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International Strategic Investments

A study of considerations associated with Royal Unibrew's expansion into Spain

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Executive Summary

International investments have become a major part of operating a multinational enterprise (MNE), since such investments come in many forms. Investment in the form of international expansion is of special interest to this thesis. The thesis is focusing around a potential international expansion of Royal Unibrew into Spain, where the question of entry strategy is covered. In order to investigate this, a macro economical analysis of Spain is performed, along with an analysis of the competitiveness within the beer industry and with special focus on the beer industry in Spain. An internal analysis is performed as well to provide an insight into the resources of Royal Unibrew. The analysis shows various ownership advantages, location advantages and internationalization advantages, which ultimately lead to foreign direct investment (FDI) in the form of merger and acquisition being the optimal entry strategy. This leads to a due diligence process, in order to find the best possible candidates for such an international acquisition.

After a comprehensive search process, the total number of candidates at 795 is limited to 551. A selection process with certain screening criteria narrows the data sample down to eight potential candidates. Based on the eight candidates a two-level evaluation hierarchy is created using an analytic hierarchy process (AHP) with roots in multi criteria decision making (MCDM), where the first level of the hierarchy includes four aspects and the second level includes nine different criteria. By using certain intensity of importance between each aspect and criterion, comparison matrices are calculated to determine the weights of the aspects and criteria. These are assessed both subjectively and objectively and determine the final ranking of the candidates. This way, by taking the importance of each aspect and criteria into account, the top ranking candidates for an international acquisition by Royal Unibrew are the Spanish breweries Font Salem, S.L. followed by Hijos de Rivera, S.A. and Estrella de Levante Fabrica de Cerverza, S.A. A discussion of methods and further action points for Royal Unibrew are finally discussed, as the results of this thesis should not determine which candidate to use for an expansion, but be the foundation for a more extensive research of the top ranked candidates.

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Part I

Introduction, company description, methodology and theoretical background

The first part of the thesis contains an introduction with research question, purpose, motivation, structure and delimitation, which will present the scope and possibilities of the thesis. A company overview is then presented to give an insight into the history and to present the current situation of Royal Unibrew. Lastly, methodology and theoretical background is presented to describe the approach and foundation of the study.

1. Introduction

Globalization has since its arrival created lots of opportunities for companies to expand their activities abroad. Borders have been easier for firms to overcome, as well as the costs have been reduced (Shimizy et al., 2004). However, expanding activities internationally also raises various kinds of risks and factors that need to be assessed. These risks are highly correlated to the commitment level and entry mode that the company chooses to pursue. For example, the risk is much higher when committing capital into a plant compared with only choosing to export products to the given country (Peng & Meyer, 2011). By expanding their activities abroad, companies often achieve competitive advantages, such as economies of scales and scope, multinational tax planning, and low-cost labor or raw materials access. Often this kind of expansion is seen in mature markets as a way of generating growth (Butler, 2016).

The beverage industry can be classified as a mature market and is facing increasing competition as new products are introduced to the market continuously (Brewers of Europe, 2017). Consumers are becoming more aware of what they drink, and demand healthier beverages as well as more diversified products (Euromonitor, 2018). Within the beer industry, the main categories, pilsner and other mainstream beers, have stagnated through the last decade (Statista, 2018a). Even though trends towards low or non-alcoholic and specialty beers have been seen in the overall beer market, the market is characterized by its matureness and its major players.

Therefore, market growth presumably happens through acquisitions of other established firms (Yip, 1992).

Royal Unibrew has through the last two decades established itself as an international market player. The growth of Royal Unibrew is highly due to the international acquisitions, which have been completed through the years since their IPO in 1998. Over 65% percent of their revenue is generated outside their host country, Denmark. In fact, their market in Finland is the biggest generator of their turnover (Royal Unibrew, 2018). Royal Unibrew operates in the beverage market and provides different products with beers and soft drinks being their evidently highest contributors to the overall turnover (Royal Unibrew, 2018). Given a stagnated turnover, Royal Unibrew is interested in making an international expansion in order to increase their market growth. According to an executive of Royal Unibrew, Simon Andersson, Spain is of special interest to the company (Andersson, 2018).

Spain is the fourth largest producer of beers and only surpassed by Germany, UK and Poland. In addition, the overall consumption of beers ranks as the third highest in Europe. Where other countries have experienced stagnation or even a decrease in the consumption of beers, Spain has had a slight increase. In fact, it has increased with almost 10% in the period from 2010-2016 (Brewers of Europe, 2017). Spain is the fourth largest country in Europe (Euromonitor, 2018), which makes the total production and consumption of beers in the top of Europe. Moreover, Spain is the most visited country in Europe, and given the fact that the level of tourism affects the consumption of beer positively, it makes Spain particularly interesting for an international expansion (Eurostat, 2017b). Furthermore, the Spanish economy is expected to grow (Eurostat, 2017), and the Spanish beer market is expected to expand its market share in the market of alcoholic beverages (Euromonitor, 2017a). Thus, Spain has positive trends within the beer industry and therefore might be an attractive market for an international expansion.

1.1 Research question

For Royal Unibrew's continuous growth, new markets must be entered to grow significantly, since the overall beer industry has reached a plateau. As Spain is one of the most beer consuming countries in Europe, it might be an extremely interesting market to enter for Royal Unibrew. This leads to the following research question:

What entry strategy is the most appropriate for Royal Unibrew in Spain
and how should they pursue it?

Three sub-questions have been established in order to answer the research question and provide a suiting structure of the research:

1. *Why should Royal Unibrew enter Spain?*
   The purpose of this question is to examine whether there is a strategic fit between Royal Unibrew and Spain. In other words, whether Royal Unibrew can derive from any advantages associated with the Spanish market.

2. *How should Royal Unibrew enter Spain?*
   The purpose of this question is to determine the best entry strategy for Royal Unibrew into Spain based on the outcome of the strategic fit.

3. *What considerations are associated with the entry strategy of choice?*
   The purpose of this question is to examine how Royal Unibrew can act on the entry strategy found via sub question two.

1.2 Purpose

The purpose of this thesis is to determine the best entry strategy for Royal Unibrew if expanding into Spain and to analyze the different possible targets for such an entry. Since the thesis seeks to examine future consequences of this phenomenon, the purpose can be classified as predictive (Olsen & Pedersen, 1999). The purpose of this predictive study is to apply theory to a practical situation (Olsen & Pedersen, 1999). Often studies either focus on investigating the entry mode

for a given company in one or more countries, but do not act on the entry mode chosen. This thesis attempts to set up a framework, which uses well-known strategic models in order to determine the entry mode, and hereafter modifies a well-known decision tool, used to ease an action on the best suited one.

1.3 Motivation

The motivation behind this thesis comes from the increasing attention to international business and organizations need for expansion in order to gain market share and becoming a multinational enterprise (MNE) (Peng & Meyer, 2011). More and more literature and organizations are attentive to, and even engaged in, such expansions (Bertrand & Zuniga, 2006), which make it a field with many interesting theories. Examining the most suiting entry mode for Royal Unibrew if expanding into Spain and thereafter analyzing the most optimal way to do so, is of great relevance to applied business and economics. Furthermore, the thesis also seeks to be of relevance to academics that might wish to further develop this framework of international expansion, or even challenge this thesis on its methods and conclusion.

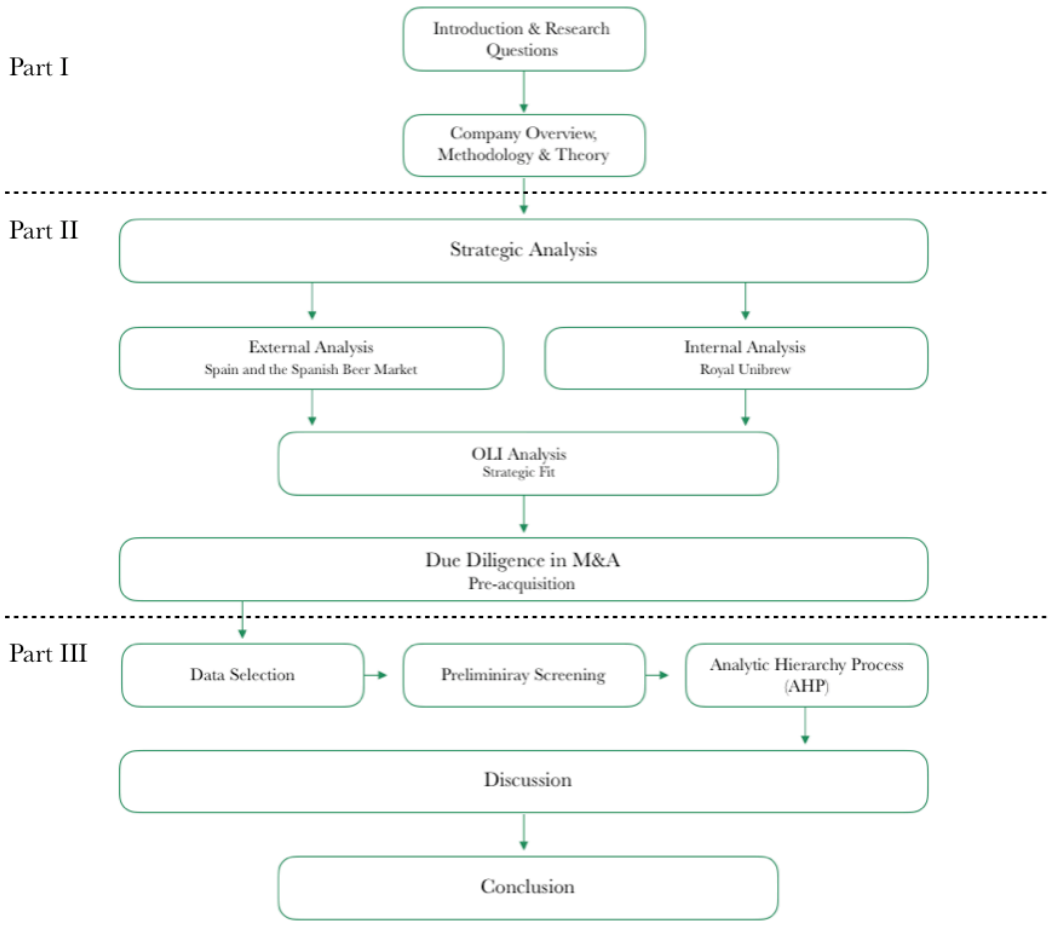
1.4 Structure of the Thesis

The thesis is structured in three parts in order to provide an overview and make the contents of the thesis clearer. The first part of the thesis contains an introduction and research question, a company overview, methodology and theory. This part outlines the issue and empirical interest in the research needed for engaging in the analysis. The second part of the thesis begins with a strategic analysis, which contains both an external and internal analysis as well as a discussion of the findings, in the OLI framework. The external analysis consists of a PESTEL and Porter's Five Forces analysis in order to obtain a macro view of Spain with special focus on the beer market and an assessment of the competitiveness within the beer industry. The internal analysis consists of a VRIO analysis of the resources of Royal Unibrew. Both the external and internal strategic analysis will provide the background analysis needed for a discussion of the strategic fit between Royal Unibrew and Spain, using an OLI analysis to assess ownership-, location- and internalization advantages associated with a foreign investment in Spain.

The second part includes a due diligence process, with focus on the part of pre-acquisition. First, the process of searching for candidates and excluding those without the necessary data available for further analysis is completed. After completion of the search for candidates, a preliminary screening will be performed based on theoretical and practical relevant criteria in order to further narrow down the targets of a potential acquisition. Lastly, via an AHP-approach, different evaluation aspects and criteria will be assessed for each candidate to achieve the final rank of these.

The third part of the thesis consists of a discussion of the result gained and ultimately a conclusion and final remarks stressing the most important points and findings of the analysis in regards to the research question and attached sub-questions.

Figure 1: Structure of the Thesis



Source: Own creation

1.5 Delimitation

The thesis is delimited to only examine the market in Spain. This particular country has been chosen in cooperation with Royal Unibrew, as they pointed out that this market is one of the most relevant markets, in which they do not already have activities (Appendix 3). Royal Unibrew operates in many different submarkets to the beverage market as well as in few markets within the food industry. However, the focus in this thesis lies on their business within the beer markets only. This is due to two reasons: firstly, the beer industry is undergoing an exciting development as the overall market is matured and only low growth rates are present. Innovation is therefore essential for maintaining market positions, and market growth is merely based on acquisitions or mergers in such mature markets (Yip, 1992). Secondly, the internal and external analyses will be much more relevant as it will be able to go further in depth with the details of the analyzed factors.

Yet, the limitations will diminish the number of possible targets, which are analyzed since only breweries of beers in Spain will be considered in the screening. Consequently, greater matches may exist in other countries or within other industries. Furthermore, only the pre-acquisition phase of a merger and acquisition process will be analyzed. As consequence, the phase after the acquisition will only be briefly touched upon when discussing the next steps for Royal Unibrew (see section 9.2).

2. Corporate Overview

This chapter seeks to give a company description of Royal Unibrew in order to gain a better overview of the company subject to this thesis. In pursuing this, the history of the organization will be presented along with the current market position. Furthermore, the corporate strategy and financial performance will be outlined.

2.1 Royal Unibrew – History

To gain an insight into where Royal Unibrew is today, it is beneficial to gain an insight in the history and thereby how Royal Unibrew came to where the company is now. Royal Unibrew has an interesting history with mergers as well as acquisitions and partnerships (Royal Unibrew, 2018).

2.1.1 A Brief Flashback to Where It All Began

Royal Unibrew is a Danish-based producer of beverages and is the second largest brewery in Denmark. The company is a result of different mergers and acquisitions through the years. Back in 1989, the company was founded by a merger between Jyske Bryggerier A/S (later Ceres Bryggerier A/S) and Faxe Bryggeri A/S under the name Bryggerierne Faxe Jyske A/S and made the company the second largest provider of beverages in Denmark (Andersson, 2018). In 1992 the name was changed to Bryggerigruppen A/S and through the 90's the company exported almost three times the amount of beers as they did ten years earlier. Moreover,, the brand, Ceres, became the largest import brand in Italy and 'Der grosse Däne' was the preferred foreign beer in Germany. Meanwhile, the position as the world's third largest malt drink brand was established through the export to the Caribbean countries (Andersson 2018).

2.1.2 Acquisitions as the Main Strategy for Growth

The IPO in 1998 on the Copenhagen Stock Exchange opened the opportunity for public investors, which provided the company with capital to make acquisitions outside of Denmark. Shortly after the IPO, the company carried out their first acquisitions, and acquired the Tauras Brewery and Kalnapilio, which both were located in Lithaunia. Tauras brewery was at that time the only brewery in the capital of Lithaunia, and added to Kalnapilio, the two breweries provided approximately half of the beer consumption in Lithaunia. The purchases were a result of a strongly increased export to the Baltic Area (Andersson, 2018).

At home, the company merged with the Albani Bryggerierne, who was in possession of Maribo Bryghus A/S, which produces the most sold beer on Lolland-Falster, Maribo Pilsner. In 2005 the company was finally renamed Royal Unibrew. Simultaneously, Royal Unibrew expanded their activities to include Latvia and Poland with the acquisition of Lacplesa as well as Brok-

Strzelec. Royal Unibrew's position was even further strengthened with the purchases of Lomza and Livu Alus in 2007, and through these acquisitions market leader positions were established. Outside of Europe, Royal Unibrew also invested in Caribbean breweries, which were used for production of malt beverages (Andersson, 2018).

A significant acquisition was completed, when Royal Unibrew purchased Oy Hartwall Ab in Finland back in 2013, which amounted to a purchase price of 2.8 billion DKK, and by far the largest acquisition made by Royal Unibrew. Oy Hartwall Ab was, and still is, the second largest brewery in Finland and contributed at that time with approximately 40% of the total revenue of Royal Unibrew (Royal Unibrew, 2018). The latest acquisition was made earlier this year, when Royal Unibrew reinforced their niche activities in Italy by buying the soft drink producing company Terme di Crodo from the well-known alcoholic beverage provider, Campari. Terme di Crodo produces the soft drink LemonSoda, which is a market leader on the Italian market. The deal went through the 2nd of January and the new subsidiary is expected to increase the total turnover in Italy with over 300 million DKK (Royal Unibrew, 2018). In appendix 1 an overview of Royal Unibrew can be found explaining the company structure.

2.1.3 Partnerships Reinforces the Positions in Core Markets

Through the years, Royal Unibrew has made partnerships with various actors in different countries (Royal Unibrew, 2018). The most impactful are the agreements made with Pepsico and Heineken. Pepsico is the fifth largest producer of food and beverages, hereunder the second largest producer of soft drinks, and Heineken is the second largest brewery in the world (Statista, 2018b). Both agreements include the rights for Royal Unibrew to sell, distribute and produce their products in Royal Unibrew's main markets and have been applicable since the 00's. The partnership with Heineken began in 2002 (Royal Unibrew, 2018b).

2.2 Royal Unibrew – Today

At present, Royal Unibrew employs 2,299 employees, who are located on three different continents. The acquisitions together with the agreed partnerships have established Royal Unibrew as a strong international beverage provider. The headquarter is located in Faxe,

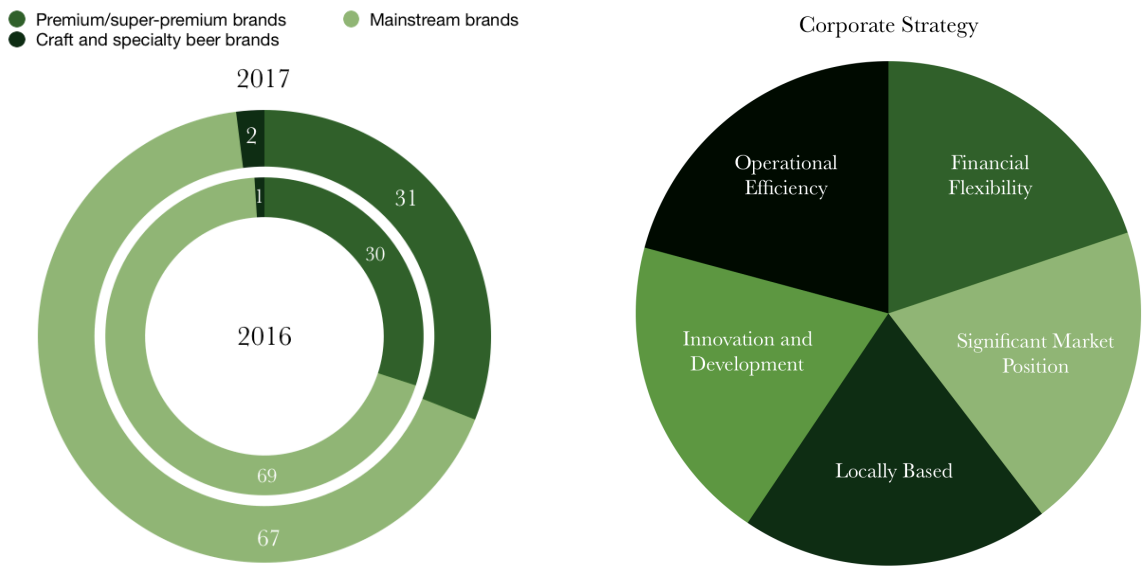
Denmark, where it all began a hundred years ago. Their core markets include Denmark, Germany, Finland, Italy, Baltics and Caribbean (Royal Unibrew, 2018).

In general, the beverage market is dominated by large players as The Coca Cola Co., Anheuser-Busch InBev, and PepsiCo Inc (Statista 2018d). The total revenue of both the non-alcoholic and alcoholic market for beverages has increased over the last eight years (Statista 2018a; Statista 2018e). However, the market for pilsner, which is the most sold category within the beer market, has reached a plateau over the last ten years (Berlingske Business, 2017). Therefore, beer producers have changed their focus, and the beer market now contains very diversified kinds of beers. Specialty beers, such as Indian Pale Ale (IPA) etc., have been highly requested by the consumers and is expected to grow from a market share of approximately 10% in 2012 to 30% in 2020 (Børsen, 2017). Besides the progress within craft and specialty beers, beers with no alcohol or less than 0,5% alcohol are sold in an increasing amount. This is due to the fact that consumers are more consistently demanding healthier beverages (Royal Unibrew, 2018).

2.2.1 Products & Brands

Royal Unibrew's product portfolio is well diversified and includes beers, soft drinks, spring water, and malt beverages as main categories. These products are spread among many different brands that operate within Royal Unibrew and can be divided into three main segments. One segment consists of craft and specialty beer brands, which generate 2% of the revenue. Another segment is mainstream brands, which includes Royal Pilsner, Faxe Kondi etc., and stands for 67% of the total sales. The last segment is premium and super-premium brands. An example from this category is the Ceres Premium Ale sold in Italy and this segment contributes with 31% of the turnover (Royal Unibrew, 2018). In order to follow the trend within non-alcoholic beers, Royal Unibrew has also launched Royal Free.

Figure 2: Net Revenue by Brand Category & Corporate Strategy



Source: Royal Unibrew (2018) and own creation

2.2.2 Corporate Strategy

The overall corporate strategy consists of five different blocks and can be seen in Figure 2. The first block concerns that Royal Unibrew wants to focus on markets and segments in which it can either hold or achieve *significant market position*. This applies for both established market positions along with their niche markets positions. In their screening for new targets or markets, Royal Unibrew seeks to be *locally based*. By combining locally based brands and complementing those with their internationally known brands, this has been the key to success for Royal Unibrew the recent years (Royal Unibrew, 2018).

In a market where the consumers are more conscious about what they consume, *innovation and development* is everything. In 2017 alone Royal Unibrew brought lots of new products to the market. Most of these have been varieties of originally established products, such as a Faxe Kondi Summer (Royal Unibrew, 2018). *Operational efficiency* is another key focus to Royal Unibrew. Since their portfolio contains lots of different brands and products, keeping costs low is important. Even though, the total revenue has grown in recent year, the number of employees has decreased, which is an outcome of this focus point and reflected in earnings before tax. The last focus point is regarding *financial flexibility*. Royal Unibrew has grown considerably over the

past two decades, and this has been primarily due to acquisitions and mergers. Only as a consequence of financial flexibility, these have been achievable (Royal Unibrew, 2018). In appendix 1 an overview of Royal Unibrew can be found explaining where they operate, as presented by Andersson (2018).

2.2.3 Financial Performance & Shareholder Information

Over the past five years Royal Unibrew increased their net revenue with almost 2 billion. In 2017 their turnover ended at 6.6 billion, which is an increase of one percent compared with last year's performance and the best result achieved. In addition, EBIT has been improved with 7% and is more than doubled since 2011, cf. Table 1. Other key numbers have also been improved as can be seen in Table 1.

Table 1: Key Financial Numbers

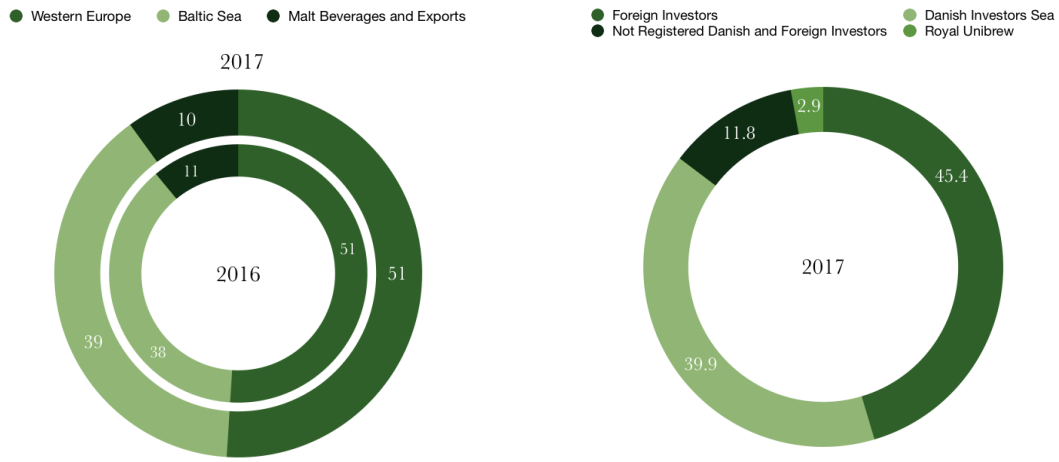
	2017	2016	2015	2014	2013
Net revenue	6.384	6.340	6.032	6.056	4.481
EBITDA	1.362	1.306	1.225	1.130	732
Profit margin (%)	17%	16%	15%	13%	12%
Financial ratios					
Cash conversion	114	130	145	132	125
Return on inv. capital incl. goodwill (ROIC)	21	18	16	13	13
Return on equity (ROE)	29	27	25	25	28

Source: Royal Unibrew (2018)

The revenue improvement was driven by an increase of total sales in Western Europe and in the Baltic countries. In Western Europe, new craft and specialty beer products were initiatives that led to the overall increase, despite the weather being poor in Northern Europe. A sales value focus resulted in higher net revenue for the Baltic countries, even though the total sales declined by 4% (Royal Unibrew, 2018). The performance of the Royal Unibrew share has been outstanding during the last year, as it has increased its value from 272.6 DKK per share by the end of 2016 closing at 371.8 DKK per share in 2017 (Royal Unibrew, 2018).

Royal Unibrew is listed on NASDAQ OMX Copenhagen and is placed in the Midcap index. At the end of 2017, approximately 17,000 shareholders were registered containing 88% of the 52,700,000 total shares. Noticeable, only one investor owns more than 5% of the shares, namely Chr. Augustinius Fabrikker A/S (Royal Unibrew, 2018). Royal Unibrew's financial policies include maintaining an equity level of at least 30%, the ratio of net interest bearing debt (NIBD) to earnings before tax, depreciations and amortization (EBITDA) to be less than 2.5 times (Royal Unibrew, 2018).

Figure 3: Revenue Distribution & EBIT by Segment



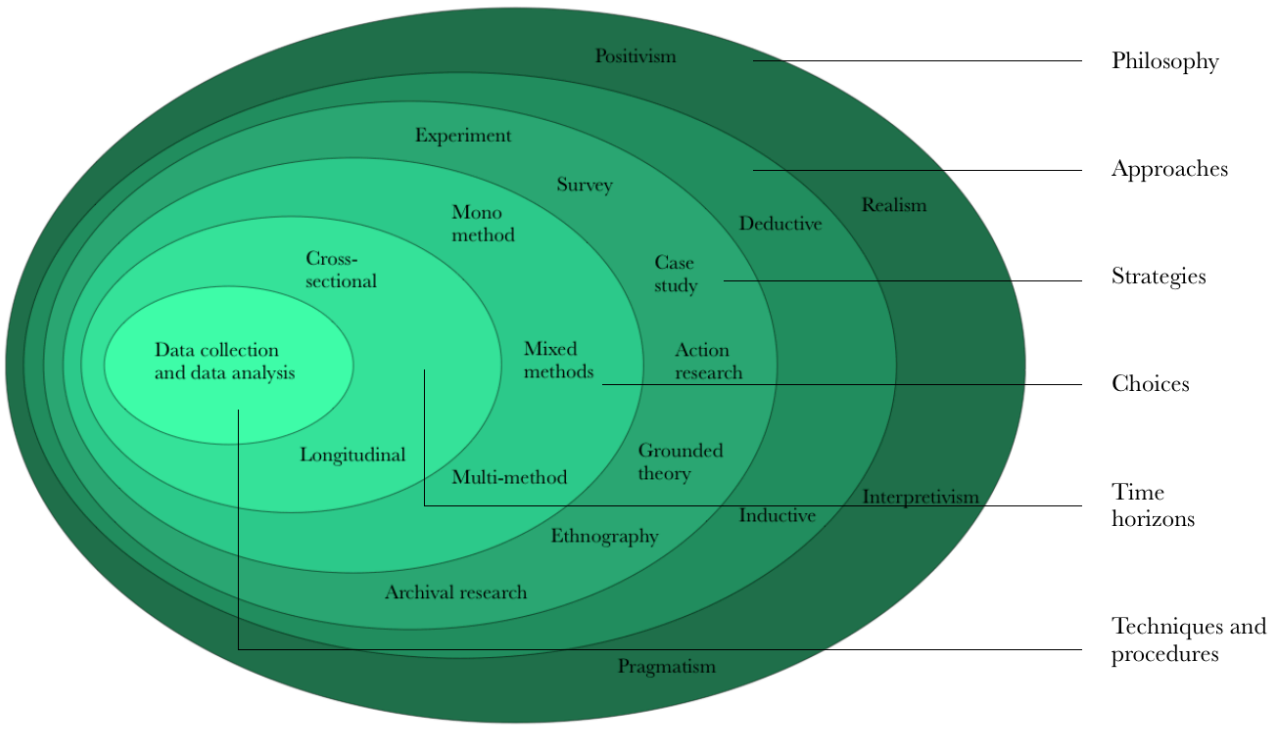
Source: Royal Unibrew (2018) and own creation

As illustrated in Figure 3, the revenue is distributed as follows: Western Europe, which consists of Denmark, Germany and Italy, contributes with 42% of the total volume produced, whereas the market for malt beverages and export contributes with 8%. The Baltic Sea, where Finland, Latvia, Lithuania, and Estonia are included reflects 50% of the market for Royal Unibrew (Royal Unibrew, 2018).

3. Methodology

This chapter of the thesis is concerned with the specific methodology applied and seeks to expand on the research design used in order to answer the research question of the thesis. In order to explain the methodology of the thesis, the research onion will be applied, as it is useful to identify business research philosophy, research approach, research strategies, research choices, time horizons and techniques and procedures (Saunders et al., 2009). Each of these components represents a layer of the research onion and provides a framework for properly assessing the methodology, whereas it is important first to consider the outer layers of the research onion before considering the question of techniques and procedures (Saunders et al., 2009).

Figure 4: Research Onion



Source: Saunders et al., 2009

By peeling one layer at a time of the research onion, the methodology can be explained starting with the philosophy and ending with data collection and data analysis (Saunders et al., 2009).

3.1 Philosophy

The research philosophy refers to the way one views the world and based on this philosophy shapes the research strategy (Saunders et al., 2009). This is important to consider in order to understand what is actually being done and to understand what is in fact being investigated (Johnson & Clark, 2006). Furthermore, within the outer layer of the research onion, the question about ontology, epistemology and axiology is important as well (Saunders et al., 2009). Ontology refers to the basic view of the world, for instance, whether the world can be seen as a fair picture of event or as a complex phenomenon (Olsen & Pedersen, 1999). Epistemology refers to how the researcher thinks is acceptable knowledge (Saunders et al., 2009), and how the subject field should be studied (Olsen & Pedersen, 1999). Axiology refers to how the researchers view the role of values in the research conducted (Saunders et al., 2009).

This thesis emerges from pragmatism where the ontology is external, multiple and the view of the thesis is chosen based on what answers the research question the best and thereby is the researchers view of the nature of reality (Andersen, 2008; Saunders et al., 2009). The epistemology of pragmatism is that both observable phenomena and subjective meanings can be sufficient, since it is the research question that is in focus, and whatever answers the research question is accepted (Saunders et al., 2009). Furthermore, values play a large role when it comes to interpreting results and both objective and subjective points of view are adopted (Saunders et al., 2009).

3.2 Approach

The research approach refers to the question of how the research is structured and the use of either deduction or induction (Saunders et al., 2009). A deductive approach means that the researcher develops theory and seeks to design a research strategy in order to obtain an answer to the theory. Having an inductive approach refers to collecting data and afterwards developing a theory based on the data collected (Saunders et al., 2009).

This thesis is structured with a deductive research approach, since the work emerges from existing theories, and conclusions will be based on these theories (Andersen, 2008). As such, a general knowledge is used on a single phenomenon. In this case, theories, models and framework are used to describe and analyze the situation of an international expansion of Royal Unibrew, both strategically and from an acquirer's point of view (Andersen, 2008). In the pursued of doing so, a highly structured methodology is applied and, furthermore, the facts of this thesis are enable to be measured quantitative (Saunders et al., 2009).

Based on the philosophy and research approach, the research strategy, collection techniques and procedures will be affected, and thereby go into another layer of the research onion (Saunders et al., 2009).

3.3 Strategy

The research strategy can be useful for explorative, descriptive, explanatory and predictive research (Yin, 2003), and can take the form of seven different strategies: experiment, survey, case study, action research, grounded theory, ethnography and archival research (Saunders et al., 2009). The strategies can be equally good and therefore no strategy is necessarily better than the other (Saunders et al., 2009). Due to the limits of the thesis, only the relevant research will be assessed.

This thesis takes the form of a case study, since the research focuses on a phenomenon within the constraints of real life, where the expansion of Royal Unibrew is a phenomenon, which is very real in the sense that it might happen at some point in the future (Yin, 2009). Furthermore, several sources of information are used to enlighten the phenomenon (Yin, 2009), and this thesis will not gather reliable information in a more broad sense (Flyvbjerg, 2004). Applicable for this thesis is that the research focuses on a single organization, Royal Unibrew, which essentially makes the case study a single case study (Kruuse, 2007). Including this, the thesis represents a new combination of already known conditions, which have not been subject to a further analysis (Yin, 2009). Besides being a single case study, the thesis also takes a holistic approach. Due to the fact that Royal Unibrew, as a whole, is subject to the research and analysis of this thesis, and

not several sub-units as well, it can be argued that a holistic approach is present (Saunders et al., 2009).

3.4 Choice

The question of research choice refers to the way the researcher chooses to combine quantitative and qualitative techniques and procedures (Saunders et al., 2009). The researcher can either choose a mono method, multi-method or mixed methods approach. The mono method refers to combining a single data collection technique with the same data analysis procedure (Saunders et al., 2009). The multi-method approach refers to a multiple data collection technique, but with only a single analysis procedure. Finally, the mixed methods approach, where both quantitative and qualitative data techniques and analysis procedure are used (Saunders et al., 2009).

This thesis uses a mixed methods approach, since both quantitative and qualitative data techniques are being used. These specific techniques are described in the section 3.6. Furthermore, both quantitative and qualitative procedures are used in order to assess and analyze the data collected.

3.5 Time horizon

When it comes to time horizon of the research it can either be cross-sectional or longitudinal, and in both cases horizon is independent from the research strategy (Saunders et al., 2009). The cross-sectional time horizon refers to a particular time, where the researcher studies over a short period of time (Saunders et al., 2009). The longitudinal time horizon refers to a period of time, in which the researcher can study a change or development (Saunders et al., 2009).

In this thesis a cross-sectional approach is used, since it is interesting to examine what expansion options Royal Unibrew has now. This way the research is a "snapshot" taken at a particular time and therefore not over a longer period of time (Saunders et al., 2009). Given the limitations of this thesis, the research would not allow a longitudinal time horizon, since there would not be a sufficient amount of time available to conduct such an analysis (Saunders et al., 2009).

3.6 Techniques and procedures

The techniques and procedures of this thesis are both qualitative and quantitative. The qualitative techniques and procedures make a link to reality in order to find a connection between what is studied and how things are in the real world (Olsen & Pedersen, 1999). The quantitative techniques and procedure supply an overview over large existing data samples, which are thereafter interpreted (Olsen & Pedersen, 1999).

3.6.1 Data Collection

The data collection can also be divided into qualitative and quantitative sections, since data is collected using different methods (Olsen & Pedersen, 1999).

3.6.1.1 Qualitative Data Collection

Data collection for the qualitative techniques and procedures are primarily in the form of interviews. Two interviews are performed: the first interview is with Simon Andersson, Head of Controlling in Group Finance of Royal Unibrew, and took place in Royal Unibrew headquarters in Faxe. This interview serves the thesis as an internal interview of Royal Unibrew. The questions, which were sent beforehand to Simon, can be seen in Appendix 2 and a transcript of the interview can be seen in Appendix 3. The second interview is with Iben Marie Bason, Marketing Director of Carlsberg. This interview serves the thesis as an expert interview of the beer industry. The questions, which were sent beforehand to Iben, can be seen in Appendix 4 and a transcript of the interview can be seen in Appendix 5. Both interviews undergo the same technique and procedure and therefore this will only be outlined once.

Both interviews are active interviews, which according to Holstein and Gubrium (2004) all interviews are, and a two-way conversation, which makes the interview interactional and constructive (Holstein & Gubrium, 2004). Both interviews are semi structured, since the questions are main questions or themes, which are presented in an interview guide. This interview guide is sent beforehand to the interviewee and based on the interview, other questions are improvised during the interviews. However, the main theme is followed during the entire interview (Justesen & Mik-Meyer, 2013). This is also called open interviews, where no standardized answers exist (Andersen, 2008). The data is collected by the researchers of this

thesis and the interviewee reacts to the questions asked, which makes both interviews primary stimuli data (Andersen, 2008).

Both interviews are classified as research interview, since the purpose of both interviews are to gain a deeper understanding of behaviour, motives and personality of companies within the beer industry (Kvale, 1979). However, this form of interview can bring along challenges since the interviewer must listen, interpret the answers and ask probing follow-up questions (Andersen, 2008). Furthermore, a bias may exist in part of the interview since the answers from Royal Unibrew may be pre-formed. This adds a restriction to the interview and may prohibit a pure answer (Holstein & Gubrium, 2004).

Furthermore, secondary data exists in the form of an e-mail from Simon Andersson received after the interview containing information about weights of the various determinants (Appendix 14). This data is classified as primary literature under the category of secondary literature (Andersen, 2008). Furthermore, annual reports, various publications and websites have been used for the analysis. This data also classifies as secondary literature under the category of secondary data (Andersen, 2008).

3.6.1.2 Quantitative Data Collection

Data collection for the quantitative techniques and procedures is in the form of document analysis of various annual reports and statistical data. Furthermore, it is in the form of data subtracted from the database *Orbis*. The data is thereby collected by others and is therefore secondary data (Andersen, 2008). Furthermore, the data from Orbis can is qualified as register data, since data is established in relation to registration and control (Andersen, 2008). The specific data selection technique regarding data from Orbis is explained later in the thesis in 9.2 and will therefore be described shortly in this section. A specific data population is selected serving as the master data, which essentially is too large for a thorough analysis due to the number of breweries and parameters. Moreover, a viewing of the data population is done in order to inspect for obvious errors and missing information (Andersen, 2008). Given the limitations of the thesis, a sample of this data is selected based on certain criteria explained in section 9.2.

3.6.2 Validity

Validity has to do with the quality of the research (Olsen & Pedersen, 1999), and refers to whether the thesis actually researches what it appears to be researching (Saunders et al., 2009). In other words, validity says something about the connection between the theory and how relevant the empirical foundation is (Andersen, 2008).

3.6.2.1 Validity for Qualitative Data

Validity is the most important category of quality, since it concerns whether or not the thesis is clear enough (Saunders et al., 2009). The validity of the qualitative data begins with the questions of technical validity, which refers to whether a correct data representation is used (Olsen & Pedersen, 1999). Given Simon Andersson's seniority in Royal Unibrew, the technical validity is fairly high, since he knows how various departments and how Royal Unibrew as a whole, operate (Andersson, 2018). Moreover, Iben Marie Bason's responsibilities as Marketing Director indicate a high technical validity as well. The technical validity for the secondary data is high as well, since the annual reports, various publications and websites used are accurate and containing information needed for the analysis.

However, as mentioned earlier, there might be a bias present since the interviewees received the questions beforehand. This might have changed the answers as opposed to a more honest answer, where the interviewees would not have time to think of an answer prior to the interview (Holstein & Gubrium, 2004). Due to the fact that the thesis has a predictive purpose, the internal validity is low, since internal validity is high for cause coherent studies (Olsen & Pedersen, 1999).

3.6.2.2 Validity for Quantitative Data

The validity of the quantitative data refers to the technical and statistical validity (Olsen & Pedersen, 1999). The technical and statistical validity for the various annual reports and statistical data is very high, since correct data is used, and can, to some extent, be used in other studies as well and conclusion can be drawn from these documents (Andersen, 2008). This specific validity regarding the data from Orbis is explained in section 9.1.5.

3.6.3 Reliability

Reliability also has to do with the quality of the research (Olsen & Pedersen, 1999), and refers to the consistency of the data collection techniques and procedures (Easterby-Smith et al., 2008), which in other word means how accurate and precise the research is and to what extent the techniques and procedures are affected by coincidences (Andersen, 2008).

3.6.3.1 Reliability for Qualitative Data

The reliability of the qualitative data obtained via the interviews is fair, since both interviewees answer the interview questions to the best of their ability. This also applies for the e-mail from Simon Andersson. Furthermore, both respondents have a high seniority within the beer industry and thereby make the answers reliable (Anderson, 2018; Bason, 2018). However, the reliability is not as high as possible, since a new interview might show slightly different results due to coincidences. This way, if the interviews were performed at a different time, the interviewee might be in a different mood, more energized, less stressed etc., which would make the outcome different and thereby a presence of subject or participant error (Saunders et al., 2009). Furthermore, since the interviews are semi-structured and therefore somewhat improvised, the answers to the interview questions would vary every time a new interview is performed. This form of interviews brings along challenges for the interviewer who has to listen, interpret the answers and elaborating questions back (Andersen, 2008). Thereby, the interviews are subject to coincidence, which might give slightly changed answers if a new interview is performed. However, the reliability for the secondary data is very high, since the data is prepared beforehand with no factors involved that could change the answer and the data would be the same each time.

3.6.3.2 Reliability for Quantitative Data

The reliability of the quantitative data refers to the accuracy of the data and whether it is quantifiable. Furthermore, it refers to whether the data will suffice as a valid representation of the data population. For the annual reports and statistical data the reliability is high, since data is accurate and since data is collected by various corporations and experts in collecting data, the data will suffice as a valid representation of the population (Olsen & Pedersen, 1999). The specific reliability regarding the data from Orbis is explained in section 9.1.6.

4. Theoretical Background

The theoretical background of the first part of the analysis consists of the PESTEL framework, Porter's Five Forces, the VRIO framework and the eclectic paradigm (OLI). These models make up the background for the strategic analysis of the thesis. Furthermore, the review of the pre-acquisition phase lays the foundation of the structure and determinants used in the second part of the analysis. Moreover, the AHP approach provides the method used in achieving the ranking results gained in the pre-acquisition phase

4.1 PESTEL Framework

The PESTEL framework is a framework that can be used to analyse the macro-economic factors (Peng & Nunes, 2007), and to help understand the environment in which an organization operates and thereby help the organization to take advantage of opportunities and overcome threats (Issa et al., 2010). When analysing the business environment, the PESTEL framework analyses all relevant physical or social components outside an organization (Duncan, 1972). According to Lynch (2009) it is important to perform an environmental analysis in order to obtain a competitive advantage.

The PESTEL framework consists of different aspects, each a macro-economical factor needed to understand the business environment: political, economical, socio-cultural, technological, environmental and legal (Yüksel, 2012). With these components it is also possible to perform an analysis, which provides data that can help an organization to predict situations, which may occur in the future (Dinçer, 2004). An organization's competitors, suppliers, customers etc. all operate within the macro environment, which consists of various forces having an impact on opportunities and threats. These forces can not be controlled and may affect an organization in different ways, and it is therefore important to monitor the forces (Kotler et al., 2012). Furthermore, within each macro-economical factor there are many different aspects to consider and it is therefore important to prioritize these aspects in order to focus on those having the highest impact on the industry, market or country (Peng & Nunes, 2007).

4.1.1 Political Landscape

The first component of the PESTEL framework is the political aspect, which concerns government regulations and legal matters. The organization must pay attention to the laws and regulations within their own country or within the country subject to an international expansion (Issa et al., 2010). These laws and regulations are referred to as government intervention and political factors such as tax policies, tariffs, trading laws, corruption, political stability etc. (Kotler et al., 2012). Activities, such as these, in the political aspect of the macro environmental analysis can both create opportunities and challenges for an organization, which speak to the relevance of an analysis of the external environment, since the organization needs to be aware of ongoing situations and potential changes (Kotler et al., 2012).

4.1.2 Economical Landscape

The economical aspect refers to economical factors that may influence the business of an organization and therefore an important part of the analysis of the external environment (Issa et al., 2010). The economic factors include economic cycles, world trade, exchange rates, interest rates, commodity prices etc. The same as the political aspect of the PESTEL framework, it is important to be aware of the current situation and potential changes (Gupta, 2013). It is argued that this factor is the most important one in terms of attractiveness for potential new investments (Perera, 2017). Even though it is impossible to change the economic situation it is possible to be aware of the factors to perform better decision-making. Besides analysing the economic environment of a country, it can also be relevant to perform an analysis of the industry of a certain organization, where, for instance, consumer trends can be an important part (Marmol, 2015).

4.1.3 Socio-cultural Landscape

The socio-cultural aspect of the PESTEL framework refers to demographic and demographic habits (Gupta, 2013). The demographic of the macro-economic environment includes population growth rate, age distribution, inequality and also culture and health (Babatunde & Adebisi, 2012). The socio-cultural aspect affects the demand of consumers and organizations are thus heavily affected by the changes in the socio-cultural environment (Babatunde & Adebisi, 2012). It is therefore important for an organization to understand, not only the demographics,

but also the demographic habits of a country and market in order to perform successfully (Marmol, 2015).

4.1.4 Technological Landscape

The technological environment refers to technological change on products, processes and distribution channels (Gupta, 2013), and also includes R&D activities, technology incentives and also the rate of technological change (Babatunde & Adebisi, 2012). Furthermore, technical upgrades, infrastructure and competency are all things to consider within this aspect, and given the relevance of technology in most businesses it is important to consider this in the macro-economic analysis (Perera, 2017). The aspects of the technological environment can be used to determine certain entry barriers, minimum efficient product level and can also be important in regards to outsourcing. Furthermore, change in the technological environment can promote innovations, but at the same time be very costly for organizations (Babatunde & Adebisi, 2012). This aspect of the PESTEL framework can be argued to be one of the most important ones for a technology-based industry (Perera, 2017).

4.1.5 Environmental Landscape

The environmental aspect of the PESTEL refers to the environment and sustainable development and given the recent attention to these factors over the past decades, due to global warming, averga carbon footprint (Perera, 2017), it is therefore later added to the original PEST framework (Marmol, 2015). This aspect includes the climate, pollution, wasted disposal and energy use (Marmol, 2015). This aspect is of particular importance for manufacturing businesses, due to potential pollution and chemical reactions, and an organization producing their product in an eco-friendly way can consider this a competitive advantage (Perera, 2017).

4.1.6 Legal Landscape

The legal aspect refers to laws of the country of interest, rules, principles and guidelines (Perera, 2017), and it is therefore important to understand the legislation to avoid acting against the law (Marmol, 2015). Furthermore, business legislation is also relevant for an organization and has the purpose to protect the organization from unfair competition, to protect consumers from unfair business practices, to protect from unruly business behaviour and to charge organization

with potential social costs caused by the organization (Kotler et al., 2012). To follow the legislation can even be an advantage for an organization, when the stakeholder sees the organization being legally bound and thereby promotes ethical business (Perera, 2017).

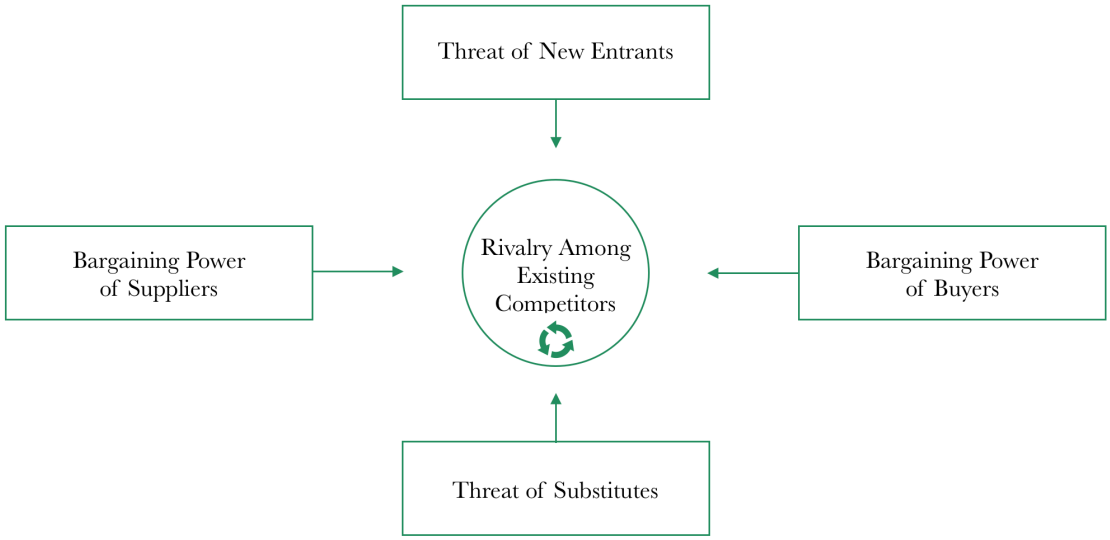
4.1.7 Critique

The PESTEL framework has received critique for being a framework where the outcome of the analysis is quickly outdated, especially for technology-based organizations (Wolfe & Buchwald, 2000). Given that the framework provides an analysis of the macro-economical environment it involves many variables, and it might be very difficult and time consuming to cover all the variables. Even though it might be possible to determine what variables have an impact on the macro-economical environment, it is hard to determine the exact impact the variables have (Marmol, 2015). Furthermore, the framework may require other types of analysis such as regression and trend analysis. Besides this, the outcome of the PESTEL analysis can be distorted due to false findings in such analysis (Perera, 2017).

4.2 Porter's Five Forces

Porter's Five Forces was first introduced in the 1980's by Michael E. Porter (Dobbs, 2012) and is a theory consisting of five competitive forces, which organizations need to be aware of in order to gain a market position where they are less vulnerable to the rivalry within an industry (Porter, 1979). Essentially, Porter (2008) argues that competition goes beyond the rivals of an industry and therefore includes other factors as well. The five forces consist of threats of new entrants, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among existing competitors (Porter. 1979). These five forces define the structure of all industries and these forces combined define the potential of an industry (Porter, 2008). The five forces determine the intensity and competition within an industry and is therefore an important part of the strategy formulation of an organization (Aron & Waalewijn, 1999). However, it is important to focus on the variables of an industry, which most companies have in common, since the variables of an analysis of the industry can vary (Dälken, 2014).

Figure 5: Porter's Five Forces



Source: Porter, M. E. (1979)

As illustrated above the four forces: threat of entrants, threat of substitutes, bargaining power of suppliers and bargaining power of buyers all affect the rivalry in the industry, which combined make up the five competitive forces (Porter, 1979).

4.2.1 Threat of New Entrants

The threat of new entrants refers to the threat of potential new organizations to the industry, which might influence the market by offering better products and thereby taking a position in the market, which isn't filled out by an existing competitor in the industry (Michaux, 2015). These new entrants bring new capacity and a drive to gain a market share, which ultimately make it more difficult for existing competitors and thereby put pressure on the rivalry for these competitors (Porter, 2008). It is important to consider economies of scale, differentiation, capital requirement, switching cost for customers and access to distribution channels (Arons & Waalewijn, 1999), which can be defined as entry barriers (Porter. 1979). If these barriers are low, then new entrants have easier access to the industry and vice versa (Porter, 2008). According to Porter (2008) it is important to understand that this refers to the threat of new entrants and not whether or no a new entry actually occurs.

4.2.2 Threat of Substitutes

The threat of substitutes refers to the threat of products and services similar to what already exist within the industry (Porter, 2008). These substitute products are often based on different technology (Arons & Waalewijn, 1999), but basically satisfy similar needs, only in a more innovative way (Michaux, 2015). The threat of substitutes is therefore dependent on how replaceable the products in an industry is (Mintzberg et al., 2009). It is important to pay special attention to substitutes, since they sometimes can be hard to identify (Porter, 2008). Substitutes may not appear as a typical industry product (Porter, 2008), and may only depend on a potential shift in technology (Arons & Waalewijn, 1999). Substitutes can affect the market share and put pressure on prices (Michaux, 2015) and basically, the better the substitute is, the tighter the rivalry within the industry is (Porter, 2008).

4.2.3 Bargaining Power of Suppliers

The bargaining power of suppliers refers to the power the suppliers possess over organizations within an industry (Michaux, 2015). This power can be seen when suppliers choose to raise prices or reduce quality (Arons & Waalewijn, 1999). This way, suppliers can gain more profitability from the industry, when the organizations within the industry aren't able to reject price increases (Porter, 2008). The bargaining power of suppliers are most significant when there are only a few suppliers within the industry, when the product supplied is unique, if there is a threat for the supplier to perform forward integration (Porter, 1979), if the customer group isn't important to the suppliers, which means that they have buyers from different industries or if the product is very important to the business of the organization (Arons & Waalewijn, 1999).

4.2.4 Bargaining Power of Buyers

The bargaining power of customers refers to the power customers have over price and quality of a product (Porter, 2008), and is thereby defined by customers' ability to negotiate (Cadait, 2015). If the bargaining power of buyers is high, it can be necessary for organizations to lower the price of their product or provide a better quality, which influence the profitability of the industry (Porter, 2008). The bargaining power of buyers is high if there are very few buyers, the product is standardized and therefore easy to buy elsewhere, buyers can integrate backward and thereby produce it themselves, the quality of the buyers' product is only limited affected by the

industry product (Porter, 2008), the buyers are well informed and it also depends on how willing the buyers are to experiment with alternatives (Mintzberg et al., 2009).

4.2.5 Rivalry Among Existing Competitors

Rivalry among existing competitors refers to price discounting, new products introduced to the market, improvement, advertising (Porter, 2008) and aggressiveness (Aron & Waalewijn, 1999). When the rivalry is intense within the industry it can affect how well organizations are doing within the industry (Dälken, 2014). When the rivalry among existing competitors is intense, it is most likely that organizations will match offers given by their competitors (Aron & Waalewijn, 1999). The rivalry is most intense if the competitors roughly are of equal size, the growth of the industry is slow, exit barriers are high, competitors are very committed, firms cannot read each others' signals, and if products are nearly identical (Porter, 2008).

4.2.6 Critique

Even though Porter's Five Forces is widely used by many analysts, it is still subject to criticism, and is criticised for having no justification for the model having precisely these five forces. (O'shaughnessy, 1984). Furthermore, the model is criticized for not taking time into account, and this might be an issue since industries can rapidly change (Dälken, 2014). Moreover, using the model does not guarantee a competitive advantage (Aktouf, 2004), and forces of the industry can not explain all changes in the industry and it is more important to stay innovative and collaborative (Grant, 2011).

4.3 VRIO Framework

In order to assess the value creating resources of a firm, the VRIO framework helps determine the usefulness of these resources (Peng & Meyer, 2011). This framework was introduced by Barney, J. B. who starts by defining strategy as the pattern of resources and capability allocation. With this definition he refers to what helps the performance of a firm to maintain or improve (Barney 1991). This definition was developed in the Resource Based View of the organization, which explains how strategic assets add to the competitive advantage of an organization (Jugdev et al., 2007). By focusing on the characteristics of the resources and differentiate from other views by not focusing as much on the relationship between the various

resources that an organization may possess and how the organization is structured and organized (Wiklund & Shephard, 2003). Basically, this means that an organization is seen as a group of resources, which can be categorized into different categories (Barney, 1991). Penrose (1959) even identifies resources as bundles of potential services. Thereby, the Resource Based View contributes to the internal analysis and explains why organizations are different and how organizations can achieve a sustainable advantage (Wernerfelt, 1984).

The VRIO framework thereby emerges from the Resource Based View and focuses on four aspects of an organizations resources, which are value creation (V), rarity (R), imitability (I) and organization (O) (Peng & Meyer, 2011). The Resource Based View, in this way, states that an organization that posseses valuable, rare and inimitability resources has the potential of having a competitive advantage and the possibility to outperform competitors (Wiklund & Shephard, 2003). Although it is important for a company to possess such resources, it is equally important to be able to manage to make use and take advantage of these resources (Barney, 1991). In other words, the competitive advantage and outstanding performance of an organization comes from the firm-specific resources and not from profit market positioning (Wernerfelt, 1984).

Within the Resource Based View it is important to distinguish between an organization's primary resources and their capabilities, where the primary resources are the organizations tangible and intangible assets along with human resources and where capabilities refer to the organization's ability to use these resources to achieve their targets (Peng & Meyer, 2011). According to Amit and Schoemaker (1993), the organization must have adequate capabilities in order to take advantage of their resources. Within the VRIO framework, the four aspects play an important role in categorisation of the resources and are as such a necessity to assess whether the resource is valuable, rare, difficult to imitate and exploited by the organization (Barnes, 1997).

4.3.1 Value Creation

An important question within the Resource Based View is whether or not the resource adds value, which means if the resource enables the organization to seize an opportunity or deal with a possible threat (Peng & Meyer, 2011). This basically means that with valuable resources an

organization can make profits and prevent losses (Miller & Shamsie, 1996). Only a value creating resource can lead to competitive advantage and should a resource be non-value creating, it can lead to competitive disadvantage and thus the resources and an organizations performance are correlated (Peng & Meyer, 2011). What is important to be aware of is, that even though an organization has a value creating resource and the capability to seize opportunities, and thereby gain a competitive advantage in the home country, it may not be easy to transfer their capabilities abroad (Peng & Meyer, 2011).

4.3.2 Rarity

Besides being value creating, a resource also needs to be rare in order to lead to a competitive advantage. Otherwise the resource will only lead to a competitive parity with normal economic performance and rarity is thereby about having something that other organizations do not have (Peng & Meyer, 2011). If other organizations have the same value creating resources, it is very likely that they will use them in a similar way and thereby have the same strategy in order to seize opportunities. It is, as such, not possible for any of the organizations to achieve a competitive advantage by using such a resource (Barney & Zajac, 1994).

4.3.3 Imitability

Even though an organization is able to create a competitive advantage from a resource that is value creating and rare, this will only be temporary if the resource is imitable (Peng & Meyer, 2011). If an organization's competitors are able easily to imitate the resource, they would have opportunities and thus the competitive advantage would disappear (Cardeal & António, 2012). When it comes to imitating a resource it is easier to imitate a tangible resource rather than an intangible capability, although imitation in general is difficult (Peng & Meyer, 2011). This is due to casual ambiguity, which means that it is difficult to identify the casual determinants of an organization's normal performance. This is due to the fact that a lot of organizations have certain patterns, which are difficult to model (Peng & Meyer, 2011). Furthermore, multinational enterprises (MNE's) have what is called a social complexity, which makes it hard, even for managers within the MNE, to determine exactly what makes the organization successful (Peng & Meyer, 2011). This is due to having many employees in different countries and it is very

difficult to determine what makes an MNE overcome cultural difference and act as one organization (Barney, 1991).

4.3.4 Organization

Lastly, the VRIO framework focuses on the question of organization, which refers to whether the policies and procedures of an organization are properly organized in order to use the resources to seize an opportunity or work with a possible threat (Peng & Meyer, 2011).

4.3.5 Competitive Implications and Economic Performance

As evidenced by the table below an organization can have different competitive implications and having no value creating resources, will lead to a competitive disadvantage and thus a below normal economic performance (Barney, J. B., 1997). Having value creating resources, but with no rarity or imitability, the organization will only have a competitive parity (Barney, J. B., 1997). As the previous explanations of the VRIO framework state, an organization has a competitive advantage when possessing value creating resources that are not being possessed by competitors (Rowe & Barnes, 1998). Furthermore, an organization can have a sustained competitive advantage if these resources at the same time are imitable and therefore not being possessed by any competitors (Rowe & Barnes, 1998) and thereby an above normal economic performance (Barney, J. B., 1997). Common for all, except from the competitive disadvantage, is that a prerequisite is that the organization fully exploits the competitive potential (Barney, J. B., 1997).

Table 2: VRIO Framework

		Is the resource…			
Valuable?	Rare?	Difficult to Imitate?	Exploited by the organization?	Competitive Implications	Economic Performance
No	-	-	No	Competitive disadvantage	Below normal performance
Yes	No	-	Yes	Competitive parity	Normal performance

Yes	Yes	No	Yes	Temporary competitive advantage	Above normal performance
Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance

Source: Barney, J. B. (1997)

The Resource Based View thereby states that an organization needs resources that are valuable, rare, difficult to imitate and exploited by the organization in order to obtain a sustained competitive advantage and above normal economic performance (Cardeal & António, 2012).

4.3.6 Critique

The VRIO analysis and the Resource Based View in general also has its limitations and receives various critique from academics. According to Akio (2005) a resource should be measured even if it is valuable or not and be assigned an economic value. Furthermore, resources might be overstated and the VRIO analysis does not explain how or why an organization invests (Akio, 2005). Including this, some findings discover that resource selection can be difficult, as well as evaluation of the disadvantages of a resource (Knott, 2015). Moreover, the Resource Based View receives critique for having no managerial implications, implying infinite regress, applicability being too limited, sustained competitive advantage not being achievable, not being a theory of the firm, the definition of resource being unworkable (Kraaijenbrink et al., 2009). All in all the VRIO framework and the Resource Based View receive critique for not fulfilling the conditions for obtaining a competitive advantage (Akio, 2005).

4.4 The Eclectic (OLI) Paradigm

The eclectic paradigm is a framework, which focuses on international business and more precisely international production financed by Foreign Direct Investment (FDI) (Dunning, 2001). The model suggests that FDI is the most reasonable form of international business provided that three criteria are met:

- The organization has ownership advantages

- The local context provides location advantages
- The firm's activities are better managed within a multinational firm, which refers to internationalization advantages

These three conditions thereby make up the other name for the eclectic paradigm: the OLI framework (Peng & Meyer, 2011). However, if these conditions aren't met it might be more beneficial to engage in international business by exporting, licensing or offshore outsourcing (Peng & Meyer, 2011). Furthermore, Dunning (1993) identifies four different types of international production, which are natural resource seekers, market seeker, efficiency seekers and strategic asset or capability seekers. The OLI Framework was developed by Dunning, J. H. in 1973 by first introducing the O and L of the model and later introducing the I in order to explain the activities of an organization outside its national boundaries (Dunning, 2001). Important to understand about the OLI framework is that it is, in fact, a framework and not a theory, which would help the analyst identify the needed theories for the analysis (Itaka, 1991). In order to better understand the OLI framework one must look into the three forces of the paradigm (Dunning, 2001).

4.4.1 Ownership Advantages

Ownership advantages refer to the competitive advantages that an organization possesses, which other organizations do not. These advantages thereby come from the resources of the organization and from the organization's capabilities to exploit these resources in order to perform better than its competitors (Dunning, 2001). An organization is able to use these resources across borders so that the organization can have a competitive advantage outside of the national borders. The ownership advantages of an organization need to be used internationally in order to overcome challenges when performing FDI. When FDI is performed it is very common that the organization performing the FDI, has a disadvantage due to the liability of outsidership (Peng & Meyer, 2011). However, not all resources can be used internationally, or are at least difficult to transfer from home country to host country. These resources are called location-bound resources and organizations with such resources have a higher possibility to grow domestically (Peng & Meyer, 2011).

4.4.2 Location Advantages

Location advantages refer to the advantages associated with a specific location that would not be able to be obtained in the home market (Dunning, 2001), such as access to local markets, raw material and resources (Peng & Meyer, 2011). Thereby, the question of location advantages of a specific host country is very important when it comes to FDI (Dunning, 1998). As mentioned in the earlier section, organizations engaging in international business will naturally have a disadvantage due to the liability of outsidership and this stresses the importance of location advantages, since the organization wouldn't be able to overcome the liability of outsidership without these (Peng & Meyer, 2011). In order to overcome this liability, organizations need to be aware of different types of advantages associated with the specific location (Dunning, 1988; Peng & Meyer, 2011).

Organizations need to be aware of market advantage by looking into future demand as well as large and growing markets (Peng & Meyer, 2011). Furthermore, it is important to look at market failure and distortions, for example government interventions (Dunning, 1988). Location-bound resources is another important advantage to consider, where a specific location might have better access to natural resources, human capital and infrastructure (Peng & Meyer, 2011). Furthermore, agglomeration is a factor to consider as well, which refers to the advantages, which arise from clustering. Such advantages are in the form of knowledge spillover among organizations, which are located close to each other, a more skilled labor force and suppliers and buyers who may locate themselves near the clustering (Peng & Meyer, 2011). Lastly, the institutional environments can be considered a location advantage, where potential free access for foreign investors, the level of corruption and bureaucracy are important factors (Peng & Meyer, 2011).

4.4.3 Internalization Advantages

Internalization advantages refer to whether and how organizations choose to locate activities outside the home country (Dunning, 2001) As mentioned earlier, an organization can choose to internalize using different entry strategies, whereas the OLI framework presents the three conditions to an FDI (Peng & Meyer, 2011). Besides FDI an organization can choose exporting, licensing or outsourcing as an entry strategy (Peng & Meyer, 2011). With only ownership

advantages, and no location or internalization advantages, an organization chooses to export. However, export deals are very specific to a business relationship and therefore can be exploited by the other party of the relationship (Hennart, 1988). This can be avoided with FDI since instead the partnership only one organization will conduct business in both countries (Peng & Meyer, 2011).

Compared to FDI, licensing lacks direct management due to the fact that another organization has the right to sell ones product, which means that there exists a risk that the licensee uses the knowledge in a way that was not agreed (Hill et al., 1990). Besides this, it can be difficult to transfer knowledge, since it might not be documented knowledge, but knowledge that requires the organization licensing to facilitate and make sure everything is as it should be. Furthermore, it can be difficult to control the use of the product, all of which can be avoided with FDI (Peng & Meyer, 2011). Instead of transferring knowledge, an organization can also choose to transfer activities in order for them to be returned to the organization, which is called offshore outsourcing (Peng & Meyer, 2011). However, compared to FDI, offshoring outsourcing should involve simple and common activities in order to avoid investing in a service where the end product is incorrect. Furthermore, the service provider can use the knowledge and provide the service for competitors of the organization. Lastly, the issue of monitoring is more difficult with offshore outsourcing than FDI and can be costly as well (Peng & Meyer, 2011).

The significance of the advantages is likely to be context specific and vary across industries, regions, and countries and among firms (Dunning, 2001).

4.4.4 Critique

The OLI framework has received critique for not being predictive due to the large number of variables identified by the paradigm. Due to the large number of variables within the components of the OLI framework it is almost impossible for the paradigm to be exact and predictive, since the margin for error is large (Dunning, 2001). Furthermore, some academics believe that the components of the OLI framework are interdependent in such a way that location advantages may have an impact on ownership advantages. This distorts the purpose of the paradigm, since the different advantages should be analysed independently (Dunning,

2001). Including this, it has been argued that the eclectic paradigm does not give any guidance on dynamics of the internationalisation (Dunning, 2001). According to Itaki (1991) there exists a redundancy of the ownership advantages, since it originates from the internalization, Moreover, it is not possible to separate ownership advantages and location advantages, since ownership advantages are influenced by the location advantages (Itaki, 2991). Lastly, Eden (2003) criticizes the framework for not taking timing into account, since timing issues are increasingly being paid attention to within international business and strategy.

4.5 Mergers & Acquisitions – A Review of the Pre-Acquisition Process

This section will strive to explain the process when undergoing a merger or acquisition (M&A). Moreover, the most common motives and the most relevant determinants for assessing a candidate in an international setting will be presented.

4.5.1 The process of a Merger and Acquisition

The assessment and decision process is named due diligence process (Haspslagh & Jemison, 1991; Very & Schweiger 2001; Angwin 2001; Lesser, 2000). The process can be divided into pre-acquisition and post-acquisition (Harvey & Lusch, 1995). In the pre-acquisition phase, the acquisitive firm starts with describing the objective and motives behind the acquisition (Tsao, 2009). After describing the motives and objective behind the acquisition, the acquirer starts searching and screening for possible targets, based on suitable criteria (Sudarsanam, 2003). Next, the targets which survived the screening are evaluated based on criteria such as, strategic fit and financial assessment, including assessment of tangible and intangible assets (Haspslagh & Jemison, 1991; Ahammad & Glaister, 2013; Harvey & Lusch, 1998). If the acquirer and the target agree on the terms and the takeover becomes a reality, the process moves forward to the post-acquisition phase (Ahammad & Glaister, 2013). In this phase, the integration of IT-systems, aligning strategies etc. are examples of important tasks for the integration team (Quah & Young, 2005).

4.5.2 Motives for Doing International M&A

Globalization has led M&A to become a normal strategy for expanding business activities internationally (Shimizu et al., 2004). The number of transactions of international M&As

represents an increasing role in worldwide M&A activities (Bertrand & Zuniga. 2006). According to Walter and Barney (1990), a crucial determinant to obtain and maintain competitive advantages in a global market is to acquire competitors, suppliers or do a strategic merger cross-border.

Acquisitions are particularly relevant for firms, which operate within mature markets with low growth rates (Yip, 1992). In these markets, economies of scope and scale as well as the demand from customers globally are the main motives for cross-border expansions (Yip, 1992; Porter, 1986; Levitt, 1983; Carney). Relatively, research has shown that acquisitions are the best suitable strategy for exploiting these motives (Kapferer, 1997; Levitt, 1983; Yip, 1992; Lynch, 2006).

Acquisitions are most often related to growth in revenue (BCG, 2015; Capron, 1999; Hitt et al., 2001). However, profitability margin does not grow accordingly. Boston Consultant Group (2015) found in their research that non-acquisitive firms increase revenue and EBITDA relatively, whereas acquisitive firms increase revenue at faster rates, but cannot perform at the bottom line proportionally (BCG, 2015). As a result, even though firms grow in revenue, in 50-66% of the transactions, the acquisitions destroy value of the firm in the short-term, which have become a rule of thumb when describing acquisitions (BCG, 2015; Hitt et al., 2001). However, M&A contributes to other elements than the financials of the acquirer. Synergies, better utilization of capacities, broader market segment and market reach, entry barriers are becoming easier to overcome as well as a stronger market position have been found as results of M&A (Weston et al., 2004; Bruner, 2004; Harrison et. Al 2001; Burkart & Panunzi, 2006). By acquiring another firm, the acquirer also gains the knowledge that can accelerate the idea phase and innovation of future products or services (Cloodt et al., 2006; Ranft & Lord 2000). If the type of knowledge acquired is similar to what is already known, it can be integrated effortlessly within the organizational framework, and hereby the knowledge lost during M&A is reduced (Cloodt et. al., 2006).

4.5.3 The Search Process and Preliminary Screening

DePamphilis (2013) argues that the search after candidates should include reflection on which market segment that the acquirer desires that their potential target should operate within. Harvey & Lusch (1998) argues that the acquirer should go through a comprehensive structured search, with key words such as geographical location, primary operation etc. They elaborate and stress that the acquirer should not rely its search on insider's clues, as they may not be presented to the most attractive transactions. Instead, the potential candidates may exist beyond the acquirer's intuition (Harvey & Lusch, 1995).

When the result of the search has been reached, the acquirer should establish a more target specific screening criteria (Tsao, 2013). Within the financials, screening criteria such as the targets that are short in profitability and highly levered in terms of high debt-to-equity ratio should be considered less attractive and therefore, these should be excluded from the candidate list (Tsao, 2013; DePamphilis, 2013; Sudarsanam, 2003). The wished size of the targeted firm is a central factor to evaluate, when screening for targets (Datta, 1991). Larger organizations are often associated with higher complexity, which complicates the integration process during the post-acquisition phase. Therefore, acquirers must consider the maximum and minimum size of the candidates they will find interesting (Datta, 1991). When the undesired candidates have been excluded, the acquirer should now end up with a reasonable number of candidates (Tsao, 2009). These should now individually be evaluated based on more specific criteria (DePamphilis, 2013; Tsao 2009).

4.5.5 Country Specific Evaluation Determinants

Cross-border M&As are considered much more risky than domestic ones, as common issues with political impact and regulatory, differences in language, and cultural differences (Angwin & Savill, 1997; ATKearney 2013; BCG 2015). It is therefore critical for the acquiring firm to assess these factors (Angwin, 2001). Angwin (2001) elaborates further and mentions also tax complications, danger of expropriation of the firm's assets, exchange rates etc., as factors to evaluate before entering a cross-border M&A. Kissin and Herrera (1990) agree in these factors and add debt to equity ratio as one of the factors to evaluate, as foreign government can impose restrictions on the firm and thereby influence the capital structure and the financing options.

Kang (1993) studied the Japanese M&A activities in the American market. He found that several factors increased the interest in acquiring U.S firms during the research period. The exchange rate of American Dollar depreciated significantly compared to the Japanese Yen, reinforcing the Japanese purchasing power towards their possible U.S targets. In addition, corporate tax rates were lowered in the U.S. Investments (Kang, 1993). Kang (1993) concludes that these macro economical features must be assessed when assessing the candidate's location.

4.5.6 Candidate Specific Evaluation Determinants

The financial performance and status of the target firm is of great interest (AT Kearney, 2013; Epstein, 2005). Epstein (2005) argues that formal financial review of assets, the firm's revenue performance and expenses development must be considered when performing due diligence. In the research the determinants of successful M&A, KPMG (2007) finds that price earnings ratio (P/E) of the target was statistically significant in affecting the acquisition outcome in regards to success or failure. Their results show acquisitions of a target with P/E lower than average produced higher return. As tangible assets to evaluate in the pre-acquisition process, Harvey and Lusch (1995) mention plant equipment, patents and the technology used by the target. If the candidate does not match the acquirer technology level, the outcome of the acquisition is affected negatively (Harvey & Lusch, 1995). Another important determinant is the IS-system, which the target uses. Alignment of these systems is one of the major challenges in the integration process after the transaction and thereby an important factor for success (Hedman & Sarker 2015).

As opposed to financial and tangible determinants, research found that more subjectively assessed factors are crucial for the decision making (Carr et al., 1994; Slagmulder et al., 1995; Butler, 1991; Van Cauwenbergh et al., 1996; Epstein 2005; Harvey & Lusch, 1995). This is due to the fact that argumentation for acquisitions should not only contribute to economic value but also the compliance with the acquirer's strategy (Adler, 2000; Carr et al., 1994). Heller (2000) supports this argument, in which he argues that a successful takeover relies on the strategic fit between the acquirer and the acquired. According to Hubbard (2001) strategic fit is vital in being able to capitalize on mutual synergies. Strategic fit involves the target to be aligned with

the overall corporate strategy of the acquirer as well as strategic objectives such as market penetration, market entry or vertical expansion etc. (Hubbard, 2001). Haspelagh & Jemison (1991) support this view and argue that maintaining this fit between the two firms is a main issue when acquiring a firm.

Many researchers have focused their study on the impact of cultural fit (Chatterjee et at. 1992; Sarala & Vaara, 2010; Stahl & Voigt, 2008; Weber et al. 1996; Weber, 1996; Weber et al., 2011). The success of an acquisition relies on the degree of cultural fit (Heller, 2000; Cartwright & Cooper, 1992) since cultural fit enables the acquirer to exploit the synergies that may exist (Weber et al., 1996). In cross-border M&A, cultural differences may be higher, as the national culture might also differ in addition to the organizational culture (Duncan & Mtar, 2006). However, Stahl and Voigt (2008) find that the impact of cultural fit is often non-conclusive.

Besides the strategic and cultural fit, competitive advantages can also arise from the seniority of the employees, know-how and the capabilities of the target's distributors, advertising agents etc. (Harvey & Lusch 1995; Hall, 1992; Porter, 1985). Furthermore, the product loyalty of the firm, the reputation of the company and its individual brands do all impact the forecast of the company's future revenue (Harvey & Lusch, 1995; Hall, 1992). Hall (1993) adds intellectual property rights, trade secrets and patents to the evaluation list. Harvey & Lusch (1995) support these factors as they argue that these all will have an apparent impact on the acquisition in the future. Another issue, which is important to assess is whether product line complement or substitute the ones of the acquisitive firm as well as the quality of the products (DePamphilis, 2013; Pike et al. 1989).

In their research, Anslinger & Copeland (1996) find that the talent of the management team in the target firm represents a key factor in the outcome of a successful acquisition as 65% of acquisitions that were successful reported the management team as the most contributing factor to the success. Marks and Mirvis (2001) support this finding and argue that besides assessing the management team, the acquiring firm should also assess the managers who might end up in more decisive positions in the future. Furthermore, Ahammad & Glaister (2013) find that an extensive assessment of employees' efficiency contributes to a successful acquisition.

Table 3: Evaluation Determinants

Aspect	Criterion	Source
Management	Cultural fit	Heller (2000)
	Strategic fit	Hubbard (2001)
	Management team	Anslinger & Copeland (1996)
	Employee knowledge	Harvey & Lusch (1995)
	Employee efficiency	Ahammad & Glaister (2013)
Financial Performance	Profitability	Epstein (2005)
	Earnings quality	KPMG (2007)
	Capital structure	Kissin & Herrera (1990)
	Liquidity	Epstein (2005)
	Free cash flows	Epstein (2005)
	Asset valuation	Epstein (2005)
Country	Tax incentives	Kang (1993)
	National culture	Angwin & Savill (1997)
	Legal	Kang (1993)
	Purchasing power	Angwin & Savill (1997)
Marketing	Market share	Pike et al. (1989)
	Product loyalty	Harvey & Lusch (1995)
	Brands	Hall (1992)
	Market growth	Pike et al. (1989)
Manufacturing and products	Complementary of products	Pike et al. (1989)
	Production costs	Harvey & Lusch (1995)
	Patents	Hall (1992)
	Cost savings	Epstein (2005)
	Production facilities	Harvey & Lusch (1995)
Other	Technology leader	Harvey & Lusch (1995)
	IS-systems	Hedman & Sarker (2015)

Source: Own creation

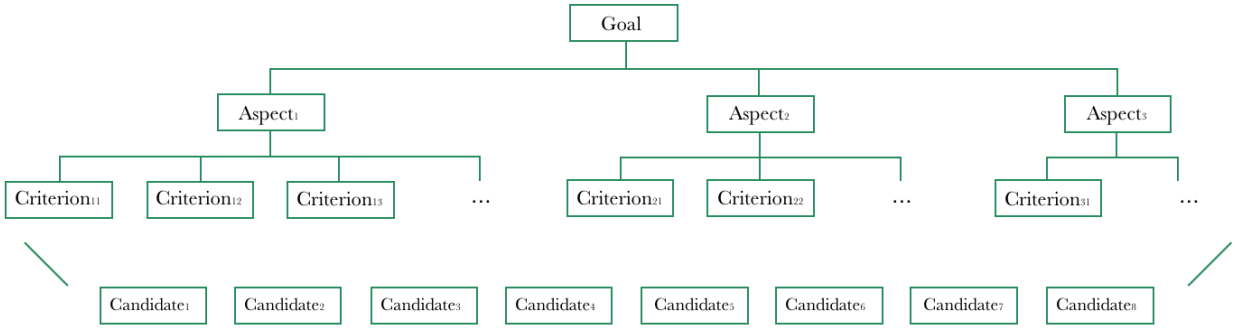
4.6 Multi Criteria Decision Making

The multi criteria decision-marking (MCDM) approach was introduced during the 1970's as a method for aggregating the gathered information used to evaluate decisions (Hwang & Yoon, 1981). Thus, the method is used for structuring and solving issues regarding decision problems, which have attached multiple criteria (Majumder, 2015). In the approach, the researcher chooses a number of aspects with attached criteria, thus the model can contain different types of depth-levels (Tsao, 2009). The method is generally used in ex ante issues, where the future values are not known or available (Adler et al., 2002). Many different methods have been developed based on this approach (Majumder, 2015), and one of the most well-known is the analytical hierarchy process (Saaty, 1980)

4.6.1 Analytical Hierarchy Process

The analytical hierarchy process (AHP) was developed by T. L. Saaty during the 70s and has its roots in the multi criteria decision-making world (Triantaphyllo & Mann, 1995). The method has been used in various settings, as the flexibility of the method enables the decision maker to adapt it to their own preferences (Bhushan & Rai, 2004). Saaty (1987) argues that decision makers needed a tool for deriving relatively weights in their decision processes. AHP contains four steps (Saaty, 2008). Firstly, the problem must be defined and the kind of knowledge that is desired to obtain through the decision process must be described (Saaty, 1980). The next step is about decomposition (Saaty, 1987). Here, the problem is structured by using a hierarchy, which can be divided into numerous levels (see Figure 6). The goal of the decision is placed at the top of the hierarchy. Next level contains the aspects chosen. The criteria related to each aspect are placed in the level below the aspects. The candidates, which the decision maker wishes to distinguish between, are represented in the bottom of the hierarchy. If the decision maker wishes to, they can add or remove levels. AHP assumes no dependency between the elements, as is usually seen in MCDM-methods (Saaty, 1987).

Figure 6: Theoretical Decision



Source: (Saaty, 1980) & own creation

Next step involves comparative judgments, which are used when composing the comparison matrices. The comparison matrix consists of pairwise comparisons of the relative importance between criteria or aspects. Let n denote the number of elements being compared, C1…,Cn, where a_{ij}, is the relative weight, Ci with respect to Cj. This will form a matrix, A (Karimi et al., 2011):

A	C_1	C_2	...	C_n
C_1	1	a_{12}	...	a_{1n}
C_2	$1/a_{12}$	1	...	a_{2n}
⋮	⋮	⋮	⋱	⋮
C_n	$1/a_{1n}$	$1/a_{2n}$	...	1

The diagonal elements equal one. The comparison matrices are positive and reciprocal, hence $a_{ij}=\frac{1}{a_{ji}}$ for $i\neq j$. As a result, the alternative in the ith row is more important than the alternative in the jth column if $a_{ij}>1$ (Saaty, 1987). The number of judgments that the decision maker has to make equals $n \cdot (n-1)/2$ (Saaty, 1987). A comparison matrix has to be established for the aspects, the criteria and sub criteria, if any. When these have been composed, the candidates should also be compared with respect to the lowest level in the hierarchy (Saaty 1987). When comparing candidates with each other with respect to each criterion, the relative mode is used. Opposed to the relative mode is the rating mode, which will be described later. In order to

create comparison matrices, a fundamental scale of absolute numbers must be defined, and where the intensity of importance denotes the value of importance between two aspects or two criteria (Saaty, 2008).

Table 4: The Fundamental Scale of Absolute Numbers

Intensity of Importance	Definition
1	Equal Importance
2	Weak or Slight
3	Moderate
4	Moderate plus
5	Strong importance
6	Strong plus
7	Very strong or demonstrated importance
8	Very, very strong
9	Extreme importance

Source: Saaty (2008)

To reach the relative weights of each criteria, the elements, a_{ij} have to be normalized. Let **A**, denote the matrix with pair-wise elements, a_{ij}, then the normalized elements $\bar{a}_{ij}$ in the normalized matrix $\mathbf{A_{norm}}$, can be calculated:

$$\bar{a}_{ij} = \frac{a_{ij}}{\sum_{l=1}^{n} a_{lj}}, \tag{1}$$

where the $\sum_{i=1}^{n} a_{lj}$ is the sum for each column in matrix **A**. Next, the criteria weight vector, **w** which is a column vector, can be calculated based on the individual weights of the criteria in $\mathbf{A_{norm}}$ using the formula:

$$w_j = \frac{\sum_{l=1}^{n} \bar{a}_{lj}}{n}, \tag{2}$$

where $\sum_{i=1}^{n} \bar{a}_{lj}$, thus the sum of each row in the normalized matrix. As the criteria weight vector is normalized, the sum of its weights will equal one, $\sum_{j=1} w_j = 1$.

The AHP offers an important aspect of consistency within each comparison matrix, which can be checked when the weight vectors have been found. To obtain consistency, Saaty (1987) states that the following must apply in order for the judgments to have consistency:

$$a_{ij} \cdot a_{jk} = a_{ik},$$

where a_{ij} is the importance of alternative i over the alternative j, a_{jk} is the importance of alternative j over the alternative k and a_{ik} is the importance of alternative i over the alternative k. To further evaluate the consistency of the comparisons, the consistency index (CI) for a comparison matrix is defined as:

$$CI = \frac{\lambda_{max}-n}{n-1}, \tag{3}$$

where n is the number of alternatives in the matrix, and λ_{max} is the maximum eigenvalue of the comparison matrix $\mathbf{A_{norm}}$. Next, the consistency ratio (CR) is calculated by using the following formula:

$$CR = \frac{CI}{RI}, \tag{4}$$

where RI is the random consistency index of generated comparison matrices. An example is seen in table 11 in section 9.4.8 (Saaty, 1987). Moreover, the overall hierarchy consistency can be found by:

$$\overline{CR} = \frac{\sum_i w_i CI_i}{\sum_i w_i RI_i}, \tag{5}$$

The local weights are defined as the sum of the row, whereas the global weight is found by multiplying the found local weight of the criterion with the calculated weight of the specific

aspect (Saaty, 2008). If CR > 0.1, the decision maker must revaluate the comparison made in the matrices (Saaty, 1987).

When the consistency of the hierarchy has been established, one can establish the score matrix by using the comparison matrix where the candidates is compared with respect to each criterion, denoted **B**. Next the same procedure, as for the **A** matrices, is done to obtain the scoring vector **S**, Finally, the global vector, denoted **v** can be calculated using following formula, where **S** is the score matrix (Saaty, 1980):

$$\mathbf{v} = \mathbf{S} \cdot \mathbf{w} \tag{6}$$

The ranking order is now obtained by ordering each of the global scores. Higher score equals higher ranking.

As mentioned, Saaty (2008) proposes another method when assessing several candidates, as the relative mode may be time consuming due to the process of obtaining the score matrix. Instead, the rating mode can be used, in which the decision maker evaluates the candidates with respect to each criterion using defined verbal ratings, such as high, medium and low (Saaty, 2008). The relative weights of the verbal ratings are also found using a comparison matrix, denoted **B**. An idealised weight for each verbal rating is then calculated by normalizing the elements and dividing with the largest of the weights (Saaty, 2008). Lastly, the verbal ratings assigned to each candidate under each criteria, is replaced with the respective idealised weight. The weighted score of each candidate under each criterion is calculated by multiplying the weight of the criterion with the idealised score assigned to the candidate (Saaty, 2008; Bhushan & Rai, 2004):

$$R_{ij} = \sum_{j=1}^{n} w_j \bar{x}_{ij} \, , \tag{7}$$

where R_{ij} is the weighted score of candidate i under , w_j is the weight the jth criteria, $\bar{x}_{ij}$ is found by replacing the verbal rating with the relative weight calculated in **B**.

4.6.2 Critique

A key issue in the approach of MCDM is the assumption of independent criteria (Carlsson & Füller, 1996). Most often criteria contain a certain degree of conflicting interests and thereby interdependency among these exists (Yager, 1988; Zeleny, 1982; Wang & Lee, 2011). This will challenge the decision-making, as there may not exist an optimal result due to lack of a solution where all the criteria are satisfied (Carlsson & Füller, 1996; Zeleny, 1982).

Zeleny (1982) does present other issues of the approach. He argues that time pressure often decreases the number of criteria, which the decision-makers choose to assess. One of the strengths of the MCDM-approach can also be viewed as the method's weakness, as the decision-makers must subjectively weight the different criteria, which may result in biased results (Adler et al., 2002). On the other hand this makes the method flexible and therefore a great tool for decision-making in various settings (Adler et al., 2002). Zeleny (1982) argues that the number of criteria will depend on the knowledge and experience, which the decision-maker possesses regarding the problem. Thus, more knowledge equals more criteria and opposite (Zeleny, 1982). This results in less need for the MCDM-approach, as the decision-maker might not be able to utilize the multiple criteria depending on the decision maker's knowledge (Zeleny, 1982).

Given the roots of AHP in MCDM, the AHP is subject to the same critique points (Hartwich, 1999). Including this, an important issue is that the results using the AHP should be taken lightly (Triantaphyllo & Mann, 1995). Furthermore, the closer the results are to each other, the more careful one should be when interpreting the results (Triantaphyllo & Mann, 1995). AHP received critique for not supplying any guidance on how to structure the problem being solved and how to form the levels of the hierarchy of criteria (Hartwich, 1999). Also, it is believed that the process does not meet the minimal properties of subset choice consistency, which means that a rank reversal can occur by adding or removing a criterion (Belton & Gear, 1983; Whitaker, 2007). However, Whitaker (2007) describes these critique point as being negative consequences of the distributive nature of the otherwise simple and useful process (Whitaker, 2007). According to Triantaphyllo & Mann (1995) the AHP, as well as the MCDM approach, should be used as a decision supporting tool and not the only method in making the final decision.

4.7 Relevance of the Models and Frameworks

The models and framework, representing the theoretical background of the thesis, all serve an individual purpose and are therefore relevant to the thesis. However, important for the findings of the thesis, is the relationship between the theories. The different theories need to complement each other well. The external analysis will generate a macro economical view. However, even though the PESTEL analysis covers many variables, it receives critique for being too wide (Marmol, 2015). Many aspects of the PESTEL analysis might be superficial and irrelevant instead of focusing on the relevant aspects of the analysis. Porter's Five Forces complement the PESTEL analysis by providing a more focused analysis on the competitiveness of the industry (Porter, 2008). This provides the background for further analysis and enables the thesis to answer the question of how Royal Unibrew should be positioned in Spain (Porter, 2008). Given the critique of Porter's Five Forces not guaranteeing a competitive advantage (Aktouf, 2004), a look into the resources of Royal Unibrew can be beneficial, which is why an internal analysis using the Resource Based View is relevant.

The internal analysis using the VRIO framework gives an overview of the resources providing Royal Unibrew with a competitive advantage and also gives an understanding of the competencies of Royal Unibrew. Seeing Royal Unibrew as a group of resources provides a view not possible with the theoretical background of the external analysis, since it explains why Royal Unibrew is different from its competitors (Wernerfelt, 1984). Thus, it provides a view within the organization, which is needed in order to answer the research question of the thesis, and the VRIO analysis is thereby relevant to the thesis and complements other models in the theoretical background well.

The eclectic paradigm provides a framework for a discussion about ownership-, location-, and internalization advantages (Peng & Meyer, 2011) based on the findings in external and internal analyses. This way, the OLI framework supports the theoretical background by using the previous analysis in order to arrive at a conclusion of the strategic fit between Royal Unibrew and Spain. Given the critique of the paradigms predictive skills, a previous thorough analysis of the variables is required, which makes the external and internal analyses essential to the OLI framework. This way, the external and internal analyeis provides the analysis of certain

paradigms and the OLI framework raises the relevance of the findings, which makes the models in the theoretical background of the strategic analysis interdependent.

With numerous M&A methods, the MCDM approach provides a structured method for collecting information for the due diligence process pre-acquisition (Majumder, 2015). The MCDM-approach enables the decision maker to choose among different aspects and underlying criteria to assess. For example, marketing can be assessed by using underlying criteria such as brand awareness, consumer loyalty etc. (Tsao, 2009). These can be assessed in order to give a nuanced picture of the overall marketing rating (Tsao, 2013). Extensive research has proven to be a decisive factor for the success of M&As (Posnock, 2002). The MCDM approach can thus be of help in achieving success in the due diligence process, as the decision-maker can adjust the model by adding multiple levels (Tsao, 2009). Equally important, AHP enables the decision maker to assess both physical and psychological events. More specifically, AHP is designed to assess both quantitative and qualitative measures. In M&A, both tangibles events such as asset valuation and profitability measures, and intangibles measures, such as culture and strategic fit need to be evaluated. In addition, AHP enables the decision maker to weigh the criteria relatively in accordance to their relevance of the aspect (Kahraman, 2008; Saaty, 1980). Hence, if the decision maker includes a criterion, which has less importance compared to other, the final ranking of candidates will take this opinion into account.

Part II

External-, internal- and pre-acquisition process

The second part of the thesis contains the analysis, where the empirical background is analyzed using the theoretical background of the thesis. The second part is divided into a strategic analysis and a pre-acquisition analysis. The strategic analysis contains an external-, internal analysis, which will provide the foundation for a discussion regarding the strategic fit between Royal Unibrew and Spain. This will be summarized in a preliminary conclusion. Next, the pre-acquisition process including the search for candidates, preliminary screening, which results in a ranking list, will be carried out.

5. External Analysis

The external analysis consists of a PESTEL analysis and Porter's Five Forces analysis, which combined will generate a macroeconomic view of Spain with special focus on the beer market and an assessment of the competitiveness within the beer industry. This will ultimately become part of the background analysis needed for a discussion of the strategic fit between Royal Unibrew and Spain.

5.1 PESTEL Analysis

In this chapter, macro economical factors, which affect Royal Unibrew's possible entry into Spain will be examined and analyzed using the PESTEL framework. The PESTEL framework will be the first part of the external analysis, where attention will be given to each factor of the framework, in accordance with their relevance and contribution to later analysis.

5.1.1 Political Landscape

For defining the political landscape of Spain, the political structure is important to consider, and Spain is a hereditary constitutional monarchy (European Commission, 2016). Spain has a decentralized system with 17 autonomous regions with self-government rights, which was the

constitution of choice in 1978, and was last amended in 2011. Furthermore, Spain is a member of the European Union (EU), and has been since 1986 (European Commission, 2016). The membership in EU has strengthened the Spanish economy in regards to a growing GDP, lower debt, reduced inflation and decreasing unemployment rates (Ryan, 2006).

Spain ranks 19th in the 2017 Democracy Index by The Economist Intelligence Unit, which is mainly due to acceptance in the transfer of power and civil liberties being protected (The Economist, 2018a). When a government is elected, not many controls are performed. Besides this, there is not much confidence in political parties, since it is still a young democracy (The Economist, 2018a). The political stability is important to assess (Bason, 2018), and due to recent declaration of an independent Catalonia, Spain is in a political crisis. However, it is uncertain whether Catalonia will leave Spain (Thomsen, 2017). Given the political crisis, the economic and social environment has worsened in the richer regions of Spain. Furthermore, the People's Party, one of the four major political parties, has lost support and shifted to Ciuadadanos, which may lead to less parliamentary support (The Economist, 2018a). Lastly, the declaration of independence of Catalonia might affect Spain's relations to EU, as EU views the declaration as an internal matter (The Economist, 2018a). As a possible consequence of political instability, firms can experience blocked funds, disruptions or in worst case, expropriation (Butler, 2016).

The level of corruption in Spanish democracy has increased since 1970 and is believed to be one of the most essential problems in Spain (Robles-Ehea & Delgado-Fernández, 2014). Especially since a new corruption scandal emerges whenever there has been an anti-corruption initiative (Norén, 2017). Corruption in Spain comes in a variety of types and there has over the years been illegal commissions with bribery, illegal party funding, inappropriate use of public funds, embezzlement, fraud, unlawful source of income, tax evasion etc. (Robles-Ehea & Delgado-Fernández, 2014). According to (Norén, 2017) the problem with such corruption does not lie in government agencies or public services, but with the political parties. However, voters are not that affected by corruption, since they might benefit due to a short-term increase in welfare, since the corrupt politicians will act in the interest of the people (Berechet, 2014). Yet, countries with low corruption is more likely to have foreign direct investment (FDI) inflows,

which makes corruption control important in order to make FDI's attractive to foreigners (Berechet, 2014).

In recent years, focus on health has been a high priority by the governments in Europe (WHO, 2012). The government can impact the habits of the population by imposing higher taxes and duties on unhealthy consumer goods (WHO, 2012). To affect the brewing industry, the government can use taxation and duty increases on alcohol as regulatory mechanisms. Moreover, packing duties is also imposed and can be increased (Danish Brewers Association, 2018). These mechanisms can harm the brewing industry, as the cost of goods sold will grow accordingly. Therefore, an increase in duties will, all else equal, often lead to for example higher prices per product. Currently, Spain holds one of the lowest excise duties in Europe. The excise duty on beers does, however, show an upward trend (Statista, 2018b).

5.1.2 Economical Landscape

Beers can be classified as non-cyclical and is the least price-elastic product of alcoholic beverages (Gallet, 2007). However, economic developments do play a critical role in determining future profits in the beer market, as it is a consumer good (Gallet, 2007). The market for beers in Spain has declined 20% from 2010 until 2017 (Statista, 2018f). The decrease in revenue can be explained by the lower volume added to the lower average price per unit (Statista, 2018e). However, the market has stabilized since, and the outlook for 2018-2021 also illustrates stagnation (Statista, 2018f).

Table 5: Total Revenue – Beer Industry

Total revenue in million DKK											
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
24.882	24.960	22.698	21.983	21.970	21.212	20.664	20.626	20.594	20.601	20.606	20.604

Source: Statista (2018f) & own creation

A crucial factor for the economy in the country is continuous investments. Spain was the ninth most attractive FDI location in Europe in 2016 (World Bank, 2016). In 2013, the net FDI inflow was 351,059 million DKK, and since then, it has declined to 231,231 million DKK in 2016, which is a decrease of over 38% during the period (World Bank, 2016). Besides, gross fixed

investments rose 5% in 2017 and the level is expected to remain the same in 2018 (The Economist, 2018a). Related to the attractiveness of investments, the interest rate is a deciding factor, as lower interest rates often are related to higher investment activity, as the costs of issuing debt thereby is low (Mundell, 1963). As Spain is part of the EU, their regulation of their monetary policies is dependent on European Central Bank (ECB) (The Economist, 2018b). As ECB is expected to increase interest rates in the nearest future, borrowing costs will arise. The result of this can be attached to the lower expectation of investment activities during the period 2019-2021 (The Economist, 2018a). Figure 7 illustrates the long-term interest rate during the period of 2010-2017 in Spain.

When assessing the economic risks connected to a country, the inflation rate is important to assess (Rousseau & Wachtel, 2002). A desirable inflation rate is approximately 2% as a too high or low inflation often is associated with unstable and weak economies (Federal Reserve, 2018; Rousseau & Wachtel, 2002). As seen in the development of the inflation rate in Figure 7, the rate has fluctuated highly during the last eight years (Statista, 2018c), which is associated with an unstable economy (Rousseau & Wachtel, 2002).

The commodity prices' future fluctuations are significant determinants in forecasting profits within the beer industry. Water, hops, yeast and sugar are of specifically interest to the beer industry (Royal Unibrew, 2018). An increase in commodity prices can only, to a certain degree, be complimented with a corresponding increase of the average selling price (Royal Unibrew, 2018). Hedging is often used to avoid possible losses due to fluctuations of commodities and therefore manage larger firms future risks (Hull, 2013).

Figure 7: Interest Rate & Inflation Rate

Source: OECD (2018), Statista (2018c) & own creation

5.1.3 Socio-Cultural Landscape

Changes in consumer habits, lifestyle and demographic factors are all important to assess as they often do influence the sales of products (Babatunde & Adebisi, 2012). The population of Spain is 43,350 million, which makes it the fourth largest country in Europe (Statista, 2017). The population is expected to decline due to the low fertility per woman, which can be seen in the forecast shown in Table 6. Consequently, the average age of the Spanish population will increase automatically in the longer run (Statista, 2017). In the consumer segment, young adults represent the group having the highest consumption of beers, though a trend is seen towards women in the same category tend to prefer different alcoholic beverages (Euromonitor, 2018). This indicates that, in the future, the main consumer segment will decrease and therefore be a significant indicator for lower sales of beers in Spain.

GDP has increased with over 3% in the period from 2010-2017, thus the Spanish population has become richer (Statista, 2017). The trend is estimated to continue in the coming years (Statista, 2017). Also, the average spending per capita has increased during this period. Even though GDP and the average spending per consumer have developed positively, Spain still is marked by inequality and a high unemployment rate, which is caused by the recession back in 2008 (Statista, 2017). At the end of 2016, 17.4% of the population above 18 years were jobless,

cf. Table 6. Moreover, many of the full-time employees are employed on a temporary contract. However, the unemployment rate is decreasing as well as more employees are being employed on a permanent basis (Roden, 2017). The high unemployment rate is also reflected in the inequality existing in the country. In fact, Spain has the fourth highest inequalities among the population in EU (Eurostat, 2015). Besides, the labor costs in Spain are relatively low compared with other western European countries (Eurostat, 2018). More importantly, the average labor costs have stagnated since 2012, where most of EU countries have experienced high increases during the same period (Eurostat, 2017b).

Table 6: Key Numbers for Socio-Cultural Landscape

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Population in millions	46.6	46.7	46.8	46.6	46.5	46.4	46.4	46.4	46.4	46.4	46.4	46.3
GDP per capita in US$	25.670	25.295	24.558	24.316	24.685	25.586	26.609	26.643	27.551	28.619	29.704	30.696
Consumer spending per capita in US$	19.916	19.794	19.274	18.958	19.261	19.801	20.343	20.450	21.229	22.139	23.068	23.931
Unemployment	19.9%	21.4%	24.8%	26.1%	24.4%	22.1%	19.6%	17.4%	-	-	-	-

Source: Statista (2017) and own creation

When it comes to culture, beer in Spain is a beverage, which can be consumed every hour of the day. The consumption of beers are therefore a tradition and a part of the Spanish culture (Euromonitor, 2018). A megatrend in the Spanish society as well in the European society is the increased focus on healthy consumption (Euromonitor, 2018). As a sign of this, the growth seen in the overall Spanish beer market was mostly due to increasing sales of non- or low-alcoholic beers. In fact, Spain is the largest producer and consumer of non-alcoholic beers in EU (Euromonitor, 2018).

5.1.4 Technological Landscape

The technological landscape of Spain is changing and evolving with a focus on innovation and advanced solutions within many industries (Buisán, 2013). Spain ranks as 23th in the world on Bloomberg's innovation index, which aggregates evaluations of R&D, manufacturing, Hi-tech companies, education, research personnel, and patents in countries worldwide (Bloomberg, 2016). Besides, Spain is a world leader within infrastructure, both in terms of railways and roads (Ministerio de Asuntos Exteriores Y de Cooperacion, 2014). Furthermore, Spain has increased the amount of resources for R&D and focuses on unique scientific and technical infrastructures in order to continue being leading (Buisán, 2013; Ministerio De Economía Y Competitividad, 2018).

Regarding renewable energy, Spain is a world leader within hydroelectrical-, solar-, and wind energy, as they rank in the top ten on a global base (Ministerio de Asuntos Exteriores Y de Cooperacion, 2014). However, Spain is experiencing low business innovation compared with other OECD countries, which affects productivity negatively (OECD, 2017). In order to put further focus on innovation and technology, the Ministry of Science and Innovation in Spain has developed a strategy, which is planned to be implemented from 2013 to 2020 (Buisán, 2013). This new strategy focuses on economic policy measures and seeks to affect multiple industries. The strategy involves, among other things, recognizing and promoting talent in research, development, innovation, scientific and technical research etc. (Buisán, 2013). The goal of this strategy is, for example to make sure Spain is a world leader within knowledge, to better the international view of science, and technology system and to create an attractive climate for R&D investments (Buisán, 2013). These goals are important since innovative business investment is very important for the productivity growth (OECD, 2017).

However, Spain are facing challenges within innovation and technology such as the current growth model being based on industries with low innovation, not many resources for innovative organizations from financial sector and little coordination between educational system and what organizations actually need (Buisán, 2013). However, the "Innverte" programme of Centro de Desarrollo Tecnológico industrial (CDTI) plans to invest in technology- based companies in an attempt to support innovation (OECD, 2017).

5.1.5 Environmental Landscape

In ISO 14001 (an international standard for environment management) certificates for management systems, Spain is ranked as first in EU (Ministerio de Asuntos Exteriores Y de Cooperacion, 2014). In addition, with regards to integrated water cycle management, Spain is a world leader in every phase of the cycle (Ministerio de Asuntos Exteriores Y de Cooperacion, 2014). As Spain is a member of EU, the emissions of carbon dioxide (CO^2) are therefore heavily regulated. In 2020, the GHG emission must be reduced by 20% compared with the level in 1990 respectively (OECD, 2017 p. 43). Currently, Spain ranks eighteenth on the Greenhouse Gas Rankings. Breweries produce lots of CO^2, and it is therefore a concern for the brewing industry to reduce the emission (Royal Unibrew, 2018). Spain is leading in regards to solar energy, hydroelectric energy and wind power as mentioned in section 5.1.5. In this regard, brewers can reduce the costs by using renewable energy, as it will be a cheaper alternative to fossil fuel in the nearest future (Dudley, 2018). The CO^2 discharge per capita has been decreasing through the years, which indicates that the Spaniards have been more aware of the pollution effect of gases (World Bank, 2016). Accordingly, the brewing industry must provide greener produced products to satisfy the Spanish consumers in the future.

The consumption of beers is highly dependent on the weather, as sunshine and high degrees of Celsius are positively correlated with the sales of beers (Royal Unibrew, 2018). This is also seen geographically in the total consumption of beers in Spain, as the Southern inhabitants lean towards consuming more alcoholic beverages than people living in the Northern part of Spain (Euromonitor, 2018). Moreover, the weather in Spain is very stable, and the daily hours of sun ranks as one of the highest in Europe (Kjær, 2016). Along with the stable and sunny weather follows tourism and Spain is the most visited country in Europe (Eurostat, 2017b). Tourism contributes with 172 billion Euros of Spain's total GDP and is therefore a very important part the Spanish economy (Statista, 2018f). Moreover, this contribution is expected to increase during the next ten years (Statista, 2018f). The agriculture of Spain represents also an important part of the economy. In fact, Spain is the fifth largest producer of crops (Eurostat, 2017a).

5.1.6 Legal Landscape

The legal drinking age as well as the legal purchasing age refers to when and under what circumstances it is possible to consume and purchase alcohol in Spain. The minimum drinking age in Spain prohibits anyone less than 16 years to drink alcohol and purchasing age laws prohibit anyone less than 18 years to purchase alcohol. However, those under 16 years may purchase beer and wine if they are accompanied by their parents (ICAP, 2002). Besides the limit age, consumption of alcoholic beverages in public areas and at sports games is prohibited. These factors can possibly impact the future level of consumption (GOV, 2018) and therefore should be a concern for the brewery industry if the trend of more restrictions continues.

Due to the membership of the EU, Spain is subjected to regulations and legislation on alcohol marketing (STAP, 2007). However, these regulations and legislation are in the form of national laws and self-regulations, which emerge from recommendations from the European Council on promotion marketing and retailing of beer (STAP, 2007). Spain has both statutory and non-statutory regulations and bans regarding time, location, media channel and type of product (STAP, 2007). More specifically, Spain bans certain elements of marketing of beer on the grounds of the recommendation of the European Council, such as the use of style associated with youth culture, featuring children or other young looking models in the promotion and encouraging children to drink and advertising during sporting events (STAP, 2007).

Spain is the ninth most open economy to FDI's as mentioned in section 5.1.2, where the foreign investments regulation of Spain emerges from liberalization and does not favor members of EU over non-members (Navarro & Ventoso, 2014). When making an FDI by subsidiary, the company has legal standing under Spanish law and a certain degree of freedom in regards to decision making (Navarro & Ventoso, 2014). When making an FDI by branch, there exists a separate legal entity and therefore compliance with every Spanish law is not required. However, a notarial deed executed in Spain is necessary (Navarro & Ventoso, 2014). Foreign investors can be subjected to a merger control, which means that the deal must be notified and execution held until they have obtained approval from the authorities (Navarro & Ventoso, 2014). However, Spain is a member of the International Centre of Settlement of Investment Disputes (ICSID), which means that facilities will be provided during any disputes (Navarro & Ventoso, 2014).

5.2 Porter's Five Forces Analysis

In this section, the rivalry among existing competitors, which affect Royal Unibrew's possible entry in Spain will be examined and analyzed using Porter's Five Forces. Porter's Five Forces will be the second part of the external analysis, where attention will be given, to each component of the framework, in accordance with their relevance and contribution to later analysis. Given the delimitation of the thesis, the Porter's Five Forces analysis will be focused on the European market, with special focus on the Spanish market.

5.2.1 Threat of New Entrants

When operating within the beer industry, assessing the threat of new entrants is of high importance (Porter, 1979). Especially since the brewery market is consolidated with low or no growth. Hence, new entrants gain market shares from existing firms (Bason, 2018). Firstly, the threat of new small entrants will be assessed followed by an assessment of new major competitors.

Since 2010, the number of active breweries has been doubled to a total number of 9,381 in 2016 (Brewers of Europe, 2017). During this year, over a thousand new breweries were established, where 56 were Spanish alone. All 56 new breweries were microbreweries (Brewers of Europe, 2017). The ingredients used for production in a brewery are available for everyone to an affordable price. Therefore, anyone can begin brewing their own beers at low costs (Bason, 2018). Know-how of brewing can be obtained through simple guides available online (Bason, 2018). However, approximately 98% of the total sales of beers are sold through retail stores, in which only the fastest traded brands are supplied (Euromonitor, 2017c). Thus, it is very easy to start brewing beers, nonetheless difficult for an individual or small brewery to gain a foothold in the market (Bason, 2018).

In the Spanish market, the premium beers are sold at high prices with larger margins compared with pilsners. This is one of the reasons for the increase in microbreweries, as the market for specialty beer in Spain is attractive (Marketline, 2015). As a result, the threat of new small entrants is very high, as new microbreweries are continuously founded. The requirements to do this are limited and therefore not that difficult to carry out (Bason, 2018). However, if a new

entrant chooses this entry mode, it will be difficult to obtain significant a market share as the specialty and craft beer only represent a small part of the overall beer market in Spain (Euromonitor, 2017c).

To establish a large brewery and acquire substantial market share, new entrants must invest heavily in production plants. Besides, the large players have established distribution channels, know-how, and other activities in running a large company (Bason, 2018). Moreover, to maintain stable sales, it requires high spending used on marketing and campaigns (Ebneth & Theuvsen, 2006). Hence, the entry requires lots of capital, which increases the entry barrier significantly (Bason, 2018). In addition, the brewery market is very consolidated cf. section 5.2. In fact, the three largest companies represent a market share of approximately 75% of the market in Spain (Euromonitor, 2017c). In such markets, economies of scale do represent an important determinant for maintaining market shares, since prices on mainstream beers are lowered (Cockerill, 1977). This means that the producers of mainstream beers compete on material costs and operating expenditures. Due to the excessive costs and the consolidated market, firms in the market only grow substantially through acquisitions or through alliances (Andersson, 2018). In sum, this indicates that the threat of new major entrants is very low, but the threat of existing large firms growing larger is important to be considered.

5.2.2 Threat of Substitutes

When assessing the threat of substitutes, the substitutes must first be defined. Substitutes can be both directly and indirectly related to the firm's products (Porter, 2008). To begin with, the direct substitutes are analyzed and afterwards the indirect substitutes.

The beer market is a submarket to the market for alcoholic beverages. In this market, wine, spirits and cider also exist (Euromonitor, 2017b). In 2016, beer represented 75% of the consumption in the market. At the same time, 12% of the consumption was wine while cider and ready-to-drink beverages only represented 4% of the total market (Euromonitor, 2017b). The overall alcoholic beverage market in Europe has, as the beer market, also stagnated and is forecasted to deliver low growth rates in the future cf. section 5.1.2 This indicates, that an increase in sales of wine will create a decrease in the other substitutes. This is for example seen

in Denmark, where the consumption of beers has declined (Danish Brewers Association, 2018). In contrast, the consumption of wine in the same period has increased. In the retailer stores, these alcoholic beverages are often placed next to each other as retailers want to provide customers with a vast variety of products within the same category (Bason, 2018). However, beer can be consumed at all times during the day, whereas wine often is consumed along a meal (Bason, 2018).

As mentioned in section 5.1.3, consumers are more aware of what they consume. According to Bason (2018), when assessing substitutes, it is important to assess the trends, which are currently imprinted in the market as these act as indirect substitutes. For example, the lunch beer is outdated in most European countries even though it has been a tradition for a long time. Instead it has been replaced with coffee (Bason, 2018). This indicates that the threat of substitutes includes a healthier lifestyle, which indirectly navigates consumers towards healthier beverages with no alcohol. Bason (2018) elaborates by stating that it often is the surroundings, which are a determining factor of the consumption of beers cf. section 5.1.5 for the importance of the weather on the consumption of beer).

Spain is one of the wine countries represented in Europe. Wine is therefore of high demand in Spain compared to the general distribution of consumption of alcoholic beverages. In fact, beer only contributed with 73% to the total market share while wine has 20% of the market share (Euromonitor, 2017a). This distribution of market share between the categories has only varied with low percentages during the period 2011-2016. Yet, the trend towards more beer consumption relatively, is seen. In restaurants, wine is sometimes sold exclusively over beers, or promoted more than beers due to for example, higher margins and better complementation of their menus (Marketline, 2015) On the other hand, beers are widely sold in pubs and dominate wine and other spirits.

In general, the threat of substitutes can be assessed as medium to high. The beer market still dominates the market for alcoholic beverages significantly both in Europe and in Spain locally and is expected to do so in the coming years (Euromonitor, 2017a; Euromonitor, 2017b). However, different alcoholic substitutes do emerge all the time. In addition, traditions for

consuming beers have been weakened, and new ones included healthier lifestyles are a threat to the market since consumers can replace the alcoholic beverages with non-alcoholic ones.

5.2.3 Bargaining Power of Suppliers

The question of bargaining power of suppliers begins with what is supplied. The raw materials needed for producing beer is usually water, sugar, malts and hops and thereby products of agriculture (Bason, 2018). Usually, the number of suppliers for these raw materials is large (European Commission, 2016). However, these raw materials depend on a good harvest (Bason, 2018). Certain suppliers are better than others, since they process the raw materials in different ways and quality might take time to produce (Bason, 2018). This way, the demand of some breweries affects the bargaining power of suppliers. A company such as Carlsberg uses only female hops, as opposed to male hops, which makes the bargaining power of suppliers of female hops greater. Some companies use only organic raw materials, which makes the supply narrower (Bason, 2018). The more unique the product delivered, the higher the bargaining power of the suppliers (Porter, 1979). However, as mentioned earlier, there are usually a lot of suppliers of raw materials, which speak to the bargaining power of suppliers of raw materials being fairly low (Porter, 1979).

The same goes for suppliers of packaging material such as cans, bottles and labels (Bason, 2018). According to Bason (2018), the number of suppliers of cans, bottles and labels are fairly high within the beer industry, which indicates that the bargaining power of the suppliers is low. However, if the brewery wishes very specific products, the number of suppliers is significantly lower than if a standard product is sufficient (Bason, 2018). The bargaining power of the suppliers will then increase (Porter, 1979).

The number of suppliers relative to the number of breweries is low and therefore difficult to answer the question about the bargaining power of the supplier. However, many breweries are microbreweries (Bason, 2018). It is very easy to start a brewery since the formula for making beer is available to everyone. Most cities have their own brewery, which makes the number of breweries very high. However, it can be very difficult to gain foothold and actually sell the beer, especially since the retail market are consolidated (Bason, 2018). In Spain the number of

breweries is 795 in 2018, where many of these are small breweries (Statista, 2018f) and thus does not affect the bargaining power of the suppliers towards the larger breweries, but does, however, give a very high bargaining power of the suppliers towards the small breweries, since this customer group is not that important to the supplier (Porter, 1979).

The bargaining power of the suppliers vary depending on what type of product they deliver, however, the overall bargaining power is fairly low, since many suppliers can deliver the raw materials that breweries need in order to produce beer (Bason, 2018). This means that if the supplier should choose to raise the prices of their products, it is easy for the brewery to switch to another supplier (Porter, 1979).

5.2.4 Bargaining Power of Buyers

The question of bargaining power of the buyers begins with the number of products available. The number of breweries and brands are extremely high on a global scale and impressively high in Europe as well (MarketLine, 2016). As a result, the competitors compete on price in many of the segments, as the buyers are price dependent (Bason, 2018). Ultimately, this can have an impact on the quality of the beer as well, since breweries wish to differentiate from its competitors and thereby often must deliver a better quality than offered from the competitors (Bason, 2018). However, there are other elements, which play a role in the bargaining power of the buyers. Since some breweries might wish to differentiate in quality, the breweries, which make a product of better quality therefore weaken the bargaining power of the buyers, since the product is more unique and harder to find (Porter, 2008). Thus, there exists a certain degree of product loyalty (Bason, 2018)

The uniqueness of a product is also what creates preferences and brand loyalty, and within the beer industry there exists a certain brand loyalty (Bason, 2018). Due to this brand loyalty, the consumer does not just choose anything when they purchase beer, which decreases the bargaining power of the buyers (Porter, 2008). The buyers are not as easily affected by changes in prices or quality, however, according to Bason (2018), there is a limit to the loyalty of the consumers and they will change to another brand if the price and quality does not live up to their demands.

It is important to understand that buyers of the beers are, in most cases, retail stores, bars and restaurants and not the actual end consumers (Bason, 2018; Euromonitor, 2017). The bargaining power of these buyers is relevant as well and refers to the price and quality of the product. The bargaining power of the retail stores, bars and restaurants is strengthened due to the fact that it is through these channels that most of the beer is sold (Bason, 2018). In order to gain more profit, these buyers want a fair price for the product and a good quality in order to sell the product fast (Bason, 2018). However, as mentioned earlier it is the end consumers that control the market and the end consumers that set the demand and therefore the bargaining power of the retail stores, restaurants and bars depend on the demand and how fast certain products sell (Bason, 2018). This way, the bargaining power of the retail stores, restaurants and bars are affected by brand loyalty and the end consumers' willingness to buy the beer. The bargaining power of the end consumers and retail stores, restaurants and bars are therefore closely related.

The market controls the price of beer and it is consumers that shape the demand, and therefore the consumers have a very large impact on the market (Bason, 2018). Moreover, given the large number of breweries and beer brands the bargaining power of the buyers is fairly high, despite of the presence of brand loyalty. Ultimately, this high bargaining power affects the industry so that the breweries will have to be very attentive to prices and quality (Porter, 2008).

5.2.5 Rivalry Among Existing Competitors

Rivalry among existing competitors is important as well in order to determine the competitiveness in the beer industry and begins with the question of presence of existing competitors (Porter, 1979). As mentioned earlier, there exists many breweries and brands, not only in the world, but even in Europe the number is very high (Marketline, 2016). These existing breweries sell domestically, export to foreign countries and often perform FDI to gain more market share (Euromonitor, 2017c).

As mentioned earlier, the large number of competitors within the industry affects the price and quality of the products and thereby makes the competitors more aggressive (Aron & Waalewijn,

1999). The beer market is decentralized with many small and local brands, which accumulated have a very large market share (Bason, 2018). This way the large brands only make up part of the market and small breweries are thereby important as well to the rivalry among existing competitors.

In Spain the largest companies within the beer industry are Heineken with a market share of 30.9%, Grupo Mahou-San Miguel with a market share of 29.6% and Damm with a market share of 13.9% (Euromonitor, 2017c). These are the three largest beer companies in Spain with a combined market share of 74.4%. The remaining 25.6% is represented by smaller companies. However, the market share of the brands is consolidated where Cruzcampo, owned by Heineken, is the market leader in Spain with a market share of 11.7 %, Estrella Damm, owned by Damm, with a market share of 7.8%, Mahou Clasica, owned by Mahou, with a market share of 7.6% and San Miguel Especial, owned by Mahou, with a market share of 7.2% (Euromonitor, 2017cc). The rivalry between these largest companies is quite intense given the almost equal size of the companies. However, the consolidation with only a few large companies makes the rivalry less intense (Porter, 2008).

Furthermore, the sale of beer by category is pilsner with 13.8 billion EUR, lager with 11.9 billion EUR, non-alcoholic beer with 1.7 billion EUR dark beer with 129.9 million EUR and stout with 78.2 million EUR (Euromonitor, 2017c). Furthermore, these beers are mostly exported to the Dominican Republic, France and the Netherlands and the total value of imports amount to 269.6 million EUR (Euromonitor, 2017c).

The prospects of the beer industry in Spain predict an economic growth, which essentially could lead to an increase in the sales of beer due to an anticipated increase in disposable income (Euromonitor, 2017c). The price of the beer will continuously be an important factor for the consumer and the average price per unit is expected to fall due to increased price competition among the existing competitors (Euromonitor, 2017c). The attention to the quality and ingredients will most likely be increased, since consumers are becoming more aware of health (Euromonitor, 2017c). Consumers are also becoming more concerned about the number calories that they consume (Bason, 2018), a trend that is seen especially amoung younger

women, which are reducing their beer consumption or switching to non-alcoholic beverages as mentioned in section 5.1.3. According to Bason (2018) a trend in specialty beers is also plausible. As seen in regards to pilsners many large breweries have banded up and achieved synergies by focusing on pilsners, which is plausible for the specialty beers as well (Bason, 2018).

6. Internal Analysis

The internal analysis consists of a VRIO analysis, which will give an overview of the resources providing Royal Unibrew with a competitive advantage and thus provide an understanding of the competencies of Royal Unibrew as well. This will ultimately provide the final part of the background analysis needed for a discussion of the strategic fit between Royal Unibrew and Spain.

6.1 VRIO Analysis

In the following section, Royal Unibrew's key competencies and resources will be identified. Once identified, it will via the VRIO framework be assessed whether they provide a competitive advantage or disadvantage. If the resources or competencies give a competitive advantage, this will be analyzed to decide if it is temporary or sustainable. The resources will be divided into tangible and intangible resources. Furthermore, only the most relevant resources have been chosen to be assessed and finally, the resources' competitive implication will be discussed.

6.1.1 Intangible Resources

Often intangible resources represent most of the competitive advantageous resources, as these are difficult to imitate (Peng & Meyer, 2011). In the following, five intangible resources will be evaluated.

6.1.1.1 Human Resources

According to Andersson (2018), the most valuable resource existing in Royal Unibrew is the employees and also the culture that comes with having the employees. Royal Unibrew consists

of 2,399 employees on a worldwide basis and most of these are based in the Headquarter in Faxe, Denmark. Even though the number of employees has been reduced, the performance of Royal Unibrew has improved significantly in the same period (Royal Unibrew, 2018). The employees of the company are the drivers of the business and therefore the most important value creators. Among the employees, Andersson (2018) highlights the brew masters and the sales representatives as key figures in Royal Unibrew's daily operation. The brew masters decide the composition of new beers (Andersson 2018). To increase the growth and reinforce their current position, Royal Unibrew must be innovative and launch new products continuously. Hereby, the brew masters create value for Royal Unibrew (Andersson 2018).

The culture in Royal Unibrew is characterized by a high seniority among the employees (Andersson 2018). Andersson (2018) describes the culture as either employees who are employed and shortly after leave the company, or as in most of the cases, employees who stay with the company for a long time. Simon Andersson has been employed for over 14 years himself. Often high seniority creates a high degree of expertise among the employees, which improves operational efficiency and therefore contributes to value creation for Royal Unibrew (Hutchens, 1989).

In Denmark, employees change jobs very often compared to other countries (Business 2017). This indicates that firms that have such high seniority as well as know-how is rare. According to Andersson (2018), this culture is very difficult to imitate as it takes time to establish such a culture, in which many actions from the human resource department and the management team are initiated to retain the employees. For example, as Andersson (2018) points out, the company offers great flexibility for employees to move between various positions within the company. One of the main reasons for employees to search for jobs outside their current company, is to seek new challenges, which in this case can be found within the company. This flexibility can be one of the reasons for high seniority (Business, 2017).

6.1.1.2 Kissmeyer

Anders Kissmeyer is a worldwide known brewer. In 2011, he was announced as the world's best brewer and acknowledged as the third most important brewer in the Danish brewing history

(Royal Unibrew, 2018). Royal Unibrew started collaboration with him and his microbrewery in 2016, and he is now in charge of the innovation and development of new specialty and craft beers. Since then, this relationship has created value for Royal Unibrew in the form of increased turnover (Andersson 2018). This sort of collaboration is not costly to imitate, but it is difficult to establish and therefore rare since there do not exist many brewers with his reputation and knowledge. (Andersson 2018). As Royal Unibrew provides Kissmeyer with the resources he needs, and distributes and promotes his products, they are able to capture the value he provides. For example, several new Kissmeyer products were launched during 2017, and more will come in 2018 (Royal Unibrew, 2018).

6.1.1.4 Brands

Royal Unibrew is a merger and acquirer of many old breweries and therefore holds various different brands, which they have chosen to keep in their product portfolio (Royal Unibrew, 2018). Since a memorable history contributes to create a strong brand (Boatwright et. al., 2009), the brands of Royal Unibrew appear robust. An example is Ceres, which is a strong brown ale produced in Denmark and then exported to Italy. Its entry in Italy was back in 1960's, where it was loaded into Tulip-truck, a Danish modern processing firm, as 'an accessory' to the ham. Later, the truck was considerably loaded with more beers than ham and Royal Unibrew took over the distribution channel (Andersson, 2018). Now, Ceres is the most sold imported beer in Italy (Royal Unibrew, 2018b). According to Andersson (2018) Royal Unibrew really does care about their brands and mentions them as one of the most valuable resources.

Strong brands are not easy to establish, which is exemplified by the history of Royal Unibrew and their long journey to establish the brands that they have now. This speaks to the rarity of brand value and emphasizes that Royal Unibrew is special, since they have so many strong brands. Arguably, many strong brands exist within the beer industry, which is a strong argument for brands not being a rare resource. However, a brand value in the scale of Royal Unibrew can be argued to be rare given the long journey of establishing the brands, which also speaks to the imitability of this resource. It is not possible for other breweries to just obtain or acquire such strong brand values and this makes brands inimitable as resource for Royal Unibrew. Lastly, Royal Unibrew succeeds in exploiting the brand, which is evidenced by their

initiative to support the rock music industry in Denmark and name a new stadium in Copenhagen: Royal Arena (Royal Unibrew, 2018).

6.1.1.5 Marketing

The marketing of Royal Unibrew refers to the use of the brand values and is therefore closely related to the previous section. Marketing is of great interest to Royal Unibrew as they wish to reach the consumers, which involves complying with the rules of responsible marketing and consumptions of beverages and no violations of marketing legislation were noted in 2017 (Royal Unibrew, 2018). Royal Unibrew even participates in local and international cooperation within the beer industry, in order to influence legislation to make sure that the conditions for marketing of beer does not suffer (Royal Unibrew, 2018). In order to reach consumers, while complying with the rules of responsible marketing, Royal Unibrew uses different marketing channels, such as social media (Andersson, 2018). However, many competitors of Royal Unibrew use marketing through these channels and the marketing from the competitors are, in most markets, tough (Royal Unibrew, 2018). This speaks to the rarity of the marketing resource of Royal Unibrew, or more precisely the lack of it.

However, some parts of the marketing of Royal Unibrew can arguably be classified as rare. As part of the history of Royal Unibrew, a limestone quarry is located near Faxe. This limestone quarry is quite unique with special minerals and is used as part of the marketing strategy (Andersson, 2018). Furthermore, as mentioned in the earlier section, Royal Unibrew supports rock music in Denmark and named the stadium Royal Arena (Royal Unibrew, 2018). This type of marketing is more rare and therefore pushes the marketing resource towards a sustained competitive advantage (Barney, 1991). Interesting about the marketing situation of Royal Unibrew is, as mentioned in the earlier section, the many brands. This way, the poor marketing of one brand will not affect the brand value of Royal Unibrew as a whole, which is in itself, very rare. All this shows that the marketing resource is well exploited by Royal Unibrew, however, given these arguments for the marketing resource to be classified as rare, the resource is not rare, which make the question of imitability inadequate (Barney, 1991).

6.1.1.6 Partnership with Heineken Brewery A/S

In 2007, Royal Unibrew initiated a partnership with Heineken, where Royal Unibrew have obtained the license to distribute and sell their products in Denmark. Later in 2013, the agreement was extended and expanded to also include the Baltics and Finland until 2023 (Royal Unibrew, 2018b). This creates value for Royal Unibrew by expanding their product portfolio and has a positive impact on their revenue (Royal Unibrew, 2018). Also, the partnership opens opportunities for entering new markets with one of the strongest brands in the beer industry, which is an advantage (Andersson, 2018). As Royal Unibrew are the only eligible distributor of Heineken's products in Denmark, Finland, and the Baltics, this partnership is unique in these specific countries (Royal Unibrew, 2018). Even though Heineken have similar partnerships with other companies in other countries, the number are limited and can therefore be considered rare (Heineken 2018). In other words, competitors are not able to initiate the same partnership. However, partnerships among other firms with other major beer breweries have been agreed by competitors to enhance their positions. With 5 breweries and a significant market share in the applied countries (Andersson, 2018), Royal Unibrew has the organization and capabilities to exploit this partnership to its potential.

6.1.2 Tangible resources

In contrast to intangible resources, tangible resources often only represent a temporary competitive advantage, since these are easier to imitate (Peng & Meyer, 2011). In the following three tangible resources will be evaluated.

6.1.2.1 Breweries – Large plants and microbreweries

Royal Unibrew owns and operates several large breweries and microbreweries. Breweries are the core in production of beers and thereby definitely value creating. The number of microbreweries increases rapidly as the demand for specialty beers has increased (Birkedal, 2014). Hence, the microbreweries, which Royal Unibrew owns, create value, but are no rarity among the operators on the beer market. Nevertheless, the large brewery plants are more of a rarity, since only the large competitors are in possession of these (Andersson, 2018). Royal Unibrew owns automated warehouses, which make the breweries more rare, since modern technology makes the daily tasks faster and leaner. This is expensive and therefore more rare

than regular warehouses (Andersson, 2018). In Denmark, most of the largest brewery plants were built from the 1850's to the 1950's, as many of them has closed down there is only a limited number still existing (Andersson, 2018). Thus, to achieve a brewery, a company must either take over another company, or build a new one themselves. However, the costs associated with investing in a new large brewery are significantly higher than many of Royal Unibrew's smaller competitors can afford. Consequently, being in possession of that many breweries is evaluated as rare and challenging to imitate.

6.1.2.2 Financial Resources and Performance

In 2005 and 2007, Royal Unibrew acquired three companies in Poland, which were not successful. Royal Unibrew was near bankruptcy, but has since then recovered remarkably (Andersson, 2018). According to Andersson (2018) this event was the deciding factor for having financial flexibility as one of their main strategic focus points. Andersson (2018) points out that their financial performance is strong compared to their competitors since their earnings before taxes are comparatively high. Royal Unibrew accomplished an EBIT margin of 16.7% in 2017, whereas their main rival in Denmark, Carlsberg, only managed an EBIT margin of 11% in 2016 which was their best result since 2013, where the EBIT-margin was below 13% (Carlsberg, 2017).

Most large breweries are privately owned (Bloomberg, 2018). As Royal Unibrew is a listed firm, the costs of raising new funds either through debt or equity is often less costly and more easily done compared with private firms (Brav, 2009). Hence, this flexibility can be seen as an advantage. As IPO's often is a costly process (Pagano et al., 1998), the financial flexibility attached with being a listed firm is not easy to imitate. In addition, Royal Unibrew has low gearing, whereas private firms often are levered higher than public ones (Brav, 2009; Royal Unibrew, 2018). Royal Unibrew's policy is to have an equity ratio on at least 30%, which limits the debt issue to this point. The reason for this desired capital structure is the intention of operating at a level where it is possible to maintain financial flexibility. Furthermore, it is also with the objective of possessing the possibility to act on opportunities and still be independent of the liabilities owed to the corporation's banks (Royal Unibrew, 2018).

In total, Royal Unibrew's financial resources can be seen as a valuable resource, rare in that sense, that their financial performance is comparatively higher than competitors, as well as their opportunity for raising funds, if needed, is greater than some of their competitors'. As financial performance is not easy to imitate, and an IPO will be costly to initiate for competitors, the resource is found hard to imitate. During the years, Royal Unibrew has been able to take advantage of their strong financial position, which is seen through their acquisitions of several targets, their massive investment end research and development, and their payout of dividends to their shareholders (Royal Unibrew, 2018). Thus, the company has the competencies and ability to use this resource.

6.1.2.3 Yeast Strains

In general, a beer consists of the ingredients malt, water, hops and yeast. These commodities are according to Andersson (2018), available to all its competitors. Thus, the commodities cannot be evaluated as rare. Instead, the composition of the components makes the beer unique. Andersson (2018) points out their yeast strains as one of the valuable resources that Royal Unibrew possesses. The yeast strains are unique in its composition of the yeast and one of the main factors in deciding the taste of the beer (Andersson, 2018). However, many competitors use their own yeast strains and Heineken even developed a unique yeast cell that they use in their products, which gives their products a great taste (Anderson 2018). Therefore, the yeas strains are not rare, especially since the ingredients are not costly. This makes the question of imitability inadequate. Given that yeast strains are one of the main factors in deciding the taste of the beer, Royal Unibrew exploits the resource.

6.1.3 Competitive Implications and Economic Performance

The human resources employed at Royal Unibrew give them a sustainable competitive advantage according to Barney (1997) as they fulfill all four criteria. Accordingly, their human resources contribute to an economical performance, which is higher than average (Barney 1991). The culture with high seniority created through the years, enables Royal Unibrew to maintain a prominent level of expertise and knowledge among the employees. As long as this culture is found in the company, the implications apply.

The collaboration with Kissmeyer is also a sustainable competitive advantage as he provides expertise and figures as promotion of Royal Unibrew's products. As the partnership expands Royal Unibrew's product portfolio and revenue, the resource is considered value generating and hereby contributes to a performance above usual (Royal Unibrew, 2018). As it is the case for the agreement with Kissmeyer, the partnership with Heineken has to be extended repeatedly to maintain the position as a sustainable competitive advantage. Both relationships are exclusive, and therefore both rare and inimitable. Though, similar collaborations between competitors and other well-known brewers might exist. Moreover, it is necessary that these partnerships are renewed frequently for these resources to continuously provide a sustainable advantage. Furthermore, the exclusiveness of the agreement is important to maintain as well.

The competitive implication of brands as resource will ultimately be a sustained competitive advantage, since this resource is valuable, rare, inimitable, and exploited by Royal Unibrew. In other words, brands are a crucial resource of Royal Unibrew and a large part of their strength as a market competitor. Given the sustained competitive advantage, the corresponding economic performance is above normal. Marketing and brands are closely related. However, the competitive implication and economic performance are quite different. Given that the marketing resource is only valuable and not rare nor imitable, the competitive implication results in a competitive parity. This competitive implication does not mean that the resource is dispensable. However, the resource is not as important as resources with temporary or a sustained competitive advantage (Barney, 1997). The economic performance for marketing as a resource is by definition normal.

Major competitors to Royal Unibrew have access to their own breweries. The breweries of the major competitors are of a certain scale, which are about the same size as the breweries of Royal Unibrew. This way, if only the major competitors are taken into account, the resource of breweries is not rare. However, microbreweries and smaller brewery companies do nott have access to plants with the size and numbers as Royal Unibrew and in that aspect, these plants are more or less exceptional and rare. Therefore, the resource provides a competitive advantage, which implies an economic performance above normal compared with these competitors.

Royal Unibrew's financial performance has improved significantly during the last period. Added the ability to raise funds easier than other competitors as well as their low gearing, Royal Unibrew possesses a competitive advantage which is sustainable as long as the financial performance does not decline. As the financial performance indicates, the economic performance is therefore above normal.

The yeast strains are one of the cornerstones in the development of beers and therefore a valuable resource to Royal Unibrew. Other breweries have created different yeast strains, and therefore Royal Unibrew's yeast strains do not represent an advantage compared with their rivals. Instead, they represent competitive parity as well as contributing to a normal financial performance.

Table 7: Competitive Implications and Economic Performance

	Is the resource…					
Resource	Valuable?	Rare?	Difficult to Imitate?	Exploited by the organization?	Competitive Implications	Economic Performance
Human Resources	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance
Kissmeyer	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance
Brands	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance
Marketing	Yes	No	-	Yes	Competitive parity	Normal performance
Partnership	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance

Breweries	Yes	Yes	No	Yes	Temporary competitive advantage	Above normal performance
Financial Resources	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal performance
Yeast Strains	Yes	No	-	Yes	Competitive parity	Normal performance

Source: Barney, J. B. (1997), Andersson (2018) and own creation

7. OLI Analysis

In this section, the ownership-, location-, and internalization advantages will be analyzed and discussed using an OLI analysis. The analysis and discussion will be on the basis of the findings in both the external and internal analyseis. The OLI analysis will serve as a framework for a discussion of Royal Unibrew's potential international production financed by FDI. This will ultimately suffice as a foundation for assessing whether there is a strategic fit between Royal Unibrew and the Spanish market, and if in fact FDI is the most appropriate entry mode.

7.1 Ownerships Advantages

The ownership advantages come from the resources of the organization and from the organizations capability to exploit these in order to gain a competitive advantage (Dunning, 2001). Thus, the discussion regarding ownership advantages is based on the outcome of the internal VRIO analysis, where resources with the competitive implication of temporary and sustained competitive advantage will be used.

Given the outcome of the VRIO analysis, Royal Unibrew has a number of resources with the competitive implication of both temporary and sustained competitive advantage. Human resources, Kissmeyer, brands, partnership and financial resources all have a sustained competitive advantage where breweries and yeast strains have a temporary advantage. Relevant

for a potential FDI is the resources' ability to be used internationally and help Royal Unibrew to overcome the liability of outsidership often associated with FDIs (Peng & Meyer, 2011).

Human resources are the most valuable resource of Royal Unibrew and therefore a resource needed internationally. Arguably, the human resources, hereunder the culture as well as the employees, might be difficult to transfer internationally. Culture is not easy to copy (Stahl & Voigt, 2004). If an already existing brewery across borders is acquired, the employees in the acquired company might have a completely different company culture, work ethic and other procedures (Angwin & Savill, 1997). Therefore, it will be challenging for Royal Unibrew to develop a similar culture internationally. However, Royal Unibrew has a history with several numbers of mergers and acquisition. An experience in such an international matter has proved to increase the success rate of such implementations (Collins et al., 2009), it will be possible to gain an ownership advantage with this resource.

Given that the resource of Kissmeyer is defined as collaboration between Royal Unibrew and Anders Kissmeyer, it will be difficult to exploit internationally when engaging in an FDI. Since Kissmeyer is a brewer who has his own microbrewery this resource is a location-bound resource, which thereby has the possibility to grow domestically (Peng & Meyer, 2011). However, since the collaboration with Kissmeyer entails him being in charge of innovation and development, new recipes for new products can be produced internationally and thereby exploited this way. This also applies to the yeast strains of Royal Unibrew, which has a competitive parity, and is an ingredient for making the beer. The yeast strains are what makes the beer unique and could be used internationally by using the know-how in Spain.

Arguably, both the innovation and development of Kissmeyer and the yeast strains could be expensive for Royal Unibrew since new recipes could entail new facilities or new raw materials. However, financial resources make this possible, since this resource can be used internationally. This makes the financial recourse crucial for Royal Unibrew, since it provides flexibility needed for investment, such as new facilities. Furthermore, the financial resources are important when engaging in FDI. This way, Royal Unibrew is less depending on organic growth and is able to expand through acquisition. Moreover, most importantly, the financial resources enable Royal

Unibrew to commit capital into an FDI. In conclusion, given the financial resources that Royal Unibrew possesses, it would be possible to exploit the innovation and development of Kissmeyer when entering Spain through an FDI, since any potential costs associated with the exploitation can be managed.

The brands owned by Royal Unibrew, and the brand of Royal Unibrew itself, could be an ownership advantage if the brands were internationally recognized when entering a new market However, since the beer market mostly consists of small local breweries, it is not likely that the brands of Royal Unibrew are known. Furthermore, as with the previous acquisitions of Royal Unibrew, it is not the brands owned by Royal Unibrew, or the brand of Royal Unibrew itself, which is produced and sold in a new market. It is an already existing brand which is already on the market in the given country. This way, the brands will not be an effective resource and do not represent an ownership advantage, since the brands are location-bound. However, the brands of Royal Unibrew are quite strong, which gives the sustained competitive advantage. This speaks to the ability of Royal Unibrew to create or recognize a strong brand, which eventually, will provide an ownership advantage and therefore can be used internationally if Royal Unibrew were to engage in FDI.

Partnership with Heineken Brewery A/S is an important resource as well for Royal Unibrew, which creates value by expanding their portfolio and generates revenue. This resource has already been used internationally in the Baltics and Finland, and it is therefore possible that Royal Unibrew can gain license to distribute and sell products of Heineken in other countries. Given the rarity of this resource, due to the limited number of companies with such a license, Royal Unibrew is arguably likely to gain such a license in other countries. Such a license would also mean that the competitive advantage would increase and the market position would be stronger. Furthermore, the partnership with Heineken can be a great asset when used internationally in regards to the use of distribution channels.

Breweries are a resource with a temporary competitive advantage and since this resource is located on specific geographically location it is arguably a location-bound resource. It is very difficult to exploit breweries internationally. However, a potential FDI could involve an

acquisition of a new brewery. This new brewery would then suffice in international exploitation, but would be location-bound as well regarding the geographical location. Arguably, the breweries of Royal Unibrew could be exploited internationally if they were to engage in export. By exporting beers produced at the breweries in Denmark, the resource is thereby used internationally and not just suitable for domestic growth.

7.2 Location Advantages

The advantages of expanding the activities of a business to a foreign market are highly correlated to the location advantages. These advantages contribute to help foreigners to overcome the liabilities of outsidership (Peng & Meyer, 2011). In particular, Royal Unibrew's location advantages of expanding their activities to Spain will be assessed in the following.

Tourism affects the consumption of beer and other alcoholic beverages. As Spain is the most visited country in Europe (Eurostat, 2017b), the tourists' effect on the sales of beers represent a considerable location advantage. The important determinant, weather, thus represents a direct and indirect influence on the consumption of beers. Good weather increases the consumption of beers, but also influences the number of tourists during the year. As the sun hours in Spain are higher than in most other European countries and in fact more stable than Royal Unibrew's home markets, the weather is to consider as a strong locational advantage. Due to the stable weather, uncertainty when forecasting the revenue in Spain is relatively lower, as the bad weather in Northern Europe was the reason for lower turnover than expected (Royal Unibrew, 2018).

The water in Spain is not as pure as in most Northern European countries, which requires the water to be purified before infused into the brewing process (Bason, 2018). This is of high importance since water is essential in the brewery of beers as it represents 92% of the beer, in average (Brewers of Europe, 2018). However, Spain is leading within water cycle management, and therefore this should not be considered a disadvantage.

Agriculture provides all the raw materials used in producing beers. As Spain is the fifth largest producer of crops, and in general has one of the largest agricultures in Europe, this indicates that there are lots of suppliers (Eurostat, 2017a).

Royal Unibrew focuses on environmental and climate issues and are a self-proclaimed front-runner (Royal Unibrew, 2018). During the last five years, they have accomplished reduction of their energy and water consumption. The CO^2-emission per capita has been decreased and in general more focus is seen, among the Spaniards on the climate and environment. As Spain is leading within the use of renewable energy, one of the location advantages may include lower costs of running the daily operation as renewable energy will be cheaper than fossil fuels in the longer run (Leary, 2018). The distribution of products from the production plant to the retail store is very important (Andersson, 2018). As Spain is leading in the area of infrastructure, this can be seen as a location advantage.

Spain is the ninth most attractive country for FDIs, which is due to, for instance, their regulation and legislation on the area that give lots of freedom for foreign investors. Despite this, the current political situation is instable. When operating in a highly regulated industry as the brewery industry (Bason, 2018), an unstable government is not desirable. Added to the unstable political situation is also the level of corruption in Spain. This level is relatively high compared with its peers, in fact, one of the highest levels of corruption among the OECD-countries. In total, the political situation is a disadvantage.

Spain is the fourth largest country in Europe. Accordingly, both the total production and consumption of beers are in the top of Europe. Hence, the beer market in Spain is huge. Moreover, the market is expected to grow with slow rates whilst other markets within the brewery industry are expected to stagnate completely or even decrease in total sales. Furthermore, the forecast of the distribution of sales within the different alcoholic beverages shows that beer will maintain and expand its share of that particular market in Spain, which definitely is a large location advantage.

Besides the positive trend within the beer market, the overall Spanish economy is also expected to improve, as it has in the recent years. GDP in Spain has recently been largely increasing. In fact, the average real GDP growth rate of the countries in Europe was 2.3%, while Spain did manage a growth of 3.1% (Eurostat, 2017). Accordingly, the spending per capita in Spain has

also increased. Overall, the economic situation in Spain appears as a locational advantage. The Spanish market is booming with new microbreweries. Over 5% of the total active breweries were established in 2017. This indicates that the entry barriers in Spain are quite low for this type of breweries. In addition, it also indicates that the expectations for the market are positive, since there is market share to gain for new entrants. Spain has three large players in the market, which add up to represent 75% of the market. In Denmark, Carlsberg has 53% of the market, while Royal Unibrew has acquired 23% based on total volume (Euromonitor, 2017). Regarding brands, the Spanish market is much more diversified when it comes to market share, which again indicates that there is a better chance for new entrants.

Spaniards perceive beer as a beverage that can be consumed every day in the week and at all time during the day. As a result, beers belong to traditions of the Spaniards and are integrated in the culture. This gives several advantages when targeting the Spaniards as potential consumers of Royal Unibrew's products as the attitude is positive towards brewers, and is therefore a location advantage. However, marketing in Spain is highly regulated, which makes the entry for newcomers more difficult, which therefore is a disadvantage.

Duties related to alcohol and package materials represent decisive determinants on the final price of the product. Spain has the fifth lowest excise duties in Europe, which is 0.75 DKK per liter. In comparison, the same excise duty in Denmark is 2.71 DKK (Brewers of Europe, 2017). Added the countries' VAT, the total duty is 0.97 DKK in Spain and 3.39 DKK in Denmark. If the average selling prices in supermarkets in the large cities from 2017 are compared, the average beer is sold at a price of 9.6 DKK in Denmark while the average selling price in Spain is approximately 5.4 DKK (Statista, 2016b). This results in the fact that the average margin is 18% in Spain and 39% in Denmark. Thus, the margin in Spain appears to be significantly lower than in Denmark and also lower compared to most of the other countries in Europe (Statista, 2016b). However, the excise duties have increased recently, though not relatively more than other countries in Europe (Brewers of Europe, 2017). Thus, the low excise duties and VAT represent location advantages.

Along with the lower costs due to duties and VAT, the average Spanish wages are considerable low compared with most other developed countries (Statista, 2016a). In total this contributes to lower production costs as well as an improved bottom line. The unemployment rate in Spain is 17.4%, which indicates that there is no lack of workforce and new hires should be easy to do.

7.3 Internalization advantages

The question of internalization advantages begins with the questions of motives of Royal Unibrew. Given that Royal Unibrew chooses to engage in international investments in order to penetrate the market by supplying beer (Andersson, 2018), Royal Unibrew can be considered a market seeker (Dunning, 1973). The market seeker's motive is the most common motive, along with resource seeking, and market seekers believe that engaging in FDI is important for accessing the new market (Dunning, 1973). This way of thinking corresponds with Royal Unibrew's way of thinking, which is evidenced by their history of mergers and acquisitions (Royal Unibrew, 2018). Despite this way of thinking, Royal Unibrew also exports beers to various countries (Royal Unibrew, 2018), however, this does not contradict the market seeker motive, since a part of their five stage strategy is to be locally based, but also to have a significant market position (Royal Unibrew, 2018), which is strengthened by export. It could be argued that Royal Unibrew also is a resource seeker, given the acquisition completed in Latvia and Lithuania, where the labor costs are considerably low (Eurostat, 2018). However, the lower labor costs are only considered a location advantage in Spain and not the motive for engaging in FDI itself, as these are not significantly low. Another criterion for being a resource seeker is to expand activities due to gaining access to physical resources including minerals and agriculture (Dunning, 2001). However, the ingredients used in beers are common in most countries, and more importantly, common in Royal Unibrew's current markets.

In order to be a market seeker and to be locally based, Royal Unibrew needs to engage in FDI. However, FDI might not be the most suitable entry mode for Royal Unibrew, since they instead can choose to export, license or outsource (Peng & Meyer, 2011). In order to find the most suitable entry mode for Royal Unibrew into Spain, an FDI entry, as opposed to one of the other alternatives, will be discussed.

7.3.1 FDI versus Export, Licensing & Outsourcing

Resources that are better exploited by engaging in FDI than other entry modes have a certain internalization advantages (Peng & Meyer, 2011). The internalization advantages compared to export, licensing and outsourcing are many in the case of Royal Unibrew and the Spanish market. The internalization advantages associated with human resources of Royal Unibrew are in the form of a dedicated workforce, which can be exploited by opening a brewery in Spain and hire employees and create the same dedication and corporate culture as in Denmark. However, it will require substantial financial resources to build a new brewery. An engagement in FDI by an acquisition of an existing brewery might therefore be more beneficial. The internalization advantages are present here as well, since Royal Unibrew would be able to implement their corporate culture into the Spanish brewery. Even though this might be difficult it is possible to exploit both human resources and the corporate culture of Royal Unibrew. Human resources are also exploited by export, however, the employee resource will not be exploited as much as with an FDI in the form of acquisition.

The internalization advantages associated with the yeast strains of Royal Unibrew are small, but present. As mentioned earlier, Royal Unibrew might benefit from using the yeast strains in foreign production, since it is used to make the beer unique. Should the FDI be in the form of an acquisition of an existing brewery in Spain, the internalization advantages from yeast strains will be limited, since it would be the beer of the acquired brewery that would be produced. However, it is still possible to use the yeast strains that Royal Unibrew owns when it comes to production in Spain. For both licensing and outsourcing the yeast strains resource would not be exploited properly, since the strains are developed and owned by Royal Unibrew and a part of their production. However, the know-how of Kissmeyer could be very useful if engaging in an FDI in the form of merger and acquisition, since the know-how could be transferable to a new brewery. Especially, as mentioned earlier, given the financial resources that Royal Unibrew possesses.

The internalization advantages are therefore present for both the yeast strains and Kissmeyer collaboration. In this case, licensing and outsourcing does not make sense, since the yeast strains owned by Royal Unibrew only holds a competitive parity. Competitors subject to the licensing

could thereby imitate the yeast strains. Furthermore, a risk associated with outsourcing is the outcome of the product being incorrect and the service provider selling the same product or service to competitors of Royal Unibrew (Peng & Meyer, 2011).

In the Spanish market, Heineken is represented as the market leader with 30.9% of the market share. In addition, their brand Cruzcampo has acquired 11.7% of the market shares. The partnership between Royal Unibrew and Heineken represents a sustainable competitive advantage which is not locally bounded. However, since Heineken already operates in Spain, this partnership can not be expanded to Spain. Instead, Royal Unibrew may be able to enter a strategic alliance with Heineken in Spain. By Heineken being a market leader in the Spanish market, a strategic alliance can provide a great foundation when penetrating the market for Royal Unibrew. Even though Royal Unibrew prefers their own distribution channels and suppliers (Andersson, 2018), the strategic alliance can include an agreement about using the same distributions channels, which would be beneficial for export of Royal Unibrew's own products, as Heineken might not be interested in licensing Royal Unibrew's products themselves. If the agreement also would include use of suppliers and know-how of the Spanish market, an FDI will be more appropriate. As this agreement has been seen before in Latvia, where Heineken assisted in the entry of the market (Andersson 2018), it is a possibility that it can happen in Spain as well.

The internalization advantages from the brands of Royal Unibrew can be derived from Royal Unibrew's ability to choose a brand with potential, gain a strong brand value and exploit this brand value. By building a brewery of their own, Royal Unibrew can strengthen their brand in Spain, however, this require substantial financial resources. Alternatively, if Royal Unibrew engages in FDI by acquiring an existing brewery in Spain, they exploit the resource of their brands' know-how by making an existing brand even stronger in Spain. By exporting or licensing, the brand of Royal Unibrew would be strengthened as well, however, the strategic goal of being locally based would not be present.

As for the financial resources of Royal Unibrew, the internalization advantages lie in Royal Unibrew being able to acquire, for example, a new brewery in Spain. The financial resources

are then used to expand the market share of the European beer market and thereby strengthen the market position of Royal Unibrew. This way, the financial resources are exploited better compared to export, since financial resources used in expanding export might generate organic growth, but market share would be gained more slowly. The same goes for licensing, where Royal Unibrew would not be locally based. Exploiting the financial resources by outsourcing part of the organization's activities would not be optimal compared to the internalization advantages associated with FDI.

8. Preliminary Conclusion

Royal Unibrew has a number of value adding resources, which bring a competitive advantage and ultimately provide ownership advantages. These ownership advantages can be used by Royal Unibrew to overcome the challenges associated with an international expansion, for example the liability of outsidership (Peng & Meyer, 2011). Furthermore, Royal Unibrew has a number of location advantages discovered using PESTEL and Porter's Five Forces. Spain thereby holds certain advantages that Royal Unibrew would not be able to obtain in the home market (Peng & Meyer, 2011). Lastly, internalization advantages are detected using FDI as an entry mode into Spain. This entry mode holds advantages over exporting, licensing and outsourcing, since export deals can be exploited by the other party of the relationship (Peng & Meyer, 2011). Furthermore, performing export will miss certain exploitation opportunities of the resources.

By performing an FDI over licensing Royal Unibrew would be locally based, which is part of the overall strategy (Royal Unibrew, 2018). By performing licensing, Royal Unibrew would lack direct management and might experience difficulties in the transfer of knowledge and the transfer of activities is therefore more suited. Also, certain resources, such as the yeast strains, would not be exploited by using licensing as an entry mode. By engaging in outsourcing Royal Unibrew would not be locally based either, resources would not be exploited and the end product might end up being incorrect or the service provider selling the same product to competitors (Peng & Meyer, 2011).

Based on the outcomes of the analysis and discussion there is a strategic fit between Royal Unibrew and Spain. Furthermore, since Royal Unibrew possesses ownership-, location- and internalization advantages the most appropriate entry mode for Royal Unibrew into Spain is FDI (Dunning, 1991).

It is important to distinguish the method of FDI, since there are a variety of different FDIs, such as opening a subsidiary, joint venture, mergers and acquisition etc. (Duce, 2003). The history of Royal Unibrew shows a number of acquisitions of breweries has taken place in Finland, Lithuania, Latvia etc. (Royal Unibrew, 2018). Furthermore, Royal Unibrew has carried out mergers and acquisitions of other companies than beer manufacturers in Italy, Denmark etc. (Andersson, 2018). Given the history of Royal Unibrew merger or acquisition appears to be the answer to the question of entry strategy. However, this conclusion lacks an empirical foundation. Although, based on the strategic analysis, a merger or acquisition might rightful choice.

A merger or acquisition is in line with the strategic goals of Royal Unibrew. Firstly, as mentioned earlier, an FDI lives up to the strategy of being locally based, which also is the case for merger or acquisition. This way, a merger or acquisition is in line with the DNA of Royal Unibrew, since the expansion is not due to organic growth. Secondly, the strategic goal of having a significant market position, speaks to a merger or acquisition due to the competitiveness of Spain and the location advantages of Royal Unibrew. Spain is a mature market with many existing competitors.

Given Spain being a mature market and the strategic goal of having a significant market position, the establishment of a subsidiary is not the best entry strategy. As the Spanish market is mature, the significant market position would be very difficult to obtain, especially considering the market leaders' position as well as the total number of breweries in Spain. Arguably, the ownership advantages would enable Royal Unibrew to overcome the liability of outsidership and thereby be able to gain a significant market share faster than some competitors. However,

given the history and DNA of Royal Unibrew and the competitiveness and strategic goals of Royal Unibrew, the best entry strategy would be through a merger or acquisition.

In order to find a suitable candidate for a merger or an acquisition, the pre-acquisition process will be carried out in the next section.

9. The Due Diligence Process – Pre-acquisition

In this section, Royal Unibrew's motive for expanding their activities abroad will be presented. Afterwards, the search process will be described and carried out. Next, the screening criteria are discussed, and the final candidates are evaluated and presented. An AHP-approach will be used for defining the evaluation criteria and the candidates will be evaluated. Before the final ranking, the ratings given to the individual candidates will be transformed into the same scale using deciles as thresholds, and lastly the ranking of the final candidates will take place.

9.1 The Motivation for Doing M&A – Royal Unibrew

The motivation behind Royal Unibrew performing M&A is to penetrate the Spanish market. Moreover, as Andersson (2018) argues, the future M&A must provide increased value for their shareholders, and it must also provide Royal Unibrew with further growth in their businesses (Andersson, 2018). These motives are in line with some of the most common behind a M&A cf. section 4.5.2, and the profile of a market seeker was found to be the most appropriate for Royal Unibrew, and is aligned with these statements.

9.2 Search Process and Data Selection

This section is about the data selection process and presents the search process for possible targets, which may be attractive to Royal Unibrew. Firstly, the database as well as the data extracted will be presented. Afterwards, the data used to assess the aspects in the analysis is presented. Lastly, a brief assessment of the validity and reliability of the data will be discussed.

9.2.1 The Search Process

As Harvey & Lusch (1998) suggest, the search for possible candidates should not rely on clues from insiders. Instead, the acquirer should make a comprehensive research into what geographic location is wanted as well as industry wanted, etc. In the search for possible targets for Royal Unibrew in the Spanish market, the database *Orbis* has been used for collected data regarding the existing breweries in Spain. According to Orbis, there exist 551 active breweries in Spain in 2016. All of these are either pure breweries or are also producers of other beverages, but have beers as their main industry. As mentioned earlier, the number of breweries in 2018 is 795. However, no data is available for the remaining breweries (Orbis, 2018). The number of breweries in 2016 has been validated by other databases, hereunder Marketline and Euromonitor. The search criteria used in Orbis, inspired by section 4.5.

- Breweries must be actively managed
- Firms must be manufacturers of beer
- Breweries must be located in Spain

When candidates have been found in the search process, the data selection process excludes those with no data available.

9.2.2 The Selection Process

The selection process follows the following steps: Firstly, breweries that had no data available in the Orbis database were pulled out of the sample. The reason for this is that in order to conduct the analysis, the aspects assessed require information regarding the financial performance, number of employees, main exchange information etc. In order to validate that no information was available for the excluded breweries, these were further investigated by using other databases, hereunder Bloomberg and MarketLine. Next, as the financial key numbers, such as revenue, EBITDA, etc. from 2016 or later, are necessary for conducting the analysis, all breweries where any of the figures were not availablewere excluded from the list of possible targets. When conducting assessment of the firms' financial performance, recent numbers are more desirable as it gives a more precise picture of the current situation. The selection process reduced the number of breweries from 551 to 179.

9.2.3 Data for Assessing the Aspects

The aspects chosen for the analysis are employees and management team, financial performance, marketing and products. These aspects in this section and the belonging criteria will be presented later in section 9.4.

9.2.3.1 Aspect 1: Employee & Management Team

Data used for aspect 1 is found using the database Orbis, where data for the eight different candidates are assessed one by one. Key numbers, such as profit per employee, operating revenue per employee, cost per employee and average costs per employee, are used in order to gain an understanding of the productivity level and exploitation of labor.

9.2.3.2 Aspect 2 & 3: Financial Performance & Marketing

The relevant financial data have been extracted from Orbis. As the firms are privately owned, data and information are much less available compared to listed firms (Capron & Shen, 2007). The numbers used are from 2016, as these are the latest available.

9.1.3.3 Aspect 4: Products

Data used for aspect 4 is found by accessing the websites of the eight candidates and thereby gain an insight into the product portfolio of each of the candidates. Each candidate owns a website with an explicit presentation of the products offered and the more diverse the product portfolio, the better the chances are for Royal Unibrew to penetrate the market.

9.2.4 Validity

The validity of the quantitative data refers to the first three aspects, and begins with the technical validity (Olsen & Pedersen, 1999). Data validity and reliability used in aspect 4 can be found in section 3.6.2 regarding qualitative data. The technical validity is fairly high for the quantitative data, since the financial data subtracted from the database represent the needed parameters. However, given that the amount of these parameters could be endless, the technical validity is lowered due to the limitations of this thesis. Relevant for the validity of the quantitative data is the question of statistical validity, which refers to whether the data sample used, in the analysis, is large enough to represent the data population and whether the data is

subtracted correctly (Olsen & Pedersen, 1999). Given the specific data selection the statistical validity is moderate, since only 551 breweries were extracted and only 179 breweries contained the information necessary for the analysis. As a consequence, better matches for Royal Unibrew may be found among these unknown and excluded breweries, which lower the validity. However, the excluded breweries, due to lack of information and including breweries established between 2016 and 2018, are likely to be primarily very small breweries and would therefore have been excluded in the preliminary screening, cf. section 8.2.1. Moreover, the missing breweries are assumed to be missing because of their minimal size and therefore assumed not to be interesting for Royal Unibrew.

9.2.5 Reliability

The reliability of the quantitative data is fairly high given that the data is accurate and quantifiable. Since the quantitative data is not based on surveys or interviews, but financial and statistical data, no bias exists. This way, there are no respondents affected by any kind of bias, which could affect the data quality (Olsen & Pedersen, 1999). Furthermore, the methods used for collecting the data are standardized procedures (Andersen, 2008). This way, the one responsible for collecting the data for the database Orbis does not have a negative influence on the reliability and the data collection as the database would be the same each time collection was executed (Olsen & Pedersen, 1999). A new study might select different exclusion criteria in the data selection process, which might vary the outcome (Olsen & Pedersen, 1999). However, given the limitations of the thesis, the data selection will suffice as a valid representation of the data population.

9.3 Preliminary screening

In order to reach more relevant targets attractive to Royal Unibrew, the next step is a preliminary screening. The purpose of this section is to reduce the number of targets from the selection process, which resulted in 179 candidates, to a manageable size that can be investigated further and in more detail.

9.3.1 Screening Criteria

In this process candidates, which have remarkably deficient performance, are highly levered and so on, should be excluded from the list of targets to further investigation (DePhamphilis, 2013). When screening for new acquisition candidates, Royal Unibrew wishes to acquire targets, which have a significant market share within their business operations (Andersson, 2018; Royal Unibrew, 2018). Furthermore, Andersson (2018) argues that breweries larger than themselves or among their own size do not have any interest, as they do not possess the liquidity to finance such a transaction. Based on above and section 4.5, the following screening criteria have been established:

- Targets must have positive EBITDA numbers in at least one of the last three years
- Targets must be profitable, which is measured by the profit margin
- Targets must have achieved a positive market growth during the last 5 years on average
- Targets revenue must be below 5 billion DKK
- Targets revenue must exceed 40 million DKK in at least one of the last three years

Based on these criteria the list of attractive breweries has been decreased to eight different breweries. These are as follows:

Table 8: Final Candidates

Name	Group	Main Exchange
Hijos de Rivera, S.A.	Corpration Hijos de Rivaera S.L.	Private Company
Font Salem, S.L.	Sociedad Anomia Damm	Private Company
Compañia Cervecera Damm, S.L.	Sociedad Anomia Damm	Private Company
Cervezas Mahous, S.L.	Mahou, S.A.	Private Company
La Zaragozana, S.A.	Agora, S.A.	Private Company
Cervezas San Miguel, S.L.	Mahou, S.A.	Private Company
Estrella de Levante Fabrica de Cerveza, S.A.	Sociedad Anomia Damm	Private Company
Penibetica de Cervezas y Bebidas, S.L.	Mahou, S.A.	Private Company

Source: Own creation

9.4 The evaluation Process

This section will be structured according to the AHP-approach. First, the evaluation hierarchy, along with its chosen aspects and criteria, will be presented. Next, the candidates will be evaluated based on each criterion. At the end, the targets will be ranked according to their final score, based on assigned categories.

9.4.1 Defining the Problem

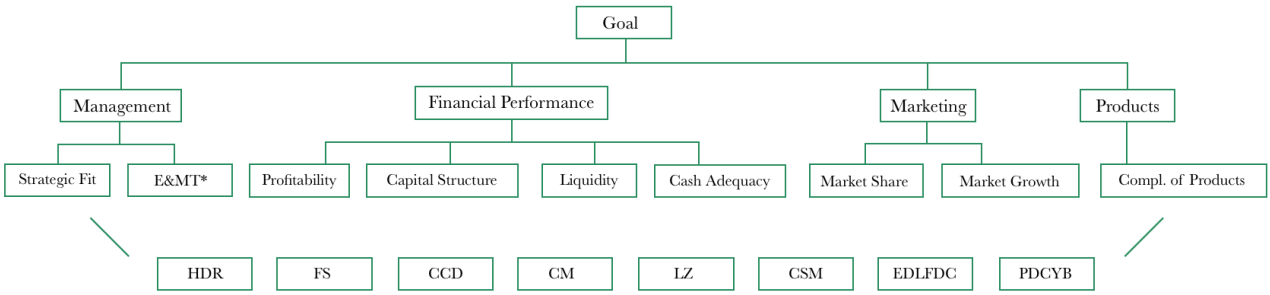
The definition of the problem was already determined in the preliminary conclusion in section 8. Thus the knowledge sought is to determine the best suitable candidate for Royal Unibrew to acquirer. More specifically, the goal is to find the best of the final eight candidates.

9.4.2 The Evaluation Hierarchy

After defining the problem, the decision-maker must now present the evaluation hierarchy (Saaty, 2008). In this approach, a two-level hierarchy has been chosen and is presented in Figure 8, as it seems to contain an reasonable complex level, in which, the situation can be captured, and still will be affected if changes happen (Saaty, 1987). The criteria can either be subjectively or objectively evaluated. Also, it should be determined whether the criteria is beneficial or categorised as a cost. Hence, if beneficial, a greater value equals better rating and the opposite applies if the verbal rating is categorised a cost (Saaty, 1987).

The first level of the hierarchy includes four aspects as seen in Figure 8. In the second level, nine different criteria are presented along with their respective aspect. The chosen aspects and criteria are based on section 4.5.6, where the important determinants have been identified. Also, Royal Unibrew's financial- and corporate strategies mentioned earlier in the thesis have been used. Other determinants have been excluded due to lack of evidence to assess these on a solid background cf. section 9.1.3. Moreover, as mentioned in section 4.5, country specific determinants must be assessed, when doing cross-border M&A. Many of the found determinants, such as the political stability, tax advantages etc. have already been assessed cf. section 5. Along with the fact that all breweries are from the same country, it is pointless to include these in this particular evaluation.

Figure 8: Evaluation Hierarchy



**Employees and Management Team*

Source: Own creation

9.4.3 Management

The first aspect chosen is management and its criteria are strategic fit and employees and management team. Lots of research concludes that the employees in a target firm represent very important determinants for the success of mergers and acquisitions cf. section 4.5. More specifically, the capabilities of the management team of the target firm along with employee efficiency are of great importance. Relatively, Royal Unibrew's main strategy is to improve operational efficiency cf. section 2.2.2, and this criterion is therefore aligned. Besides, research suggests that the strategic fit between the acquirer and the target is one of the key determinants in exploiting mutual synergies. Andersson (2018) also mentions strategic fit as of high importance to Royal Unibrew when acquiring another company.

Both of these criteria are subjectively assessed for each candidate in section 9.4.10. Employees and management team will be measured in accordance with their efficiency. Hence, different profitability measures per employee will support the understanding of the productivity level and exploitation of labour. A subjective assessment of the employee efficiency is performed by examining data from all years available, and not just 2016. This helps to gain an understanding of the development of the employee efficiency of the candidates. The management team will be assessed by looking at the performance of the candidate during their employment and help determine the ranking for employees and management criteria. By comparing the results of the candidates, a classification can be made. The strategic fit is measured by comparing Royal Unibrew's strategy and the candidates' individual corporate strategy.

9.4.4 Financial Performance

The next aspect is financial performance. As found in section 6.1.2, Royal Unibrew's financial resources represent a competitive advantage. Along with their financial policies including financial flexibility, a significant amount of equity versus debt etc., it lays the foundation for the choice of aspect. Five different criteria are established to measure this aspect, as shown in Table 9. All criteria are objectively accessed via quantitative data. Profitability will be measured as the breweries' profit margin in 2016. A higher profit margin is related to a higher score, i.e. this criterion can be categorised as a benefit. The formula is as follows (Petersen et al., 2012):

$$\text{Profit margin} = \frac{\text{Profit}}{\text{Revenue}}$$

The second criterion is capital structure. Capital structure is categorised as a cost measure, as higher gearing ratio equals a lower score. It is the policy of Royal Unibrew to maintain an equity ratio above 30% (cf. section 2.2.3) in order to uphold their financial flexibility (and thereby their competitive advantage). Therefore, the capital structure of a potential candidate is of great importance. The capital structure is measured as the gearing ratio, which in this case is the debt-to-equity ratio. The formula used is as follows (Petersen et al., 2012):

$$\text{Debt-to-equity} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The third criterion assessed is liquidity. To measure this criterion, the current ratio, also known as the working capital ratio is used. More specifically, the current ratio measures the brewery's ability to pay short- and long term obligations. The formula for the current ratio is as follows (Petersen et al., 2012):

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The cash adequacy is evaluated by calculating the free cash flows (FCF) of the breweries. FCF will be calculated via the following formula (Petersen et al., 2012):

$$FCF = EBIT \cdot (1\text{-}tax) + Depreciation + Amortizations - \Delta NWC - CAPEX,$$

where ΔNWC is the change in net working capital from last year. The higher value of FCF, the higher score. Hence, the criterion can be categorised as a benefit. Both liquidity and cash adequacy have been chosen due to the strategy of being financially flexible.

9.4.5 Marketing

The third aspect examined is marketing. This aspect is assessed by its criteria, market share and market growth. As mentioned briefly in the section 2.2.2, one of the main strategies of Royal Unibrew is to achieve and maintain significant market shares within their operations (Royal Unibrew, 2017). Therefore, this criterion needs to be assessed in order to evaluate the candidates. As marketing is found to be highly regulated in Spain cf. section 5.1.6, the market growth may indicate that the individual candidate that performs well in regards to marketing. The market share is calculated as follows:

$$\text{Market share} = \frac{\text{Revenue}_{2016}}{\text{Total industry revenue}_{2016}},$$

where revenue is the candidate's total sales and revenue industry is the total turnover generated in the industry in Spain in 2016 (see section 5.1.2). Market growth will be based on the period from 2014-2016 and be calculated as (Petersen et al., 2012):

$$\text{Market growth} = \frac{\text{Revenue}_{2016}}{\text{Revenue}_{2014}} - 1$$

The criteria are assessed objectively, based on quantitative and serves both as benefits in the overall assessment.

9.4.6 Products

The last aspect is products. In order to assess this aspect, only the candidate's product portfolio and Royal Unibrew are assessed. Complementary products create synergy between two firms as know-

how within customer segment, marketing and production can be shared (Pike et al., 1989), hence is a benefit. Andersson (2018) also refers to the product portfolio, when arguing for relevant criteria of a candidate. Royal Unibrew desires to be innovative cf. their collaboration with Kissmeyer (see section 6.1.1). As trends are seen within specialty beers and non-alcoholic beers cf. section 5.2.1, the score will also be influenced by their products' capabilities in satisfying this demand. The criterion will be assessed subjectively in section 9.4.10.

Table 9: Selected Determinants

Aspect	Criterion	Tool for assessment	Nature
Management & Employees	Strategic Fit		Ql., S., B
	Employees and Management Team		Qn., S., B
Financial Indicators	Profitability		Qn., O., B
	Capital Structure		Qn., O., C
	Liquidity		Qn., O., B
	Free Cash Flows		Qn., O., B
Marketing	Market Share		Qn., O., B
	Sales Growth		Qn., O., B
Manufacturing & Product	Production Costs		Qn., O., B
	Complementary of Products		Ql., S., B

**Qn: Quantitative, Ql: Qualitative, S: Subjective, O: Objective, B: Benefit, C: Cost*

Source: (Tsao, 2009) & own creation

9.4.7 Definition of Variables and Abbreviations

When assigning the verbal ratings, the abbreviations are as follows: VH = Very high, H = High, M = Medium, and L = Low. Following abbreviations and variables are used in the tables: CM = Consistency Measure, CI = Consistency Index, RI = Random Consistency Index, CR = Consistency Ratio, W_j = Relative weight of the jth aspect, w_{jk} = Relative weight of criterion k under aspect j, W_h = Relative weight of the verbal rating h. $\overline{W}_h$ = Idealized weight of the verbal rating h.

9.4.8 Determining the Comparison Matrices

To find the relative local and global weights between the aspects and the between criteria, comparison matrixes have been established. Firstly, the comparison matrix, **A**, for the aspects is composed in accordance with the method's guidelines cf. section 4.6.1 (see Table 4 for interpretation of importance intensity). Again, the comparisons have been based on section 4.5. Also, as Simon Andersson has participated in several of the acquisitions made by Royal Unibrew his opinion has also been taken into account (see Appendix 14). The calculations for the comparison matrices can be seen in Appendix 15.

Table 10: Comparison Matrix for Aspects

A	Management	Financial Perf.	Marketing	Products			
Management	1	1	3	6			
Financial Perf.	1	1	3	6			
Marketing	0.333	0.333	1	3			
Products	0.167	0.167	0.333	1			
Total	2.5	2.5	7.333	16			
$\mathbf{A_{norm}}$					Sum	W_j	CM
Management	0.400	0.400	0.409	0.375	1.584	0.396	4.032
Financial Perf.	0.400	0.400	0.409	0.375	1.584	0.396	4.032
Marketing	0.133	0.133	0.136	0.186	0.591	0.148	4.014
Products	0.067	0.067	0.045	0.063	0.241	0.060	4.000
						CI	0.007
						RI	0.900
						CR	0.008

Source: Own creation

Formula (1) is used to get the normalised pair-wise matrix, $\mathbf{A_{norm}}$. Next, $\mathbf{A_{norm}}$ is used to find the normalized eigenvector, using formula (2). The weight vector for the aspects is found to be:

$$\mathbf{W} = (\text{Management, Financial Perf., Marketing, Products})$$

$$\mathbf{W} = (0.396, 0.396, 0.148, 0.060)$$

When this vector has been found, the maximum eigenvalue, Λ_{max}, can be found by averaging the consistency measure (CM) found for each row of $\mathbf{A_{norm}}$. Then, CI can be calculated via formula (3). Next, the value of RI is found in Table 11, where n = 4 returns a RI value of 0.900. Using formula (4) one can arrive at the consistency ratio. In this case the comparison matrix has a consistency ratio equal to 0.008, and is therefore below the accepted threshold on 0.10. Thus, judgements of the matrix are consistent, which indicates that judgement do not have to be re-examined (Saaty, 2008).

Table 11: Random Consistency Index

n	1	2	3	4	5	6	7	8	9	10
RI	0.000	0.000	0.580	0.900	1.120	1.240	1.320	1.410	1.460	1.490

Source: Saaty (1980) and own creation

Similarly, the weight vector of the criteria is determined. First, the criteria of within the management aspect are compared:

Table 12: Comparison Matrix for Employee and Management Team

A	Strategic Fit	E&MT				
Strategic Fit	1	0.5				
E&MT	2	1				
Total	3	1.5				
$\mathbf{A_{norm}}$			Sum	w_{1k}	$W_1 \cdot w_{1k}$	CM
Strategic Fit	0.333	0.333	0.667	0.333	0.132	2.000
E&MT	0.667	0.667	1.333	0.667	0.264	2.000
					CI	0.000
					RI	0.000
					CR	0.000

Source: Own creation

The global weight of each criterion is found by multiplying its local weight, w_{1k} of the criterion with the weight, W_1, of the management aspect found above. The global weights represent the

aggregated influence which the criterion has on the final score. For example, strategic fit represent a weight of 0.132, meaning that it explains 13.2% of the candidates total score. The local weights must equal one, whereas the all the global weights must sum to one in each level i.e. the global weights of the nine criteria must sum to one. As seen in the matrix, employees and management team has been assigned a higher importance compared with strategic fit. This is indicated by the importance intensities seen in matrix **A**. The CR for the matrix yields a result of 0.000, and thereby the matrix can be described as consistent. Next, the comparison matrix for the criteria related to the financial performance is illustrated in Table 13.

Table 13: Comparison Matrix for Financial Performance

A	Profitability	Cap. Structure	Liquidity	FCF				
Profitability	1	3	4	6				
Cap. Structure	0.333	1	3	5				
Liquidity	0.250	0.333	1	4				
FCF	0.167	0.200	0.250	1				
Total	1.750	4.533	8.250	16				
$\mathbf{A_{norm}}$					Sum	w_{jk}	$Wj \cdot w_{jk}$	CM
Profitability	0.571	0.662	0.485	0.375	2.093	0.523	0.207	4.347
Cap. Structure	0.190	0.221	0.364	0.313	1.087	0.272	0.108	4.331
Liquidity	0.143	0,074	0.121	0.250	0.588	0.147	0.058	4.088
FCF	0.095	0.030	0.030	0.063	0.232	0.058	0.023	4.072
							CI	0.070
							RI	0.900
							CR	0.078

Source: Own creation

Noticeable in the above matrix, is that profitability has a global weight of 0.207. Hence, the candidate's final score is heavily influenced by the score achieved in this particular criterion. The matrix is uphold the consistency criterion with a CR = 0.078.

Table 14: Comparison Matrix for Marketing

A	Market Share	Market Growth				
Market Share	1	0.333				
Market Growth	3	1				
Total	4	1.333				
$\mathbf{A_{norm}}$			Sum	w_{jk}	$Wj \cdot w_{jk}$	CM
Market Share	0.250	0.250	0.500	0.250	0.037	2.000
Market Growth	0.750	0.750	1.500	0.750	0.111	2.000
					CI	0.000
					RI	0.000
					CR	0.000

Source: Own creation

As the marketing aspect was assigned lower importance than the management and the financial performance aspect, its respective criteria's global weights are comparably low. For example, the rating assigned to the market share criterion only accounts for 3.7% of the final score. CR equals 0.000 and therefore way below the recommended limit, thus consistency for the matrix applies.

In the product aspect, only one criterion is found. Therefore, it is pointless to compose a comparison matrix, as the relative weight of the criterion 'Product Portfolio' equals one. The global weight of the criterion is therefore equal to the weight assigned to its aspect, namly, 0.060. Moreover, the CI and therefore also CR cannot be calculated for a matrix of the size 1x1 (Saaty, 2008).

9.4.9 Rating Mode

In total, eight different candidates will be assessed. As Saaty (2008) recommends when there are several candidates to assess, the rating mode is more appropriate than the relative model. Many different ways to assign grades to subjectively assessed factors exist. As a result, it is often up to the evaluator himself to choose which rating system that most properly fulfils the needs in order to distinguish (Saaty, 2008). In this approach, the verbal ratings include, very high, high, medium and low. For consistency and simplicity, the same verbal ratings will be used across the

assessment of the candidates with respect to each criterion. To find the idealised weight of each verbal rating, a comparison matrix has been established. Idealised weights are calculated by dividing the relative normalized weight of each verbal rating with the highest of these, hence via normalization (Saaty, 2008).

Table 15: Comparison Matrix for Categories

A	VH	H	M	L				
VH	1	3	5	7				
H	0.333	1	3	5				
M	0.200	0.333	1	3				
L	0.143	0.200	0.333	1				
Total	1.676	4.533	9.333	16				
$\mathbf{A_{norm}}$					Sum	W_h	$\overline{W}_h$	CM
VH	0.597	0.662	0.536	0.438	2.232	0.558	1	4.222
H	0.199	0.221	0.321	0.313	1.053	0.263	0.472	4.175
M	0.119	0.074	0.107	0.188	0.487	0.122	0.218	4.036
L	0.085	0.044	0.036	0.0625	0.228	0.057	0.102	4.081
							CI	0.039
							RI	0.900
							CR	0.044

Source: Own creation

In this case, the highest relative weight is given to the verbal rating, VH. Hence, the idealised weights are found by dividing the relative weight of each verbal rating with the relative weight found for, VH. Again the CR shows a satisfied result, as $0.044 < 0.1$, and matrix established is consistent in its judgments.

In order to assess the consistency of the hierarchy, formula (5) is used and yields a satisfying result of 0.0366. Thus overall, the hierarchy is also consistent in its judgments. The verbal ratings assigned to each candidate under the different criteria can be found in section 9.4.10. Now, the argumentation for the verbal rating assigned to the candidate under the criteria, which evaluated subjectively will be presented.

9.4.10 Evaluation of the subjectively assessed determinants

The evaluation of the subjectively assessed determinants is, as mentioned earlier, concerned with assigning a verbal rating to the various determinants as preparation for further analysis. The valuation consists of a number of determinants that can provide an adequate foundation for a ranking of the candidates. The determinants consist of strategic fit between Royal Unibrew and the candidate, management team, employee efficiency, production costs and complementary of products. Table 16 contains a brief overview of the candidates being assessed.

Table 16: Description of Breweries

Name	Revenue (Thousand DKK in 2016)	Number of Employees	Number of Subsidiaries
Hijos de Rivera, S.A.	2.797.245	911	14
Font Salem, S.L.	1.619.649	341	2
Compañia Cervecera Damm, S.L.	1.483.946	398	1
Cervezas Mahous, S.L.	617.612	532	0
La Zaragozana, S.A.	596.556	64	1
Cervezas San Miguel, S.L.	494.896	400	0
Estrella de Levante Fabrica de Cerveza, S.A.	482.335	146	0
Penibetica de Cervezas y Bebidas, S.L.	70.104	82	0

Source: Orbis and own creation

9.4.10.1 Strategic Fit

The strategic fit between Royal Unibrew and the candidate is an important determinant as evidenced by Table 9. As mentioned in 2.2.2, the corporate strategy of Royal Unibrew is to achieve a significant market position, be locally based and to focus on innovation and development and operational efficiency (Royal Unibrew, 2018). When looking at the strategic fit, the mission, vision as well as the corporate strategy and values of the candidates are important factors, since an alignment of the mission and vision indicates a similar corporate strategy.

As seen on Table 8 Hijos de Rivera is part of the group Corporation Hijos de Rivera, S.L. and is as such subject to the mission and vision of the group. According to the CEO of Corporation

Hijos de Rivera, S.L. their strategy and vision of the company is to be premium and differentiated from their competitors (Rivera, 2015). They strive to differentiate from the competitors by creating premium beer and communicating differently (Rivera, 2015). Furthermore, Hijos de Rivera has worked intensively on national distribution prior to 2015 and later been implementing international expansion into the pipeline with subsidiaries in Brazil, the United States, China, Japan etc. (Rivera, 2015). The corporate strategy of Hijos de Rivera aligns to as certain extent with Royal Unibrew's strategy about achieving a significant market position and operational efficiency (Royal Unibrew, 2018). However, being locally based is an important strategy of Royal Unibrew, especially when it comes to an international expansion, and with Hijos de Rivera focusing more on international expansion themselves, the exploitation of the location advantages of Spain is not a priority. The strategic fit between the two companies is classified as medium (M).

Font Salem, S.L., Compañia Cervecera Damm, S.L. and Estrelle de Levante Fabrica de Cerveza S.L. belong to Sociedad Anomia Damm as evidenced by Table 8. The mission of Sociedad Anomia Damm is to reach satisfaction from consumers, customers, shareholders and partners as well as being competitive and financially successful (Group Damm, 2015). Furthermore, the vision of the group is to be the leading national corporation manufacturing and distributing beer in Spain and internationally with technological efficiency, and respect for the environment and the applying laws (Group Damm, 2015). Lastly, the values of the group are engagement, innovation, creativity, cooperation and social responsibility (Group Damm, 2015).

The mission, vision and values of Sociedad Anomia Damm are therefore very similar to the strategic goals of Royal Unibrew. Even though Sociedad Anomia Damm is focusing on their domestic presence, the national success is an important goal as well, which corresponds with Royal Unibrew's strategy of being locally based. This way, the exploitation of the location advantages for Spain is a priority and a good opportunity for Royal Unibrew and corresponds to the internationalisation advantages, discussed in section 7.3, as well. Given the similarity between the goals, the strategic fit between Sociedad Anomia Damm and Royal Unibrew can be classified as very high (VH).

Cervezas Mahous, S.L, Cervezas San Miguel, S.L. and Penibetica de Cervezas y Bebidas, S.L. belong to the Mahou, S.A. group as evidenced by Table 8. The mission of Mahou, S.A. is to make their brands form part of the best moments in their customers' day, whereas their vision is to be an independent brewer recognised for leading the category in the Spanish market, a solid international presence, brewing top quality as well as top quality marketing and generate sustainable value (Mahou-San Miguel, 2018). This mission and vision align with Royal Unibrew's strategy of having a significant market position as well as being operational efficient. However, the breweries belonging to the Mahou, S.A group have an international presence as well (Mahou-San Miguel, 2018). Being locally based in Spain is therefore more difficult given the needed attention to international operations and the exploitation of the location advantages are not fully exploited. The strategic fit between the candidates belonging to Mahoua, S.A. can however be classified as high (H).

La Zaragozana belongs to the group Agora, S.A. as can be seen by Table 8. The mission, vision and values of the groups are to achieve independence (Grupo Agora, 2018). According to Grupo Agora (2018) 30% of the beers produced in Spain are produced by a large multinational corporation. However, Grupo Agora is committed to local preferences and tradition. Despite being one of the oldest breweries in Spain, they are still one of the smallest due to the fact that they make the products they want to and not what the market dictates (Grupo Agora, 2018). Moreover, quality and passion are of great importance to the group as well.

The goal of Agora, S.A. of being locally based and adapting to local taste are very important fits for Royal Unibrew. However, by committing so much to being locally bound and ignoring the industry trends, the group is not living up to its full potential regarding financial and market positions. Furthermore, not paying attention to what the market dictates shows inadequate innovation and development. The location advantages of Spain can thereby be fully exploited, however, the internationalization advantages for Royal Unibrew might not be. Advantages such as partnership and brands might not be fully exploited either. This way, despite Royal Unibrew's opportunity of being locally based, the remaining strategic fit between Royal Unibrew and Agora, S.A. is classified low (L).

9.4.10.2 Employees and Management Team

The profit per employee of Hijos de Rivera in 2016 is 2,797,245 thousand DKK and operating revenue per employee is 5,359 thousand DKK. Both numbers have been relatively steady since 2012 despite the fact that the number of employees has been increasing. Prior to 2012 these numbers have been increasing (Appendix 6). Furthermore, the cost of employees is 9.36% of the operating revenue with an average cost per employee of 502 thousand DKK, and, as evidenced by Appendix 6, the costs of employees have been declining since 2012. Hijos de Rivera got a new Managing Director in 2012 where Ignacio Rivera Quintana took the position (Appendix 6). Even though the profit per employee and operating revenue per employee have been at a steady stage since Quintana became Managing Director, the operating revenue has been increasing every year (Appendix 6). Included in the management team is Human Resources Director Paul Tran since 2016 and Marketing Director Jose Cabanas since 2015. However, even though the operating revenue increased from 2015 to 2016, it is difficult to draw any conclusions related to Tran and Cabanas due to the short period of time of employment. The above is evidence that the human resources of Hijos de Rivera are exploited well and provides Royal Unibrew with an opportunity to better exploit the internationalization advantages associated with their own human resources. The employees of Hijos de Rivera, S.A. can thereby be classified as high (H).

Font Salem, S.L. has experienced an increasing profit per employee from 2009 to 2016 despite the fact that the number of employees has decreased during the same period of time. The operating revenue has not had the same steady increase, which was at its highest in 2012 and 2013 (Appendix 7). The costs of employees as a percentage of the operating revenue have been declining since 2013, as well as the total average cost per employee has been declining in the same period (Appendix 7). Font Salem got a new General Manager in 2015 and was hired after the operating revenue had decreased for 4 years in a row (Appendix 7). From 2015 to 2016 Font Salem has experienced a small increase in operating revenue. However, it is difficult to determine the classification of the management team of Font Salem, S.A. due to the limited time of employment. This resource is well exploited and provides a foundation for internationalization advantages of Royal Unibrew to be exploited as well. The classification of the employees is evaluated to be high (H).

The profit per employee of Compañia Cervecera Damm, S.L. has decreased since 2013 and is at 362 thousand DKK in 2016 and operating revenue 1,483,946 thousand DKK in 2016 (Appendix 8). Compañia Cervecera Damm, S.L. has not been able to increase or maintain the efficiency of their employees despite the fact that the number of employees has decreased during the same period of time. The costs of employees in 2016 was 11.42% of the operating revenue and has been decreasing since 2013, as well as the average cost per employee has been decreasing during the same period of time and is at 426 thousand DKK in 2016 (Appendix 8). The management team consists of Jorge Villavecchia Barnach Calbo who took the position of General Manager in 2017 and Jaume Alemanv who took the position of Marketing Director in 2017 (Appendix 8). Given the difficulties with maintaining the efficiency of their employees it might be more difficult for Royal Unibrew to exploit internationalization advantages associated with human resources. The employees of Compañia Cervecera Damm, S.L. are thereby classified as medium (M).

Cervezas Mahous, S.L. has experienced a drastically declining profit per employee. Although data only being available back to 2014, the profit per employee has declined by 63% and is at 104 thousand DKK (Appendix 9). Similarly, the operating revenue per employee has been declining from 3,324 thousand DKK to 1,161 thousand DKK despite having the same number of employees and the same costs of employees around 55% of the operating revenue (Appendix 9). However, the profit per employee has decreased drastically from 2014 to 2015 from 338 thousand DKK to 104 thousand DKK (Appendix 9). Due to insufficient data it is difficult to evaluate the management team of Cervezas Mahou, S.L. The employees are thereby classified as low (L).

The profit per employee of La Zaragozana, S.A. has been at a somewhat steady stage since 2006 around 496 thousand DKK and is at 873 thousand DKK in 2016. However, the operating revenue per employee has been decreasing during the same period of time and is 9,321 thousand DKK in 2016 (Appendix 10), which indicates an increase in total costs. The costs of employees have been decreasing since 2006 from 14.45% of the operating revenue in 2006 to 10.40% in 2016. However, the average cost per employee has increased since 2006 from 379 thousand DKK to 417 thousand DKK in 2016 (Appendix 10). La Zaragozana has 3

General Managers where Jonathan Stordy took the position in 2017, however, Jorge Roehrich Saporta took the position in 2010 and Fleix Santiago Longas took the position in 2014 (Appendix 10). The Financial Manager Juan Jose Sanz Perez took the position in 2005 and Marketing Director Enrique Torquet took his position in 2007, and La Zaragozana has experienced an increase in operating revenue since (Appendix 10). Given the decrease in profit per employee and increase in average cost per employee it might be a challenge for Royal Unibrew to exploit the internationalization advantages associated with human resources. The employees of La Zaragozana can thereby be classified as medium (M).

Despite data only being available back to 2014 Cervezas San Miguel, S.L. has experienced a decrease in the profit per employee, especially from 2014 to 2015 with a decrease of 65% and a loss of 108 employees (Appendix 11). During that period of time the operating revenue per employee decreased a lot as well. However the costs of employees have been steady around 45% of the operating revenue (Appendix 11). Similarly, the average cost per employee is declining as well from 2014 to 2015 and is 569 thousand DKK in 2016 (Appendix 11). Due to insufficient data it is difficult to evaluate the management team of Cervezas Mahou, S.L.. Given the large decrease in profit per employee it might too be a challenge for Royal Unibrew to exploit the internationalization advantages associated with human resources. The employees are thereby classified as low (L).

The profit per employee of Estrella de Levante Fabrica Cerveza, S.A. is 275 thousand DKK in 2016 and has been increasing since 2007. The profit per employee is at its peak along with 2013, which is quite good since the number of employees has decreased since 2007 (Appendix 12). The operating revenue per employee has been increasing during the period of time and is 3,304 thousand DKK in 2016. The efficiency of the employees has thereby increased during that period of time and is now at its highest. Especially the costs of employees measured in percentage of operating revenue have been decreasing since 2007, as well as the average cost per employee has been decreasing (Appendix 12). Estrella de Levante Fabrica Cerveza, S.A. has a management team consisting of a General Manager Patricio Valverde Esnin since 2006, Financial Manager Pau Furriol Fornelis since 2006, Commerciel Director Xaviar Pladellorens since 2006 and Production Director Carlos Gomez since 21208. The remaining management

team took the position after 2015 (Appendix 12). Given the increasing profit per employee with a decreasing number of employ12es since 2007 and increasing operational revenue since 2007 (Appendix 12), it provides a foundation for internationalization advantages of Royal Unibrew to be exploited as well. The employees of Estrella de Levante Fabrica Cerveza, S.A can thereby be classified as very high (VH).

Penibetica de Cervezas y Bedibas, S.L. has experienced high volatility in the profit per employee since 2007, however, it is quite low in 2016 at 65 thousand DKK compared to previous years. The number of employees is practically unchanged since 2007 (Appendix 13). The operating revenue per employee has varied as well since 2007, however, decreased during the last 4 years and is at 855 thousand DKK in 2016. Even though the operating revenue has decreased the last few years, the costs of employees has increased substantially and is 42.32% of the operating revenue in 2016, which is fairly high compared to 13.88% of the operating revenue in 2013 (Appendix 13). The average cost per employee has been fairly steady around 350 thousand DKK since 2007. Due to insufficient data it is difficult to evaluate the management team of Cervezas Mahou, S.L.. It might prove to be a challenge for Royal Unibrew to exploit the internationalization advantages and the employees are thereby classified as medium (M).

9.4.10.3 Product Portfolio

The product portfolio of the candidates gives an indication of how Royal Unibrew can enter the Spanish market. The more diverse the product portfolio is, the better the chances of penetrating the market.

Hijos de Rivera, S.A. focuses primarily on a few beers that can be classified as lager, specialty beers and non-alcoholic (Hijos de Rivera, 2018). This product portfolio is very limited, since there are no pilsners, ales or other beer types. Furthermore, the number of beers is very limited with Estrella Galcia and 1906 Reserva Especial being the top products (Hijos de Rivera). Although, a plausible trend of specialty beers (Bason, 2018) speaks positively to the product portfolio, the classification of the product portfolio is low (L). More impressive is the product portfolio of Font Salem, S.A. with pilsners, such as Cintra, a variety of lagers, such as Prima and

Tagus and specialty beers (Font Salem, 2018). However, no non-alcoholic beers is considered negative given the trend of more focus on health, as mentioned in section 5.1.3. This leads to a classification of the product portfolio of medium (M).

Compañia Cervecera Damm, S.A. operates with an impressive product portfolio with lagers, such as Daura and Voll-Damm, and non-alcoholic beer (Compañia Cervecera Damm, 2018). Furthermore, the product portfolio consists of the wheat beer Inedit and a Damm Lemon, which belongs to the Shandy category (Compañia Cervecera Damm, 2018). Given the diverse product portfolio, Compañia Cervecera Damm, S.A. can react to various trends in the Spanish market. This leads to a classification of the product portfolio as high (H). Cevzas Mahou, S.L. has a product portfolio with limited brands. Mahou beer, however, comes in many variants such as pilsner, lager, non-alcoholic, specialty and as fruit beer (Cervezas Mahou, 2018). Besides this, Barrica belongs in the product portfolio and is a stout beer (Cervezas Mahou, 2018). Cevzas Mahou, S.L. are thus prepared for meeting the current trends within the Spanish beer market. Given the large variety of beer, but limited variety of brands, the classification of the product portfolio is high (H).

The product portfolio of La Zaragoza consists of the Ambar beer that comes in different varieties such as special beer Ambar Especial, export, wheat Ambar Caesaraugusta, non-alcoholic Ambar Manzana, fruit beer Ambar Radler and Ambar Lemon (La Zaragozana, 2018). The limited selection of brands, but large variety of beer types, and therefore ability to meet current trends, leads to a classification of the product portfolio as high (H). The product portfolio of Cervezas San Miguel, S.A. is more diversified with San Miguel brand in a large variety such as specialty beer 1516, non-alcoholic, gluten free and pilsner. Moreover, san Miguel offers an ecological beer San Miguel Eco committed to the environment by containing ecologically grown malt and hops. As part of the portfolio are lager Selecta and Shandy (San Miguel, 2018). With the entire product portfolio, especially gluten free beer, the product portfolio leads to a classification of the product portfolio as very high (VH), given the trend of more focus on health.

The product portfolio of Estrella de Levante Fabric Cervezas, S.A. consists of pilsner Damm, lager, such as Clásica, special beer Punta Este and low-alcoholic Sin all under the Estrella de Levante brand. Furthermore, a single special beer under brand Victoria (Estrella de Levante, 2018) is part of the product portfolio. Given the current trends, this leads to a classification of the product portfolio s medium (M). Lastly, the product portfolio of Penibetica de Cerveza y Bebidas, S.L. consists of a variety of brands and beer types such as lager Dia, Diabraü and La Malteria, low-alcoholic Adlerbrau Sin, special beer Exytra Dia Extra and Shandy Día Shandy Sabor Limón (RateBeer, 2018). Penibetica de Cerveza y Bebidas, S.L. are thus prepared for meeting the current trends within the Spanish beer market. This leads to a classification of the product portfolio as very high (H).

Table 17 illustrates the verbal ratings given to the candidates under the relevant criteria along with results of the objective assessed criteria.

Table 17: The Original Ratings

Candidates	x_{i11}	x_{i12}	x_{i21}	x_{i22}	x_{i23}	x_{i24}	x_{i311}	x_{i32}	x_{i41}
HDR	M	H	18.03%	12.50%	0.91	622.525	2.797.245	18.85%	L
FS	VH	H	11.74%	2.50%	2.25	177.505	1.619.649	-1.78%	M
CCD	VH	M	9.72%	1.14%	1.66	231.042	1.483.946	-14.34%	H
CM	H	L	8.92%	1.85%	1.37	146.746	617.612	-8.89%	H
LZ	L	M	9.36%	36.99%	0.87	84.408	596.556	-3.07%	H
CSM	H	L	8.10%	5.97%	1.40	105.772	494.896	-16.55%	VH
EDLFDC	VH	VH	8.32%	14.96%	0.75	56.919	482.335	15.47%	M
PDCYB	H	L	7.55%	6.72%	1.98	12.485	70.104	-64.05%	H

Source: Appendix 5-13 and own creation

where x_{i11} refers to the rating given to the criterion 1 under aspect 1 and so on for candidate i = 1...,8. In order to reach the ranking phase, the quantitative ratings need to be transformed into the same scale used for the verbal ratings. Using deciles as thresholds, this can be accomplished.

9.4.11 Decile Method – Transformation of Quantitative Numbers

The quantitative ratings need to be aligned with the same scale as used for the verbal ratings. Inspired by Tsao (2009), the quantitative ratings can be transformed using the Decile Method (Newbold et al., 2013):

$$D_i = l + \frac{h}{j}\left(\frac{iN}{10}\right) - c, \tag{14}$$

where l is the lower boundary of deciles group,i = 1…,9 represent the decile's number, h is the width of decile group, f is frequency of decile group, N is total number of observations and c is the cumulative preceding decile group. The verbal ratings are cut at the second, fifth and eight deciles, so that the bottom 20% belongs to L, between 20 - 50% belongs to M, between 50 – 80% belongs to H and the top 20% belongs to VH for a benefit and vice versa for a cost (Tsao, 2009):

$$\tilde{x}_{ijk} = \begin{cases} L, & x_{ijk} \le D_2, \\ M, & D_2 < x_{ijk} \le D_5, \\ H, & D_5 < x_{ijk} \le D_8, \\ VH, & x_{ijk} > D_8, \end{cases} \qquad x_{ijk} \in B,$$

$$\tilde{x}_{ijk} = \begin{cases} VH, & x_{ijk} \le 0.2, \\ H, & 0{,}2 < x_{ijk} \le 0.5, \\ M, & 0{,}5 < x_{ijk} \le 0.8, \\ L, & x_{ijk} > 0.8, \end{cases} \qquad x_{ijk} \in C,$$

where the $\tilde{x}_{ijk}$ is the transformed rating for candidate i under criterion k with respect to the jth aspect, x_{ijk} is the original rating, L, M, H, VH represent the verbal ratings, D_i denotes the deciles. Benefit is marked with B and costs are marked with C (see Table 9 for classification, B

or C, the individual criteria were assigned). The transformed ratings are shown in Table 18, where the idealised weights among the verbal ratings, can be seen below the rating assigned to the candidate. The calculations of the deciles can be seen in Appendix 16.

Table 18: The Transformed Ratings

Candidates	$\tilde{x}_{i11}$	$\tilde{x}_{i12}$	$\tilde{x}_{i21}$	$\tilde{x}_{i22}$	$\tilde{x}_{i23}$	$\tilde{x}_{i24}$	$\tilde{x}_{i311}$	$\tilde{x}_{i32}$	$\tilde{x}_{i41}$
HDR	M	H	VH	M	M	VH	VH	VH	L
	0.218	0.472	1.000	0.218	0.218	1.000	1.000	1.000	0.102
FS	VH	H	VH	H	VH	H	VH	M	M
	1.000	0.472	1.000	0.472	1.000	0.472	1.000	0.218	0.218
CCD	VH	M	H	VH	H	VH	H	L	H
	1.000	0.218	0.472	1.000	0.472	1.000	0.472	0.102	0.472
CM	H	L	M	VH	M	H	H	L	H
	0.472	0.102	0.218	1.000	0.218	0.472	0.472	0.102	0.472
LZ	L	M	H	L	L	M	M	M	H
	0.102	0.218	0.472	0.102	0.102	0.218	0.218	0.218	0.472
CSM	H	L	L	H	H	M	M	H	VH
	0.472	0.102	0.102	0.472	0.472	0.218	0.218	0.472	1.000
EDLFDC	VH	VH	M	L	L	L	L	H	M
	1.000	1.000	0.218v	0.102	0.102	0.102	0.102	0.472	0.218
PDCYB	H	L	L	M	VH	L	L	VH	H
	0.472	0.102	0.102	0.218	1.000	0.102	0.102	1.000	0.472

Source: Appendix 5 - 13, Appendix 16 and own creation

With the quantitative ratings transformed into the same scale as used for the verbal ratings, it is now possible to rank the candidates in order to find the candidates most suited for an international acquisition by Royal Unibrew.

9.5 Ranking the candidates

It is now possible to calculate the weighted score, R_{ijk} for each candidate using formula (7). However, as the used hierarchy is a two-level hierarchy, the weights of both the aspects as well as the criteria be taken into account:

$$R_{ijk} = \sum_{j=i,\, k=1}^{n} W_j \, w_{jk} \, \bar{x}_{ijk} \, ,$$

where R_{ijk} is the weighted score of candidate i, under the kth criterion, with respect to the jth aspect. W_j represents the relative weight of the jth aspect and w_{jk} is the weight of the kth criterion under the jth aspect, $\bar{x}_{ijk}$ is the quantified verbal rating given to candidate i, under criterion k, with respect to aspect j (seen in table 1). An example of the weighted score for a candidate is shown below using candidate Hijos de Rivera. S.A. The following example show the calculation for the weighted score for the first verbal rating assigned to Hijos de Rivera, S.A., which can be seen in Table 18. The verbal rating assigned to Hijos de Rivera, S.A. is medium (M) under the first criterion *Strategic Fit*, with respect to the first aspect *Employees*. Given the relative weight for the aspect and criterion found in section 9.4.8 the calculations for the first weighted score are:

$$R_i = W_1 \cdot w_{11} \cdot \bar{x}_{111} = 0.396 \cdot 0.333 \cdot \ 0.218 = 0.011$$

Thus, Hijos de Rivera, S.A. is assigned a weighted score of 0.011. The result can be seen in column 1, row 1 in Table 18, where the remaining weighted scores for Hijos de Rivera, S.A., as well as the other candidates, also can be seen in Appendix 17. Next, the weighted scores are summed to achieve the final ranking score for the candidates. The higher summed score the candidates achieve, the higher they will be ranked (Saaty, 2008). The rankings are as follow:

Table 19: Weighted Scores & Final Ranking

W_j	0.396	0.396	0.148	0.060							
w_{jk}	0.333	0.667	0.523	0.272	0.147	0.058	0.250	0.750	1.000		
Candidates	R_{i11}	R_{i12}	R_{i21}	R_{i22}	R_{i23}	R_{i24}	R_{i31}	R_{i32}	R_{i41}	$\sum R_{ijk}$	Rank
HDR	0,029	0,125	0,207	0,024	0,013	0,023	0,037	0,111	0,006	0,574	2
FS	0,132	0,125	0,207	0,051	0,058	0,011	0,037	0,024	0,013	0,658	1
CCD	0,132	0,058	0,098	0,108	0,027	0,023	0,017	0,011	0,028	0,503	4
CM	0,062	0,027	0,045	0,108	0,013	0,011	0,017	0,011	0,028	0,323	6
LZ	0,013	0,058	0,098	0,011	0,006	0,005	0,008	0,024	0,028	0,252	8
CSM	0,062	0,027	0,021	0,051	0,027	0,005	0,008	0,052	0,060	0,314	7
EDLFDC	0,132	0,264	0,045	0,011	0,006	0,002	0,004	0,052	0,013	0,530	3
PDCYB	0,062	0,027	0,021	0,024	0,058	0,002	0,004	0,111	0,028	0,337	5

As evidenced by Table 19 the top ranked candidates are Font Salem, S.L. with a summed weighted score of 0.658, followed by Hijos de Rivera S.A. and Estrella De Levante Fabrica De Cerveza S.A. The use of these results will be discussed in part three.

Part III

Discussion and Conclusion

The third part of thesis contains a discussion, where results of the analysis, methods used for finding the results and next steps for Royal Unibrew will be discussed. Furthermore, the third part contains a conclusion where findings of the analysis and relevant points of the discussion will be presented.

10. Discussion

In this section, the interpretation of the results gained in the analysis will be covered. Moreover, the methods used to obtain the results will be discussed as well as the next steps for Royal Unibrew to take.

9.1 Discussion of Results

In the analysis of the different potential candidates, Font Salem, S.L. achieved the highest ranking followed by Hijos de Rivera and Estrella De Levante Fabrica De Cerveza S.A. as illustrated in Table 19. This result does not state that Royal Unibrew must acquire Font Salem, S.L. as the ranking of the candidates only serves as an indication for the best suited candidate. Instead, a more extensive research of the top candidates is required to find the candidate, which is the best fit for Royal Unibrew (Tsao, 2009). This extensive research may include considerations regarding transaction strategies, the transaction price based on a valuation of the candidate, potential obstacles for the success of the transaction such as ownership structure, and more importantly, the overall fit (Sudarsanam, 2003).

As Tsao (2013) finds in his research, the results of a method using an MCDM-approach depend on the decision maker. This is due to the fact that many of the decisions lie on the evaluator's preference for ranking method, evaluation hierarchy, elements of criteria and so forth (Tsao, 2013). However, applying this method to other research studies is possible as the frames established provide a generalised method for assessing candidates. This means that others can follow the steps

and use them as a guideline. Moreover, having made subjective choices during the process enables the evaluator to embellish the format of the result to the advantage of the evaluator, which contributes to the results being much more intuitive and easy for the evaluator to interpret.

In the analysis, eight different candidates are evaluated using a two-level hierarchy including four aspects with a total number of nine criteria. In constructing such a hierarchy, the guidelines established are criticized for not being sufficient, and leaves the decision maker in a vague position (Hartwich, 1999). A critique point of the hierarchy used in the analysis is that the product aspect only contains one criterion, and thereby does not utilize the possibilities offered by AHP. However, to keep consistency and simplicity in the calculations and in the hierarchy, this way of structuring the product aspect was chosen.

Another determinant of the results is the chosen measure used to evaluate the criteria. For the financial terms, different choices of the measurements used, may have changed the final outcome of the ranking list. For example, the criterion of liquidity can also be measured by the quick ratio, cash ratio, and cash conversion cycle (Petersen & Plenborg, 2012). Even though, the different kinds of measurements all are supposed to measure the liquidity of the firm, the results may change the verbal rating assigned to the candidate. The same applies to the profitability criterion as the profitability of a firm can be measured by different margins such as the gross margin, operating margin etc. Return on equity (ROE) and return on assets (ROA) are also alternative measures for the profitability (Petersen & Plenborg, 2012). However, the measures used on this thesis of both the liquidity and profitability are among the mostly used in this regard (Petersen & Plenborg, 2012).

When evaluating the strategic fit, the corporate structure of the candidate would also have been important. The specific strategy for market entry, market penetration and vertical expansion could be important to consider as well to further strengthen the understanding of strategic fit between Royal Unibrew and the candidate (Hubbard, 2001). Employees and management team are evaluated on their efficiency ratios. However, a deeper insight into the company culture would have been beneficial as well. An insight in the company culture would help understand what it is that drive the employees and motivates them to perform their best (Hall, 1992). Lastly, more information regarding the product portfolio could be useful as well. For example, the sales numbers of certain products could help gain an understanding of which products need the most attention in regards to marketing or production changes.

In the due diligence process, the acquisitive firm creates an internal team. The internal team often consists of several executives as well as technical professionals (Tsao, 2009). In the analysis, Simon Andersson acts as an 'internal team' (see section 4.5 for the function of internal team) and as the analysis also has taken his statements regarding the most important determinants for Royal Unibrew into account, these may suffer from bias. More optimally, different opinions from executives within Royal Unibrew could have been included in the development of the screening criteria, evaluation hierarchy, and the comparison matrices.

The rating mode is used to evaluate the candidates instead of the relative model due to the fact that the evaluation contained several candidates. However, when using the rating mode, the results are less accurate (Saaty, 2008). Although, the results are very close to the ones that would have been obtained using the relative model. In the analysis, the different measures used to evaluate the criteria provided different scales. For example, the current ratio yields results in ratios, profit margin is measured in percent, and the strategic fit is evaluated using verbal ratings. Saaty (2008) does not provide any guidelines for aligning these scales, but instead, he uses different scales for each criterion assessed. Using deciles as thresholds for transforming these measures into the verbal rating scale provided simplicity and consistency in the analysis. However, when transforming quantitative data into categorized data, as it is done via the decile method, information is often lost (Newbold et al., 2013). Moreover, the results may contain bias and therefore may not give the correct picture of the results provided by the transformation. Thus this method of transforming quantitative measures into a subjectively determined verbal rating system establishes guidelines for the assessor to follow, and therefore represents a way of generalizing the method of aligning the different scales often obtained when using AHP.

The yielded results were achieved with matrices and the hierarchy as a whole is consistent in the judgments used. However, the matrices rely heavily on subjective comparisons of the individual aspects and criteria, making the results highly influenced by the important intensities assigned to the elements in these matrices. The decision maker can conduct a sensitivity analysis to see how the ranking results would have changed if the weights of the criteria and aspects vary. In this way, the robustness of the results obtained in the analysis can be verified (Mu & Pereyra-Rojas, 2017). One of the critique points of the AHP-approach is the one concerning rank reversal (Belton & Gear, 1983). In order to further check the robustness of the results, one of the breweries could be removed or a new one could be added. Hence, if the ranking order changed in a non-logical way, for example, if

a brewery removed ranked third and the brewery ranked second is after the removal ranked sixth), rank reversal has occurred.

All of the final candidates are private companies. Privately-owned firms bring a difficult challenge in regards to obtaining relevant information as mentioned in section 9.2.2. As a result, the criteria which contain a subjective assessment are evaluated on limited data. The problem is addressed by few other researchers in relation to mergers and acquisitions (Capron & Shen, 2007). In their studies, they find that the lack of information creates a narrower search for the acquirer and as a result, the valuation of the candidates' assets may be misleading and therefore the risk of an overbid increases, when being compared to listed firms. Also, Capron and Shen (2007) argue that the available information on listed firms contributes to the assets already being valued for potential buyers by the market. Hence, the opportunities for creating more value in a privately-owned firm are more common versus listed firms (Capron & Shen, 2007). Koeplin et al. (2000) also support this view and elaborate that due to the lack of information and the illiquidity of a privately-owned firm, investment bankers often use a discounted price for the private companies versus its listed peers. As all the breweries on the candidate list are private breweries, Royal Unibrew should focus on this issue, when negotiating the price of one of the candidates.

9.2 The Next Steps for Royal Unibrew

If Royal Unibrew chooses to move forward, the transaction can take place when the terms have been agreed upon. When the transaction has been completed, the last phase is to be initiated, namely the post-acquisition phase (Collins et al., 2009). The main focus for the acquirer is now to achieve the established motives for doing the transaction, which may include increasing shareholder value, expanding markets, and utilization of synergies between the acquirer and the acquired firm (Harvey & Lusch, 1998). As the motivation for Royal Unibrew was to create more value for the shareholders along with increasing market size and exploiting the existing synergies cf. section 9.1 this will be the key focus areas. The post-acquisition phase concerns primarily the integration of the acquirers IS-systems, strategy etc. (Collins et al., 2009). The integration team is in charge and consists primarily of the internal team established prior to the acquisition. One of the key issues related to this phase includes the fact that the due diligence, taking place before the transaction has been completed, often only reveals the 'top of the iceberg' (Posnock, 2002). Hence, the target's

actual condition and whether the condition is worse than anticipated, will be revealed in this phase and this is often a major challenge to the integration team (Posnock, 2002).

As mention in section 4.5 mergers and acquisitions destroy shareholder value more often than they create value. In order to obtain the goal of creating shareholder value, Royal Unibrew must be able utilize the success giving determinants. As Royal Unibrew has completed several acquisitions and mergers in the past, the probability of the next one being successful is relatively high, as prior experience in doing acquisitions contributes positively to the success rate (Duncan & Mtar, 2006).

11. Conclusion

Royal Unibrew has established themselves as an international player through the last two decades and has experienced growth as a result of international acquisitions. The acquisitions have expanded the markets of Royal Unibrew to include Finland, Italy, Baltics and led to strong positions in these markets. In order to further expand their activities, Spain is of special interest to Royal Unibrew. This is due to Spain is being the fourth largest producer of beer and has an overall consumption of beer ranked third highest in Europe. This way, Spain is an attractive choice for an international expansion.

Royal Unibrew holds ownership advantages, since many of their resources have the competitive implication of both temporary and sustained competitive advantage. Human resources, collaboration with renowned brew master Kissmeyer, brands, partnerships and financial resources all have a sustained competitive advantage, where breweries and yeast strains have a temporary advantage. Human resources provide the most important resource according to Royal Unibrew themselves, and thereby the biggest ownership advantages as well. There are also several location advantages of Spain, where parameters as tourism, agriculture, FDI attraction, demographics and market trends, can help Royal Unibrew to overcome the liability of outsidership. Spain thereby holds certain advantages that Royal Unibrew would not be able to obtain in the home market. Thus, a strategic fit exist between Royal Unibrew and Spain.

Given both ownership advantages of Royal Unibrew and location advantages of Spain the internalization advantages associated with such an international expansion are present as well. For example, human resources, yeast strains, Kissmeyer collaboration, Heineken partnership, brand knowledge and financial resources all provide internationalization advantages. Since the motive of Royal Unibrew can be considered market seeking, most of the resources of Royal Unibrew are better exploited using FDI compared with export, licensing and outsourcing. By performing an FDI over licensing Royal Unibrew would be locally based, which is part of the overall strategy. Furthermore, by performing licensing, Royal Unibrew would lack direct management and might experience difficulties in the transfer of knowledge meaning that the transfer of activities therefore is more suited. Lastly, by engaging in outsourcing, Royal Unibrew would not be locally based either, resources would not be exploited and the end product might risk being incorrect or the service

provider might sell the same product to competitors. FDI is thereby the entry mode of choice in regards to an international expansion to Spain.

It is important to distinguish between the methods of FDI. Given the history of Royal Unibrew with several mergers and acquisitions behind them, this appears to be the most optimal entry strategy. This entry strategy is in line with strategic goals of Royal Unibrew and internationalization advantages can be fully exploited. A due diligence process is therefore necessary to determine exactly which candidates that will be of interest for Royal Unibrew.

The M&A process consists of two overall phases; the pre-acquisition and the post-acquisition phase. First the motivation for acquiring another firm must be stressed. Royal Unibrew's motivation behind doing M&A is to penetrate the Spanish market, to increase the value for their shareholders and provide further growth to the business. Based on several search criteria, numerous potential candidates were found. However, due to lack of relevant data and information on some of the candidates, the number decreased remarkably. Unattractive candidates were excluded based on screening criteria, in order to further narrow the number of candidates down to a manageable size. This process decreased the number of candidate down to eight attractive candidates.

The AHP approach was used in order to establish relevant evaluation hierarchy to assess and find the most attractive candidate out of the final ones. The evaluation hierarchy established contained four different aspects and nine individual criteria. Both the criteria and the aspects were found on the basis of relevant determinants for a successful acquisition. Since the analysis contained several candidates, it was found that the rating mode was more appropriate to use than the relative model even though the relative model yields more precise results. As a result, the candidates were assigned a verbal rating under the subjectively assessed criteria, using a scale consisting of very high, high, medium and low.

In the pair-wise comparisons of the aspects, the financial aspect as well as the management aspect was found to have the highest relative weights. As a result, the criteria within these aspects were weighted higher than the ones in the marketing and product aspects. Thereby, the ratings assigned to the candidates under these criteria have comparably less influence on the final score. The consistency of each comparison matrix used yielded satisfying results, and therefore indicated that the judgments used to compare each of the criteria and the aspects were consistent. Moreover, the

overall hierarchy's consistency ratio was also below the recommended threshold. Hence, the combined judgments in hierarchy can be classified as consistent.

The AHP approach contains many subjective decisions in order to reach the final result. Therefore, the robustness of the results can be discussed. However, the AHP-approach is a great tool for ranking candidates in an M&A setting as the decision maker can assign weights to each aspect and criterion. Hereby, a more nuanced picture of the results can be obtained. Moreover, as with the analysis carried out in this thesis, evaluation of candidates contains both subjective and objective criteria, which can easily be done with AHP and with the modification proposed in this thesis.

A modification of the AHP-approach was used in order to establish simplicity and consistency when rating the candidates under each criterion. Firstly, the same scale was used when the criteria should be subjectively assessed were evaluated. Next, the objectively assessed criteria yielded results in scales which where individually different from each other as well as from the scale of the verbal ratings. In order to align all the scales, deciles were used as thresholds to assign a corresponding verbal rating to the different measures.

With all the ratings aligned into the same scale, the final rankings were obtainable. The final rankings showed that Font de Salem S.L., followed by Hijos de Rivera, S.A. and Estrella de Levante Fabrica de Cerverza, S.A. were the top candidates. However, before the final transaction, Royal Unibrew must carry out a more extensive research of each of the top candidate in order to find the best match.

12. List of References

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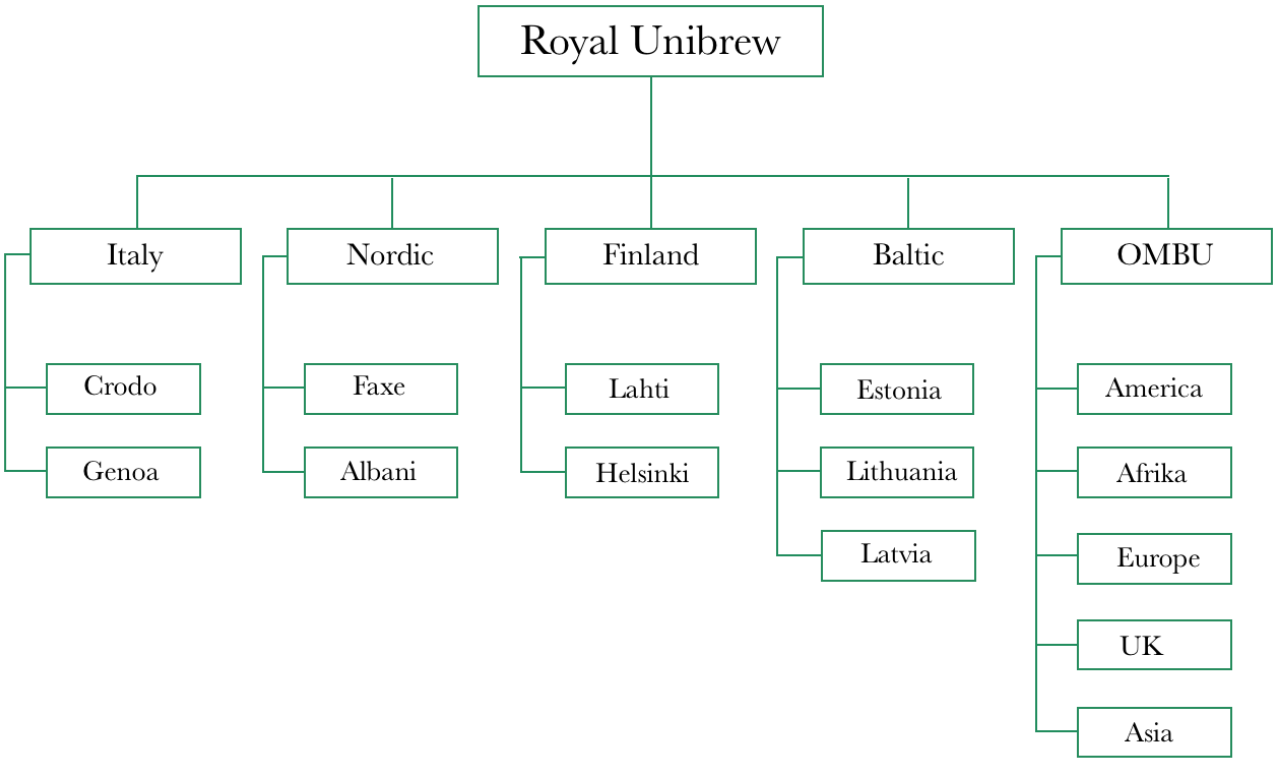
Appendix 1: Overview of Royal Unibrew

Source: Andersson (2018) and own creation



Appendix 2: Interview questions for Royal Unibrew

- *How was Royal Unibrew established?*
- *What are your most valuable resources?*
- *What makes these resources valuable?*
- *What major acquisitions have you made since the beginning?*
- *What strategic considerations are associated when you examine potential acquisitions*
- *What is your financial consideration when you assess possible targets for acquisitions?*
- *What country, where don't already have any activities, would be most attractive for you to expand to?*
- *What are the most important factors when you choose a new market?*
- *What entry mode do you usually prefer?*
- *When you enter a new market, what challenges do you expect to meet?*
- *What challenges is usually the biggest in the long term?*
- *What macro economical trends are most important for you, when speaking of a new market?*
- *How is the development and innovation within your industry?*

Appendix 3: Interview with Royal Unibrew

Simon Andersson: Would you like to hear a little bit about the facility?

Researchers: Yes, very much.

Simon Andersson: Well, to the far left is our brewery where we make the beer. Those long tall building pipes are where we store the carbon dioxide. To the right of that is where we have all the empty can and bottles, which we then fill with the beer. From that building they get transported over that glass bridge and into the warehouse. Everything in the warehouse is completely automatically and operated by robots, which pack and keep track of the inventory and therefore it is completely automated. Behind those building you see a lot of pallets where the beverages are packed and then shipped. So that was just a little introduction to our brewery. Well, maybe I should then start by telling a little bit about myself. I have been at Royal Unibrew for 14 years, where I started off as Group Controller. I later became Business Excellence Captain, Business Support Manager, Nordic Sales Support Manager, and what else, National Key Account Manager and now I am Head of Controlling.

Researchers: That quite a lot.

Simon Andersson: Yes, well. Usually for Royal Unibrew you are here for a very short time or a very long time.

Researchers: Okay. Let's begin with the first question. How was Royal Unibrew established?

Simon Andersson: I have to admit I don't know the exact dates, but it is a variety of mergers where the most important acquisitions are Albani on Fyn, Ceres from Aarhus and Faxe from Faxe. Besides this, there has been Thor in Randers and Maribo Bryghus. There has also been the Sloths brewelry in Kolding. Not many people known that we produce Sloths beer and sell them at the boarder and we own the brand ever since Sloth brewelry was in Kolding. I think that is everything, we have had the name Jyske Bryggerier, and Bryggeri Gruppen. We changed the name in order to be a more

international player 8 to 10 years ago. It was hard for the big international companies to pronounce Bryggerigruppen and the English Brewelry Group referred to our competitors as well, since it was mistaken as a term within the industry. So we changed the name to something that made a bit more sense. Most of the breweries are from the 1800s and it is more or less the same situation for Carlsberg. Many breweries was founded during this period.

Researcher: What are your most valuable resources?

Simon Andersson: What do you means exactly when you say resources? Can you give me some examples on what you are looking for?

Researchers: It could be employees, brand, breweries, supply chain and so on. Basically what makes you unique?

Simon Andersson: There is no doubt that our employees are the reason behind the success. They are the reason that we have any products to sell, so our employees are our most valuable resource. Besides this, w everything else realise have relatively strong brands perhaps some of the most strang brands in Denmark, where Faxe Kondi is the most strong. Besides this, We have very big physical units, our breweries. We have our big brewery here in Faxe. We also have a brewery in Odense and the rest are closed down, because they have been sold. Maribo brewery has been sold, as well as Ceres and Thor. Outside of Denmark we have a brewery in Litauen in Kannapolis. We also have a juice factory in Riga in Latvia and then we have a smaller brewery in Latvia in Liepaja by the water. Then we have a large brewery in Finland In Lahti and then we have just bought an Italian brewery in Campari, which is quite new, since we just got the keys it the 2nd of January. The rest of the places are export, but that it typically produces in Denmark, either here in here or in Odense. Speaking of resources, we also have a limestone quarry here in Faxe, and the water it quite unique with special minerals. Our water Egekilde also comes from springs located in southern Sealand. So it is not just tap water, but actual spring water.

Researchers: What makes these resources valuable,? However, we already talks about his...

Simon Andersson: If I need to elaborate on that, then it is connected to our brand which we protect. We a lot energy in protecting our brand and hw we use marketing. The way that everybody use

marketing has changed a lot in recent years, since social media is used much more. Every brand has its own Facebook page and Instagram profile and maybe even Snapchat. So we try to stay relevant by using this as well.

Researchers: What strategic considerations are associated when you examine potential acquisitions? We know you have five strategies you try to live up to: locally based, significant market position etc.

Simon Andersson: Is it okay if I draw something on the bard?

Researchers: Yes, of course.

Simon Draws on a white board and continues:
Simon Anderson: We have five business units today where is our home base and goes under the category *Nordic* and this category also contains Sweden, Norway, Iceland etc. It also covers business in Germany. Baltic is Estonia, Latvia and Lithuania. The last one, which is only export, is Italy, where we only have a sales office in Genoa and production in Crodo. In Finland we have production in Lahti and sales in Helsinki. In Denmark we have Faxe, which is production and everything else really. We also have production in Odense, which is Albani. We also have overseas market business units (OMBU), which is what we call *Americas*, which is US, but also Canada and Caribbean. Besides this, we have Africa in OMBU and also, what we call Europe. Europe and UK. We call ourselves a multi beverage company, which we are because we don't only make beer or soda. We also have water and ready-to-drink (RTD) like Tempt Cider, which is an alcoholic soda. We also have juice, which we produce in Riga, but also sells in Finland and Latvia and so on. In Finland we have the liquor part, which is where we distribute all major liquor brands. Besides this, we have some coffee we sell in Finland and we also sell malt drinks.

Our biggest categories are beer, sodas, malt and water. We are market leaders in Finland and Baltics, when it comes to water. We are number two in beer in Nordic and Finland. We are number two in soda in Denmark and Finland.

Researchers: How big are your businesses for beer, soda and water revenue wise?

Simon Andersson: There should be some numbers in our annual report, but these are two major categories and they are close to 50/50 and the rest have a small amount. What is exiting is malt drinks and we feel we have the world's strongest malt drink. It is very unique and we have three brands: Vitamalt, Supermalt and Powermalt. We have three brands because our previous acquisitions have had their own brand Ceres had Vitamalt, Albani had Supermalt and Faxe had Powermalt. In Africa we sell many Powermalt and in UK we sell many Supermalt. Vitamalt is more Americas, even though you can find them all in every market. Malt drinks is a market in growth and here there live many people. We are in many large markets, but with a small share, but also in smaller countries but with a bigger share. For example, we have countries where we have 80% market share of their malt drinks. Malt drinks are their soda drinks. They consume malt drinks as we consume soda drinks. Malt drinks is sweet and without alcohol since you stop the fermentation process.

Researchers: What is your financial consideration when you assess possible targets for acquisitions?

If we look at Danmark, a mature market with Carlsberg, us Harboe, and smaller Svaneke, and lots of microbreweries, which are more and more popular these days. Of course, we will not be able to acquire Harboe, since the authorities would not allow it due to the size of Harboe. Therefore, if we wanted to buy anything in Denmark it will be relatively small businesses. In Finland have we bought Hartwall, the second largest brewery there, which is very much similar to our business. Heineken, who has their expertise within the beer industry, owned it. Hartwall had over the years become a "multi beverage" company, and therefore Heineken wanted to sell the company. We acquired the company with a good price. The company had the same customer segment, and the same product portfolio, which generated great synergies. Besides Hartwall, Carlsberg and the finnish brewery Olvi, which means that the market is somewhat divided in three pieces. Therefore, in this market new targets would be small business as well. In Baltics, we are relatively small player. Here we are number three on the market, with Olvi and Carlsberg dominating the market as well. In Baltics, we have acquired one of Carlsberg's breweries since they had become to large in market share, and therefore were forced to sell market shares. This was our entry to the market, and later we also have acquired a juice company. If we look at Italy, we have acquired a small soft drink business, which contributes with 4-5% of our business. Thus, a relatively small business compared to Hartwall, which almost was larger than us at the time we bought them.

We have also owned three breweries in Poland, which added together had 5% of the Polish beer market. Carlberg had 10%. It went all wrong, since the market is, as the German market, dominated by many players, which makes it hard to compete against. We lost approx. 500 millions in this venture. In this period, we were near bankruptcy. Our share price was around 28 DKK per share, compared with the approx. 400 DKK today including 5 share splits, which makes the share price increase above 2000%. Some employees have earned a lot.

If we turn to our export markets we have offices with 8 employees in London as well as an office in France. In Africa we have lots of salesmen. In America we operate from Florida. In Asia, we are very small and have currently no intention in growing in that particular market. Carlsberg and Heineken are very interested in that market. Thus, if you want to look for possible new markets to enter, Europe is definitely the most interesting market right now. America in to long of a distance. With that in mind, it could happen in the future.

Researcher: it is more the exporting part for now and in the nearest future

Simon Andersson: Yes it is. We are very strong in Europe and therefore most obvious. With that said, the brewery industry is a consolidated market, which makes it very difficult to find new targets. We are continuously informed about new targets from extern sources. However, we do not want to buy a new target, only to buy a new target. We want to be sure that the buy creates great return for our investors.

Researcher: Which entry mode do you prefer when expanding to new markets?

Simon Andersson: When we expand, we focus on our main competencies such as beer, soft drinks and Malt. Alcohol businesses, such as the wine industry, are not interesting for us. When we look at a new target, we assess its brands and their market positions. Of course it will be difficult to acquire the number one on the market because of AB Indev, the world's largest brewery concern. They are a merger of the world's largest and second largest breweries, and therefore have the market leader positions in most markets. Hereafter come, Heineken and Carlsberg etc. and we are long down the rank list. Therefore, we are a small concern compared to them and this limits our opportunities and we need to be more agile than they have to be. However, our financial performance is significantly better than most of the top breweries, which makes us very attractive.

Researchers: Regarding distribution channels, what do you prefer?

Simon Andersson: We do prefer to use our own distribution channels.

Researchers: This means as few as possible extern vendors and distributions channels?

Simon Andersson: Yes, exactly. Regarding synergies, when buying targets, sales synergies are very important. In research of new markets, we look at markets, which are low in sales, but trending. Here we can buy cheaply. In markets where sales are high, and the trend is upward going, the price is high as well. However, we assess this at the time. We initiate an intern process with due diligence and extern consultants to help us on this matter.

Researchers: What are the risks and challenges in the longer run?

Simon Andersson: In Italy, we are unique. We sell the Ceres Premium Ale which is an expensive beer. Everyone in Italy knows the beer. It is not the most sold beer in Italy and it can be compared to a specialty beer in Denmark. The Italians drink the beer from the bottle and not served in a glass, since they want to be seen drinking the beer. The company we just acquired has the same status, however within soft drinks. Both products are sold at restaurants. As both products are premium products, they complement each other very nicely. LemonSoda has 23% fruit as ingredients, and all the citrons are from Sicilia. All in all, the complementary synergy has been deciding factor in choosing these companies, as the customer segment is very much the same for both of them. However, we hope to sell beers to those we do not sell soft drinks yet and opposite as well.

Researchers: As you just mentioned regarding the citrons for LemonSoda are unique and from Sicilia, which makes the product premium, is this also applied for your beer products?

Simon Andersson: No. Everyone can brew beers and it is more the processes that can be unique, for example which yeast you use. Heineken has developed a unique yeast cell, which has been the history of their products and what they are known for. No one else uses that yeast cell. We have also our own yeast strain, as we have developed through the years. Besides the yeast, water and humble are available to all, and therefore the commodities in not unique for us, but the way brewery experts use the composition of the these is unique for the taste. We have made an agreement with

Kissmeyer, who were the founder of Nørrebro Bryghus, a great success of a microbrewery. Not long ago he was pointed out as the best brewery master in the world. He is now a part of the development of new beers. When we introduce new products to markets all over the world, primarily craft beers, consumers want him to sign their beers. For example in Canada they know him.

If we turn back to the Ceres strong ale, it is within top ten of beer brands in Italy. The knowledge of the brand can roughly be compared to the knowledge of Ferrari. It is produced in Denmark and imported to Italy, which is a part of the brand as it can be associated with Vikings.

Researcers: What trends do you see in the market currently?

We have established a microbrewery in Albany brewery in Odense, where can eat food and drink specialty beers while looking through a glass window to see the production process of the beers. This have also been done in Hartwall in Finland. Our focus here is to introduce lots of new specialty beers.

Researcher: So it is the market for specialty beers, which will be the driver for higher turnover?

Simon Andersson: Yes, the market in Europe for non-specialty beers are stagnated or even decreasing and we do not believe that it will do otherwise in the future. Water is the most consumed liquid whereas tea is the second, and beers are the third.

Researcher: Which new market would be interesting for you to enter?

Simon Andersson: If it is possible to unite the North, hereunder Denmark, Finland, Norway and Sweden, this will be fantastic due to synergies within logistic, production freight etc. In addition, the customer segment is the same and the brands could be sold across the countries. Hansa Borg and Spendrup in Sweden are family owned. Therefore, they have different interests and are not easily acquired. And the German market is a giant market with lots of different breweries and therefore difficult to acquire significant market shares. US have too many actors as in Germany to be interesting right now. Spain, France and Italy would definitely be interesting market to enter. In fact, Spain would be a great opportunity. In Spain, three major actors imprint the market. Heineken distributes a brand named Cruzcalbu, which we sold in Denmark not long ago. Else it is Estrella and San Miguel, which control the market.

Researchers: If we look at your corporate strategies, one of them concerns financial flexibility. How is your financial foundation?

The financial foundation for new acquirements is there. We do have a low gearing, approx. 1 times (so 50/50 debt/equity ratio). However, since the failure in Poland, we are much more aware of the risks and research much more extensively when screening for new targets.

Researchers: If we stay within your corporate strategies, one of them concerns locally based and significant market positions. How is this seen?

Simon Andersson: If we look at Italy and Ceres, it is actually an import history as it starts back in the 60's. Back then, a Danish firm named Tulip sold ham to the Italians and with in the trucks, a small percentage was also beers. Through the years, the relationship changed such as the beers filled more and more in the trucks. In the end, Tulip abandoned their position in Italy and we continued our business. This is a great example of if you underplay your position, you end up with significant market shares since no one 'keeps an eye' on you. Hereby the brand has created its own history and not just pure marketing. This has created an approx. 80 % of the market share within strong ale in Italy. However, it is not the most consumed segment of beers. Nonetheless, it is a very profitable segment due to high prices.

Appendix 4: Interview questions for Carlsberg

- *Who do you see as the biggest competitors in the beer industry?*
- *What do you see as substitutes for beer?*
- *What entry barriers do you see for the beer industry?*
- *How would you describe the bargaining power of buyers?*
- *How many suppliers are there for the beer industry? Countless or is the market dominated by a few big ones?*
- *How would you describe the bargaining power of suppliers?*
- *In relation to the political situation in Spain, how could that affect the beer industry directly or indirectly?*
- *Are there any specific laws to be aware if a brewery attempts to enter the Spanish market?*
- *How do you see technology in Spain in regards to the beer industry?*
- *How is the beer culture in Spain?*
- *Are Spain concerned with the environment and the size of their carbon footprint?*

Appendix 5: Interview with Carlsberg

Researchers: What is your role in Carlsberg?

Iben Marie Bason: I am Marketing Director in Carlsberg, which in a way tells what it is I do. I am handling product prices, where we are and what we are selling and so on, or the team, which I am sitting with, does it.

Researchers: How long have you been with Carlsberg?

Iben Marie Bason: I have been there 1,5 years I think.

Researchers: How do you see the competition on the beer market?

Iben Marie Bason: Are we talking Europe, Denmark, Spain or what?

Researchers: We are talking Europe.

Iben Marie Bason: I think the competition is quite high with a lot of consolidation throughout the years. The large competitors have collected very much… Beer is a very decentralized category and there exist many small local beer brands everywhere, so the large beer volume is not made of the large brands but is just as much made of the smaller brands. Then there are a few large beer brands that you know like Corona and all these, but there are many local brands which we do not necessary know in other countries.

Researchers: And what about the future competition? There is a lot regarding special beers and microbreweries, which are currently booming. Do you see that as a potential opportunity?

Iben Marie Bason: Yes. There is a lot going on there and I think it is very natural. So far it has really been one thing where many have gone the pilsner-way, which is something that happen when the big breweries brands up and consolidate and synergies emerges. That makes the product supply very uniformed and sometimes there are a lot and sometimes there are few. There is always an opposite trend to a trend.

Researchers: What about substitutes? Do you for example see a trend where consumer substitutes pilsners with non-alcoholic beers and so on?

Iben Marie Bason: Basically, you look a people's need, and not specific beers, but instead focus on why people drink. What is the need and where do people drink, and by asking these questions you can find a lot of your answers. By first asking yourself why people drink and then ask what people drink to satisfy that need. I think there are a lot of trends who affect this, for instants, moderation where you focus on consumption of alcohol. People are more aware of how much they drink and how many calories they consume. For example, the lunch beer is not a part of the Danish market anymore and that we see the same in other countries in Europe. So it is general things like this that affect why and what people drink. People are not necessarily drinking less, but at least on different time during the day. Maybe the weekend is a more interesting time to drink for some people. If you look at why people drink then the answer might be because of the beer, but instead what is around of the beer. The social component and the togetherness and nowadays men does not necessarily meet over a beer, but maybe a cup of coffee, which makes coffee an important substitute. This way it is important to look at why people drink and not what they drink.

Researchers: Besides coffee, what do you see as substitutes?

Iben Marie Bason: There exist many substitutes and it depends on where you are. Wine is has been more and more popular during the last couple of years and I think it is because beer has not been trying to make itself interesting and relevant. Beer is represented in everyday grocery stores and is therefore easier to pick one in the super market. It is more normal to pare a wine with food than it is to compare beer with food. You do not use the category the same way.

Researchers: How do you see the bargaining power of the buyers? Is there a loyalty towards brands or do consumers choose whatever?

Iben Marie Bason: I definitely think there is a certain loyalty towards brands and not just choose whatever. There has been a huge price war where Royal Unibrew and Carlsberg have supported well. It is the market that sets the prices so beer has been used as a traffic category, which does not do anything for the category, or the brands. But if the price of a beer is suddenly raises very much for no apparent reason, then the brand will of course lose customers. In that sense, the loyalty is only limited since very few buyers would stick with their favorite brand of beer regardless of the price. After all, it is the customer that is the demand part and the demand part, as you know, controls a whole lot when it comes to business. This is just the en consumer. The buyers of the industry is of course also restaurants, bars and of course retail stores, where most of the beer is sold through.

Researchers: So if a brand raises the prices you would see that the price elasticity is crucial in regards to what brands you would choose?

Iben Marie Bason: Yes, of course. Beer can be more than what it is today.

Researchers: In regards to suppliers, you have suppliers for water, malt, sugar and other raw materials needed to produce the beer. Is there a lot of suppliers or are the different companies using the same suppliers?

Iben Marie Bason: A lot of the raw materials are depended on a harvest and due to that it is not possible to just start a production of hops. It takes time to produce a certain amount and quality. Certain suppliers are better than others, in regards to raw materials, since the processing is different. Carlberg, for example, only uses she hops, which has a different taste than the he hops. So the selective process of raw materials is, among other things, what makes the difference. Usually there are a lot of the same suppliers used on some things, but certainly not for everything. For example, organic raw materials are harder to get.

Researchers: So, besides the ingredients to make beer, are there any other materials that needs to be supplied to the beer industry?

Iben Marie Bason: Yes, of course. There is the packaging of the beer, which means cans and glass bottles, labels that needs to be printed on the bottle. These are important as well.

Researchers: And how many suppliers are there relative to breweries?

Iben Marie Bason: Well, of course comparing to the number of breweries there are many, many breweries, as I mentioned before, so it is difficult to answer. If we forget, for a second, the large numbers of breweries then there are many companies that can supply cans and glass bottles as well as labels printed to the bottle. At least we don't see it as an issue. Again, just as raw materials for the beer, if you want something very very special then the option are limited, but if you are looking for a sort of normal cans, then there are many possibilities.

Researchers: How about the entry barriers to the industry? Where are not only talking about small microbreweries, but also large breweries.

Iben Marie Bason: Well, everybody can brew beer. I mean, you can do it at home if you like. So, entry barriers, in that sense, are incredibly low. Almost every small city has their own brewery, so it is very easy in that way. On the other hand, it is very difficult to gain foothold especially since the retail are so consolidated and only wants a few brands. This way just because it is easy to brew beer, does not mean that you can sell it easily. For large breweries, investing in large production plants do of course require lots of capital.

Researchers: In relation to the political situation in Spain, how could that affect the beer industry directly or indirectly?

Iben Marie Bason: Well, if you look a Muslim countries then non-alcoholic is a big opportunity, because they do not drink alcohol, but they want to be a part of the community and get together and drink a beer. This is of course not political, but more religious, but security in a country is of interest as well. Certain industry securities such as tariff securities. Carlsberg went in to Russia and made a large bet 10 – 15 years ago, and that still hurts. It is about how you make the global footprint and what is associated with this. There a some certain countries like Western Europe, but there is not that much growth. Then there are certain geographical bets where we bets everything on that market and sometime it does not holds up. So the political reflection means a lot. In regards to Spain they are experiencing some instability due to the independence of Catalonia. If this will affect beer market is difficult to say, but what is certain is that instability brings instability to the business. I am afraid that you have to answer one last questions now, since we are running out of time.

Researchers: When looking at a new country, are there any environmental challenges associated with this?

Iben Marie Bason: Of course we look at environmental challenges. We look at what load we cover, what work force we bring, how are local work conditions and how are our work principles. We also have to interpret what the ethical principles are and how are things done and how do we do this best and how can we have a competitive advantage from this. It could be salaries, work hours, work conditions, water discharge: how clean should d it be. Carlsberg has had some cases where we get cleaner water than what is in the river to begin with. So it always interesting to see how it is, but I definitely think that you need to be concerned with this. It is never at a still stand, it always changes so you can't just test it once. It might also be difficult to get honest inputs.

Appendix 6: Hijos de Rivera, S.A.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
	12 months Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200	7.46465	7.46662	7.43423	7.50401	7.47686	7.35499	7.47135
Balance sheet										
Assets										
Fixed assets	1.736.006	1.598.240	1.374.965	1.214.663	1.066.979	1.055.325	1.087.910	1.093.522	1.020.930	819.405
Intangible fixed assets	202.083	162.473	147.576	132.716	135.434	135.768	128.750	127.365	135.287	115.133
Tangible fixed assets	1.198.786	1.092.135	949.987	813.091	661.053	600.587	612.736	634.971	672.557	575.398
Other fixed assets	335.138	343.631	277.401	268.856	270.492	318.970	346.423	331.186	213.086	128.873
Current assets	586.268	473.431	438.794	365.514	376.468	339.122	350.396	265.999	263.581	391.954
Stock	112.417	103.110	98.405	83.432	77.756	73.176	66.849	70.925	66.373	56.222
Debtors	373.173	325.254	268.988	211.849	199.528	178.154	175.503	174.363	183.215	152.438
Other current assets	100.678	45.067	71.401	70.233	99.184	87.792	108.045	20.712	13.993	183.295
Cash & cash equivalent	90.730	39.212	52.475	44.096	60.665	63.411	81.791	5.091	4.331	28.802
TOTAL ASSETS	2.322.274	2.071.671	1.813.759	1.580.177	1.443.446	1.394.447	1.438.306	1.359.521	1.284.512	1.211.359
Liabilities & Equity										
Shareholders funds	1.507.494	1.328.613	1.149.131	1.032.036	853.810	843.131	882.290	755.689	682.910	637.239
Capital	20.603	20.607	20.596	20.687	20.692	22.341	22.550	22.469	22.102	22.451
Other shareholders funds	1.486.891	1.308.006	1.128.534	1.011.349	833.118	820.790	859.740	733.220	660.807	614.787
Non-current liabilities	168.155	186.215	198.767	199.890	229.846	265.402	280.028	345.835	363.343	304.233
Long term debt	130.847	135.938	141.013	150.347	172.427	208.642	235.914	319.101	351.080	301.708
Other non-current liabilities	37.307	50.277	57.754	49.544	57.419	56.760	44.114	26.735	12.263	2.525
Provisions	5.444	8.267	2.551	5.893	9.930	6.647	4.243	229	889	2.525
Current liabilities	646.625	556.843	465.861	348.251	359.790	285.914	275.988	257.997	238.259	269.887
Loans	20.270	17.494	18.703	27.741	37.702	41.610	48.908	57.677	44.506	58.747
Creditors	278.611	247.904	200.902	146.676	131.417	116.326	138.033	112.234	120.537	115.970
Other current liabilities	347.744	291.445	246.256	173.834	190.672	127.978	89.047	88.086	73.216	95.170
TOTAL SHAREH. FUNDS & LIAB.	2.322.274	2.071.671	1.813.759	1.580.177	1.443.446	1.394.447	1.438.306	1.359.521	1.284.512	1.211.359
Memo lines										
Working capital	206.979	180.460	166.491	148.604	145.867	135.004	104.318	133.054	129.051	92.690
Number of employees	522	477	436	386	370	372	362	355	352	348

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Profit & loss account										
Operating revenue (Turnover)	2.797.245	2.450.447	2.042.711	1.714.025	1.532.913	1.421.118	1.350.483	1.241.582	1.078.380	1.040.826
Sales	2.787.956	2.441.142	2.038.444	1.711.402	1.530.389	1.417.955	1.344.859	1.239.187	1.077.364	1.039.287
Operating P/L [=EBIT]	560.338	465.839	378.779	307.596	289.977	259.490	249.439	227.540	181.930	177.235
Financial revenue	898	1.407	792	463	1.623	2.010	1.393	392	2.152	448
Financial expenses	56.912	21.011	22.931	20.072	13.983	28.430	26.040	23.471	19.858	17.289
Financial P/L	-56.014	-19.604	-22.139	-19.609	-12.360	-26.420	-24.647	-23.079	-17.706	-16.840
P/L before tax	504.324	446.234	356.640	287.987	277.617	233.070	224.792	204.461	164.224	160.395
Taxation	136.338	115.420	109.650	90.339	81.689	75.073	63.108	61.969	44.548	49.094
P/L after tax	367.986	330.814	246.990	197.648	195.928	157.997	161.684	142.491	119.676	111.301
Memo lines										
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	778.202	710.638	602.008	511.160	458.292	440.055	395.898	364.134	301.509	286.407
Costs of employees	261.947	222.421	200.589	169.938	153.029	153.663	148.203	140.207	132.044	128.417
Depreciation & Amortization	254.539	221.781	191.613	172.085	146.893	150.641	157.299	163.015	154.211	96.903
Other operating items	-951.674	-829.076	-681.249	-555.920	-480.676	-419.640	-397.631	-348.925	-307.014	n.a.
Interest paid	3.565	4.441	4.287	5.106	7.214	7.412	7.698	14.622	19.858	17.259
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	622.525	552.595	438.603	369.733	342.821	308.638	318.983	305.506	273.887	207.270
Added value	1.024.375	894.877	753.130	635.115	584.753	544.786	537.991	522.304	470.337	402.041
EBITDA	814.877	687.619	570.392	479.681	436.870	410.131	406.738	390.554	336.141	274.139

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Per employee ratios										
Profit per employee (th DKK)	966	936	818	746	750	627	621	576	467	461
Operating revenue per employee (th DKK)	5.359	5.137	4.685	4.440	4.143	3.820	3.731	3.497	3.064	2.991
Costs of employees / Operating revenue (%)	9,36	9,08	9,82	9,92	9,98	10,81	10,97	11,29	12,25	12,34
Average cost of employee (th DKK)	502	466	460	440	414	413	409	395	375	369
Shareholders funds per employee (th DKK)	2.888	2.785	2.636	2.674	2.308	2.266	2.437	2.129	1.940	1.831
Working capital per employee (th DKK)	397	378	382	385	394	363	288	375	367	266
Total assets per employee (th DKK)	4.449	4.343	4.160	4.094	3.901	3.749	3.973	3.830	3.649	3.481

Current Directors / Managers / Contacts

Management & staff

	Name	Original job title	Dept	Source
1.	Mr Ignacio Rivera Quintana P145913402	- Managing Director (since 09/11/2012)	SenMan	IN Informa (received on 07/04/2018)
2.	Mr Pedro Jesus Regojo Balboa P042167552	- Secretary (since 15/07/2011)	SenMan	IN Informa (received on 19/02/2018)
3.	Mr Paul Tran P347445148	- Human Resources Director (since 03/05/2016)	HR	IN Informa (received on 19/02/2018)
4.	Mr Jose Cabanas P247365826	- Marketing Director (since 10/03/2015)	MarkAdv	IN Informa (received on 19/02/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
CORPORACION HIJOS DE RIVERA S.L. (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	432	911
HIJOS DE RIVERA, SA	ES	C					397	522

* = *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current subsidiaries

Current filter: No filter

The companies underlined and displayed in bold blue are available on **ORBIS**

	Subsidiary name	Country	Ownership				Source			Company information	
			Direct (%)	Total (%)	Level of own.	Status	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	AREA DE MANTENIMIENTO DE VEHICULOS LA GRELA SA	ES	100.00	100.00	1	-	IN	05/2018	-	n.a.	n.a.
2.	CRAFT STARS OF THE WORLD, S.L.	ES	100.00	100.00	1	-	IN	05/2018	-	n.a.	n.a.
3.	ESTRELLA DE GALICIA IMPORTACAO E COMERCIALIZACAO D	BR	100.00	100.00	1	-	IN	05/2018	⇨	n.a.	n.a.
4.	GISTE CERVECERA SLU	ES	100.00	100.00	1	-	IN	05/2018	⇨	5	78
5.	GRUPO MANANTIALES CON ORIGEN UNICO, S.L.	ES	100.00	100.00	1	-	IN	05/2018	⇨	1	8
6.	MUNDO ESTRELLA GALICIA SL.	ES	100.00	100.00	1	-	IN	05/2018	-	0	1
7.	AGUAS DE CUEVAS, SA	ES	-	100.00	1	-	ZP	07/2010	⇗	4	17
8.	AGUAS EL PILAR S.L.	ES	-	100.00	1	-	ZP	02/2015	-	4	16
9.	CERVINTER SL	ES	80.00	n.a.	1	-	IN	05/2018	⇨	9	25
10.	CARLOW BREWING COMPANY	IE	32.00	n.a.	1	-	IN	05/2018	-	n.a.	n.a.
11.	CARLOW CRAFT BREWERY LIMITED	IE	32.00	n.a.	1	-	ZP	04/2017	-	n.a.	39
12.	JUSTDRINKS, LDA	PT	30.00	n.a.	1	-	IN	05/2018	⇨	4	16
13.	ESTRELLA DE GALICIA IMPORTACAO E COMERCIALIZACAO DE BEBIDAS E ALIMENTOS LTDA	BR	-	n.a.	1	-	TU	10/2017	⇨	28	36
14.	REAL CLUB CELTA DE VIGO SAD	ES	-	n.a.	1	-	IN	05/2018	⇨	88	114

* = *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Appendix 7: Font Salem, S.L.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
	12 months Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP
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Balance sheet										
Assets										
Fixed assets	1.736.006	1.598.240	1.374.965	1.214.663	1.066.979	1.055.325	1.087.910	1.093.522	1.020.930	819.405
Intangible fixed assets	202.083	162.473	147.576	132.716	135.434	135.768	128.750	127.365	135.287	115.133
Tangible fixed assets	1.198.786	1.092.135	949.987	813.091	661.053	600.587	612.736	634.971	672.557	575.398
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Debtors	373.173	325.254	268.988	211.849	199.528	178.154	175.503	174.363	183.215	152.438
Other current assets	100.678	45.067	71.401	70.233	99.184	87.792	108.045	20.712	13.993	183.295
Cash & cash equivalent	90.730	39.212	52.475	44.096	60.665	63.411	81.791	5.091	4.331	28.802
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Liabilities & Equity										
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Other current liabilities	347.744	291.445	246.256	173.834	190.672	127.978	89.047	88.086	73.216	95.170
TOTAL SHAREH. FUNDS & LIAB.	2.322.274	2.071.671	1.813.759	1.580.177	1.443.446	1.394.447	1.438.306	1.359.521	1.284.512	1.211.359
Memo lines										
Working capital	206.979	180.460	166.491	148.604	145.867	135.004	104.318	133.054	129.051	92.690
Number of employees	522	477	436	386	370	372	362	355	352	348

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Profit & loss account										
Operating revenue (Turnover)	2.797.245	2.450.447	2.042.711	1.714.025	1.532.913	1.421.118	1.350.483	1.241.582	1.078.380	1.040.826
Sales	2.787.956	2.441.142	2.038.444	1.711.402	1.530.389	1.417.955	1.344.859	1.239.187	1.077.364	1.039.287
Operating P/L [=EBIT]	560.338	465.839	378.779	307.596	289.977	259.490	249.439	227.540	181.930	177.235
Financial revenue	898	1.407	792	463	1.623	2.010	1.393	392	2.152	448
Financial expenses	56.912	21.011	22.931	20.072	13.983	28.430	26.040	23.471	19.858	17.289
Financial P/L	-56.014	-19.604	-22.139	-19.609	-12.360	-26.420	-24.647	-23.079	-17.706	-16.840
P/L before tax	504.324	446.234	356.640	287.987	277.617	233.070	224.792	204.461	164.224	160.395
Taxation	136.338	115.420	109.650	90.339	81.689	75.073	63.108	61.969	44.548	49.094
P/L after tax	367.986	330.814	246.990	197.648	195.928	157.997	161.684	142.491	119.676	111.301
Memo lines										
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	778.202	710.638	602.008	511.160	458.292	440.055	395.898	364.134	301.509	286.407
Costs of employees	261.947	222.421	200.589	169.938	153.029	153.663	148.203	140.207	132.044	128.417
Depreciation & Amortization	254.539	221.781	191.613	172.085	146.893	150.641	157.299	163.015	154.211	96.903
Other operating items	-951.674	-829.076	-681.249	-555.920	-480.676	-419.640	-397.631	-348.925	-307.014	n.a.
Interest paid	3.565	4.441	4.287	5.106	7.214	7.412	7.698	14.622	19.858	17.259
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	622.525	552.595	438.603	369.733	342.821	308.638	318.983	305.506	273.887	207.270
Added value	1.024.375	894.877	753.130	635.115	584.753	544.786	537.991	522.304	470.337	402.041
EBITDA	814.877	687.619	570.392	479.681	436.870	410.131	406.738	390.554	336.141	274.139

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Per employee ratios										
Profit per employee (th DKK)	966	936	818	746	750	627	621	576	467	461
Operating revenue per employee (th DKK)	5.359	5.137	4.685	4.440	4.143	3.820	3.731	3.497	3.064	2.991
Costs of employees / Operating revenue (%)	9,36	9,08	9,82	9,92	9,98	10,81	10,97	11,29	12,25	12,34
Average cost of employee (th DKK)	502	466	460	440	414	413	409	395	375	369
Shareholders funds per employee (th DKK)	2.888	2.785	2.636	2.674	2.308	2.266	2.437	2.129	1.940	1.831
Working capital per employee (th DKK)	397	378	382	385	394	363	288	375	367	266
Total assets per employee (th DKK)	4.449	4.343	4.160	4.094	3.901	3.749	3.973	3.830	3.649	3.481

Current Directors / Managers / Contacts

Management & staff

	Name	Original job title	Dept	Source
1.	Mr Ignacio Rivera Quintana P145913402	- Managing Director (since 09/11/2012)	SenMan	IN Informa (received on 07/04/2018)
2.	Mr Pedro Jesus Regojo Balboa P042167552	- Secretary (since 15/07/2011)	SenMan	IN Informa (received on 19/02/2018)
3.	Mr Paul Tran P347445148	- Human Resources Director (since 03/05/2016)	HR	IN Informa (received on 19/02/2018)
4.	Mr Jose Cabanas P247365826	- Marketing Director (since 10/03/2015)	MarkAdv	IN Informa (received on 19/02/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
CORPORACION HIJOS DE RIVERA S.L. (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	432	911
HIJOS DE RIVERA, SA	ES	C					397	522

* = For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Current subsidiaries

Current filter: No filter

The companies underlined and displayed in bold blue are available on ORBIS

	Subsidiary name	Country	Ownership				Source			Company information	
			Direct (%)	Total (%)	Level of own.	Status	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	AREA DE MANTENIMIENTO DE VEHICULOS LA GRELA SA	ES	100.00	100.00	1	-	IN	05/2018	-	n.a.	n.a.
2.	CRAFT STARS OF THE WORLD, S.L.	ES	100.00	100.00	1	-	IN	05/2018	-	n.a.	n.a.
3.	ESTRELLA DE GALICIA IMPORTACAO E COMERCIALIZACAO D	BR	100.00	100.00	1	-	IN	05/2018	⇨	n.a.	n.a.
4.	GISTE CERVECERA SLU	ES	100.00	100.00	1	-	IN	05/2018	⇨	5	78
5.	GRUPO MANANTIALES CON ORIGEN UNICO, S.L.	ES	100.00	100.00	1	-	IN	05/2018	⇨	1	8
6.	MUNDO ESTRELLA GALICIA SL.	ES	100.00	100.00	1	-	IN	05/2018	-	0	1
7.	AGUAS DE CUEVAS, SA	ES	-	100.00	1	-	ZP	07/2010	⇩	4	17
8.	AGUAS EL PILAR S.L.	ES	-	100.00	1	-	ZP	02/2015	-	4	16
9.	CERVINTER SL	ES	80.00	n.a.	1	-	IN	05/2018	⇨	9	25
10.	CARLOW BREWING COMPANY	IE	32.00	n.a.	1	-	IN	05/2018	-	n.a.	n.a.
11.	CARLOW CRAFT BREWERY LIMITED	IE	32.00	n.a.	1	-	ZP	04/2017	-	n.a.	39
12.	JUSTDRINKS, LDA	PT	30.00	n.a.	1	-	IN	05/2018	⇨	4	16
13.	ESTRELLA DE GALICIA IMPORTACAO E COMERCIALIZACAO DE BEBIDAS E ALIMENTOS LTDA	BR	-	n.a.	1	-	TU	10/2017	⇨	28	36
14.	REAL CLUB CELTA DE VIGO SAD	ES	-	n.a.	1	-	IN	05/2018	⇨	88	114

* = For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Appendix 8: Comanñia Cervecera Damm

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK
	12 months Qual	12 months Qual	12 months Qual	12 months Qual	12 months Qual	12 months Qual	8 months
Exchange rate: EUR/DKK	Local GAAP 7.43435	Local GAAP 7.43582	Local GAAP 7.43200	Local GAAP 7.46465	Local GAAP 7.46662	Local GAAP 7.43423	Local GAAP 7.50401
Balance sheet							
Assets							
Fixed assets	1.336.749	1.291.406	1.296.587	1.332.433	1.311.892	1.290.443	1.386.816
Intangible fixed assets	7.606	8.047	8.898	9.825	8.710	9.170	9.758
Tangible fixed assets	1.302.326	1.249.756	1.248.268	1.298.477	1.299.676	1.276.694	1.373.561
Other fixed assets	26.816	33.602	39.421	24.131	3.506	4.579	3.496
Current assets	641.338	669.862	959.703	776.999	631.224	571.063	56.440
Stock	109.236	117.757	118.964	125.838	97.196	87.589	0
Debtors	138.981	158.609	156.271	143.059	122.266	140.682	22.428
Other current assets	393.121	393.496	684.469	508.103	411.762	342.792	34.011
Cash & cash equivalent	46	105	119	166	416	266	n.a.
TOTAL ASSETS	1.978.087	1.961.268	2.256.291	2.109.432	1.943.116	1.861.506	1.443.255
Liabilities & Equity							
Shareholders funds	1.574.342	1.556.007	1.465.293	1.694.117	1.571.105	1.484.840	1.431.785
Capital	148.724	148.754	148.677	149.330	149.370	148.722	150.118
Other shareholders funds	1.425.618	1.407.254	1.316.616	1.544.786	1.421.735	1.336.118	1.281.667
Non-current liabilities	17.988	20.861	23.804	32.928	32.712	19.661	0
Long term debt	0	0	0	0	0	0	0
Other non-current liabilities	17.988	20.861	23.804	32.928	32.712	19.661	0
Provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Current liabilities	385.756	384.399	767.194	382.387	339.299	357.005	11.470
Loans	0	0	0	0	0	0	0
Creditors	213.964	207.731	209.703	205.099	212.775	215.359	6.466
Other current liabilities	171.791	176.668	557.491	177.288	126.524	141.645	5.005
TOTAL SHAREH. FUNDS & LIAB.	1.978.087	1.961.268	2.256.291	2.109.432	1.943.116	1.861.506	1.443.255
Memo lines							
Working capital	34.253	68.634	65.532	63.798	6.687	12.912	15.963
Number of employees	398	391	403	416	438	467	n.a.

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK
Profit & loss account							
Operating revenue (Turnover)	1.483.946	1.433.100	1.503.655	1.467.446	1.414.049	1.402.091	28.732
Sales	1.480.796	1.429.784	1.500.022	1.464.325	1.403.647	1.393.225	n.a.
Operating P/L [=EBIT]	136.921	112.088	141.782	140.736	105.666	88.278	1.496
Financial revenue	7.275	10.369	13.524	10.760	7.558	6.540	28
Financial expenses	0	14	1	0	6	2	0
Financial P/L	7.275	10.355	13.522	10.760	7.553	6.538	28
P/L before tax	144.196	122.443	155.304	151.496	113.219	94.816	1.524
Taxation	35.807	31.968	41.932	44.580	33.966	28.471	457
P/L after tax	108.389	90.475	113.372	106.916	79.253	66.345	1.067
Memo lines							
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	902.600	848.840	876.406	832.430	841.078	867.732	n.a.
Costs of employees	169.471	197.907	196.920	201.630	180.219	193.687	n.a.
Depreciation & Amortization	122.652	132.496	151.257	181.203	164.489	164.241	27.106
Other operating items	-150.069	-139.367	-132.046	-109.546	-122.597	-124.253	-130
Interest paid	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	231.042	222.971	264.629	288.119	243.742	230.586	28.173
Added value	436.320	452.846	503.482	534.328	457.927	452.745	28.630
EBITDA	259.573	244.584	293.039	321.939	270.155	252.520	28.602

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK
Per employee ratios							
Profit per employee (th DKK)	362	313	385	364	258	203	n.a.
Operating revenue per employee (th DKK)	3.729	3.665	3.731	3.528	3.228	3.002	n.a.
Costs of employees / Operating revenue (%)	11,42	13,81	13,10	13,74	12,75	13,81	n.a.
Average cost of employee (th DKK)	426	506	489	485	411	415	n.a.
Shareholders funds per employee (th DKK)	3.956	3.980	3.636	4.072	3.587	3.180	n.a.
Working capital per employee (th DKK)	86	176	163	153	15	28	n.a.
Total assets per employee (th DKK)	4.970	5.016	5.599	5.071	4.436	3.986	n.a.

Current Directors / Managers / Contacts

Sources that rely on informal research and social networking are **not shown**.

Management & staff

	Name	Original job title	Dept	Source
1.	Mr Jorge Villavecchia Barnach Calbo P042067805	- General Manager (since 07/02/2017)	SenMan	IN Informa (received on 07/04/2018)
2.	Mr Jaume Alemany P384107428	- Marketing Director (since 07/02/2017)	MarkAdv	IN Informa (received on 19/02/2018)
3.	Mr Ignacio Costa Garcia P164028463	- Other (since 05/08/2015)		IN Informa (received on 19/02/2018)
4.	Mr Angel Guarch Lopez P104467472	- Other (since 21/09/2015)		IN Informa (received on 19/02/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
SOCIEDAD ANONIMA DAMM (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	1.102	3.132
HOLDING CERVECERO DAMM SL	ES	C	100.00	100.00	IN	05/2018	17	n.a.
COMPAÑIA CERVECERA DAMM SL	ES	C					210	398

* = *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership		Source		Company information		
				Direct (%)	Total (%)	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	**HOLDING CERVECERO DAMM SL**	ES	C	100.00	100.00	IN	05/2018	⇨	17	n.a.

= *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current subsidiaries

	Subsidiary name	Country	Ownership				Source			Company information	
			Direct (%)	Total (%)	Level of own.	Status	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	**INMUEBLES Y TERRENOS SA**	ES	100.00	100.00	1	-	AR	12/2016	⇨	0	n.a.

* = *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Appendix 9: Cervezas Mahou, S.L.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
	12 months Qual Local GAAP	12 months Qual Local GAAP	4 months Qual Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200
Balance sheet			
Assets			
Fixed assets	405.914	433.005	450.186
Intangible fixed assets	875	177	102
Tangible fixed assets	392.221	413.396	426.937
Other fixed assets	12.818	19.431	23.146
Current assets	243.174	239.015	252.686
Stock	11.755	11.561	12.134
Debtors	62.198	47.945	3.559
Other current assets	169.220	179.509	236.993
Cash & cash equivalent	119	44	16
TOTAL ASSETS	649.087	672.020	702.872
Liabilities & Equity			
Shareholders funds	463.366	447.551	448.343
Capital	297.374	297.433	297.280
Other shareholders funds	165.991	150.119	151.063
Non-current liabilities	8.576	27.334	31.027
Long term debt	0	0	0
Other non-current liabilities	8.576	27.334	31.027
Provisions	2.974	20.028	21.658
Current liabilities	177.146	197.134	223.502
Loans	0	0	0
Creditors	0	0	0
Other current liabilities	177.146	197.134	223.502
TOTAL SHAREH. FUNDS & LIAB.	649.087	672.020	702.872
Memo lines			
Working capital	73.953	59.506	15.693
Number of employees	532	531	531

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
Profit & loss account			
Operating revenue (Turnover)	617.612	610.419	588.370
Sales	617.017	609.630	588.192
Operating P/L [=EBIT]	55.056	43.061	59.759
Financial revenue	24	20	50
Financial expenses	0	8	1
Financial P/L	23	13	49
P/L before tax	55.080	43.074	59.808
Taxation	12.311	9.958	20.698
P/L after tax	42.769	33.116	39.110
Memo lines			
Export revenue	n.a.	n.a.	n.a.
Material costs	19.721	18.455	18.510
Costs of employees	339.877	343.216	320.501
Depreciation & Amortization	103.976	106.661	90.980
Other operating items	-98.981	-99.027	-98.620
Interest paid	0	8	1
Research & Development expenses	n.a.	n.a.	n.a.
Cash flow	146.746	139.777	130.090
Added value	498.934	492.958	471.290
EBITDA	159.033	149.722	150.739

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
Per employee ratios			
Profit per employee (th DKK)	104	81	338
Operating revenue per employee (th DKK)	1.161	1.150	3.324
Costs of employees / Operating revenue (%)	55,03	56,23	54,47
Average cost of employee (th DKK)	639	646	1.811
Shareholders funds per employee (th DKK)	871	843	844
Working capital per employee (th DKK)	139	112	30
Total assets per employee (th DKK)	1.220	1.266	1.324

Current Directors / Managers / Contacts

Boards & committees

	Name	Original job title	Body	Source
1.	MAHOU SA CVA0230668	- Sole Administrator (since 24/09/2014) Represented by Mr Ramos Alberto Rodriguez Toquero	BoD	IN Informa (received on 07/04/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
MAHOU, SA (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	1.299	2.947
CERVEZAS MAHOU SL.	ES	C					88	532

* *= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership		Source			Company information	
				Direct (%)	Total (%)	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	**MAHOU, SA**	ES	C	100.00	100.00	IN	05/2018	⇨	1.299	2.947

= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Current subsidiaries

There is no information regarding the subsidiaries of this entity.

Appendix 10: La Zaragozana, S.A.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2007 th DKK	31/12/2006 th DKK
	12 months Unqual Local GAAP	12 months Qual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Unqual Local GAAP	12 months Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200	7.46465	7.46662	7.43423	7.50401	7.47686	7.47135	7.45555
Balance sheet										
Assets										
Fixed assets	725.451	598.934	535.670	521.848	517.191	466.189	583.350	532.996	564.058	480.154
Intangible fixed assets	2.980	2.340	2.362	1.722	1.650	1.999	927	336	39.467	33.687
Tangible fixed assets	268.290	186.620	143.302	146.915	162.723	168.226	130.062	145.549	64.577	59.039
Other fixed assets	454.182	409.974	390.007	373.211	352.818	295.964	452.360	387.111	460.014	387.429
Current assets	402.618	404.189	317.817	269.186	280.629	291.282	319.469	311.836	173.699	209.606
Stock	35.196	33.922	32.283	32.703	30.068	35.983	30.816	34.758	32.122	34.755
Debtors	230.450	219.437	143.668	110.835	111.257	124.797	138.718	125.726	83.898	91.713
Other current assets	136.972	150.830	141.866	125.648	139.305	130.502	149.935	151.352	57.679	83.138
Cash & cash equivalent	12.228	10.320	2.869	703	16.619	27.032	14.126	5.153	55.744	81.723
TOTAL ASSETS	1.128.069	1.003.123	853.487	791.033	797.821	757.470	902.819	844.832	737.757	689.761
Liabilities & Equity										
Shareholders funds	519.485	521.189	502.247	489.506	490.902	480.585	650.544	611.196	624.120	571.424
Capital	4.023	4.024	4.022	4.040	4.041	4.023	4.061	4.046	4.043	4.035
Other shareholders funds	515.462	517.165	498.226	485.466	486.862	476.562	646.483	607.150	620.076	567.390
Non-current liabilities	145.406	112.368	66.546	46.277	62.778	51.662	59.138	67.108	22.594	23.147
Long term debt	140.096	105.305	55.815	36.686	52.923	42.230	52.347	58.765	22.594	23.147
Other non-current liabilities	5.311	7.063	10.731	9.592	9.855	9.432	6.791	8.344	0	0
Provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0
Current liabilities	463.177	369.566	284.693	255.250	244.141	225.224	193.137	166.527	91.044	95.190
Loans	46.762	19.282	24.242	25.006	12.739	10.083	11.952	12.848	12.152	8.968
Creditors	49.442	41.695	32.473	30.168	24.216	37.092	31.112	30.815	25.877	23.091
Other current liabilities	366.973	308.588	227.979	200.076	207.186	178.049	150.073	122.864	53.015	63.131
TOTAL SHAREH. FUNDS & LIAB.	1.128.069	1.003.123	853.487	791.033	797.821	757.470	902.819	844.832	737.757	689.761
Memo lines										
Working capital	216.204	211.663	143.478	113.369	117.109	123.688	138.423	129.669	90.144	103.377
Number of employees	64	99	96	98	106	113	114	127	150	146

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2007 th DKK	31/12/2006 th DKK
Profit & loss account										
Operating revenue (Turnover)	596.556	596.748	534.164	481.299	503.761	482.083	472.727	441.681	409.824	383.192
Sales	588.097	589.302	524.649	471.655	494.173	472.619	463.357	432.506	400.836	372.521
Operating P/L [=EBIT]	55.946	68.789	76.051	35.462	57.900	59.602	63.026	77.080	75.297	73.759
Financial revenue	10.971	8.737	8.806	3.239	5.800	8.078	5.555	6.149	1.470	1.355
Financial expenses	11.068	19.052	17.833	14.495	11.817	7.398	13.804	12.092	4.907	2.769
Financial P/L	-97	-10.315	-9.027	-11.255	-6.018	680	-8.249	-5.942	-3.437	-1.414
P/L before tax	55.849	58.474	67.023	24.207	51.882	60.282	54.777	71.137	71.860	72.345
Taxation	12.612	15.884	19.931	7.158	15.489	18.086	16.432	21.168	20.493	21.903
P/L after tax	43.237	42.590	47.092	17.049	36.392	42.196	38.345	49.969	51.368	50.442
Memo lines										
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	229.582	210.710	191.937	172.712	166.109	155.099	138.823	107.891	94.721	76.446
Costs of employees	26.719	49.269	48.152	47.151	52.403	53.573	51.598	53.583	55.465	55.353
Depreciation & Amortization	41.170	37.714	36.709	36.794	38.647	36.974	39.144	38.916	21.069	18.991
Other operating items	-245.574	-229.704	-181.733	-188.765	-188.148	-177.497	-178.296	-168.202	n.a.	n.a.
Interest paid	2.654	2.052	1.367	1.374	1.577	1.145	1.211	2.186	1.790	794
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	84.408	80.304	83.802	53.844	75.039	79.170	77.490	88.885	72.715	72.174
Added value	126.393	147.509	153.251	109.526	144.508	151.973	146.730	165.822	150.463	150.225
EBITDA	97.117	106.503	112.760	72.257	96.546	96.575	102.170	115.996	96.366	92.750

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2007 th DKK	31/12/2006 th DKK
Per employee ratios										
Profit per employee (th DKK)	873	591	698	247	489	533	480	560	479	496
Operating revenue per employee (th DKK)	9.321	6.028	5.564	4.911	4.752	4.266	4.147	3.478	2.732	2.625
Costs of employees / Operating revenue (%)	4,48	8,26	9,01	9,80	10,40	11,11	10,92	12,13	13,53	14,45
Average cost of employee (th DKK)	417	498	502	481	494	474	453	422	370	379
Shareholders funds per employee (th DKK)	8.117	5.265	5.232	4.995	4.631	4.253	5.707	4.813	4.161	3.914
Working capital per employee (th DKK)	3.378	2.138	1.495	1.157	1.105	1.095	1.214	1.021	601	708
Total assets per employee (th DKK)	17.626	10.133	8.890	8.072	7.527	6.703	7.919	6.652	4.918	4.724

Current Directors / Managers / Contacts

Management & staff

= also shareholder

	Name	Original job title	Dept	Source
1.	Mr Felix Santiago Longas Lafuente P121648682	- General Manager (since 08/07/2014)	SenMan	IN Informa (received on 07/04/2018)
2.	Mr Jorge Roehrich Saporta P002516248	- General Manager (since 22/01/2010)	SenMan	IN Informa (received on 07/04/2018)
3.	Mr Jonathan Stordy P380349640	- General Manager (since 03/02/2017)	SenMan	IN Informa (received on 07/04/2018)
4.	Mr Daniel Saporta Sanon P042179945	- Vice - President of the Board (since 26/02/1993)	SenMan	IN Informa (received on 07/04/2018)
5.	Mr Juan Jose Sanz Perez P042179946	- Financial Manager (since 05/01/2005)	FinAcc	IN Informa (received on 19/02/2018)
6.	Mr Enrique Torguet P042179948	- Marketing Director (since 13/02/2007)	MarkAdv	IN Informa (received on 19/02/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership Direct (%)	Ownership Total (%)	Source Source ident.	Source Date of info.	Company information Op. Revenue (m USD)*	Company information No of employees
AGORA SA (Domestic and Global UO)	ES	C	99.99	n.a.	IN	05/2018	198	812
NEW CABMA SOCIEDAD LIMITADA	ES	C	99.93	n.a.	IN	05/2018	4	39
LA ZARAGOZANA SA	ES	C					85	64

* *= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership Direct (%)	Ownership Total (%)	Source Source ident.	Source Date of info.	Company information Vari-ation	Company information Op. Revenue (m USD)*	Company information No of employees
1.	**NEW CABMA SOCIEDAD LIMITADA**	ES	C	99.93	n.a.	IN	05/2018	⇨	4	39
2.	**MR DANIEL ROEHRICH SAPORTA**	n.a.	I	-	n.a.	IN	05/2018	-	-	-
3.	**MR DANIEL ROERICH MORITZ**	ES	I	-	n.a.	IN	05/2018	⇨	-	-
4.	**MR EDUARDO ROEHRICH SAPORTA**	n.a.	I	-	n.a.	IN	05/2018	-	-	-
5.	**MR JORGE ROEHRICH SAPORTA**	n.a.	I	-	n.a.	IN	05/2018	-	-	-

= Also a manager

= Also a previous manager

= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Current subsidiaries

	Subsidiary name	Country	Ownership Direct (%)	Ownership Total (%)	Ownership Level of own.	Ownership Status	Source Source ident.	Source Date of info.	Company information Vari-ation	Company information Op. Revenue (m USD)*	Company information No of employees
1.	**PETRONILA 2000 SA**	ES	99.77	n.a.	1	-	IN	05/2018	⇨	<0,5	n.a.

* *= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Appendix 11: Cervezas San Miguel, S.L.

Source: Orbis (2018)

Global standard format			
Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
	12 months Qual Local GAAP	12 months Qual Local GAAP	4 months Qual Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200
Balance sheet			
Assets			
Fixed assets	342.518	342.670	409.050
Intangible fixed assets	10.159	1.188	120
Tangible fixed assets	316.605	318.026	370.290
Other fixed assets	15.753	23.456	38.639
Current assets	218.226	242.644	226.493
Stock	15.254	13.966	12.904
Debtors	33.704	113.084	2.379
Other current assets	169.268	115.593	211.209
Cash & cash equivalent	34	35	16
TOTAL ASSETS	560.743	585.314	635.542
Liabilities & Equity			
Shareholders funds	382.230	393.233	390.550
Capital	223.031	223.075	222.960
Other shareholders funds	159.200	170.158	167.590
Non-current liabilities	22.803	41.396	80.843
Long term debt	0	0	0
Other non-current liabilities	22.803	41.396	80.843
Provisions	8.921	23.578	55.651
Current liabilities	155.710	150.685	164.150
Loans	0	0	0
Creditors	0	0	0
Other current liabilities	155.710	150.685	164.150
TOTAL SHAREH. FUNDS & LIAB.	560.743	585.314	635.542
Memo lines			
Working capital	48.957	127.051	15.283
Number of employees	400	403	511

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
Profit & loss account			
Operating revenue (Turnover)	494.896	527.633	514.698
Sales	494.400	526.911	514.698
Operating P/L [=EBIT]	40.053	53.442	56.429
Financial revenue	45	28	45
Financial expenses	0	10	1
Financial P/L	45	18	44
P/L before tax	40.098	53.460	56.472
Taxation	10.260	13.149	19.441
P/L after tax	29.838	40.311	37.031
Memo lines			
Export revenue	n.a.	n.a.	n.a.
Material costs	12.191	11.416	8.452
Costs of employees	227.490	227.792	229.780
Depreciation & Amortization	75.934	105.887	93.235
Other operating items	-139.228	-129.095	-126.804
Interest paid	0	10	1
Research & Development expenses	n.a.	n.a.	n.a.
Cash flow	105.772	146.198	130.266
Added value	343.522	387.149	379.487
EBITDA	115.987	159.329	149.663

Global ratios			
Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK
Per employee ratios			
Profit per employee (th DKK)	100	133	332
Operating revenue per employee (th DKK)	1.237	1.309	3.022
Costs of employees / Operating revenue (%)	45,97	43,17	44,64
Average cost of employee (th DKK)	569	565	1.349
Shareholders funds per employee (th DKK)	956	976	764
Working capital per employee (th DKK)	122	315	30
Total assets per employee (th DKK)	1.402	1.452	1.244

Current Directors / Managers / Contacts

Management & staff

	Name	Original job title	Dept	Source
1.	Ms Elena Gonzalez P380355715	- Financial Manager (since 12/01/2017)	FinAcc	IN Informa (received on 19/02/2018)

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
MAHOU, SA (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	1.299	2.947
CERVEZAS SAN MIGUEL SL.	ES	C					70	400

* = *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership		Source			Company information	
				Direct (%)	Total (%)	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	MAHOU, SA	ES	C	100.00	100.00	IN	05/2018	⇨	1.299	2.947

= *For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current subsidiaries

There is no information regarding the subsidiaries of this entity.

Appendix 12: Estrella de Levante Fabrica De Cerveza, S.A.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK 12 months Qual Local GAAP	31/12/2015 th DKK 12 months Qual Local GAAP	31/12/2014 th DKK 12 months Qual Local GAAP	31/12/2013 th DKK 12 months Qual Local GAAP	31/12/2012 th DKK 12 months Qual Local GAAP	31/12/2011 th DKK 12 months Qual Local GAAP	31/12/2010 th DKK 12 months Unqual Local GAAP	31/12/2009 th DKK 12 months Unqual Local GAAP	31/12/2008 th DKK 12 months Unqual Local GAAP	31/12/2007 th DKK 12 months Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200	7.46465	7.46662	7.43423	7.50401	7.47686	7.35499	7.47135
Balance sheet										
Assets										
Fixed assets	189.773	183.282	167.372	152.713	126.468	121.161	133.603	148.615	163.106	311.048
Intangible fixed assets	5.686	6.688	834	1.004	939	1.176	472	247	49	0
Tangible fixed assets	180.459	172.246	159.885	147.582	123.857	117.105	129.661	147.100	162.031	173.117
Other fixed assets	3.628	4.348	6.653	4.126	1.672	2.880	3.470	1.268	1.026	137.931
Current assets	101.683	100.669	95.527	243.305	221.034	208.153	185.890	168.028	194.041	64.270
Stock	43.002	41.171	31.713	34.356	28.492	23.158	19.302	20.617	24.902	23.194
Debtors	56.251	57.431	42.246	34.593	30.775	34.516	12.389	30.497	27.967	12.848
Other current assets	2.430	2.067	21.568	174.356	161.767	150.479	154.199	116.915	141.172	28.228
Cash & cash equivalent	1.878	1.949	964	1.680	239	372	373	651	434	28.108
TOTAL ASSETS	291.456	283.952	262.899	396.018	347.502	329.314	319.493	316.643	357.147	375.318
Liabilities & Equity										
Shareholders funds	135.036	127.640	112.406	274.394	242.370	239.435	235.612	233.117	239.641	283.863
Capital	58.511	58.522	58.492	58.749	58.765	58.510	59.059	58.845	57.886	58.802
Other shareholders funds	76.525	69.118	53.914	215.645	183.605	180.925	176.553	174.272	181.755	225.061
Non-current liabilities	20.207	23.216	23.583	22.859	13.844	10.171	4.417	5.661	2.088	8.862
Long term debt	16.170	18.434	18.085	15.556	8.871	5.383	2.282	2.299	636	646
Other non-current liabilities	4.037	4.782	5.498	7.302	4.974	4.788	2.135	3.362	1.452	8.216
Provisions	1.355	1.355	1.354	1.360	1.361	1.355	1.367	2.645	579	8.216
Current liabilities	136.213	133.096	126.910	98.765	91.288	79.708	79.464	77.865	115.418	82.593
Loans	0	0	0	0	0	0	0	0	0	0
Creditors	78.479	69.774	55.144	46.219	49.669	42.819	37.426	44.783	46.472	45.529
Other current liabilities	57.734	63.322	71.766	52.546	41.619	36.889	42.038	33.082	68.945	37.065
TOTAL SHAREH. FUNDS & LIAB.	291.456	283.952	262.899	396.018	347.502	329.314	319.493	316.643	357.147	375.318
Memo lines										
Working capital	20.774	28.828	18.815	22.730	9.598	14.855	-5.735	6.331	6.397	-9.487
Number of employees	146	136	131	138	136	134	166	155	171	173

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Profit & loss account										
Operating revenue (Turnover)	482.335	435.567	362.558	341.152	304.980	286.036	249.355	250.942	265.799	225.737
Sales	461.522	416.066	344.876	324.658	290.524	272.689	239.478	239.760	251.863	214.753
Operating P/L [=EBIT]	40.752	28.917	18.131	24.886	16.454	14.672	8.032	4.758	12.188	14.916
Financial revenue	252	418	2.573	6.285	5.939	4.373	1.324	2.781	7.835	5.653
Financial expenses	863	735	2.911	1.781	449	83	104	157	90	242
Financial P/L	-611	-317	-338	4.504	5.490	4.290	1.220	2.624	7.745	5.411
P/L before tax	40.142	28.600	17.793	29.390	21.944	18.962	9.252	7.382	19.933	20.327
Taxation	9.948	6.773	4.493	8.818	5.326	4.884	1.271	2.272	5.794	8.696
P/L after tax	30.193	21.827	13.300	20.572	16.619	14.078	7.981	5.110	14.139	11.631
Memo lines										
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	270.036	251.063	187.257	178.076	163.721	145.203	115.748	114.065	133.639	99.195
Costs of employees	59.853	52.031	53.253	48.810	50.290	58.404	59.367	58.194	55.841	52.712
Depreciation & Amortization	26.726	22.525	25.046	26.892	20.147	22.273	25.455	28.423	31.304	25.556
Other operating items	-85.656	-82.638	-73.891	-63.761	-54.368	-49.861	-38.679	-40.174	-35.992	n.a.
Interest paid	863	735	2.911	1.781	449	83	20	157	90	242
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	56.919	44.351	38.345	47.464	36.766	36.351	33.436	33.533	45.443	43.618
Added value	127.583	103.891	99.003	106.873	92.830	99.722	94.093	94.156	107.168	105.267
EBITDA	67.478	51.442	43.176	51.778	36.601	36.945	33.487	33.181	43.492	40.472

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/12/2007 th DKK
Per employee ratios										
Profit per employee (th DKK)	275	210	136	213	161	142	56	48	117	117
Operating revenue per employee (th DKK)	3.304	3.203	2.768	2.472	2.243	2.135	1.502	1.619	1.554	1.305
Costs of employees / Operating revenue (%)	12,41	11,95	14,69	14,31	16,49	20,42	23,81	23,19	21,01	23,35
Average cost of employee (th DKK)	410	383	407	354	370	436	358	375	327	305
Shareholders funds per employee (th DKK)	925	939	858	1.988	1.782	1.787	1.419	1.504	1.401	1.641
Working capital per employee (th DKK)	142	212	144	165	71	111	-35	41	37	-55
Total assets per employee (th DKK)	1.996	2.088	2.007	2.870	2.555	2.458	1.925	2.043	2.089	2.169

Current Directors / Managers / Contacts

Management & staff

= Name is the same as, or similar to, a PEP's name or a risk relevant name in the LexisNexis WorldCompliance database

	Name	Original job title	Dept	Source
1.	Mr Patricio Valverde Espin P042193017	- General Manager (since 05/05/2006)	SenMan	IN
			Informa (received on 07/04/2018)	
		- Operations Director (since 07/04/2005)	Oper	IN
			Informa (received on 19/02/2018)	
2.	Mr Pau Furriol Fornells P002188928	- Secretary (since 15/12/1993)	SenMan	IN
			Informa (received on 19/02/2018)	
3.	Mr Fulgencio Cerezuela Pintado P042193020	- Financial Manager (since 05/05/2006)	FinAcc	IN
			Informa (received on 19/02/2018)	
4.	Mr Miguel Angel Lopez Hernandez P247327294	- Human Resources Director (since 05/01/2011)	HR	IN
			Informa (received on 19/02/2018)	
5.	Mr Xavier Pladellorens P042193022	- Commercial Director (since 05/05/2006)	Sales	IN
			Informa (received on 19/02/2018)	
6.	Mr Juan Miguel Gomez Codes P322065804	- Marketing Director (since 21/01/2016)	MarkAdv	IN
			Informa (received on 19/02/2018)	
7.	Mr Rosendo Solis Blazquez P088608543	- R&D Director (since 22/01/2015)	R&D	IN
			Informa (received on 19/02/2018)	
		- Quality Director (since 05/01/2011)	Qual, OthDep	IN
			Informa (received on 19/02/2018)	
8.	Mr Carlos Gomez P042193021	- Production Director (since 29/01/2008)	Oper	IN
			Informa (received on 19/02/2018)	

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
SOCIEDAD ANONIMA DAMM (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	1.102	3.132
HOLDING CERVECERO DAMM SL	ES	C	100.00	100.00	IN	05/2018	17	n.a.
ESTRELLA DE LEVANTE FABRICA DE CERVEZA SA	ES	C					68	146

* *= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership		Source			Company information	
				Direct (%)	Total (%)	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	**HOLDING CERVECERO DAMM SL**	ES	C	100.00	100.00	IN	05/2018	⇨	17	n.a.

= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Current subsidiaries

There is no information regarding the subsidiaries of this entity.

Appendix 13: Penibetica de Cervezas y Bebidas, S.L.

Source: Orbis (2018)

Global standard format

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/03/2007 th DKK
	12 months Qual	12 months Qual	12 months Qual	12 months Qual	12 months Qual	12 months Qual	12 months Unqual	12 months Unqual	12 months Unqual	12 months Unqual
	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP
Exchange rate: EUR/DKK	7.43435	7.43582	7.43200	7.46465	7.46662	7.43423	7.50401	7.47686	7.35499	7.45076
Balance sheet										
Assets										
Fixed assets	47.108	44.971	52.381	60.290	61.694	67.267	65.824	37.216	31.446	36.256
Intangible fixed assets	508	0	0	0	1	17	34	43	0	0
Tangible fixed assets	45.758	44.008	51.208	59.524	61.671	67.226	65.771	37.163	31.443	35.917
Other fixed assets	842	963	1.173	766	21	24	19	10	2	339
Current assets	41.820	34.793	31.280	47.056	52.494	59.783	215.835	224.848	55.002	69.043
Stock	3.438	3.275	2.715	14.564	11.542	17.252	14.254	17.888	13.347	13.046
Debtors	4.820	1.368	81	3.251	2.841	42.467	201.574	206.750	39.148	55.864
Other current assets	33.562	30.150	28.483	29.241	38.111	64	6	210	2.507	134
Cash & cash equivalent	1	0	30	n.a.	n.a.	29	n.a.	210	2.494	131
TOTAL ASSETS	88.928	79.764	83.661	107.347	114.188	127.050	281.659	262.064	86.447	105.300
Liabilities & Equity										
Shareholders funds	63.551	62.920	61.259	59.271	55.072	48.861	46.524	44.266	36.229	31.474
Capital	33.732	33.739	33.722	33.870	33.879	33.732	34.048	33.925	33.372	33.807
Other shareholders funds	29.818	29.181	27.538	25.401	21.193	15.129	12.476	10.341	2.857	-2.333
Non-current liabilities	4.273	5.271	6.269	8.624	11.737	5.231	7.539	45	0	615
Long term debt	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	4.273	5.271	6.269	8.624	11.737	5.231	7.539	45	0	615
Provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	615
Current liabilities	21.104	11.573	16.132	39.451	47.380	72.958	227.596	217.753	50.218	73.211
Loans	0	0	0	0	0	0	0	0	0	3.562
Creditors	0	0	9.024	30.494	30.940	37.944	42.206	47.767	38.077	49.966
Other current liabilities	21.104	11.573	7.108	8.957	16.440	35.014	185.390	169.986	12.141	19.683
TOTAL SHAREH. FUNDS & LIAB.	88.928	79.764	83.661	107.347	114.188	127.050	281.659	262.064	86.447	105.300
Memo lines										
Working capital	8.257	4.643	-6.228	-12.679	-16.557	21.775	173.623	176.871	14.418	18.944
Number of employees	82	80	81	81	82	87	88	84	88	79

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/03/2007 th DKK
Profit & loss account										
Operating revenue (Turnover)	70.104	68.150	169.255	214.776	255.582	258.752	243.918	257.610	206.831	155.190
Sales	69.469	68.150	169.099	214.095	254.438	258.724	243.817	257.609	206.773	154.188
Operating P/L [=EBIT]	5.272	5.105	1.684	641	10.137	8.206	3.338	11.606	1.075	-1.389
Financial revenue	26	12	71	75	11	3	4	1	0	35
Financial expenses	3	3	3	6	1.587	4.254	12	34	42	1.196
Financial P/L	23	9	68	69	-1.576	-4.251	-7	-33	-42	-1.162
P/L before tax	5.295	5.114	1.751	710	8.561	3.955	3.330	11.573	1.033	-2.551
Taxation	1.365	1.461	-496	207	2.563	1.185	979	3.507	156	-640
P/L after tax	3.930	3.653	2.247	503	5.998	2.770	2.351	8.067	877	-1.911
Memo lines										
Export revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Material costs	1.692	1.961	92.548	129.230	155.644	163.991	156.571	163.663	137.058	102.395
Costs of employees	29.665	28.264	28.185	29.805	29.737	29.174	28.138	27.592	24.276	20.812
Depreciation & Amortization	8.555	9.586	9.841	9.684	8.599	7.927	6.193	6.233	5.583	5.358
Other operating items	-24.919	-23.235	-32.118	-47.349	-48.103	-51.648	-46.359	-50.471	-38.063	n.a.
Interest paid	3	3	3	6	1.587	4.254	12	34	42	1.196
Research & Development expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow	12.485	13.239	12.089	10.187	14.597	10.697	8.544	14.300	6.773	5.438
Added value	43.518	42.966	39.780	40.205	48.484	45.311	37.672	45.432	31.247	26.806
EBITDA	13.828	14.691	11.525	10.326	18.736	16.134	9.530	17.840	6.658	3.969

Global ratios

Local registry filing/Unconsolidated	31/12/2016 th DKK	31/12/2015 th DKK	31/12/2014 th DKK	31/12/2013 th DKK	31/12/2012 th DKK	31/12/2011 th DKK	31/12/2010 th DKK	31/12/2009 th DKK	31/12/2008 th DKK	31/03/2007 th DKK
Per employee ratios										
Profit per employee (th DKK)	65	64	22	9	104	45	38	138	12	-32
Operating revenue per employee (th DKK)	855	852	2.090	2.652	3.117	2.974	2.772	3.067	2.350	1.964
Costs of employees / Operating revenue (%)	42,32	41,47	16,65	13,88	11,64	11,28	11,54	10,71	11,74	13,41
Average cost of employee (th DKK)	362	353	348	368	363	335	320	328	276	263
Shareholders funds per employee (th DKK)	775	787	756	732	672	562	529	527	412	398
Working capital per employee (th DKK)	101	58	-77	-157	-202	250	1.973	2.106	164	240
Total assets per employee (th DKK)	1.084	997	1.033	1.325	1.393	1.460	3.201	3.120	982	1.333

Current Directors / Managers / Contacts

Management & staff

= Name is the same as, or similar to, a PEP's name or a risk relevant name in the LexisNexis WorldCompliance database

	Name	Original job title	Dept	Source
1.	Mr Ramos Alberto Rodriguez Toquero P042162407	- General Manager (since 03/02/2017)	SenMan Informa (received on 07/04/2018)	IN
2.	Mr Mariano Navarro P380360706	- Financial Manager (since 03/02/2017)	FinAcc Informa (received on 19/02/2018)	IN
3.	Mr Cesar Hernandez P356703192	- Marketing Director (since 03/02/2017)	MarkAdv Informa (received on 19/02/2018)	IN
4.	Mr Miguel Angel Vaquero Fernandez P187123582	- Production Director (since 11/02/2014)	Oper Informa (received on 19/02/2018)	IN

Controlling shareholders

Shareholder name	Country	Type	Ownership		Source		Company information	
			Direct (%)	Total (%)	Source ident.	Date of info.	Op. Revenue (m USD)*	No of employees
MAHOU, SA (Domestic and Global UO)	ES	C	100.00	100.00	IN	05/2018	1.299	2.947
PENIBETICA DE CERVEZAS Y BEBIDAS SL	ES	C					10	82

* *= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)*

Current shareholders

	Shareholder name	Country	Type	Ownership		Source			Company information	
				Direct (%)	Total (%)	Source ident.	Date of info.	Vari-ation	Op. Revenue (m USD)*	No of employees
1.	**MAHOU, SA**	ES	C	100.00	100.00	IN	05/2018	⇨	1.299	2.947

= For an insurance company the corresponding value is the Gross Premium Written and for a bank it is the Operating Income (memo)

Current subsidiaries

There is no information regarding the subsidiaries of this entity.

Appendix 14: E-Mail: Subjectively Assessed Weights - Aspects and Criteria

Soruce: Andersson (2018)

Hej Jonas og Kasper – se nedenfor

From: Jonas Møller Sørensen [mailto:joso13ac@student.cbs.dk]
Sent: 19. april 2018 11:44
To: Simon Andersson <simon.andersson@royalunibrew.com>
Cc: Kasper Friis Martinsen <kama13af@student.cbs.dk>
Subject: Re: CBS kandidatafhandling - Dato for interview

Hej Simon,

Igen tusinde tak fordi du gav dig tid til at snakke med os. Det har været en stor hjælp i vores opgave. Vi er nu i den sidste fase af vores opgave, hvor vi har brug for din vurdering

Vi vil høre om du kan hjælpe os med at prioritere følgende liste. Hele listen behøves ikke at blive prioriteret, men hvis du kan påpege de mest væsentlige punkter, vil dette være en stor hjælp. Dette skyldes, at vi skal vægte dem i vores analyse i forhold til deres relevans og har derfor indflydelse på den overordnede score af de fundne kandidater. Vi er selvfølgelig klar over at alle parametre er vigtige, men vi har behov for at vide om der er nogle af nedenstående som skiller særligt ud. De er som følger:

Management & Employees 1
- Strategic fit 1.1
- Management team 1.2

Financial projections 2
- Profitability 2.1
- Capital structure 2.4
- Liquidity 2.3
- Free cash flows 2.2

Marketing 3
- Market share 3.1
- Brand Growth 3.2

Products & Production 4
- Product Portfolio 4.1

Vi håber du har tid, da vil det være en kæmpe hjælp.

Fortsat god dag

Mvh Kasper og Jonas.

Appendix 15: Comparison Matrices Calculation

Method: Excel

Aspects

A	MNGM	FP	MT	PROD
MNGM	1	1	3	6
FP	1	1	3	6
MT	0,3333333	0,3333333	1	3
PROD	0,1666667	0,1666667	0,3333333	1
Total	2,5	2,5	7,3333333	16

$\bar{a}_{ij} = \frac{a_{ij}}{\sum_{i=1}^{n} a_{ij}}$ $w_j = \frac{\sum_{i=1}^{n} \bar{a}_{ij}}{n}$

=SUM(C14:F14) =G14/4

Anorm					Sum	Wj	CM	
MNGM	0,4	0,4	0,4090909	0,375	1,584	0,396	4,032	=MPRODUKT(C5:F5;$H$12:$H$15)/H12
FP	0,4	0,4	0,4090909	0,375	1,584	0,396	4,032	
MT	0,1333333	0,1333333	0,1363636	0,1875	0,591	0,148	4,014	
PROD	0,0666667	0,0666667	0,0454545	0,0625	0,241	0,060	4,004	
						Lamda max	4,021	$CI = \frac{\lambda_{max} - n}{n-1}$ =(MIDDEL(I14:I17)-4)/3
						CI	0,007	
						RI	0,900	$CR = \frac{CI}{RI}$ =I18/I19
						CR	0,008	

Management

A	Str. Fit	E&MGMT
Str. Fit	1	0,5
E&MGMT	2	1
Total	3	1,5

=E31/2 =F31*$H$14

Anorm			Sum	wjk	Wj*wjk	CM	
Str. Fit	0,333	0,333	0,667	0,333	0,132	2	=MPRODUKT(C25:D25;$F$31:$F$32)/F31
E&MGMT	0,667	0,667	1,333	0,667	0,264	2	
					Lamda max	2,000	=(MIDDEL(H31:H32)-2)/1
					CI	0,000	
					RI	0,00	=H33/H34
					CR	0,00	

Financial Performance

	Prof	CS	Liq.	FCF
Prof	1	3	4	6
CS	0,333	1	3	5
Liq.	0,25	0,333	1	4
FCF	0,167	0,2	0,25	1
Total	1,75	4,533	8,25	16

=G49/4 =H49*$H$15

Anorm					Sum	wjk	Wj*wjk	CM	
Prof	0,571	0,662	0,485	0,375	2,093	0,523	0,207	4,347	=MPRODUKT(C42:F42;$H$49:$H$52)/H49
CS	0,190	0,221	0,364	0,313	1,087	0,272	0,108	4,331	
Liq.	0,143	0,074	0,121	0,250	0,588	0,147	0,058	4,088	
FCF	0,095	0,044	0,030	0,063	0,232	0,058	0,023	4,072	
							Lamda max	4,209	
							CI	0,070	=(MIDDEL(J49:J52)-4)/3
							RI	0,900	=J53/J54
							CR	0,078	

Marketing

A	MS	MG
MS	1	0,333
MG	3	1
Total	4	1,333

=E65/2 =F65*$H$16

Anorm			Sum	wjk	Wj*wjk	CM	
MS	0,25	0,25	0,5	0,25	0,037	2	=MPRODUKT(C60:D60;$F$65:$F$66)/F65
MG	0,75	0,75	1,5	0,75	0,111	2	
					Lamda max	2,000	
					CI	-5E-12	=(MIDDEL(H65:H66)-2)/1
					RI	0,005	
					CR	-1E-09	=H67/H68

Verbal Ratings

A	VH	H	M	L
VH	1	3	5	7
H	0,333	1	3	5
M	0,2	0,333	1	3
L	0,143	0,2	0,333	1
Total	1,676	4,533	9,333	16

=G82/4 =H82/$H$82

Anorm					Sum	x	IW	CM	
VH	0,597	0,662	0,536	0,438	2,232	0,558	1,000	4,222	=MPRODUKT(C75:F75;$H$82:$H$85)/H82
H	0,199	0,221	0,321	0,313	1,053	0,263	0,472	4,175	
M	0,119	0,074	0,107	0,188	0,487	0,122	0,218	4,036	
L	0,085	0,044	0,036	0,063	0,228	0,057	0,102	4,041	
							Lamda max	4,118	
							CI	0,039	=(MIDDEL(J82:J85)-4)/3
							RI	0,900	
							CR	0,044	=J86/J87

Appendix 16: Decile Method Calucation

Method: Excel

Quantitative Values

Criterion	Profit margin	Debt/Assets	Liquidity	Cash flows	Sales	Market growth
1	0,18	0,13	0,91	622.525,00	0,03	18,85
2	0,12	0,03	2,25	177.505,00	0,02	(1,78)
3	0,10	0,01	1,66	231.042,00	0,01	(14,34)
4	0,09	0,02	1,37	146.746,00	0,01	(8,89)
5	0,09	0,37	0,87	84.408,00	0,01	(3,07)
6	0,08	0,06	1,40	105.772,00	0,00	16,55
7	0,08	0,15	0,75	56.919,00	0,00	15,47
8	0,08	0,07	1,98	12.485,00	0,00	64,05

$$D_i = l + \frac{h}{f}\left(\frac{iN}{10}\right) - c$$

Decile	Thresholds					
2	0,08188	0,02110	0,88600	67.915	0,00470	(6,56200)
5	0,09280	0,06345	1,38500	126.259	0,00585	6,84500
8	0,10932	0,13976	1,85200	209.627	0,01509	17,93000

=FRAKTIL.MEDTAG(H$5:H$12;$B15/10)

Transformed ratings

Criterion	Profit marging	Debt/Assets	Liquidity	Cash flows	Sales	Market growth
1	VH	M	M	VH	VH	VH
2	VH	H	VH	H	VH	M
3	H	VH	H	VH	H	L
4	M	VH	M	H	H	L
5	H	L	L	M	M	M
6	L	H	H	M	M	H
7	M	L	L	L	L	H
8	L	M	VH	L	L	VH

=HVIS(H5<=H$15;"L";HVIS(H5<=H$16;"M";HVIS(H5<=H$17;"H";"VH")))

Appendix 17: Final Ranking Calculation

Method: Excel

Final Verbal Ratings

Cand./Crit.	Manage	Employ	Profit margi	Debt/Assets	Liquidity	Cash flows	Sales	Market grov	Comp.
1	M	H	VH	M	M	VH	VH	VH	L
2	VH	H	VH	H	VH	H	VH	M	M
3	VH	M	H	VH	H	VH	H	L	H
4	H	L	M	VH	M	H	H	L	H
5	L	M	H	L	L	M	M	M	H
6	H	L	L	H	H	M	M	H	VH
7	VH	VH	M	L	L	L	L	H	M
8	H	L	L	M	VH	L	L	VH	H

$$R_i = \sum_{j=1,\ k=1,\ i=1}^{n} W_j\, w_{jk} x_{ijk}$$

Final Ranking

Cand./Crit.	Manage	Employ	Profit margi	Debt/Assets	Liquidity	Cash flows	Sales	Market grov	Comp.
1	0,029	0,125	0,207	0,024	0,013	0,023	0,037	0,111	0,006
2	0,132	0,125	0,207	0,051	0,058	0,011	0,037	0,024	0,013
3	0,132	0,058	0,098	0,108	0,027	0,023	0,017	0,011	0,028
4	0,062	0,027	0,045	0,108	0,013	0,011	0,017	0,011	0,028
5	0,013	0,058	0,098	0,011	0,006	0,005	0,008	0,024	0,028
6	0,062	0,027	0,021	0,051	0,027	0,005	0,008	0,052	0,060
7	0,132	0,264	0,045	0,011	0,006	0,002	0,004	0,052	0,013
8	0,062	0,027	0,021	0,024	0,058	0,002	0,004	0,111	0,028

=$H$14*$F$31*HVIS(C102="VH";$I$82;HVIS(C102="H";$I$83;HVIS(C102="M";$I$84;$I$85)))

Sum of R	Rank	
0,574	2	=PLADS(M105;$M$105:$M$112;0)
0,658	1	
0,503	4	
0,323	6	
0,252	8	
0,314	7	
0,530	3	
0,337	5	