



The Role of the Board of Directors in M&A

Sep 3, 2015: สัมมนา “เรื่องต้องรู้เกี่ยวกับ M&A”
ห้องประชุมอาคาร 2 ชั้น 9 อาคารตลาดหลักทรัพย์แห่งประเทศไทย คลองเตย

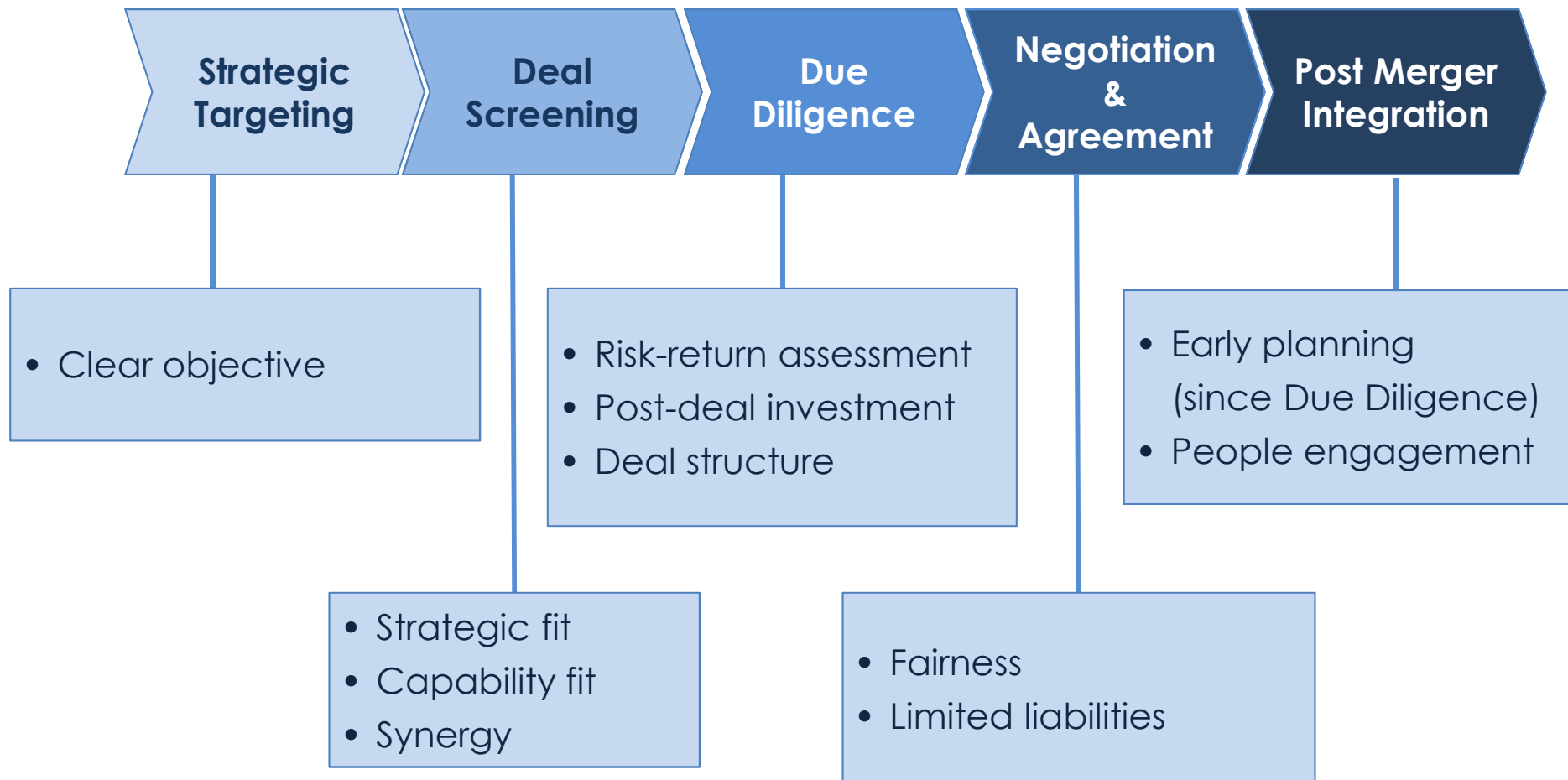
- **Key issues in M&A:**

- *M&A process and BOD role*
- *Advisor and Due diligence*
- *Valuation and deal settlement*

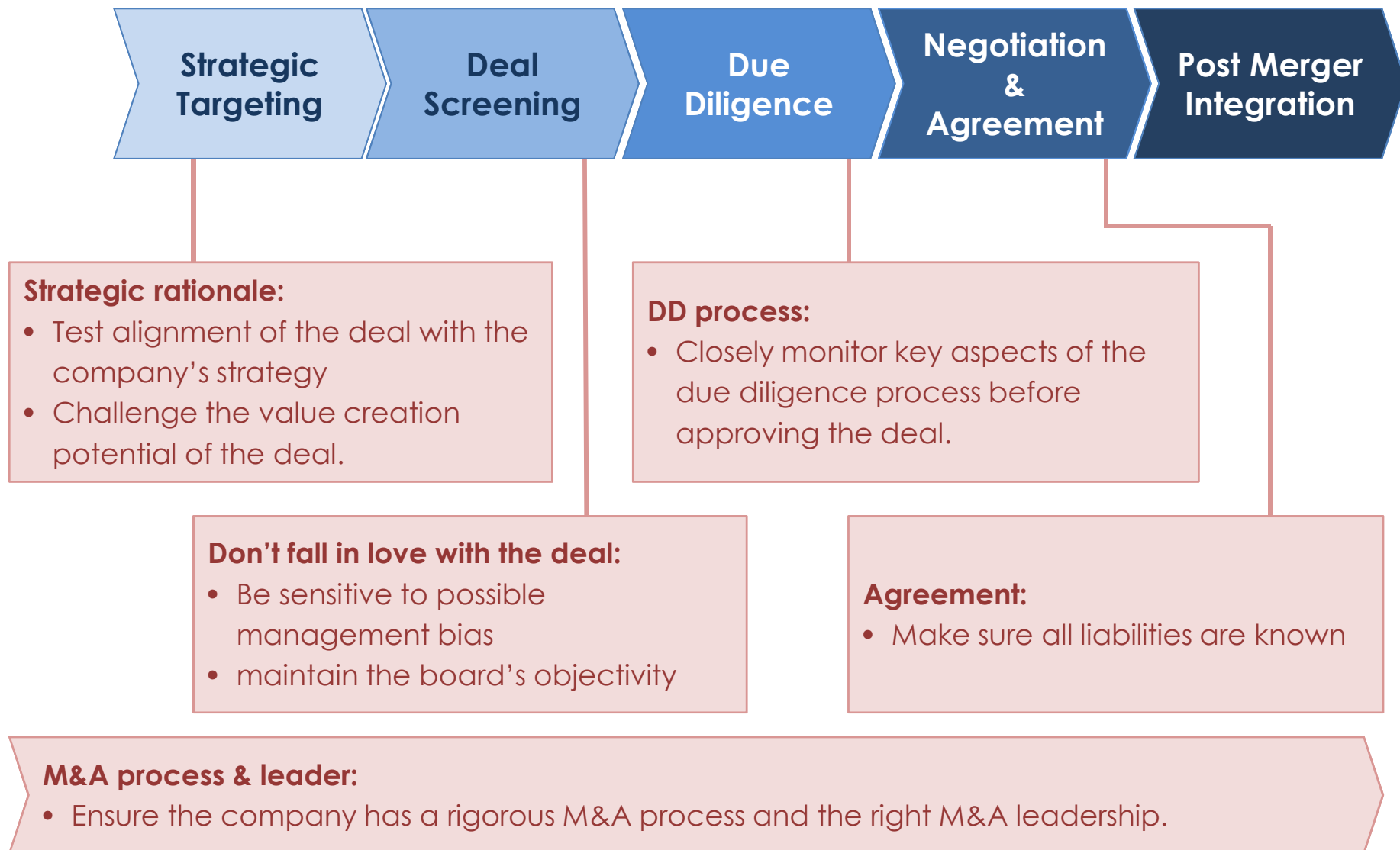
- **Case study:**

- *Recent M&A activities*
- *Sample cases*

M&A process



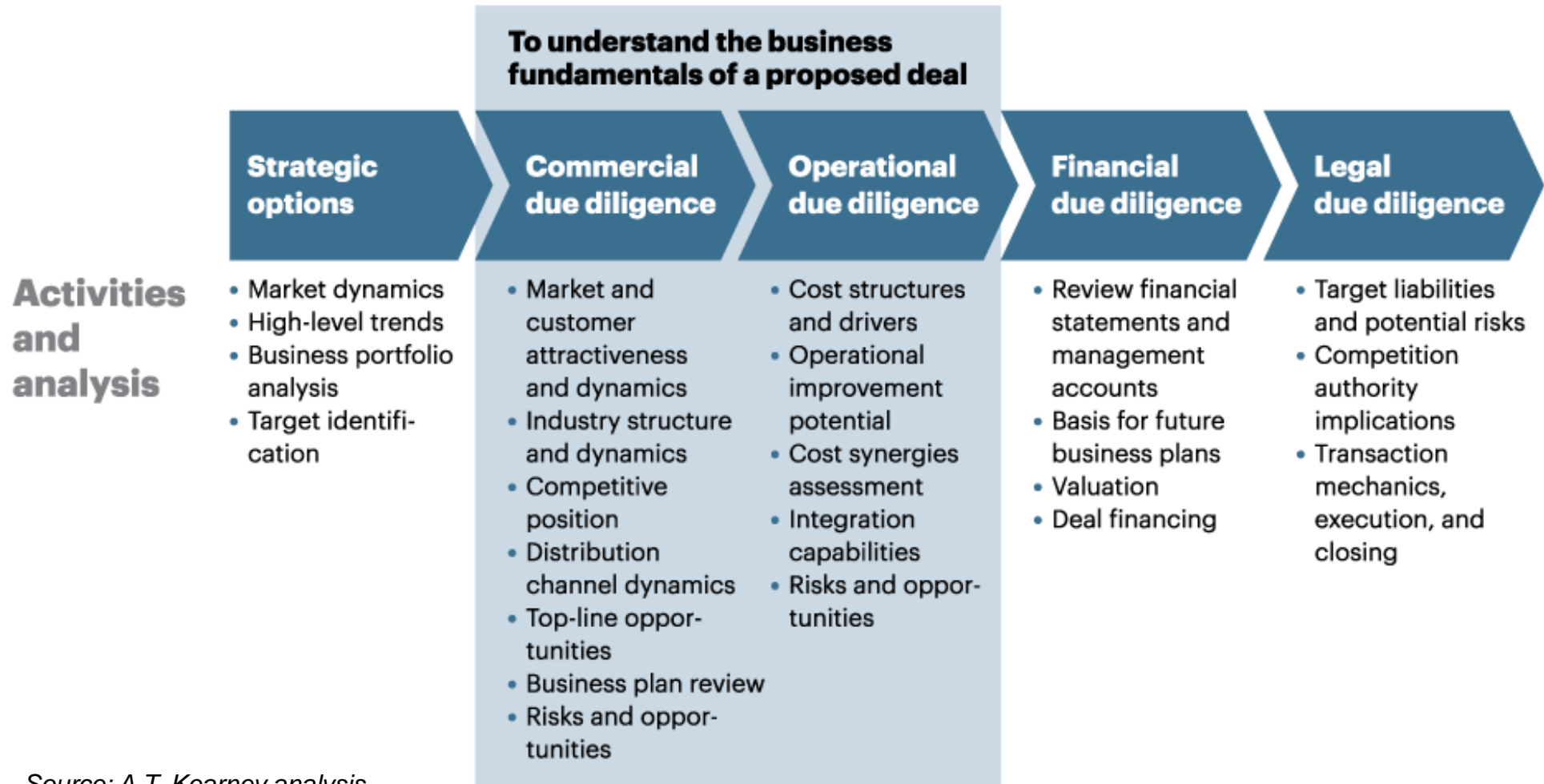
M&A process and BOD role



Advisor and Due diligence

- Provides valuable experience: knowledge of the Industry, deal planning
- Acts as an advocate, negotiating on your behalf, thereby strengthening your position
- Brings multiple buyers/Sellers to the table
- Capital raising, debt raising and private equity financing
- Co-ordinate other advisers (e.g. lawyers, due diligence providers etc.)
- Provides objectivity and endorsement

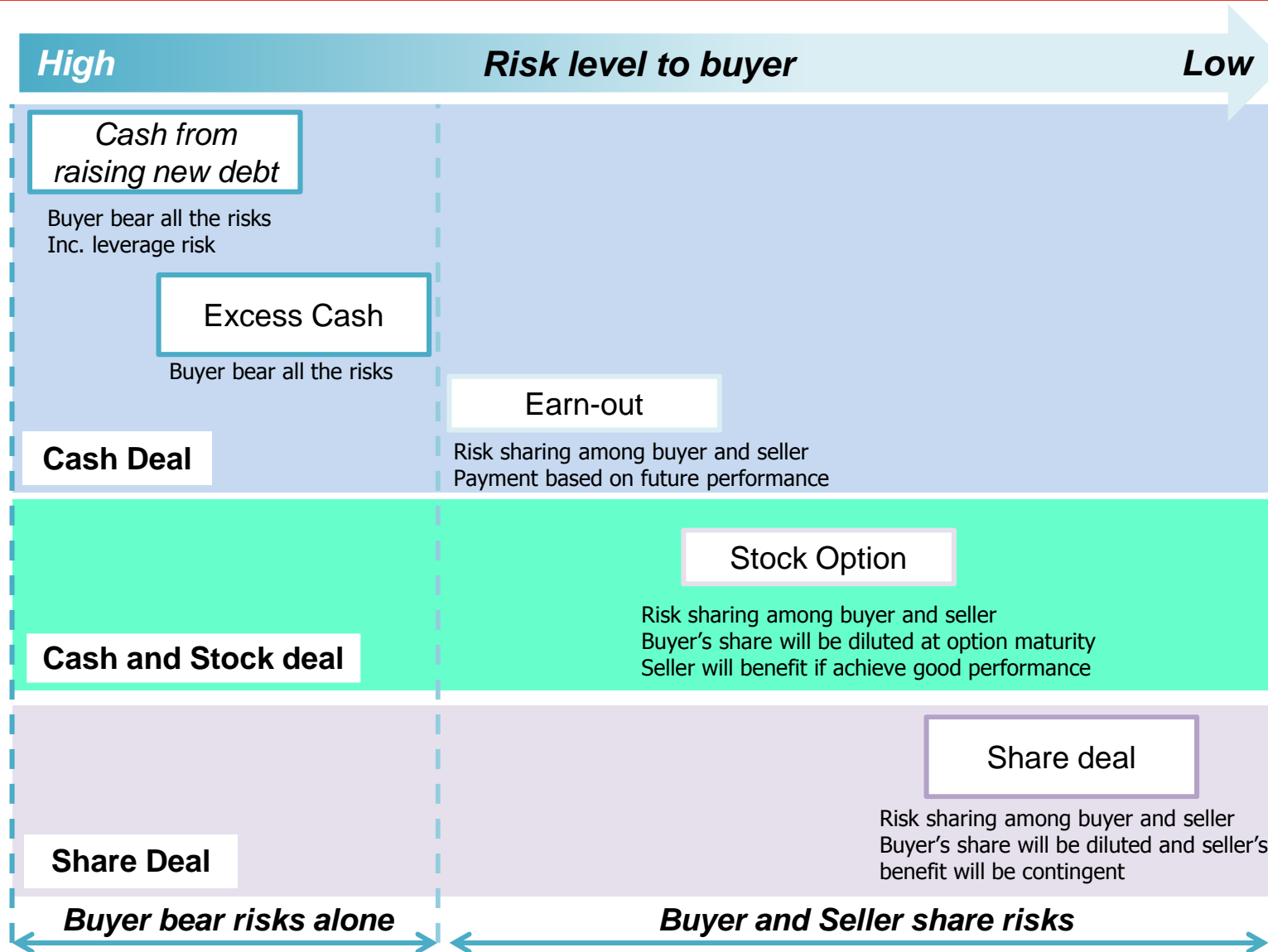
Fact-based assessment of value creation potential



Source: A.T. Kearney analysis

	(1) Asset – Based Valuation	(2) Relative Valuation	(3) Discounted Cash Flow
OPTION	<ul style="list-style-type: none"> • Book value of assets • Replacement cost 	<ul style="list-style-type: none"> • Market Comparables • Precedent transaction Comparables 	<ul style="list-style-type: none"> • DCF
PROS	<ul style="list-style-type: none"> • Setting up the floor and ceiling price for valuation 	<ul style="list-style-type: none"> • Quick and easy to get rough estimation 	<ul style="list-style-type: none"> • Better reflect nature of a company and its competitive landscape
CONS	<ul style="list-style-type: none"> • Not reflecting market value of asset 	<ul style="list-style-type: none"> • Subject to market environment 	<ul style="list-style-type: none"> • Required huge amount of assumptions which are prone to biases

Deal Settlement



Consideration for maximizing Shareholder benefit

Buy-side

- **Strategic goal:**
 - Value to buyer in terms of speed of execution and growth as the buyer desire?
- **Valuation**
 - Too expensive comparing to peers and comparable transactions?
 - Any dilution effect to shareholder?
 - Does the assumption of valuation in line with market estimate?
- **Synergy**
 - How could the buyer realize synergy as quickly as possible?
 - Is the estimated synergy realistic?
- **PMI**
 - How to effectively manage PMI: balance new value creation opportunities and risk uncovered in early week of PMI?

Sell-side

(depending on Financial or strategic acquirer)

- **Hostile takeover**
 - Should the seller employ anti-takeover provision?
 - What would be the effect (accretive/dilutive) of the transaction to total return to shareholder?
- **Friendly takeover**
 - What would be the effect (accretive/dilutive) of the transaction to total return to shareholder?

Case study

Recent M&A activities

GoRegional



- ✓ Population of 650 M
- ✓ GDP growth 5-6%
- ✓ Familiar market
- ✓ Low capita consumption of basic products

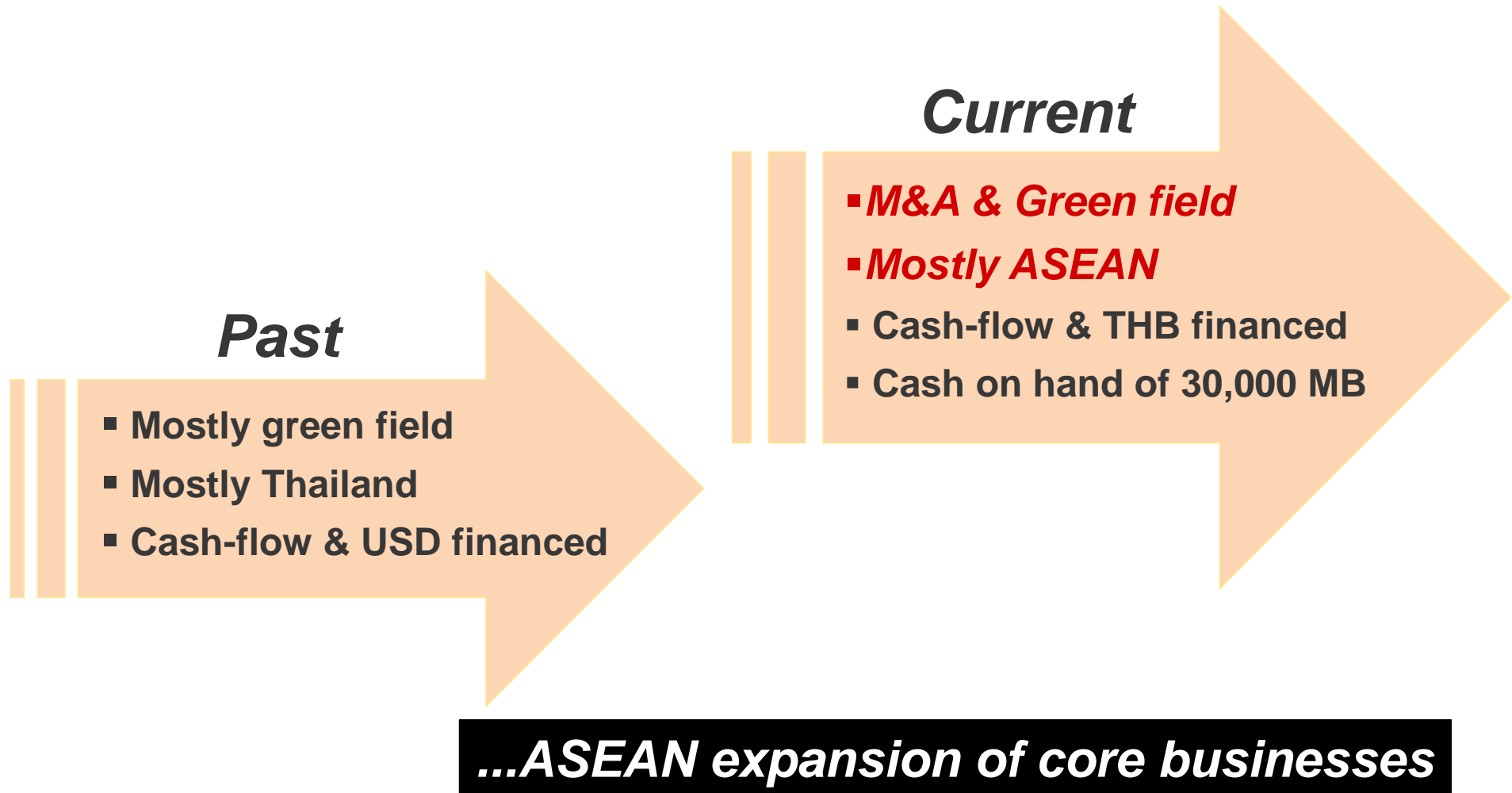
HighValueAdded HVA Products & Services

Commitment in R&D

- ✓ Increase customer satisfaction
- ✓ Differentiate from the competitors
- ✓ Compete on Value to Customers, not price
- ✓ Focus on commercialization

SCG's Vision:

**To become
ASEAN Sustainable
Business Leader**



Development from recent Vision & Strategy

Cement-Building Materials



Chemicals



Packaging



	2007	2015
No. of Companies	200+	270+
Consolidated Revenue, MB	260,000+	488,000+
ASEAN Revenue, MB	37,000+	100,000+
Total Staff / Overseas Staff	25,000+ 2,000+	50,000+ 15,000+
HVA sales	17%	37%
R&D & HVA Related Staff	300+	1,600+

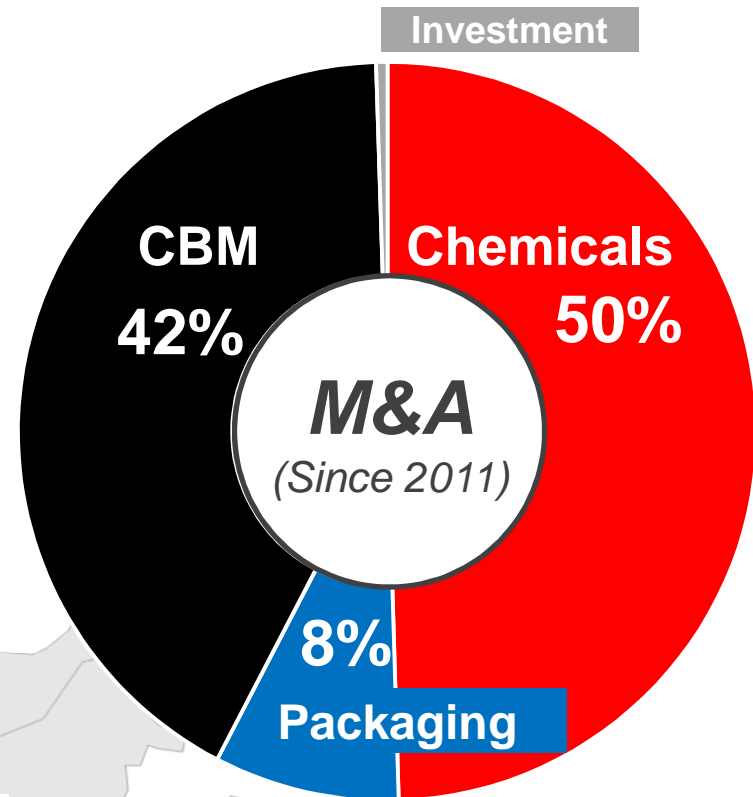
As of Jun 2015, Consolidated basis

M&A as alternative growth platform

SCG's acquisition since 2011

- No of deals: 30
- No of companies: 61
- Value: 72,000+ MB

Total Capex (2011-H1/2015): 186,700+ MB



Note: as of H1/2015

M&A: Domestic VS Overseas

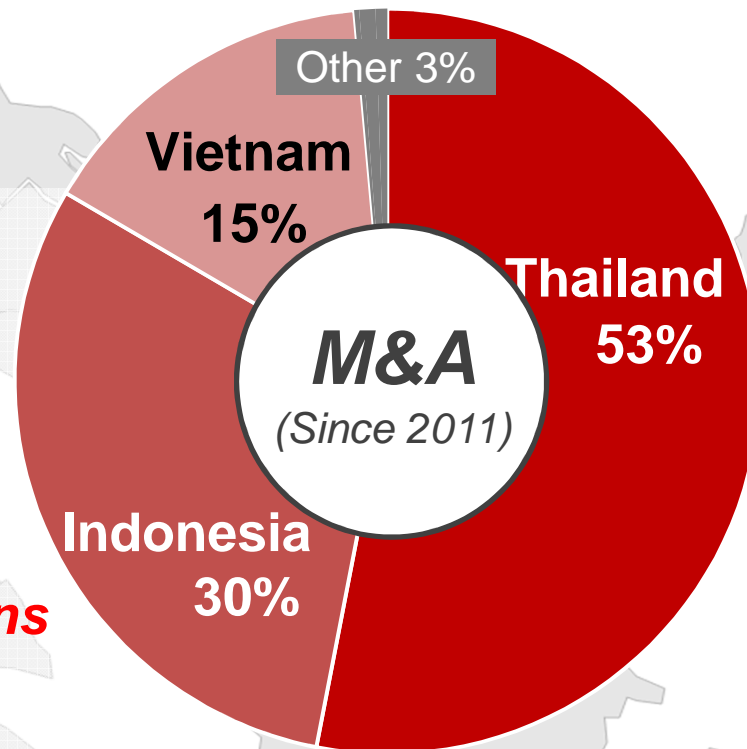
SCG's acquisition since 2011,
by country

Overseas M&A

- Market penetration
- Technology
- Brand

Key Issues:

- **Culture**
- **Laws and regulations**
e.g. foreign ownership,
labor union
- **Taxation**
- **Deal structure**



Domestic M&A

- Volume expansion
- New products
- New businesses
- New resources

Total value: 72,000+ MB
Total deal: 30 (61 acquired companies)

Update as H1/2015

M&A case: Chemicals in Indonesia

Type of business	Petrochemical Complexes
Location	Cilegon, Province of Banten, Indonesia
Transaction value	13,500 MTHB for 30% Stake
Strategic rationale	Geographical Expansion
Project study	Five Months including DD
Approval process	<ul style="list-style-type: none"> • Prelim proposal, • Rationale & Valuation • Approval
Role of FA	<ul style="list-style-type: none"> • Share local knowledge in Indonesian market and M&A expertise in petrochemical sector • Facilitate and smoothen due diligence process • Conduct valuation • Introduce legal and tax advisors
SCG role after M&A	BOD Seats: 2 out of 7 Active role in operation, expansion, business development

M&A case: Box plant in Thailand

Type of business	Box plant
Location	Thailand
Transaction value	400 MTHB for 72% stake
Strategic rationale	Vertical Expansion
Project study	Explore: 1 years, DD: 3 months
Approval process	<ul style="list-style-type: none">• Prelim proposal,• Rationale & Valuation• Approval
Role of FA	No FA in this project
SCG role after M&A	BOD Seats: 5 out of 7 Managing director from SCG

THANK YOU
