus for den periode han bliver så du er sikker på at få fat i den viden.

- 5 *JBØ: Hvis man nu kigger længere ned i organisationen, hvis vi kigger specifikt på mersalg eller krydssalg, kan man konstruere nogle incitamentsprogrammer til sælgerne, manden på gulvet, for at realisere de her synergier som man så kalder mersalg eksempelvis?*

KD: Jamen det kan man ganske givet vil jeg sige, altså så længe du husker at aligne ens incitamentsprogrammer med de overordnede, de kritiske... så er det en vej at gå.

10

JBØ: Vil det så sige, så vil det være en del af operations, så ville det være en del af deres projekt, at de skulle sammensætte, ja motivere deres ansatte, kunne det være en del af den projektbeskrivelse for salgsafdelingen?

- 15 KD: Det kunne det sagtens være, altså hvis de siger jamen vi skal finde de og de synergier og en af dem det er at vi skal lære dem der, lad os sige, sælger flasker at de skal også sælge noget andet sammen med de her flasker, hvordan kan vi så realisere den her synergি, så sætter de sig ned og diskutere det og det her det er kun salgsfolk og de er kun motiveret af bonusser, så derfor er vi nødt til at gøre sådan og sådan og sådan. Og så siger de, jamen det er det her der
20 skal til, det er de her forudsætninger der skal til for at realisere den her synergі og så kigger man på det og siger fint nok, hvis det er måden at gøre det på, så er det måden at gøre det på og så bliver det i sidste ende til en eller anden projektplan. Så det tror jeg et langt stykke hen ad vejen der har du sådan set rimelig frie hænder til at gøre det.

25 *JBØ: Godt.*

- Jeg har et lidt abstrakt spørgsmål, men det er fordi jeg er stødt på en teori om, at hvis man lægger to virksomheder sammen, så kan der også opstå en kapacitetsbegrænsning, hvis du ligger to virksomheder sammen for at kunne udnytte et større produktionsapparat. Så kan du risikere at komme ud for begrænsninger, hvis der skulle være et økonomisk boom eller hvor
30 du lige pludselig skal til at producere mere end du egentlig kan fordi du har lagt to virksomheder sammen. Er det også sådan i virkeligheden eller er det et meget teoretisk fænomen?*

KD: Jamen det vil jeg sige. Det synes jeg er meget konkret altså jeg synes det at ligge to virksomheder sammen det er ufatteligt konkret og der er en hel masse ting som er sådan meget meget hands on issues du i virkeligheden render ind i, som i virkeligheden ikke et 5 strategisk et eller andet. I virkeligheden så drejer det sig om at den kan ikke, et eller andet som skal integreres, noget praktisk som de her paller de skal passes ind og det gør de ikke, så med de operationelle ting, der kan det sagtens opstå. Og det man jo også gør, det er jo at man går ind og siger – lad os sige vi har nogle operationelle synergier som siger vi skal producere 10 så og så meget ved hjælp af sådan og sådan og sådan. Jamen så en del af den øvelse du gør ved de her projekter, jamen det er jo selvfølgelig også at du kigger på, hvad er det der skal til og hvad er det for kritiske ting, er der eventuelt noget du skal undersøge nærmere. Noget helt ned på operations niveau der ikke kan lade sig gøre fordi sådan og sådan og sådan. Så det vil være en del af det, du går ind og undersøger helt konkret og det er derfor du skal have organisationen ned på gulvet for det er ham manden som betjener maskinen der skal sige at 15 det kan godt lade sig gøre og det er det ham manden oven over skal høre, at det godt kan lade sig gøre.

Jeg ved ikke om det var svar på dit spørgsmål?

JBØ: Jo, det var det. Det er et lind kringlet spørgsmål, men det synes jeg det var.

20 *Sådan rent praktisk også, hvis man skal, hvis man har to organisationer man skal implementere, eller integreret, hvis de er opbygget på to forskellige strukturer. Hvordan gør man det, sætter man sig ned og så er det den overtagende virksomhed, lad os sige det er storebror der overtager lillebror, er det så at det skal være en direkte implementering af den lille organisation i den store organisation at de så skal... de skal bare fittes ind et eller andet 25 sted i organisationsdiagrammet, hvis man kigger på det sådan meget konkret på det?*

KD: Det vil jeg sige kommer meget an på, hvad man synes giver mening et eller andet sted, fordi går du ud og er en stor virksomhed og køber en lille virksomhed, så køber du den jo fordi du mener den har en værdi og måske har den værdi fordi den netop er en lille og meget 30 dynamisk virksomhed som arbejder i matrixer og er super dynamisk. Og hvis du tager den virksomhed og bare spreder den ud over den store, firkantede organisation, så kan det være at den værdi du i virkeligheden opkøbte den forsvinder fuldstændig. Så det må være baseret på

et eller andet strategisk rationale kan man sige. Fordi det gir ikke mening i det her tilfælde, men i et andet tilfælde, der vil de give mening.

- Lad os sige vi har to virksomheder der ligner hinanden, to produktionsvirksomheder osv. osv. osv. Og de har markedsafdeling begge to, en salgsafdeling og de er måske begge to forskelligt
- 5 lavet og sådan noget. Så går man helt konkret ind og siger vi skal have en organisation og så sætter man sige ned, HR afdelingen igen, som har en nøglerolle, og så siger man, hvordan ser den fremtidige organisationsplan ud og så tegner man simpelthen en fremtidig organisation på et stykke papir i princippet. Og så går man i gang fra toppen med at sætte personer på i den her fremtidige organisation. Det kan være den fremtidige organisation er en anelse den
- 10 overtagende, men det kan også være en hel tredje som nu giver mening fordi man har fået nogle nye områder på, nogle nye geografier på eller nogle nye produkter på. Så det kan være både det ene og det andet, det kommer an på tilfældet vil jeg sige.

- JBØ: Kan det ikke være enormt kompliceret i virkeligheden at man skal... at man skal designe en hel ny... bogstavelig talt flytte folk rundt. Altså det må også skabe noget usikkerhed og frustration at man lige pludselig er flyttet fra den ene boks til den anden.*

- KD: Det gør det fuldstændig og det er det der er det altoverskyggende problem i integrationsprocesser, folk de ved ikke hvor det er de kommer til at være, jeg får en ny chef; 20 hvem bliver det, hvad får jeg i løn, hvad bliver min titel? Og sådan nogle helt lavpraktiske ting, hvor skal jeg arbejde henne, hvad nu lige med min ferie og alle de her spørgsmål som medarbejderne de har og der kommer en million trilliard spørgsmål, som er meget meget lavpraktiske – what's in it for me. Jamen de skal jo på en eller anden måde tages hånd om. Så jo, det er super super kompliceret at arbejde med den proces og det er også den der skaber en 25 masse uro og usikkerhed i organisationen som i sidste ende fører til måske kan man sige produktionstab for et eller andet sted der kan man også sige at jo mere energi organisationen bruger på interne ting og ” mig selv” og så videre, jamen jo mindre energi bruger den på at skabe værdi for aktionærerne og sig selv.

- 30 *JBØ: Så vender man jo også tilbage til menneskespørgsmålet og kommunikationsspørgsmålet som vi var inde på i starten.*

KD: Fuldstændig. Det er what's in it for me og hvis du ikke kommunikerer så er der bare en masse spekulationer. Så det gælder hele tiden om at besvare de spørgsmål man nu kan besvare.

- 5 *JBØ: Er det så også noget man tager højde for i planlægningsprocessen allerede fra starten af, at der skal bare være klare linjer og der skal være fyldestgørende information og der skal ikke være tvivl, for ligesom at eliminere den faldgrube?*

10 KD: Helt sikkert. Det vil være en kritisk del af det 100 dages program, at du har en kommunikationsplan, hvor du ved, hvad er det præcis for nogle beskeder du går ud med på dag 1, hvad er det for nogle beskeder vi går ud med, der, der og der. Overordnet på gruppe internt niveau og hvad er det den enkelte medarbejder får at vide der og der og der, ikke. Det er fuldstændig afgørende.

- 15 *JBØ: Er det også sådan det fungerer i praksis så?*

20 KD: Ja... Ja, jo i praksis, så er der jo tit kommunikationsproblemer kan man sige, lidt som jeg var inde på før, så bliver der måske ikke kommunikeret nok, fordi folk er bange for hvad de skal sige. Hvis du går ind og har en struktureret 100 dages proces, ja, så vil det også være sådan i praksis og du har gjort dig en masse tanker om, hvad du skal kommunikere. Men hvad der sker længere nede i organisationen, det er nogen gang sværere at styre. Og den enkelte medarbejder vil altid føle at der ikke bliver kommunikeret nok fordi der vil altid være nogle ting som du ikke kan kommunikere i sådan en proces og det tager bare tid. Du kan ikke kommunikere til den enkelte medarbejder, hvad hans deal bliver før det ligesom er afgjort 25 hvem der bliver den øverste chef, den næste chef, den næste chef... Og det tager bare tid... ja.

JBØ: Det er vel også et ledelsesmæssigt aspekt af det, for det må vel kræve så utroligt meget ledelse på alle niveauer... du skal jo altid rapportere op eller ned for at få den kommunikation til at flyde og det skal være en succes.

KD: Helt sikkert. Og specielt når din egen leder ikke ved om han er købt eller solgt, så er det jo også svært at motivere sine egne medarbejdere. Så på den måde forplanter det sig hele vejen ned i organisationen.

JBØ: Okay. Jamen jeg ved ikke om du har mere at sige om synergier og integration...?

5

KD: Det kan være jeg kommer i tanke om noget ellers.

JBØ: Nej for ellers så, er nogle af mine sidste spørgsmål, det er sådan... hvis I nu skulle sige tre – fire der er, ikke altafgørende, men i stor grad afgørende for udfaldet af en handel, hvad
10 ville det så være?

Er det eksempelvis integration eller er det planlægning, ledelse, kommunikation, værdiansættelsen...

ABS: Hvad der skal til for en gennemført transaktion kan ses som succesfuld?

15

JBØ: Ja. Eller i hvert tilfælde: hvad skal man tage forbehold for på vej derhen – så kan man altid diskutere begrebet succes...

KD: Jamen jeg kan ligge ud, så kan du se om du er enig (henvendt til ABS) eller har noget at
20 supplere med.

ABS: Jamen jeg synes bare du skal starte. Jeg tror vi har været inde på meget af det allerede.

KD: Jeg vil jo sjovt nok sige at det handler om, snakker vi en strategisk transaktion, hvor der
25 er nogle integrations issues, så vil jeg sige at det selvfølgelig er 100 procent altafgørende at du har en succesfuld integration for den her handel. Det er en ting. Og det vil jeg selvfølgelig sige, dels med integrations briller, men jeg vil også sige det er selvfølgelig også altafgørende at man har et strategisk rationale bag den her handel, som giver mening. Fordi du kan lave nok så mange succesfulde integrationer, men hvis det bagvedliggende strategiske rationale
30 ikke holder, så kan det aldrig nogen siden blive en succes.

ABS: Jamen det må være hele forudsætningen for overhovedet at gå i gang med at overveje transaktionen. Hvis det viser sig alligevel ikke at være der undervejs, så må man jo droppe ud af processen. Det er klart.

Kommunikation gennem hele processen er ekstrem vigtig – på det rigtige tidspunkt.

5

KD: I forhold til de her, nu har du noget i forhold til integration, så var du inde på noget kultur og kulturforskelle.

JBØ: Ja, jeg skulle faktisk lige til at spørge om vi lige kunne snakke om det også.

10

KD: Jamen det er jo også klassisk. Hvis du har et eller andet... kultur kan være mange ting, det kan være en dansk virksomhed der køber en anden eller omvendt, det kan være sådan nationalorienteret kultur, det kan også være en virksomhedskultur og jeg har da været med til et projekt, hvor man kan sige den opkøbende virksomhed har måske en bestemt kultur og den opkøbte virksomhed har en kultur. Og de kan i virkeligheden være meget forskellige de to kulturer og de kan helt klart give nogle issues og det vi så vil gå ind og gøre i sådan en situation det er at vi så vil gå ind og lave nogle kultur suveys på en eller anden måde, hvor man går ind og ser på, hvad det er for to virksomheder man har. For du bliver nødt til at have forståelse for kulturen for at vide hvordan du skal kommunikere til den enkelte virksomhed.

15 Så går man ind og interviewer en hel masse mennesker og spørger, hvordan forholder du dig til det som virksomhed og til det som virksomhed og til det som virksomhed. Og så får man måske... så har man en hel række spørgsmål og så har man to virksomheder og så ser den ene virksomhed måske sådan her ud og den anden ser sådan herud (illustrere på white board). Og så kan man sige at på nogle områder, hvad angår den hastighed hvormed man tager beslutninger, der er det måske det samme, men hvad angår, lad os sige, hvor uafhængig den enkelte medarbejder er, der er det fuldstændig forskelligt. Fordi i den ene virksomhed der er medarbejderne vant til at de bare tager beslutninger selv og i den anden virksomhed der er de vant til et militært hierarki, hvor man skal gå op til 17 forskellige ledere for at få taget en beslutning. Ved at lave sådan et survey, der kan man få illustreret, hvordan er det de her to virksomheder de adskiller sig fra hinanden. Og det kan man så kommunikere ud til virksomheden og sige, det er fint nok, det her det er sådan I ser jer selv og det her, det er sådan I ser hinanden og det kan give virksomheden en bedre forståelse for nogen af de issues

der opstår undervejs. Så det kan være en måde at gøre det på. Men i sidste ende så kan man jo ikke... hvis du har to kulturer, så har du to kulturer og så må du bare få dem til at... ligesom at få det bedste ud af hinanden på en eller anden måde.

- Men det er selvfølgelig vigtigt, nu er vi også tilbage til kommunikation, for den opkøbende virksomhed – det er jo tit sådan at den opkøbende virksomhed er stor og den opkøbte virksomhed er måske lidt mindre – og der er det oftest sådan at den opkøbte virksomhed måske godt kan føle sig opslugt og der er det vigtigt hele tiden at gå ind og kommunikere, at der er en grund til vi går ind og køber en virksomhed op, det er fordi man synes de gør et godt stykke arbejde og det er jo fordi at den organisation i den opkøbte virksomhed, den rent faktisk gør noget – de er bedre til at gøre noget end man selv er ellers så ville man ikke købe den. Og det er vigtigt at få kommunikeret sådan nogle budskaber ud.

JBØ: Ja.

- Jeg synes lidt det overordnede det går lidt hen ad imod, at synergierne de er jo egentlig nemme at identificere og man kan sige vi kan skabe det og det, men der er bare så mange ting der kan skabe problemer hen ad vejen mod målet.*

KD: Helt sikkert.

- ABS: Ja, mangel på business as usual som du (KD) lagde ud med at sige. Og så hele det her people issue, det er det. Der er mange ting. Nu har jeg lige snakket med en virksomhed her for nylig, som vi skal rådgive med køb af en anden virksomhed og så fortalte de en historie om, at de havde købt en anden virksomhed for et par år tilbage og der var utroligt store problemer fordi dem der flyttede over – efter noget tid flyttede de så ind i den samme bygning ude i Ballerup, og det var virkelig skrækkeligt, fordi de havde været vant til blå gulvtæpper og nu var de grønne og de kunne simpelthen ikke vænne sig til det her – det var skrækkeligt. Det er bare svært at tage hensyn til alting. Men de mente det sgu og der gik lang tid... Men altså, jeg tror tit at man leder efter noget negativt må man sige, ikke. Jeg tror det er vigtigt at man lige som viser den virksomhed der bliver overtaget, som ofte er lidt mindre, at vise den respekt, sørge for at beholde nogen de ledende medarbejdere på nogle af stillingerne så de kan se, okay de folk som de kan referere til fra tidligere, de er stadig i organisationen. At man måske tager, selvfølgelig realisere synergierne så hurtigt som muligt, men man skal også tage det i

små skridt. Så det er ikke bare sådan at, hvis de er vant til at ligge i... ligge der, på den fysiske location, så skal man prøve at tage det stille og roligt og tage... ligesom vænne sig til tanken. Men altså, det kommer meget an på situationen.

- 5 KD: Men man kan sige omvendt, så er det jo også, kan man sige... det gælder også om på den ene side ikke at gøre tingene for hurtigt, men på den anden side også at gøre det så hurtigt som muligt.

ABS: Selvfølgelig, det skal gøres så hurtigt som muligt.

10

- KD: Populært sagt så er det de bedste rotter der kan svømme, så når skibet synker, så er det dem der forsvinder først. Og et eller andet sted så kan man sige, at hvis man ikke får lukket alle de her usikkerheder virkelig hurtigt, så det der sker det er at alle folk de tænker... okay, det første man bliver købt af en anden virksomhed det er at man kigge på okay hvad er der muligheder i markedet for mig som medarbejder, det vil være en naturlig reaktion og det gør alle folk. Og hvis man ikke får afklaret den usikkerhed hurtigst muligt, især med de dygtigste medarbejdere, så vil de forsvinde andre steder hen og sidder man tilbage efter fire måneder, hvor man ikke rigtig fik gennemført den her integration og så i virkeligheden, de medarbejdere som man gik ind og købte, de er forsvundet.

15 20

- JBØ: Kunne en løsning være der, at man... ikke decideret lovede nogle nøglemedarbejdere noget andet, men gjorde klart hvilke muligheder de så ville have inden for en ny organisation. F.eks. med Skandinavisk Tobakskompagni og British American Tobacco, jeg kunne forestille mig, det var en meget større organisation... så kunne man lokke med udstationering eller en anden stilling eller et andet forretningsområde, ud over en pose penge tænker jeg. Kan man så også lokke med nogen karrieremuligheder?*

- KD: Helt klart. Altså nu kan jeg jo ikke konkret snakke en eller anden case, men selvfølgelig vil du altid gå ind og sige okay, hvem er de kritiske nøglemedarbejdere. Det er ham og ham og ham og ham og dem skal vi beholde for alt. Det kan godt være vi ikke ved endnu, hvad der skal ske med dem, men så kan man altid gå over og prikke dem på skulderen og sige prøv og hør her, vi ved ikke hvordan og hvorledes, men vi vil utroligt gerne have at du bliver i den her

organisation. Og så får du allerede der – du kan ikke afklare usikkerheden, men så ved vedkommende selvfølgelig at der er nogle muligheder og det kan være der er nogle andre muligheder, men man behøver nødvendigvis ikke at skynde sige videre til noget andet.

- 5 ABS: Og så er det jo... så står de faktisk i en bedre position end før, ikke.

KD: Præcis.

ABS: I en større virksomhed osv.

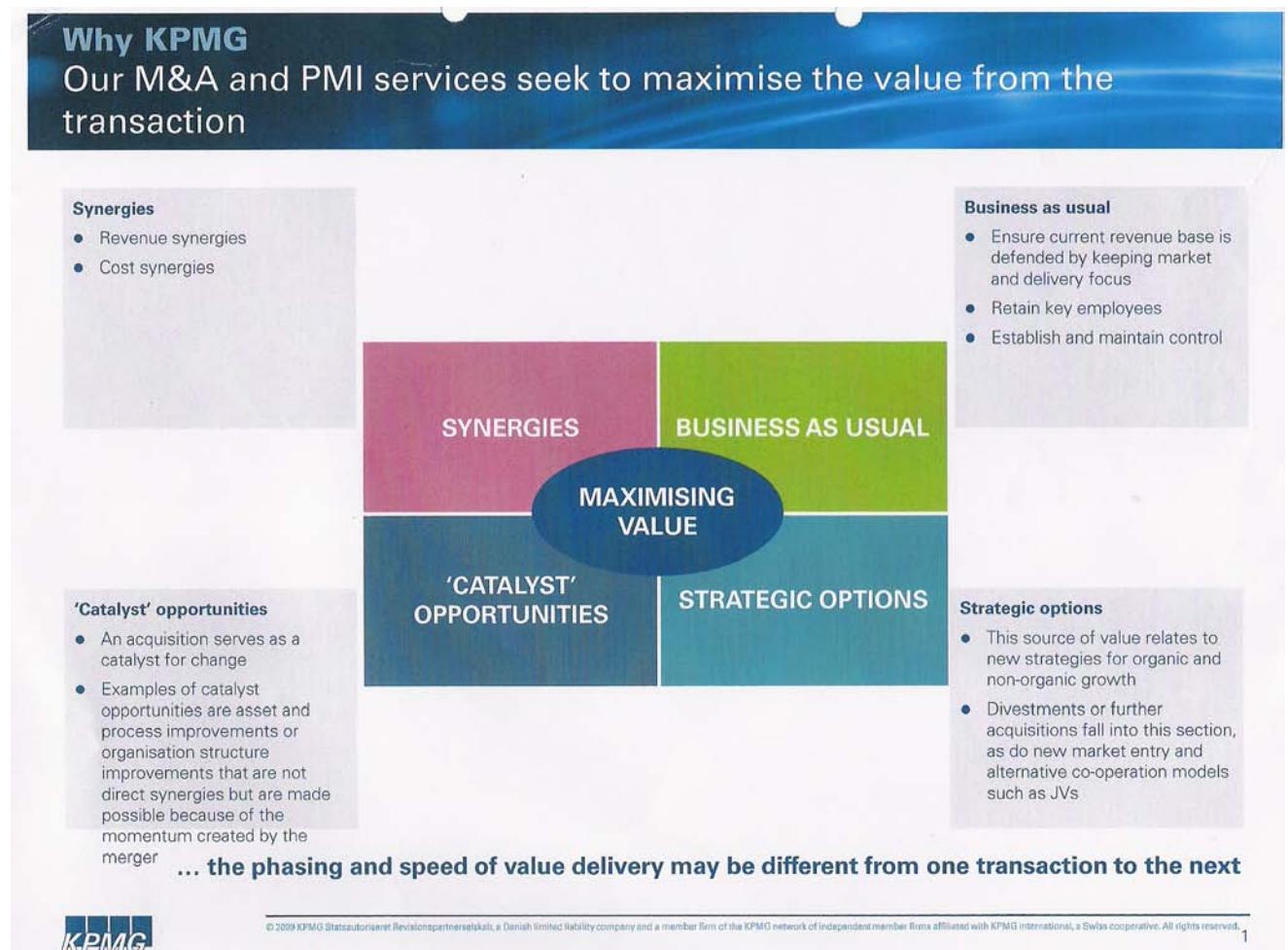
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KD: Ja. Så sådan vil det altid være, helt klart.

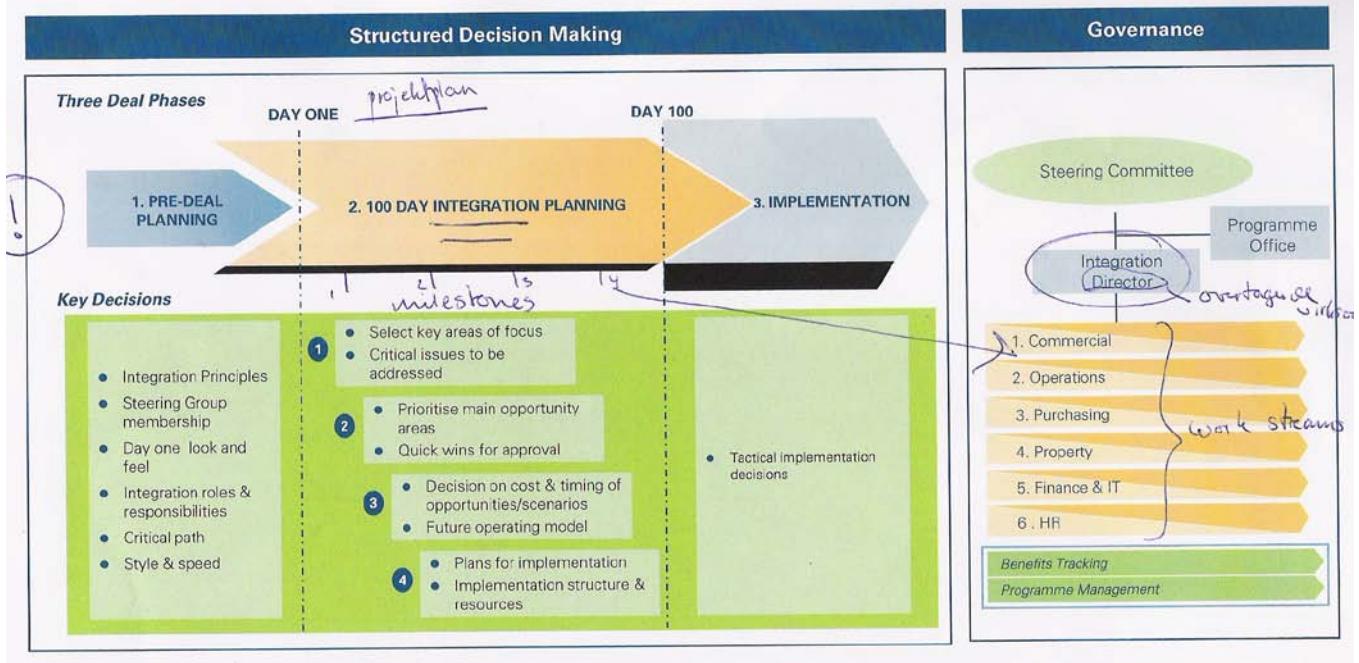
JBØ: Godt. Jamen jeg har faktisk ikke flere spørgsmål.

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Slides used for Presentation during the Interview

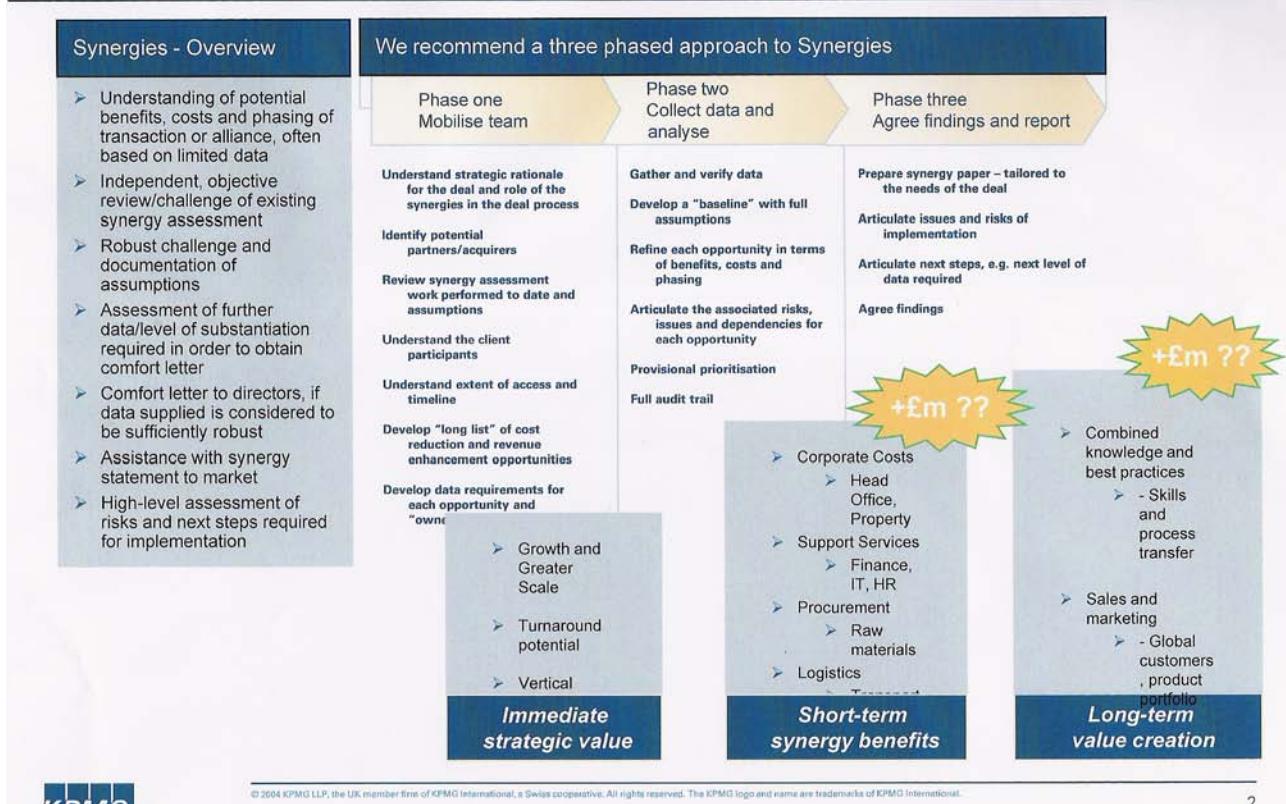


Control over governance and key decisions



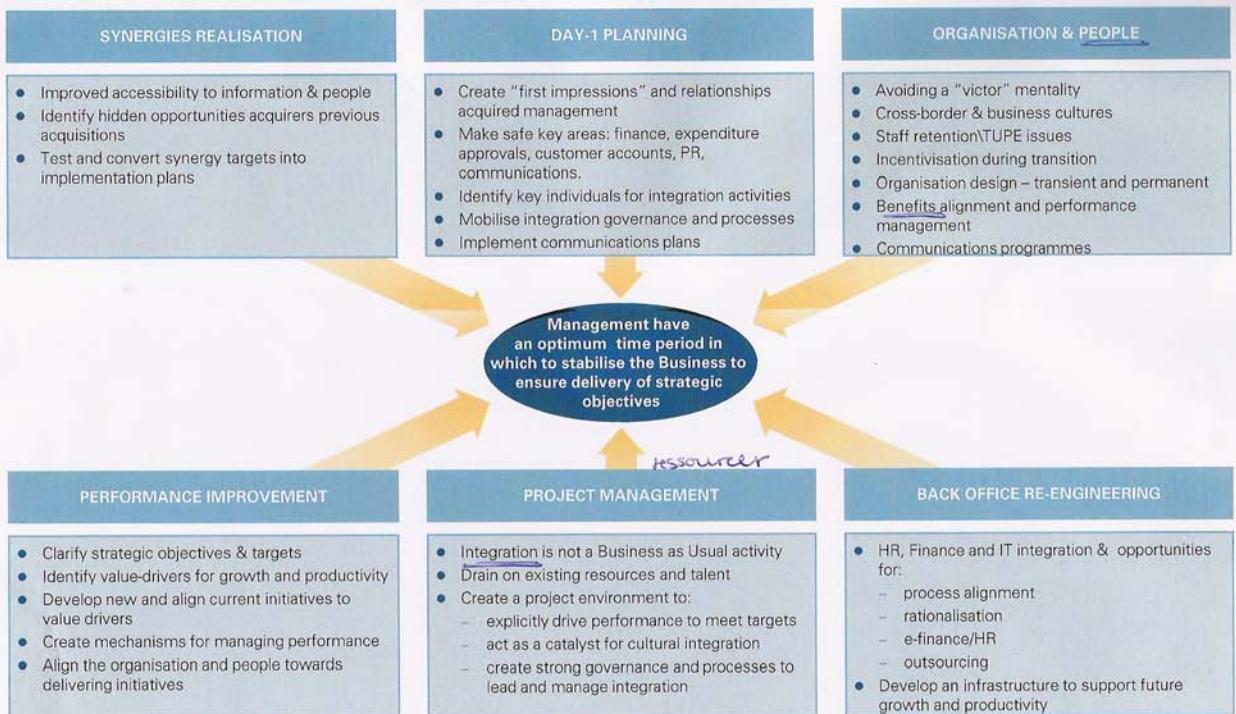
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Synergies: KPMG's identification and evaluation techniques

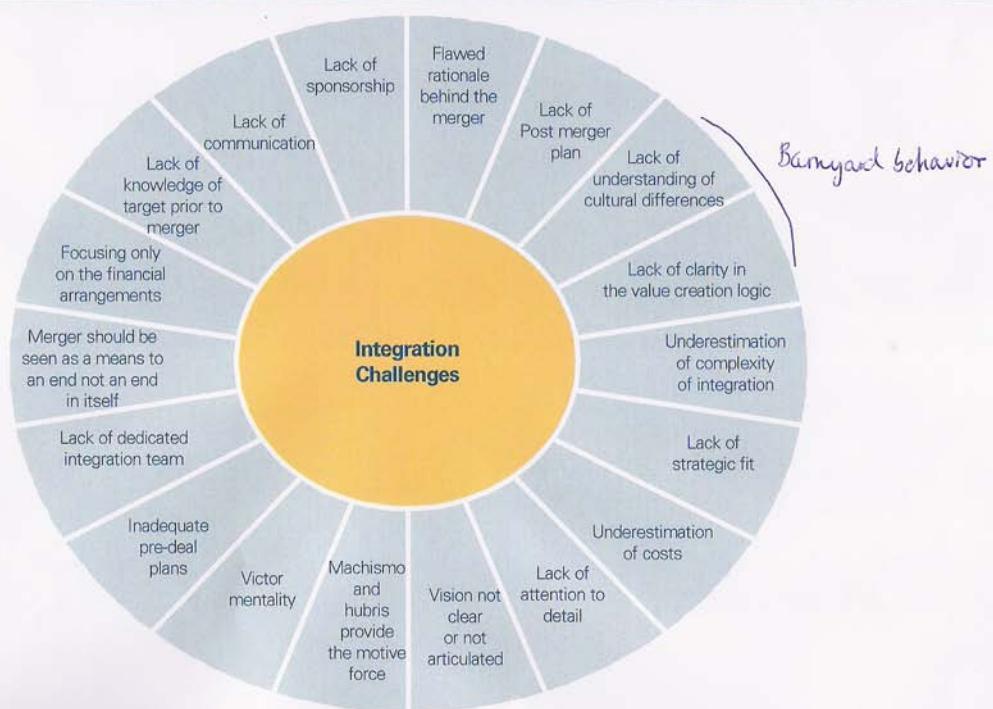


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Typical Integration issues



Based on our experience there are many pitfalls on the path to achieving a successful integration . . .



... many of which you may have already experienced



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LWMP/PClens/AM/RCS/07/Mar/08/2008/Deamer/Ver 12 December/15 Thursday/MIL Transformation Programme - 18th Dec v 3.pdf

Post Deal Support

British American Tobacco Case Study

In February 2008 British American Tobacco announced the €2.7 billion acquisition of the cigarette business of Skandinavisk Tobakskompagni (ST).

- British American Tobacco is the world's most international tobacco group, with brands sold in over 180 countries and net revenues of €12bn in 2007
- ST accounts for more than 80 per cent of cigarette sales in Scandinavia and its products are sold in over 40 countries.
- Following the announcement of the deal, British American Tobacco selected KPMG as its partner to assist in the integration of this complex, cross-border deal

KPMG added value by working collaboratively with British American Tobacco's internal integration team to plan and execute the integration process

- We helped British American Tobacco in the pre-completion phase to develop a robust 'Post Acquisition Plan' laying out detailed post-deal integration plans by function and by geography
- We provided challenge, facilitation and objectivity to the integration management group in the critical 'first 100 days' post deal, enabling them to work together effectively as they began the process of integration and collaboratively built a detailed synergy case
- We provided flexible, specialist skilled resource from across KPMG to support British American Tobacco in functional and geographic areas where they most required support

"KPMG's Transaction Services team has been a very supportive partner during the ST Integration Project.

Their flexibility to change or enhance the team at short notice in response to new circumstances has been excellent.

They have challenged us in a collaborative way which has improved the quality of our integration planning whilst never "taking over".

Will Wigmore, Integration Planning Manager



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Appendix 9.1: Case Study Research Design

In appendix 1.1 it was outlined how a case study research design should include five elements; study questions, study propositions, unit of analysis, linking data and propositions together, and interpretation of the data.

This appendix is to specify the case study research design with regard to the study of the selected case; Vestas Wind Systems A/S' acquisition of NEG Micon A/S in 2004.

Following, each of the five elements of the research design will be determined in accordance to the case.

Study Questions

The main problem of the project is outlined through the main question of the problem statement and according to this; the project strives to answer:

How do companies realize and create value by means of the planned synergies in the acquisition process?

As the main question is a “how” question, Yin (2009) emphasizes the rationality of the case study method as this method of research is valid for answering this type of research problem.

In accordance with the overall problem, sub questions are to be answered and with respect to the case study research, the project aims to answer the following:

- What are the characteristics and experiences of a Danish transaction with regard to the realization of synergies and the following value creation?

Hence, the study questions will be based on answering the problems above in order to cohere with the overall intend of the thesis.

The case study questions are based on theory, professional insights, and the overall process of Vestas' acquisition of NEG Micon.

Based on theory, questions with regard to identification and valuation of synergies, the realization of synergies, and outcomes will be asked. The professional insights will lead to

questions regarding specific issues of the acquisition process such as people, management, valuation, integration, planning etc. Finally, the case of Vestas and NEG Micon allows asking specific questions to certain issues of the process.

The following list of questions is some of the research questions to be answered.

1. **What was the rationale of the transaction?** – By this question, the underlying motivation and reasoning of the deal create a foundation of understanding and the strategic rational of the deal affects the integration strategy and implementation of the other company.
2. **How did Vestas approach NEG Micon and the transaction process?** – This question provides an insight into the terms of the transaction and outlines some of the characteristics as well as Vestas' planning of the process.
3. **What types of synergies were identified – cost or revenue synergies?** – By answering this question, it is possible to obtain knowledge of the synergies to be achieved through the integration process. This knowledge will also found an understanding on which activities Vestas should initiate with regard to strategy, planning, and integration.
4. **How did Vestas value the identified and planned synergies?** – As evaluation of synergies are highly correlated to the premium paid for another company as well as the success or failure of the transaction, this question determines and assesses the price paid for NEG Micon and link it to the synergies planned to be achieved throughout the process.
5. **When and how did Vestas start planning the integration and hence, the realization of synergies?** – Answering this question will make it possible to answer if Vestas acted as according to theory which highly emphasizes that planning should be extensive and integration should be executed throughout the acquisition process. Also, the answer will provide insight into the activities Vestas initiated throughout the transaction process.
6. **What synergies did Vestas realize - and how?** – This question starts exploring the outcome of the transaction as well as the means to get to the point where Vestas is today based on the acquisition of NEG Micon. Furthermore, the answer will provide details on if any synergies may be achieved “more easily” than others.

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7. **What synergies have contributed the most to the outcome of the deal?** – Some synergies may not have been realized while others might have been more substantial than first assumed. The answer to this question might also highlight which activities Vestas has carried out most efficiently with regard to planning, integration, and execution. Together with question 6 above, the answer to this question will also verify or reject if it is true that revenue synergies have more upside potential than cost synergies.
 8. **What activities have secured the outcome of the deal?** – This question continues the aim of question 7 above as it strives to identify success factors of the transaction as well as specifying some of the corporate activities Vestas undertook.
 9. **What were the challenges of the transaction – were they resolved. Could anything have been done differently?** – Answering this question will create a discussion of the complexity and difficulties of performing a transaction as well as discussing the activities initiated by Vestas, their approach to the transaction, the strength of the rationale and strategic fit, if the valuation was correct/sufficient, and if the integration and execution of the integration of NEG Micon was adequate.
 10. **What was the outcome based on several parameters?** - Finally, the tenth question is to present the outcome of the deal, not only with regard to financials but also with regard to Vestas competitive position, management, R&D, infrastructure/distribution, sales etc. This final question additionally provides the opportunity to discuss the empirical evidence of the *average* deal compared to the qualitative analysis of the outcome of a *single-case* deal and why the results might differ.

To answer the above 10 study questions, a wide variety of sources will be used in order to establish the quality of the research. Professionals, analysts, insiders, and the common business press will be used as some of the sources of information in order to provide as varied and valid result of the research as possible.

The case study is not only concentrate around the ten questions. In order to create context and the foundation of the analysis, more information on the companies, industry, and the transaction process is necessary. This presentation together with the focus of the study question will create a consistent and reliable case with great value for the reader.

Study Propositions

As outlined in appendix 1, Yin (2009) sketches how the propositions of a study direct certain attention to something in the case that should be studied – in this project, the event of Vestas' acquisition of NEG Micon. The propositions created are a way to maintain a focus of the study. In this project the study propositions are created from both the theoretical as well as the practical discussion. The propositions will found the focus of the study: *how do companies create value through the planned synergies in the acquisition process?* And secure that the analysis stays on track with regard to the qualitative study of this problem. Below the eight study propositions are outlined.

- P1: The assumptions for a deal should be defined and understood in great detail - The fundamentals of a transaction must be solid in order to determine the process
- P2: Identification and valuation of synergies is essential and revenue synergies have the greatest upside potential - Therefore, it is those synergies that ought to be chased in the acquisition process.
- P3: Avoid overpaying for the target - Paying too high a premium will most likely result in subsequently value destruction. Additionally, the buying company may suffer from the Winner's Curse.
- P4: Planning is vital. Focus on integration should be placed throughout the acquisition process - Most companies focus on the integration throughout the process and this should imply success.
- P5: Pre- and post merger coherence is of great importance - From the beginning and throughout the process, there should be consistency between the pre-merger and post-merger vision and planning.
- P6: Management, integration, planning and financial evaluation are of great importance - Focusing on these four areas, success should most likely be achieved.
- P7: When it comes to it, it is all about the people - Cooperation, management, and communication depend on the people involved.
- P8: No matter how well prepared a company is, value is rarely created through acquisitions - Empirically, companies do not outperform the market and in many cases, value is even destroyed.

Unit of Analysis

In the part on the empirical evidence of M&A the evidence relied on a majority of American studies. Following the review of 15 empirical studies, a minor examination of the outcome of deal in the Danish market in 2004/2005 was performed in order to if the results were consistent – which they were. Therefore, a following study of a specific transaction in the Danish market became the objective of the deal in order to create consistency and structure of the project.

Quite a few Danish companies have acquired other companies throughout the last 9 years and in the Zephyr database approximately 190 deals were presented from a simple search. However, companies acquiring subsidies etc. was a part of the sample so the number provided may be a little high.

One of the requirements to the unit of analysis was that the deal should have taken place more than three years ago in order to be able to analyze and discuss the outcome with a high degree of reliability and track record. Also, the transaction should be significant either with regard to deal value, market reaction, competition, and strategy. Finally, in order to assess the market reaction a quoted target was of the main interest.

In 2004 Vestas acquired NEG Micon and as such formed a highly competitive company within windmill energy. The industry of windmills is highly dependent on economic factors and the industry is continuously evolving and there is a substantial future perspective due to environmental considerations, awareness, and politics. The deal entailed that Vestas achieved more than 30 percent of the market power. Outsiders were surprised and later, they commented on, in their view, the challenging integration due to cultural differences etc. Also, unannounced changes in management happened shortly after the transaction and in 2008, the new CEO, Ditlev Engel, was awarded Executive of the Year in Denmark. Together, all these factors make the case of Vestas and NEG Micon of great interest and relates to the study questions to be answered. Additionally, a wide range of sources of evidence of the transaction is public available.

Linking Data and Propositions Together

No statistical analysis of the case will be carried out – the research is of qualitative nature. The data collected are to answer the study questions as well as the propositions. In order to link the data collected with the proposition it is important to determine a strategy for the analysis. In my

study, the analysis is built upon the development of a case description founded on the propositions as presented above. Besides that the rival explanation; implementation, is also given attention in the analysis process as the outcome of the transaction may have been different if the management of Vestas approached the process differently. Based on this, the linkage between the propositions and the data collected relate to three of Yin's (2004:130-136) four analysis strategies as they are each deemed to contain important aspects to be used in the analysis.

Interpretation of the Data

After determining the strategy of linking the data and the study propositions with aspects of three of Yin's strategies, an analytical technique is the last to be considered for the case study.

The research has already been established to be explanatory and as such, Yin argues (2004:141) that the strategy of explanation building is relevant for the case study – especially with regard to the single-case study of a company's success or failure.

The content of the explanation building is that it strives to explain a phenomenon by stipulating how or why something happened. The how and why questions are the underlying approach for a case study research and as such the use of the explanation building strategy is further supported.

Using the explanation building strategy for the data analysis is not flawless and for me as an analyst I should be aware of the challenge of keeping focus and stay determined on answering the study propositions.

Design Data Collection Protocol

This section provides the protocol for the data collected. First, in order to secure consistency and overview of the data collected. Second to secure that sufficient data is collected in order to answer the research questions and propositions. Finally, to ensure quality of the data collected, that is to make sure that the collected data is consistent with the goal of the analysis, the data protocol will create consistency. The list below illustrates which kind of sources are sought for.

1. Search sources with regard to study questions
2. Search sources from Vestas
3. Search sources from outsiders

-
4. Search sources in the respect of reports/papers/project
 5. Sources of insiders

Summary

By determining the frame of the case study research it is ensured that the analysis stays in focus, that the sources found and data collected are sufficient and that the right approach to the analysis is chosen. Yin's (2009) extensive work and case study research has helped creating the correct methodological frame for the analysis and will help secure the quality of the study.

Appendix 9.2 – Share Price Development

	VESTAS WIND SYSTEMS		OMX C20	
	Closing price	% change	Closing price	% change
12-11-2003	121		251,22	
13-11-2003	122,5	1,24%	253,33	0,84%
01-12-2003	89	-27,35%	247,22	-2,41%
11-12-2003	92	3,37%	243,38	-1,55%
12-12-2003	94,5	2,72%	244,08	0,29%
01-03-2004	114	20,63%	278,61	14,15%
01-04-2004	98,5	-13,60%	258,27	-7,30%
03-05-2004	95	-3,55%	255,2	-1,19%
01-06-2004	80,5	-15,26%	252,79	-0,94%
01-07-2004	91,75	13,98%	269,34	6,55%
02-08-2004	82,25	-10,35%	265,86	-1,29%
01-09-2004	78,5	-4,56%	269,67	1,43%
01-10-2004	90,25	14,97%	283,23	5,03%
01-11-2004	74,25	-17,73%	275,08	-2,88%
01-12-2004	64,75	-12,79%	285,64	3,84%
03-01-2005	69,5	7,34%	289,59	1,38%
01-02-2005	69,25	-0,36%	293,92	1,50%
01-03-2005	76,75	10,83%	315,57	7,37%
01-04-2005	85,75	11,73%	319,23	1,16%
02-05-2005	73,5	-14,29%	307,94	-3,54%
01-06-2005	100,25	36,39%	329,42	6,98%
01-07-2005	99,25	-1,00%	344,82	4,67%
01-08-2005	117	17,88%	353,48	2,51%
01-09-2005	130,25	11,32%	367,83	4,06%
03-10-2005	147	12,86%	368,92	0,30%
01-11-2005	132,75	-9,69%	362,81	-1,66%
01-12-2005	100,25	-24,48%	373,67	2,99%
02-01-2006	106,5	6,23%	399,52	6,92%
01-02-2006	123,75	16,20%	397,51	-0,50%
01-03-2006	133,75	8,08%	393,1	-1,11%
03-04-2006	155,75	16,45%	398,61	1,40%
01-05-2006	162,5	4,33%	399,41	0,20%
01-06-2006	149	-8,31%	372,25	-6,80%
03-07-2006	165	10,74%	374,01	0,47%
01-08-2006	156,75	-5,00%	376,89	0,77%
01-09-2006	166,25	6,06%	388,63	3,11%
02-10-2006	156,25	-6,02%	404,55	4,10%
01-11-2006	166	6,24%	420,95	4,05%
01-12-2006	224,75	35,39%	425,84	1,16%
02-01-2007	242,5	7,90%	447,69	5,13%
01-02-2007	261,5	7,84%	472,48	5,54%

Announcement day / Rumours

Primo 2005

”The Will to Win”

Primo 2006

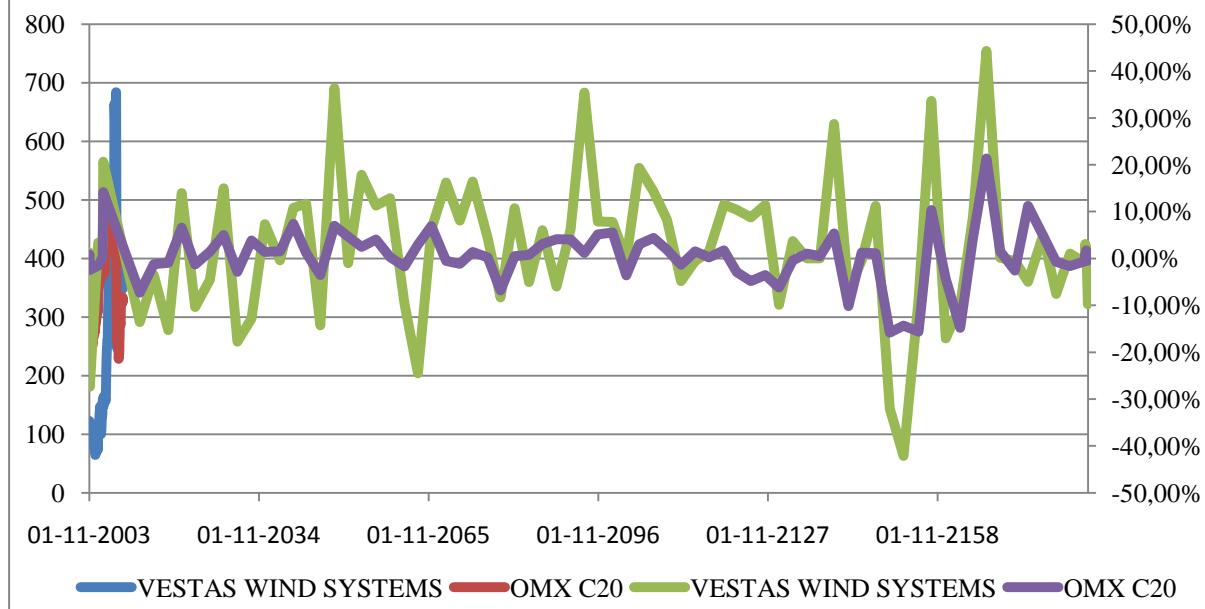
Primo 2007

01-03-2007	261	-0,19%	455,59	-3,57%
02-04-2007	311,5	19,35%	469,4	3,03%
01-05-2007	356	14,29%	489,97	4,38%
01-06-2007	385,5	8,29%	499,05	1,85%
02-07-2007	367	-4,80%	492,47	-1,32%
01-08-2007	365	-0,54%	500,11	1,55%
03-09-2007	370	1,37%	501,21	0,22%
01-10-2007	412,5	11,49%	509,83	1,72%
01-11-2007	455,5	10,42%	494,85	-2,94%
03-12-2007	495,5	8,78%	471,09	-4,80%
02-01-2008	552	11,40%	454,48	-3,53%
01-02-2008	497,5	-9,87%	426,18	-6,23%
03-03-2008	516	3,72%	424,49	-0,40%
01-04-2008	516	0,00%	429	1,06%
02-05-2008	516	0,00%	431,16	0,50%
02-06-2008	664	28,68%	454,14	5,33%
01-07-2008	618	-6,93%	408,01	-10,16%
01-08-2008	615	-0,49%	413,01	1,23%
01-09-2008	684	11,22%	417,54	1,10%
01-10-2008	465	-32,02%	351,47	-15,82%
03-11-2008	269	-42,15%	301,2	-14,30%
01-12-2008	245,5	-8,74%	254,22	-15,60%
02-01-2009	328	33,60%	280,45	10,32%
02-02-2009	272	-17,07%	268,31	-4,33%
02-03-2009	244,5	-10,11%	228,63	-14,79%
01-04-2009	266,5	9,00%	238,66	4,39%
01-05-2009	384,5	44,28%	289,65	21,37%
02-06-2009	385	0,13%	294,13	1,55%
01-07-2009	383	-0,52%	286,56	-2,57%
03-08-2009	364	-4,96%	318,78	11,24%
01-09-2009	382	4,95%	334,22	4,84%
01-10-2009	353	-7,59%	331,87	-0,70%
02-11-2009	356,75	1,06%	326,49	-1,62%
03-11-2009	353,75	-0,84%	324,62	-0,57%
04-11-2009	363,75	2,83%	327,32	0,83%
05-11-2009	375	3,09%	329,73	0,74%
06-11-2009	377,25	0,60%	328,55	-0,36%
09-11-2009	386	2,32%	334,32	1,76%
01-12-2009	348,5	-9,72%	332,77	-0,46%

Primo 2008

Primo 2009

Share Price Development, Vestas and OMX C20 - November 2003 - November 2009



Appendix 9.3: Market Share of Vestas and its Peers; Nordex AG, Suzlon Energy, and Gamesa Wind

Market share

	Vestas	Nordex	Suzlon	Gamesa
2003	22,2%	1,5%	3,0%	14,0%
2004	35%	2,0%	3,9%	17,0%
2005	28%	2,6%	6,1%	12,9%
2006	28%	4,0%	7,0%	13,0%
2007	23%	3%	11%	15%
2008	20%	4,0%	12,3%	11,0%

Sources:

For Vestas, all numbers have been found in Vestas Annual Reports, 2003 - 2008

2003	assumptions					
2004	from BTM Consult World market update 2004 and ten year review of the international wind power industry 1995 - 2004					
2005	from epc-intell.com					
2006	from epc-intell.com - WTG Market Shares 2007					
2007	from Vestas 2008 Q1 presentation,					
2008	for suzlon: http://www.businessworld.in/bw/2009_10_23_Galloping_Ahead.html?offset=2&max=1					
	for nordex: http://www.gaccom.org/fileadmin/user_upload/Dokumente/Presentation-Eastern-Germany_Chicago_11_06_2009_Version_final.pdf					
	for gamesa: http://www.ekopolitan.com/tech/wind-global-market-shares-2008-less-swoosh-leading-vestas					

Appendix 9.4 – Financial Key Figures 2003 - 2008

Vestas	2003	2004	2005	2006	2007	2008
ROIC, %	8,1%	-3,8%	-13,2%	11,9%	30,9%	34,1%
ROE, %	5,9%	-4,2%	-18,1%	10,0%	21,0%	29,4%
EBIT, %	4,5%	-0,4%	-3,2%	5,2%	9,1%	11,1%
EBIT, EUR	74.000.000	-9.000.000	-116.000.000	201.000.000	443.000.000	668.000.000
P/E	38,6	-	-12,7	52,8	47,1	14,8
NWC, EUR	603.000.000	853.000.000	498.000.000	122.000.000	-68.000.000	299.000.000
Equity, EUR	613.000.000	1.162.000.000	962.000.000	1.262.000.000	1.516.000.000	1.955.000.000
NWC of Equity	98,37%	73,41%	51,77%	9,67%	-4,49%	15,29%
EC		9,15	0,18	1,06	2,82	0,85

from AR

ROCE, %	from Vestas AR	sh price 2007	74	EPS	1,6
ROE	from Vestas AR	sh price 2008	40,7		2,8
EBIT	from Vestas AR				
P / E	from Vestas AR				
NWC	from Vestas AR				

Cost- output elasticity	2003	2004	2005	2006	2007	2008
Production costs, EUR	1.502.100.000,00	2.440.700.000	2.498.100.000	3.393.100.000	4.063.000.000	4856000000
Output / MWh	2667	2784	3185	4239	4502	5580
	2003	2004	2005	2006	2007	2008
NWC, EUR	603.000.000	853.000.000	498.000.000	122.000.000	-68.000.000	299.000.000
Equity, EUR	613.000.000	1.162.000.000	962.000.000	1.262.000.000	1.516.000.000	1.955.000.000
NWC of Equity	98,37%	73,41%	51,77%	9,67%	-4,49%	15,29%
P / E ratio	38,60	-	-12,70	52,80	47,10	14,80

- ROIC profit before financial income and expenses + financial income / average working capital
 ROE net income after tax / shareholder equity
 EBIT operating revenue - operating expenses + non-operating income
 P/E price per share / annual earnings per share
 NWC current assets - current liabilities
 EC ((delta)costs / costs) / ((delta)outcome/outcome)

ROCE	It is commonly used as a measure for comparing the performance between businesses and for assessing whether a business generates enough returns to pay for its cost of capital.
ROE	It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities). ROE shows how well a company uses investment funds to generate earnings growth.
EBIT	is a measure of a firm's profitability that excludes interest and income tax expenses.[1]
P/E	is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share
NWC	represents operating liquidity available to a business
EC	is the percentage change in costs over the percentage change in output.

Definitions are from www.investopedia.com

P/E ratio – Vestas and peers, 2003 - 2008

P / E - from ARs	2003	2004	2005	2006	2007	2008
Nordex	-8,45	-12,10	-33,33	65,48	42,64	14,08
<i>EPS</i>	-2,96	-0,62	-0,15	0,21	0,74	0,71
<i>Sh price</i>	25	7,5	5	13,75	31,55	10
Suzlon	3,28	2,48	3,39	3,83	7,62	35,56
<i>EPS</i>	1,08	2,9	5,6	6	7,1	1,6
<i>Sh price</i>	3,54	7,2	19	23	54,1	56,9
Gamesa	10,48	14,51	22,47	16,16	35,53	9,65
<i>EPS</i>	0,83	0,71	0,55	1,29	0,9	1,32
<i>Sh price</i>	8,7	10,3	12,36	20,85	31,98	12,74
Vestas	38,6	-	-12,7	52,8	47,1	14,8

Appendix 9.4 – Financial Key Figures 2003 - 2008

Vestas	2003	2004	2005	2006	2007	2008
ROIC, %	8,1%	-3,8%	-13,2%	11,9%	30,9%	34,1%
ROE, %	5,9%	-4,2%	-18,1%	10,0%	21,0%	29,4%
EBIT, %	4,5%	-0,4%	-3,2%	5,2%	9,1%	11,1%
EBIT, EUR	74.000.000	-9.000.000	-116.000.000	201.000.000	443.000.000	668.000.000
P/E	38,6	-	-12,7	52,8	47,1	14,8
NWC, EUR	603.000.000	853.000.000	498.000.000	122.000.000	-68.000.000	299.000.000
Equity, EUR	613.000.000	1.162.000.000	962.000.000	1.262.000.000	1.516.000.000	1.955.000.000
NWC of Equity	98,37%	73,41%	51,77%	9,67%	-4,49%	15,29%
EC		9,15	0,18	1,06	2,82	0,85

from AR

ROCE, %	from Vestas AR	sh price 2007	74	EPS	1,6
ROE	from Vestas AR	sh price 2008	40,7		2,8
EBIT	from Vestas AR				
P / E	from Vestas AR				
NWC	from Vestas AR				

Cost- output elasticity	2003	2004	2005	2006	2007	2008
Production costs, EUR	1.502.100.000,00	2.440.700.000	2.498.100.000	3.393.100.000	4.063.000.000	4856000000
Output / MWh	2667	2784	3185	4239	4502	5580
	2003	2004	2005	2006	2007	2008
NWC, EUR	603.000.000	853.000.000	498.000.000	122.000.000	-68.000.000	299.000.000
Equity, EUR	613.000.000	1.162.000.000	962.000.000	1.262.000.000	1.516.000.000	1.955.000.000
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P / E ratio	38,60	-	-12,70	52,80	47,10	14,80

- ROIC profit before financial income and expenses + financial income / average working capital
 ROE net income after tax / shareholder equity
 EBIT operating revenue - operating expenses + non-operating income
 P/E price per share / annual earnings per share
 NWC current assets - current liabilities
 EC ((delta)costs / costs) / ((delta)outcome/outcome)

ROCE	It is commonly used as a measure for comparing the performance between businesses and for assessing whether a business generates enough returns to pay for its cost of capital.
ROE	It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities). ROE shows how well a company uses investment funds to generate earnings growth.
EBIT	is a measure of a firm's profitability that excludes interest and income tax expenses.[1]
P/E	is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share
NWC	represents operating liquidity available to a business
EC	is the percentage change in costs over the percentage change in output.

Definitions are from www.investopedia.com

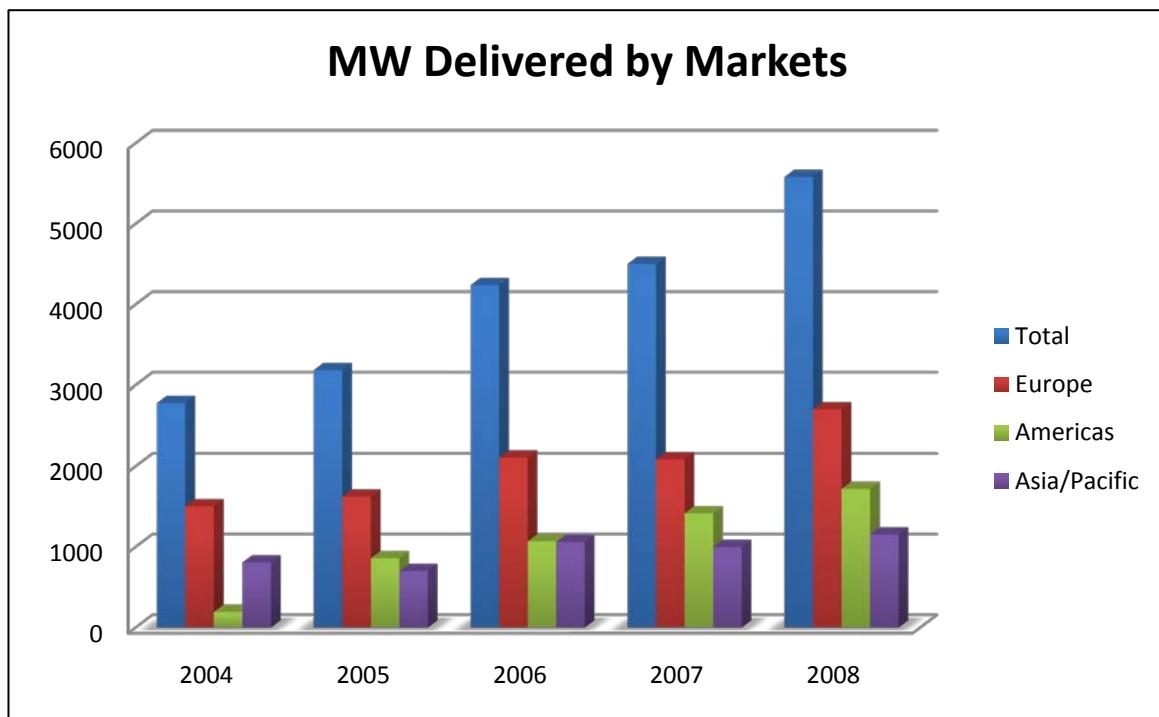
P/E ratio – Vestas and peers, 2003 - 2008

P / E - from ARs	2003	2004	2005	2006	2007	2008
Nordex	-8,45	-12,10	-33,33	65,48	42,64	14,08
<i>EPS</i>	-2,96	-0,62	-0,15	0,21	0,74	0,71
<i>Sh price</i>	25	7,5	5	13,75	31,55	10
Suzlon	3,28	2,48	3,39	3,83	7,62	35,56
<i>EPS</i>	1,08	2,9	5,6	6	7,1	1,6
<i>Sh price</i>	3,54	7,2	19	23	54,1	56,9
Gamesa	10,48	14,51	22,47	16,16	35,53	9,65
<i>EPS</i>	0,83	0,71	0,55	1,29	0,9	1,32
<i>Sh price</i>	8,7	10,3	12,36	20,85	31,98	12,74
Vestas	38,6	-	-12,7	52,8	47,1	14,8

Appendix 9.5 – Development in MW Delivered, Broken Down to Markets

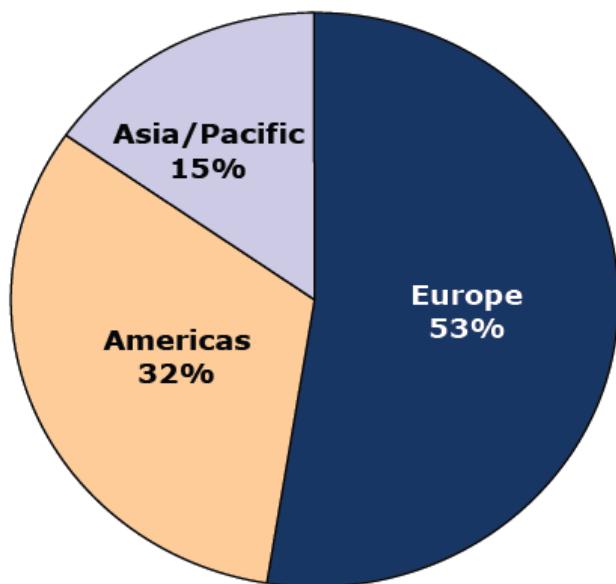
MW delivered	Total	Europe	Americas	Asia/Pacific
2004	2784	1503	195	807
2005	3185	1624	860	701
2006	4239	2109	1070	1060
2007	4502	2087	1416	999
2008	5580	2707	1719	1154
MW delivered, % change				
	Total	Europe	Americas	Asia/Pacific
2005	12,59%	7,45%	77,34%	-15,22%
2006	24,86%	22,98%	19,63%	33,90%
2007	5,84%	-1,05%	24,44%	-6,11%
2008	19,32%	22,90%	17,63%	13,43%

from AR 2004-ppt presentation
from AR 2005-ppt presentation
from AR 2006-ppt presentation
from AR 2008 p. 25
----- = -----



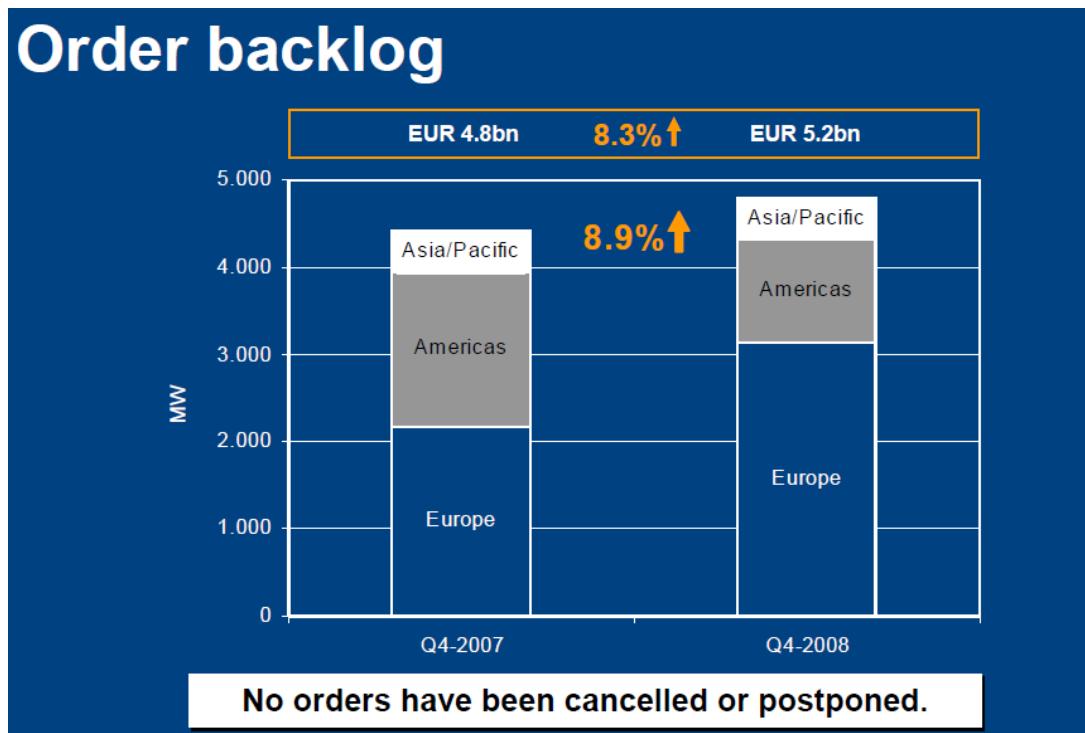
Appendix 9.6 – Order Backlog 2006 - 2008

2006 – from ppt presentation on AR 2006, vestas.com



- Total order backlog worth approx EUR 4bn
- Equivalent to more than 4,000 MW
- Balanced order intake in all regions

2007 & 2008 – from ppt presentation on AR 2008, vestas.com



Appendix A: Official Page/Word Count

In order to comply with the formalities required for the layout of the project, this document is to determine the number of pages included in the paper based on the guidelines of Copenhagen Business School. On the e-campus web site (www.e-campus.dk), the following requirements for the Master Thesis are outlined:

A standard A4 page at Cand.merc. counts:

- 2,275 characters including spaces, (tables count 800 STUs), with:
- 2.5 cm margin on all 4 sides
- 12 pitch
- Times New Roman
- 1.5 spacing

Students should be aware that it is not just the body text that is taken into account when determining the length of the assignment. All written components that form part of the assessment are included. This includes table of contents, introduction, scope and definition of assignment problem, methodology chapter, footnotes and endnotes, perspective, as well as bibliography and references. Only the title page, resume and appendices are not included in the standard page definition.

Based on this, the formal details of the project are outlined below.

Number of text-based characters	149,742
Number characters based on figures (22 x 800)	17,600
Number characters based on tables (2 x 800)	1,600
Total number of characters	168,942
Number of pages (168,942/2,275)	74,3