Mergers , Acquisitions and Joint Ventures

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Agenda

- Class Introductions
- Takeovers
- Mergers & Acquisition
- Case Study of Tigerair – Scoot – Singapore Airlines Group
- Joint ventures
- Airline/Airport JVs
- Q&A

Introduction –Surya & Class

- Academics
  - Bachelor of Computer Applications – OU, India.
  - Masters in Management – Faculty of Economics, LUISS University, Italy– Scholar – “Invest your talent in Italy” scholarship Program.
- Professional experience
  - Singapore Tourism Board
    - Regional Marketing and Brand
  - Tigerair/Scoot Singapore
    - Regional Commercial, Brand, PR, Digital, Loyalty, Ecommerce, Interlines , Codeshare partnerships, Group Planning, SBU Commercial, Pax Development with Airports, Products and Ancillaries
  - Flyadeal Airlines – SV group
    - Distribution, Ecommerce, Traffic Acquisition, User Journeys, Data Monetization, Commercial projects.

Why companies like to takeover?

Takeover Drivers

Learning and developing new capabilities

Increased market power

Overcoming entry barriers

Reshaping firm's competitive scope

Takeover

Cost of new product development

Increased diversification

Lower risk than developing new products

Increase speed to market

Varieties of Takeovers

- Takeovers
  - Acquisition
    - Merger
    - Acquisition of Stock
    - Acquisition of Assets
  - Proxy Contest
  - Going Private (LBO)

The Legal Forms of Acquisitions

- There are three basic legal procedures that one firm can use to acquire another firm:
  - Merger or Consolidation
  - Acquisition of Stock
  - Acquisition of Assets

Merger versus Consolidation

- Merger
  - One firm is acquired by another
  - Acquiring firm retains name and acquired firm ceases to exist
  - Advantage – legally simple
  - Disadvantage – must be approved by stockholders of both firms
- Consolidation
  - Entirely new firm is created from combination of existing firms

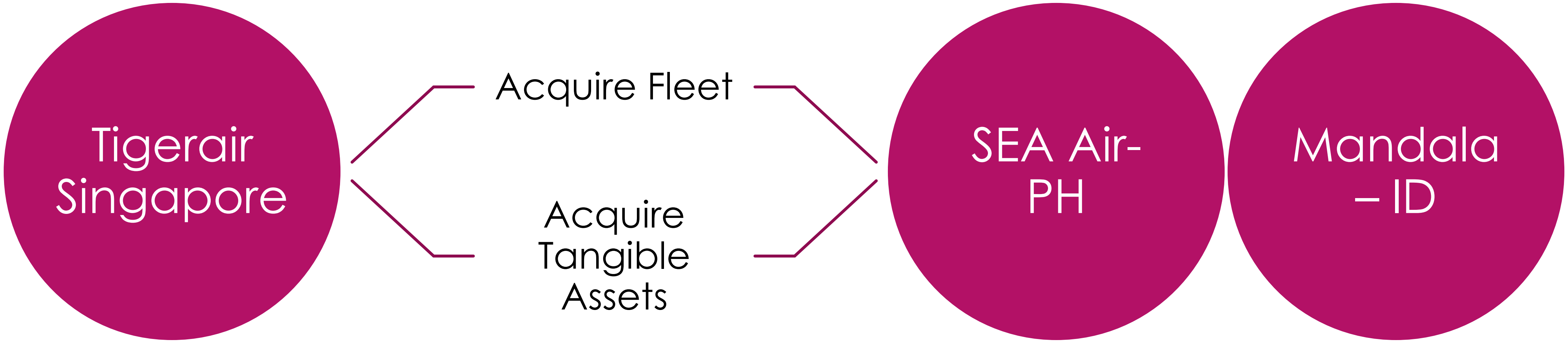
Acquisitions

- A firm can be acquired by another firm or individual(s) purchasing voting shares of the firm's stock
- Tender offer – public offer to buy shares
- Stock acquisition
  - No stockholder vote required
  - Can deal directly with stockholders, even if management is unfriendly
  - May be delayed if some target shareholders hold out for more money – complete absorption requires a merger
- Classifications
  - Horizontal – both firms are in the same industry
  - Vertical – firms are in different stages of the production process
  - Conglomerate – firms are unrelated or catering to a different segment

Quick Quiz

- What are the different methods for achieving a takeover?
- What are some of the reasons for mergers?
- What are some of the defensive tactics that firms use to thwart takeovers?

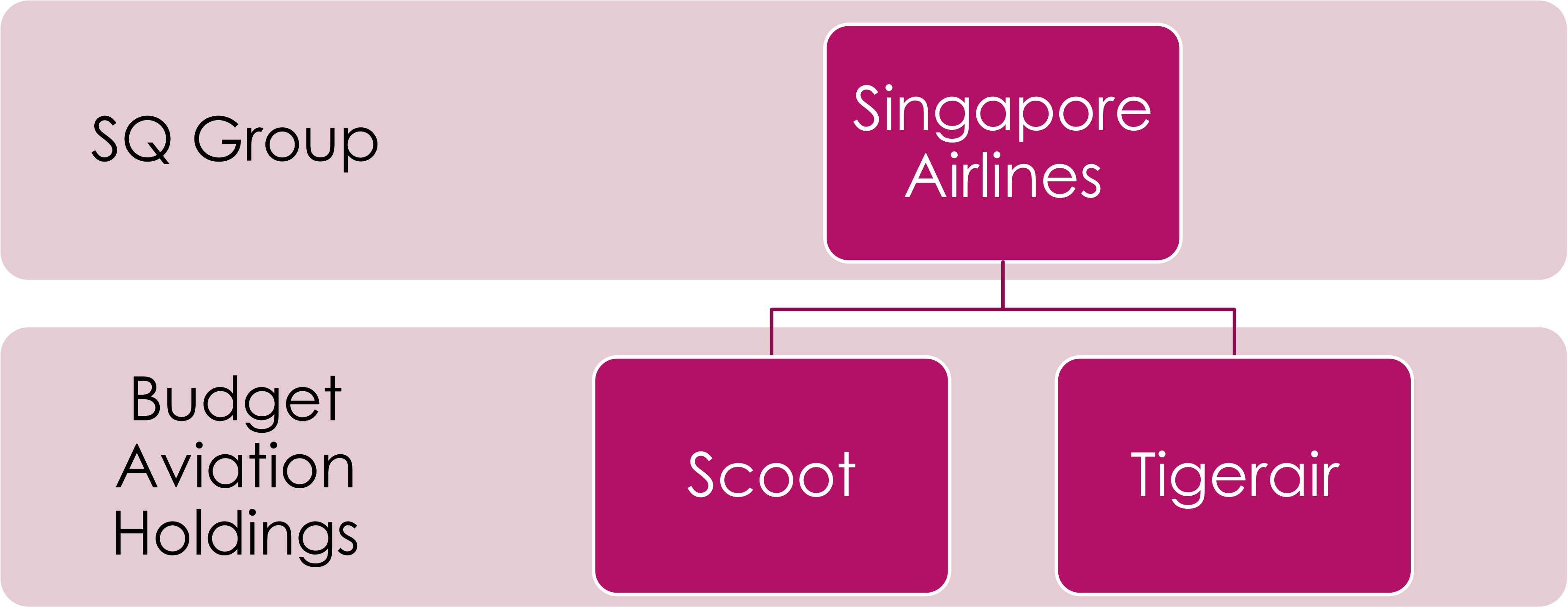
Acquisition - Example



Deciding Factors

- Fleet types
- Fleet maintenance
- Market Presence
- Tradable Slots
- Brand Equity
- Assessment of rebranding or retention
- Market Share
- Resourcing for acquisition
- 5/10 Year business roadmap alignment

Merger - Example



Merger Process

Tigerair

- Stake Revision
- Increase the stake
- Dominant share holder
- Take over

BAH

- Transition entity
- Change of Fleet ownership
- Regulatory Alignment
- Joint Brand
- System mergers
- Route Rationalization
- Shared Services

Scoot

- Rebranding
- Fleet reallocation
- Single brand rollout
- Product phaseout
- Change of GHA/GSA
- Functional mergers

Quick Quiz

- What are the deciding factors of an airline merger
- What is the first step of merging a public listed company?
- What is the life of the Transition entity in a merger life cycle?

Any other means?

How Companies Can Work Together

- **Strategic alliance** (or teaming agreement): parties work together on a single project for a finite period of time
  - Do not exchange equity
  - Do not create permanent entity to mark relationship
  - **Written memorandum of understanding** (MOU): memorializes strategic alliance and sets forth how parties plan to work together

How Companies Can Work Together

- **Joint venture**: parties work together for lengthy or indeterminate period of time
  - Form new, third entity or with seperately
  - Divide ownership and control of new entity, determine who will contribute what resources
  - *Advantage*: two entities can remain focused on their core businesses while letting joint venture pursue the new opportunity
  - *Downside*: governance issues and economic fairness issues create friction and eventual disbandment

Airline JV examples

Singapore Airlines- Lufthansa	
1.Different Geographies 2.Easy Approval by Competition Authorities 3.New market entries	1. Revenue sharing on all flights JV routes. 2. Capacity optimization with differential fleet 3.Travel Products and itineraries of subsidiary carriers.

Emirates-Qantas	
1.Different Geographies 2.New market entries	1. Joint Hubs- Perth, Singapore and Dubai 2. Long haul and feeder traffic

Other JV examples

- Air France/KLM+ Delta
- British Airways + Qatar
- Lufthansa+Swiss+Austrian+ANA
- Lufthansa+Swiss+Austrian+Airchina
- Airports
  - BIAL- Siemens Projects+GVK+Flughafen Zurich+AAI+KSIIDC
  - CAI+Bengal Government – Durgapur Airport/Aerotropolis
  - CAI + Chongqing Jiangbei Airport – non- aero expansion

Q&A ?

шكراً جزيلاً
ngiyabonga
рахмат
danke
謝謝
spas
teşekkür ederim
Баярлалаа
mersi
kia ora
barka
welalin
tack
mahalo
tapadh leat
спасибо
faafetai lava
vinaka
blagodaram
dank je
misaotra
paldies
grazzi
matondo
спасибі
kiitos
dankie
nanni
nandri
dhanyavad
hvala
maururu
köszönöm
thank you
gracias
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asante
manana
obrigada
tenki
bedankt
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sagolum
sukriya
kop khun krap
taiku
obrigado
mèsi
ありがとう
tanemirt
grazie
arigatô
takk
dakujem
trugarez
didi madloba
najis tuke
kam sah hamnida
rahmat
terima kasih
rahmet
diolch
dhanyavadagalu
shukriya
mercé
мерси
তোমাকে ধন্যবাদ
감사합니다
xièxie
ευχαριστώ
merci