Overview of The M&A Process

Mark Roble Investments Inc.
Mark Hsu
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Mark Roble Investments

Mark Roble Investment (MRI) is a privately held company registered in British Virgin Island. MRI aims to offer the mass affluent in Taiwan greater access to oversea alternative investment vehicles, which can be defined a broadly investment alternatives other than a traditional long fund, e.g. mutual fund. We serve as an intermediary in bringing alternative investment products to our clients.

MRI established in 2006 aims to enhance the dynamics of investment choice in Taiwan. Apart from other commercial banking or investment companies is our unique investment opportunities and commitment to long-tern customized results. We carry out a thorough selection process and regular reviews of all the products we offer to ensure they are the best investment choices. Thorough due diligence on our recommended selection is conducted by specialists.
Mark Hsu

Mark is a graduate of Stanford University, with a B.S. in Biological Science and a minor in Economics.

In 1994, Mark co-founded with Sinanet with three Stanford graduate students. Sinanet later became Sina, the largest Chinese language portal in the world. Sina currently trades on the Nasdaq, ticker symbol Sina.

In 1996, Mark co-founded Envision with his Stanford classmate and forever changed the education market in Taiwan. Envision became the first company to offer "zero" handling fee for language school study.

In 1999, Mark co-founded Envision Internet Media Group, now Skysoft, the maker of KKman and KKnity. KKman is the most popular software created in Taiwan. In founding Envision Internet Media Group, Mark successfully raised US$1.3 million from investors.

Mark specializes in identifying investment opportunities, evaluating business model and relationship management.
M&A Strategic Buyer

Four main strategic rationales for acquisition: To acquire new capacities or add to the existing ones, To establish a new business model, To lower costs, and To improve market position.

- Established player in the industry
- Have an understanding and commitment to the industry
- Have a more strategic view on valuation
- Likely to want to participate management of business and may have strategic synergy with the Seller
- May wish to have a path to control elaborated at the time of initial investment, and may require board seat

### Strategic Buyer

- **Nov- 06**
  - 100%
  - (US$881m)
  - Jabil Circuit
  - Taiwan Green Point

- **Sep- 06**
  - >51%
  - (US$1,206m)
  - Standard Chartered
  - Hsinchu Bank

2007/1/11
M&A Financial Buyer

Financial buyer purchase a Business where: Private equity funds the majority of funding, Significant portion of funding from prior ranking securities, Incumbent/New management have a stake in the business, There will be a capitalization event in due course

Financial Buyer

- Private equity firms with interest in Seller’s industry
- Concerned about financial performance including cash generation potential, ROE, revenue and profit growth rate
- Require a clear view of exit (e.g. IPO)
- Will rely mainly on current management team to run the business
- Want control, as likely to exit within 2-5 years

Nov-06

- Carlyle Group
- ASE
- 100% (US$5,240m)

Jun-06

- Macquarie
- Taiwan Broadband
- 60% (US$879m)
What is Private Equity Fund?

Private equity provides capital to companies which are not quoted on the stock market, and exits through secondary market, IPO, or private placement to earn higher return than public traded equities.

### J Curve (Private Equity Segmentation)

<table>
<thead>
<tr>
<th>Product development</th>
<th>Product Launch</th>
<th>Market Penetration</th>
<th>Product Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed Capital</td>
<td>Start Up</td>
<td>Expansion Phase</td>
<td>Later Stage</td>
</tr>
<tr>
<td>Early Stage</td>
<td>Expansion/Development/Growth Capital</td>
<td>Buyout</td>
<td></td>
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Breakeven

Revenue

Profit
# Preliminary Assessment on Potential Buyer

## Preliminary Assessment

<table>
<thead>
<tr>
<th></th>
<th>Product Match</th>
<th>Market Focus</th>
<th>Ability to Pay</th>
<th>Overall Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jabil Circuit</td>
<td></td>
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<tr>
<td>Lite-On IT Co.</td>
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Legend:
- Very high
- High
- Moderate
- Low
- Very Low

## Potential Buyer Profile

<table>
<thead>
<tr>
<th></th>
<th>Market Cap (US$ mn)</th>
<th>Sales (US$ mn)</th>
<th>Earnings (US$ mn)</th>
<th>Net Cash (US$ mn) / Gearing</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jabil Circuit</td>
<td>5,998</td>
<td>8,464</td>
<td>281</td>
<td>499 %</td>
<td>US-based EMS provider to OEMs in the automotive, computing, consumer, medical, networking, peripherals, and telecommunications industries</td>
</tr>
</tbody>
</table>
Discounted Cash Flow Analysis (DCF):
Net present value of future cash flows, sensitive to assumptions.

**Enterprise Value** = Net Debt

= SHAREHOLDER VALUE

Enterprise value = \( \frac{\text{Future Free Cash Flows}}{\text{Discounted by WACC}} \)

Discounted by WACC (Weighted Average Cost of Capital)

Cash Flows In
Influenced by:
- Sales Growth
- Margins & Profitability
- Taxes Payable
- Fixed Asset Requirement
- Working Capital Employed

Cash Flows Out

WACC
- Cost of Equity
- Cost of Debt
- Financing Structure
- Risk Profile
Valuation - Multiple Method

- **Comparable Trading Companies Analysis:**
  Comparable publicly traded companies as a valuation benchmark

- **Precedent Transactions Analysis:**
  Recent industry precedent transactions as a valuation benchmark

**Commonly Used Multiples**

- Market Cap / NAV Multiple
- P / E Multiple
- EV / EBIT Multiple
- EV / EBITDA Multiple
- EV / EBITDAR Multiple
- EV / Sales Multiple
Investment Banking M&A Process

Weeks 1–3

**Business and process review**
- Define objectives
- Review operations and financial performance
- Develop preliminary valuation
- Develop preliminary strategy

Weeks 3–6

**Prepare marketing materials / strategy**
- Define key selling points; prepare Information Memorandum
- Evaluate buyers
- Finalise buyer list
- Customise approach for buyers

Weeks 6–10

**Formal marketing approach**
- Contact buyers
- Distribute Information Memorandum
- Receive preliminary indications of interest

Weeks 10–14

**Monitor buyer due diligence**
- Select participants based on:
  - Price
  - Terms
- Arrange due diligence visits

Weeks 14–16

**Receive final bids and negotiate**
- Receive final bids
- Negotiate and document
- Announcement

Closing
Successful and Failed M&A Case Study

**Cause of success (%) :**
- Detailed integration plans (76)
- Clarity of acquisition purpose (76)
- Good cultural fit (59)
- High degree of target management co-operation (47)
- Knowledge of target and its industry (41)

**Cause of failure (%) :**
- Target management attitudes and cultural differences (85)
- No post-acquisition integration planning (80)
- Lack of knowledge of industry or target (45)
- Poor management of target (45)
- No prior acquisition experience (30)

Source: Coopers & Lybrand study, 1993
Q & A