

# M&A Journey

UniBG Guest Lecture

17<sup>th</sup> Dec 2025

# Agenda

- ▶ **Introduction (15 mins)**
- ▶ M&A deals, Timeline, Synergies & Deal Value (75 mins)
- ▶ Case Study (75 mins)
- ▶ Typical Week at EY-P (5 min)
- ▶ Q&A (10 min)

# Who we are



**Fabio Nani**  
Partner  
Zurich, Switzerland

- ▶ Fabio is the co-lead of the Strategy & Execution team in Switzerland
- ▶ He joined EY in 2014 in London and relocated to Switzerland in 2017
- ▶ Specialized in global and complex business divestitures and spin transaction executions for clients in the Life Sciences and Chemical industries
- ▶ He has led the design and execution of multiple major divestitures across EMEIA for a total size of more than \$100bn in the medical device, pharma, industrial products sectors in situations of direct sales, dual track processes or spins
- ▶ Fabio is an Industrial Engineer (BSc) with an M.Sc. in Finance and Strategy and an international full-time MBA from Politecnico di Milano Business School



**Greta Ongaro**  
Senior Manager  
Zurich, Switzerland

- ▶ Greta is a Senior Manager in EY-Parthenon, she joined the Zurich team 7 years ago
- ▶ Greta previously worked in JP Morgan in the UK where she took part to a 2 years graduate program
- ▶ She has experience in carve-outs and Post Mergers Integrations, having worked for a variety clients, from megamergers, governmental institutions and SMEs
- ▶ She graduated from a triple degree Master of Science programme at ESCP Europe (France), City University London (UK) and University of Turin (Italy)

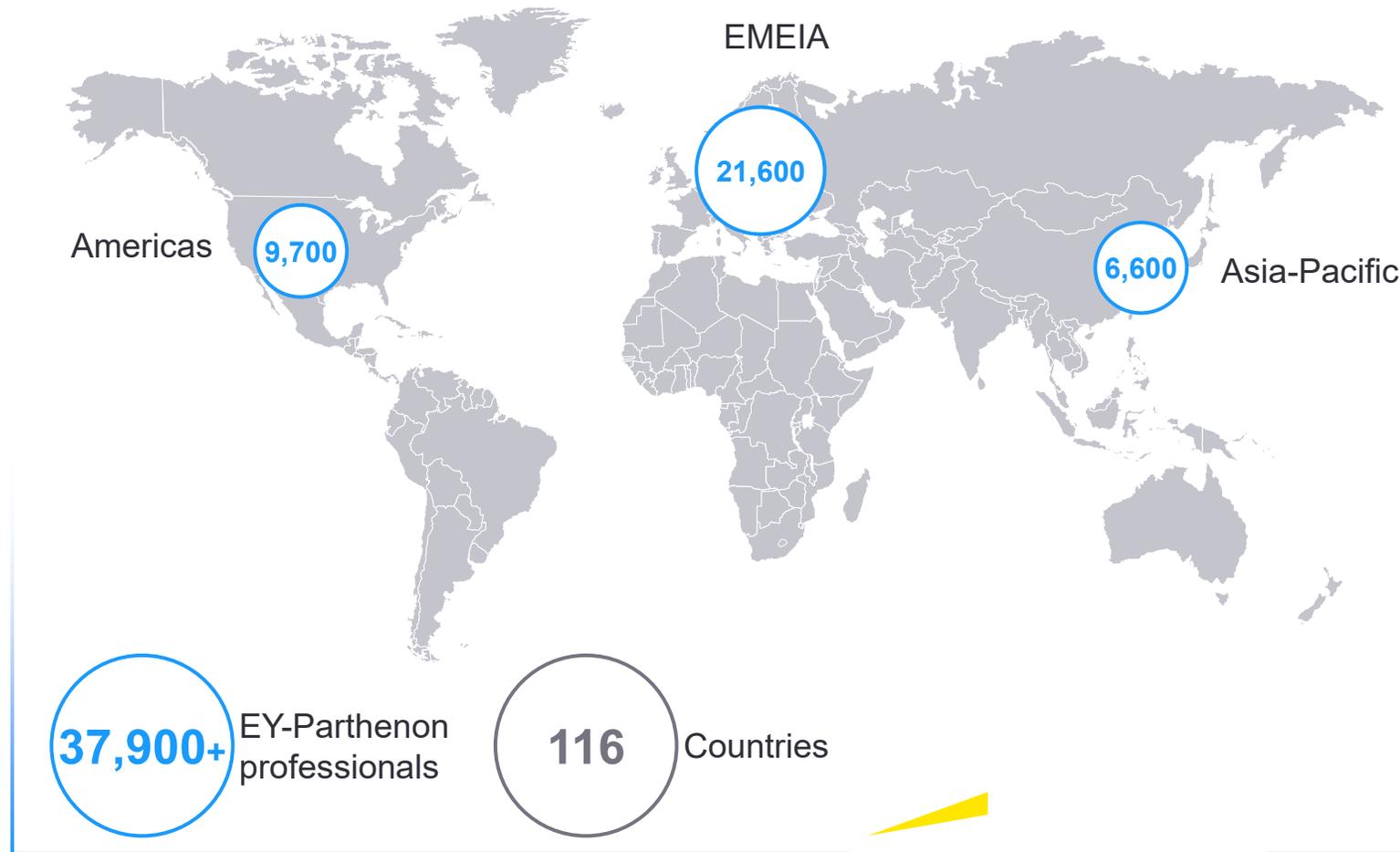


**Sebastian Böck**  
Consultant  
Zurich, Switzerland

- ▶ Seb is a Consultant in the Strategy & Execution team of EY-Parthenon in Zurich
- ▶ Since joining EY-P, Seb has worked on engagements in pharmaceuticals, chemicals and advanced manufacturing
- ▶ He has accumulated experience in advising clients in transaction strategy and PMO work, leading both cross-functional and cross-country separation efforts
- ▶ Seb also has work experience in NGOs (AT), Investment Banking (US) and Shipping (UK)
- ▶ He holds an MA in Strategy and International Management from the University of St. Gallen and a BSc in Management from LSE

# Welcome to EY-Parthenon – we are one of the leading strategy consultancies with more than 37,900 professionals in 116 countries around the world

EY-Parthenon at a glance



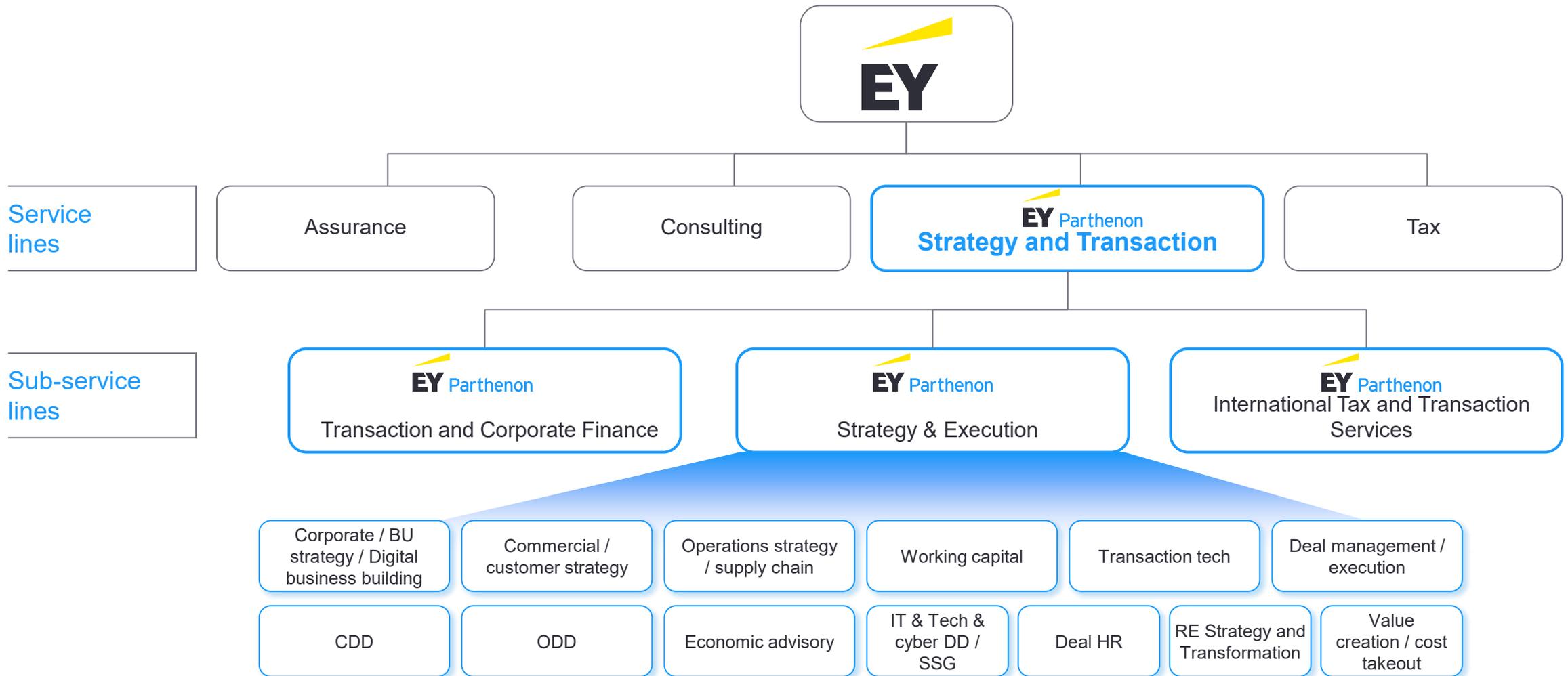
## About us

- ▶ We are a unique **strategy and transaction consultancy** with a **global footprint**
- ▶ We unite **strategic industry know-how** with comprehensive **transaction and restructuring expertise**
- ▶ We build on **deep sector expertise** to serve the major market leaders and the up-and-coming challengers
- ▶ Combined with **EY's global service offering**, we are best positioned to help our clients in their strategic decision-making and roll-out
- ▶ Our **AI-powered** suite of proprietary technologies helps to give us an Edge in the market



# We form the strategic 'spear head' of EY providing c-suite advisory to our clients in their core areas of concern

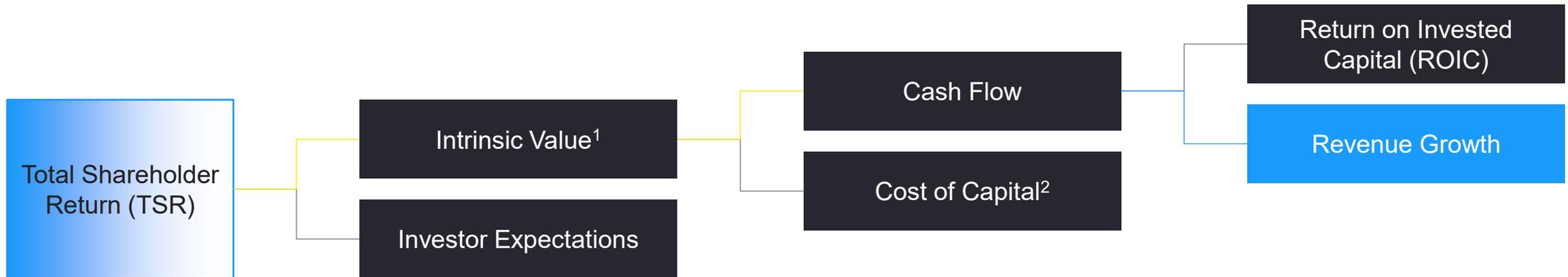
EY / EY-Parthenon company structure



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# Total shareholder return is a key driver for continuous M&A activity within the Life Science sector



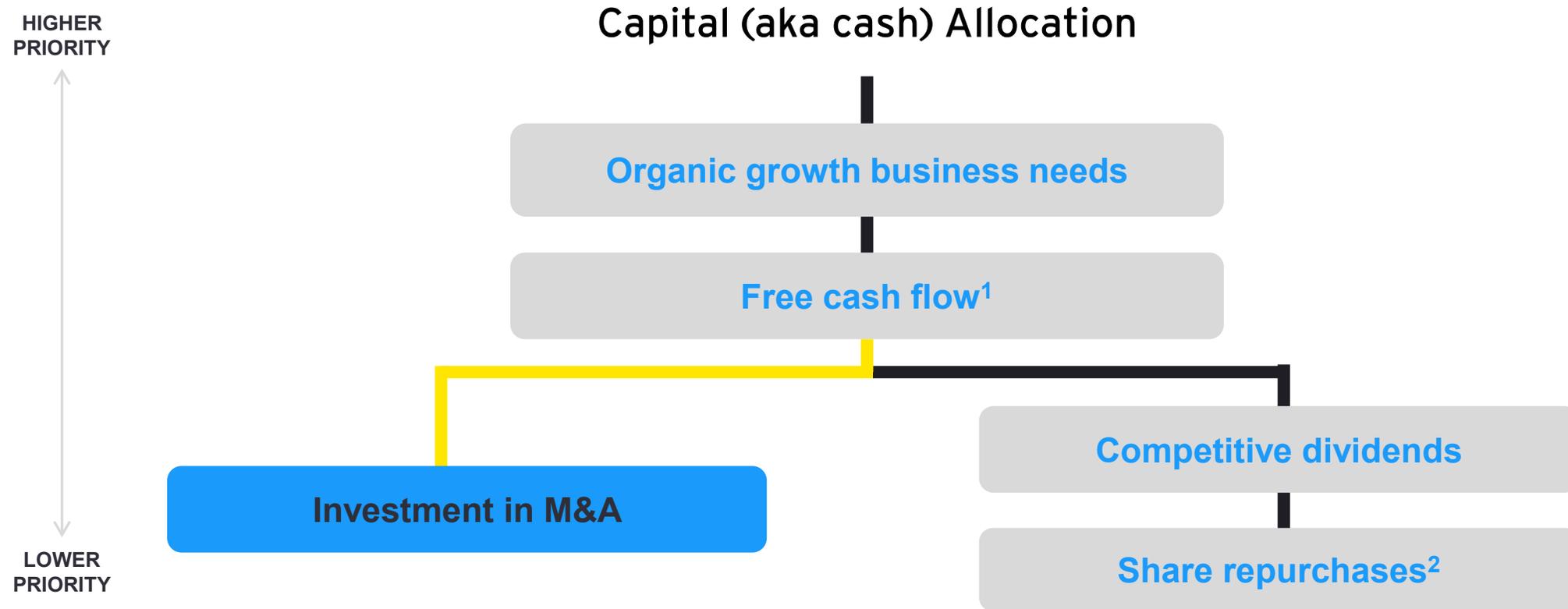
- Consistent with corporate finance theory, Total Shareholder Return (TSR) is driven by **Cash Flows (CF)**, which are driven by **Return on Invested Capital (ROIC) and Growth**
- **Growth only drives positive TSR** to the extent **ROIC is greater than the Cost of Capital (WACC)**; otherwise, growth is value-dilutive
- Changes in **investor expectations** also drive relatively short-term TSR and are often seen as changes in the stock's multiple

## Notes:

1. Intrinsic Value = Equity Value = Enterprise Value - Net Debt – Minority Interest
2. Technically, the Weighed Average Cost of Capital (WACC)

Focus Area

# Using cash to fund growth and compensate the shareholders

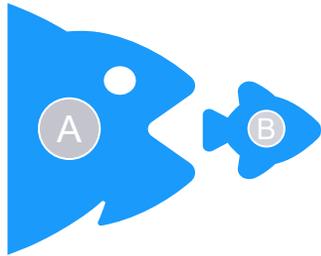


Notes:

1. Non-GAAP measure; cash flow from operations less CAPEX

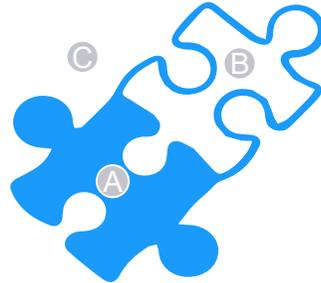
# Different shades of Mergers & Acquisitions

## Acquisition



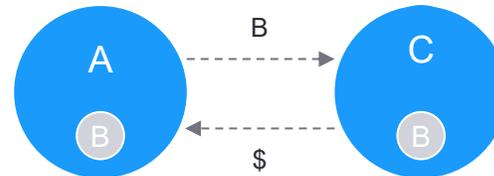
- ▶ A buys B (or its majority) by paying its shareholders
- ▶ A will control B, will consolidate B and will decide whether to integrate, keep separate, re-sell B
- ▶ e.g.: Novartis acquires AAA
- ▶ e.g.: Kering acquires Gucci
- ▶ e.g.: Rolex acquires Bucherer

## Merger



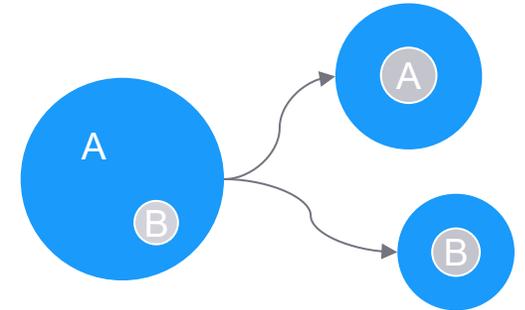
- ▶ Two companies (A & B) decide to merge into a new entity
- ▶ Typically payment is in share swaps
- ▶ Special case: Merger of equals (e.g.: FCA + PSA = Stellantis)

## Separation + Sale



- ▶ A carves out B, and sells B to C
- ▶ C can be either a strategic buyer or a financial entity
- ▶ e.g.: Coty sells Wella, GHD and OPI to KKR

## Spin



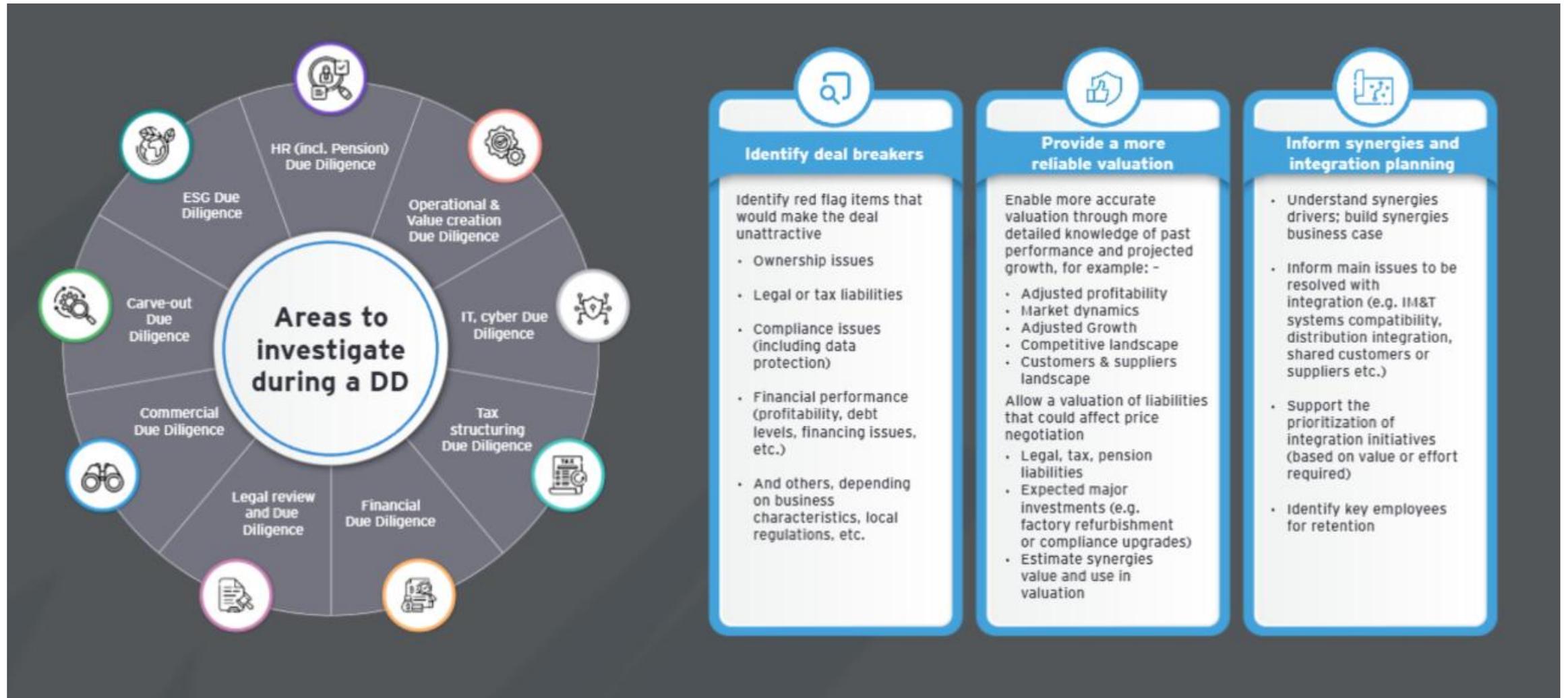
- ▶ A carves out B
- ▶ B is IPOed and is therefore partially or completely sold to market
- ▶ e.g. VF – Kontoor
- ▶ e.g.: MSD – Organon
- ▶ e.g. J&J - Kenvue

M&A transactions are executed for a multitude of reasons, being to expand the business, restructuring, expansion financing of alternative business areas, synergies, valuation purposes etc.

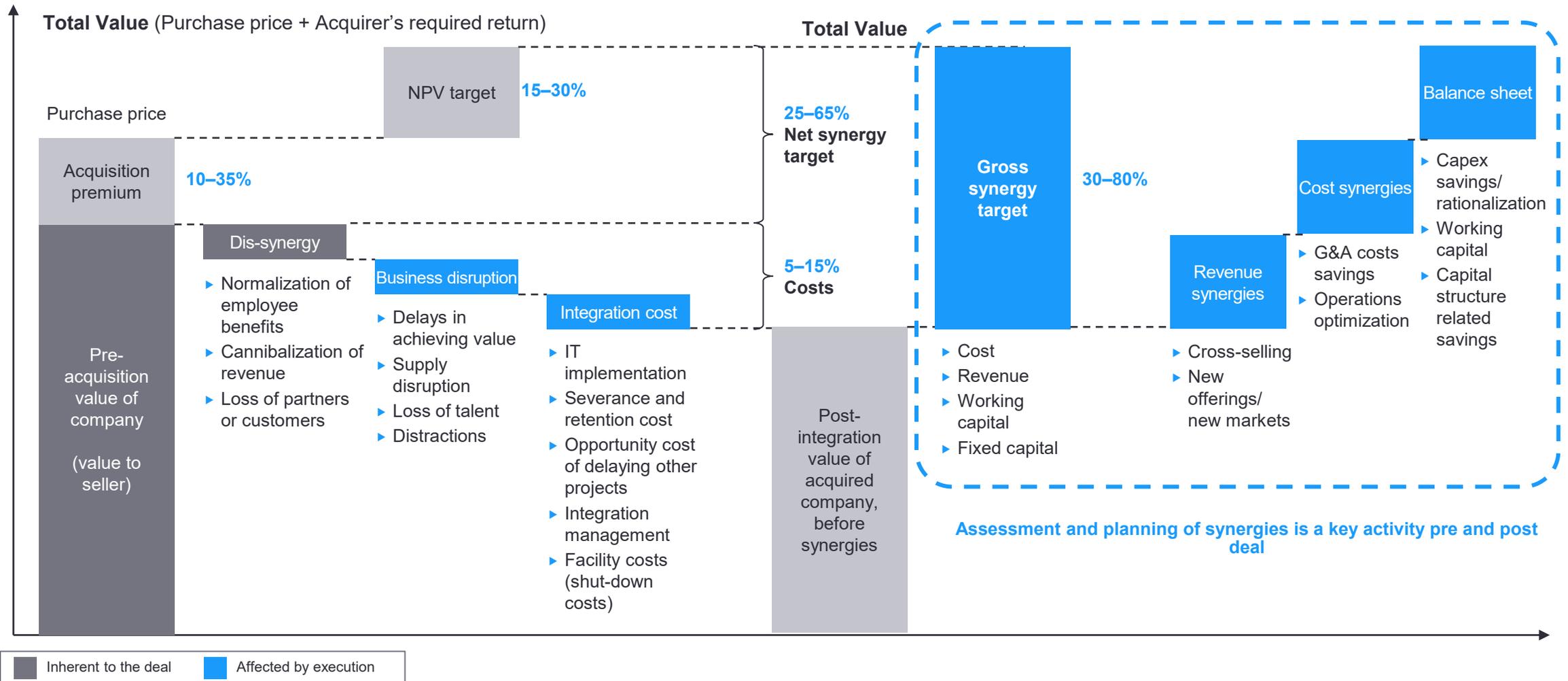
# M&A Timeline



# Types of Due Diligence



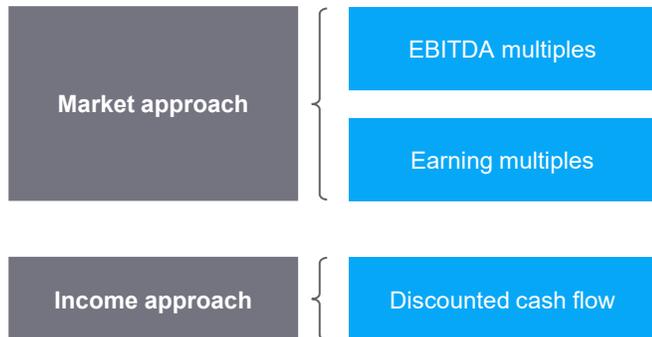
# Synergy management is a critical component in realizing a deal's value



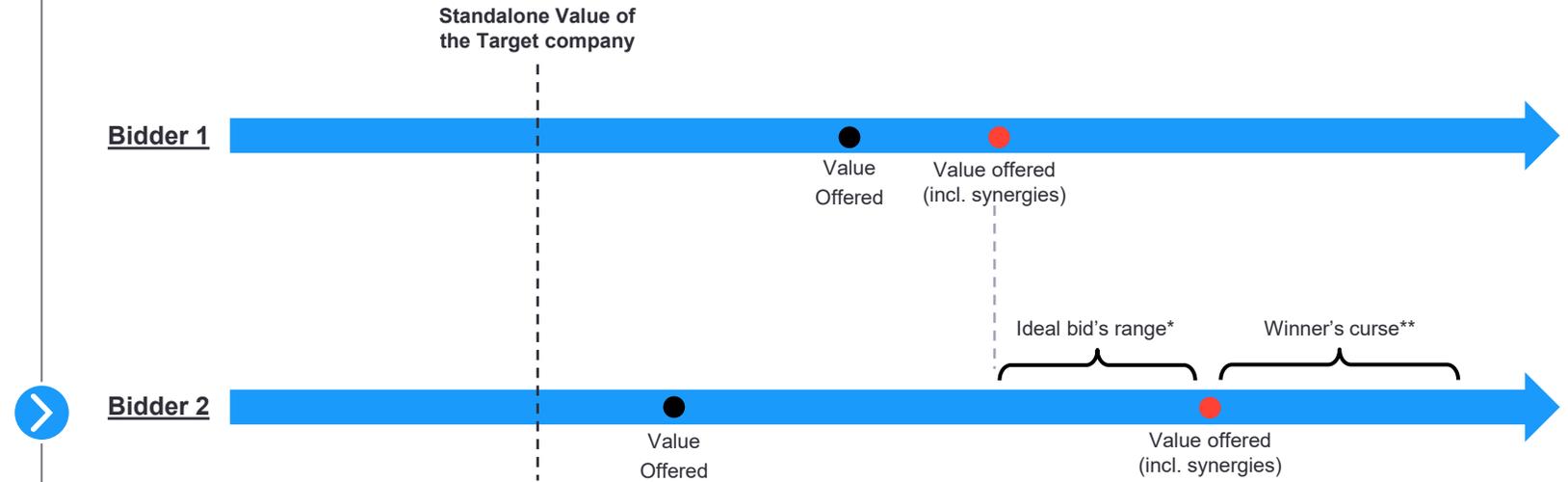
Note: Values are all shown as percent of purchase price for consistency. Acquisition premiums are traditionally shown as percent of pre-acquisition value. 10% to 35% of purchase price is equivalent to 11% to 54% of pre-acquisition value. Value ranges are typical, although actual values are sometimes outside these ranges. The values are intended to be illustrative, as actual values must be estimated for any specific deal based on the circumstances of that deal.

# Pay attention to Adverse Selection

## Most common valuation methodologies



## Wrong synergies assessment can lead to adverse selection or to over paying a target



### Bidder 1:

- Has little benefit in pursuing the acquisition due to the low amount of exploitable synergies
- He quantify the possible synergies and **offers the right value**

### Bidder 2:

- Could greatly benefit from the acquisition because of the significant synergies available
- **Fails to consider the synergies** when making their offer, resulting in a **missed opportunity** for a valuable deal

(\*) The **Ideal bid's range** represents the set of values at which Bidder 2 can win the auction (assuming Bidder 1 does not counterbid) while ensuring a positive return from the acquisition

(\*\*) The **Winner's curse** occurs when a bidder wins an auction by overestimating an asset's value, often due to incomplete information, leading to overpayment and reduced returns



# Change Experience Method

## Key reasons for failed transactions

>50% of M&A transactions are losing at least 20% of their top talent

47% of key employees leave within the first year following a transaction

95% of executives describe cultural fit as critical to the success of M&A integrations

86% of executives rate the people side of transformations as the most critical to its success



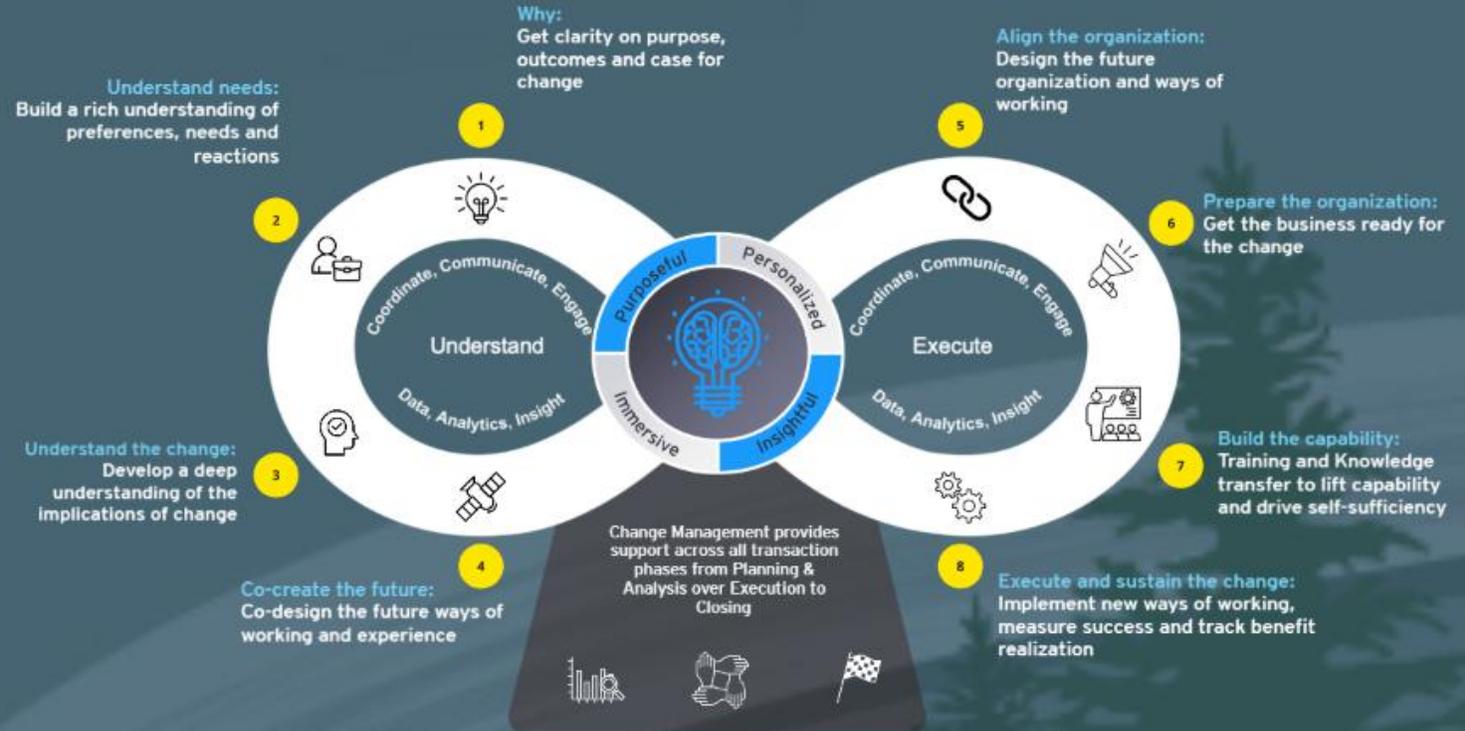
Poor communication of changes drive **confusion, anxiety and loss in productivity**



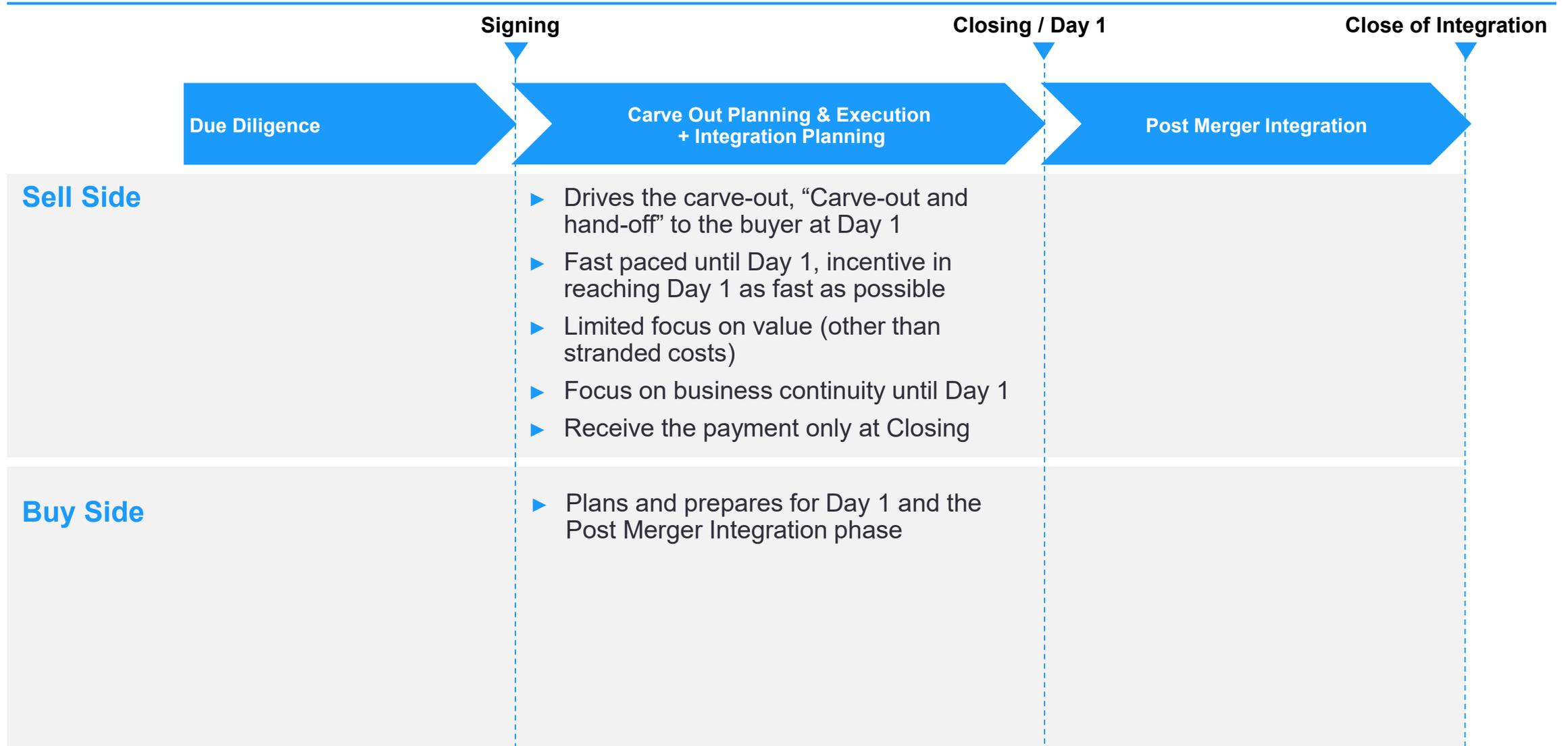
Employees negatively associate M&A activity with **rumors and misinformation**



Lack of a change plan leads to **reactionary communications and frustration for leaders**



# M&A Timeline



# M&A Timeline

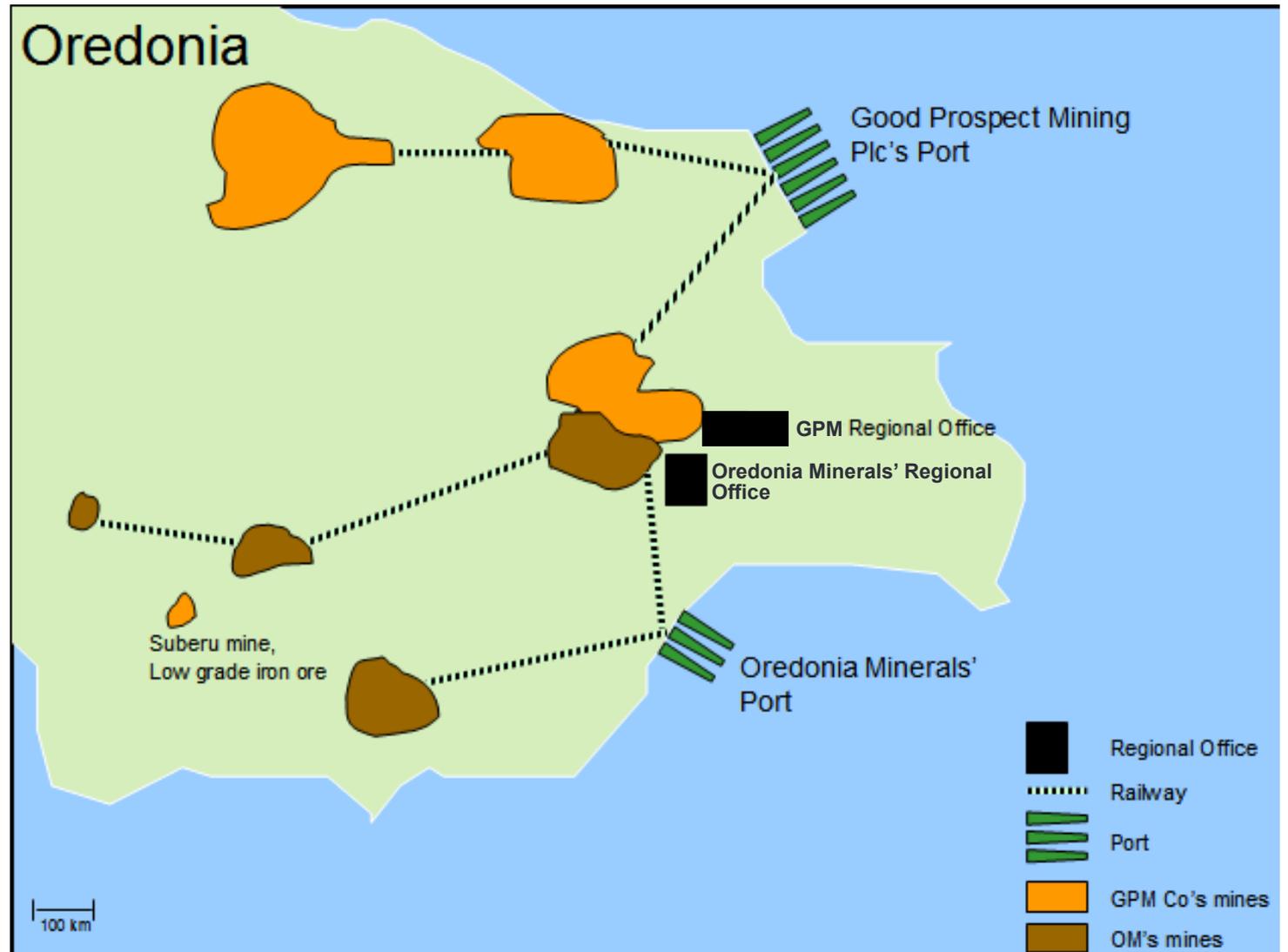


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# Case Study Overview

- ▶ Good Prospect Mining (GPM) (Buyer) wants to acquire 75% of Oredonia Minerals (OM) (Target), the remaining 25% is owned by the state
- ▶ All the mines on the island produce high quality minerals, with the only exception of the Suberu mine (GPM) which produces low quality minerals. The only way to sell them is to blend them with high quality minerals
- ▶ Both companies use privately built rail networks to transport the minerals to ports for export
- ▶ GPM has a regional office for support functions, while OM is headquartered in a neighboring country
- ▶ GPM recently expanded its port after local permits and discussions with the central government. Instead one problem that OM has is the limitation on the number of ships in the port: ships have to wait outside the port for several days before being loaded.
- ▶ OM plans to hire consultants for engineering works, port expansion etc ... And GPM also has some projects planned



# Case Study Discussion

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## Tasks

1) From the information given, what are the possible synergies which may be produced by this deal?

# Proposed Solution to Task 1

**Task 1)** From the information given, what are the possible synergies which may be produced by this deal?

- Revenue
- Balance-sheet
- Cost
- 1** **BLENDED ORE:** The **close proximity of the Suberu mine to the high-grade deposits** owned by the Target means that GPM can start to exploit this mine and **commence production of blended ore**. This is a synergy only, as it is not feasible for GPM to do so pre-acquisition.
  - 2** **PORT:** By merging the two businesses, the **target will be able to ship some of its ore to the GPM port**, and thus overcome its docking limitation issues at its port. As it would take time for the Target to expand its port, there are synergies in terms of revenue acceleration connected to the estimated time to build-out the Target's own port.
    - ▶ If the combined business is able to transport its ore to either port to overcome the bottleneck, there would be no need to expand the Target's port, thus generating a **CAPEX-avoidance synergy**. GPM's port will be able to take over the additional production capacity from the Target's mine expected from FY25B onwards.
  - 3** **REGIONAL OFFICES:** There are of course potential synergies in **merging the two regional offices**. Assuming both offices run similar functions and processes, a number of duplicate functions can be reduced, e.g., **HR, IT, Sales & Marketing, Management, Finance**, etc.
  - 4** **ENGINEERING PROJECTS:** There are **potential engineering project contract synergies** in connection with **overheads and procurement costs**. Furthermore, as the combined business would deliver a more secure pipeline of projects to the contractor, a discount in the region of 5-10% could be negotiated. Also, there may be savings on consulting fees.
  - 5** **MINING CO-LOCATION:** There are possible synergies to be exploited from the **co-location of mining operations**. It was mentioned that **operations and processes** are similar and therefore a synergy case can be derived, e.g., for truck fleet management, equipment utilization, procurement, exploration teams, mining staff, etc

# Case Study Discussion

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## Tasks

- 1) From the information given, what are the possible synergies which may be produced by this deal?
- 2) Provide an indicative valuation of *some* of the synergies, where possible.

### Assumptions group 1 - BLENDED ORE:

- ▶ 10:1 ratio of low to high-grade ore to produce blended ore
- ▶ Total Suberu reserves (low grade ore) of 200 million tons
- ▶ \$30 blended ore price per ton, high-grade ore \$50 per ton

### Optional:

- ▶ New railway infrastructure costs of \$5m per km (assuming flat terrain)
- ▶ Approximately 180km of railway line across flat terrain is needed to connect Suberu to the nearest Oredonia Minerals railway line
- ▶ New blending plant capital outlay of \$1bn

### Assumptions group 3 – REGIONAL OFFICES:

- ▶ GPM's annual regional office SG&A costs come to \$20m, while Oredonia Minerals' cost base is \$30m

### Assumptions group 2 - PORT:

- ▶ GPM's port has sufficient capacity for volumes of GPM and OM combined
- ▶ OM's current port has the capacity to serve 20 vessels per week (assume 50 weeks per year). Each vessel carries on average 0.25m tons of ore
- ▶ OM has total production capacity of 400 m tons of high-grade ore per year (valued at \$50 per ton) but only produces the amount that its port can service
- ▶ Approx. \$1.5bn would be needed to expand the OM's port and takes at least 3 years to complete

### Assumptions group 4 – ENGINEERING PROJECTS:

- ▶ OM intends to use contractors to execute a series of local engineering projects, with nominal costs estimated at around \$750m. GPM also has its own pipeline of engineering projects estimated at \$1.2bn. These projects are also carried out by contractors.

# Proposed Solution to Task 2.1

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**Task 2)** Provide an indicative valuation of some of the synergies, where possible

**1** **BLENDED ORE:** The obvious synergy to be calculated is the **benefit from blending ore:**

Calculation assuming a 10:1 ratio of low to high-grade ore:

(total Suberu reserves of 200 million tons) + (20 million tons of high-grade ore) = 220m tons

**220 million tons x \$30 blended ore price per ton = \$6.6bn**

From this, the opportunity cost of selling the 20 million tons of high-grade ore at the market rate needs to be subtracted:

**20 million tons of high-grade ore x market rate of \$50 per ton = \$1bn**  
**→ \$6.6bn - \$1bn = \$5.6bn**

# Proposed Solution to Task 2.2

2

## PORT:

- ▶ Currently, OM is producing the amount of volumes that they can export through their own port:

$$20 \text{ vessels} \times 50 \text{ weeks} \times 0.25\text{m tons per vessel} = \mathbf{250\text{m tons per year}}$$

- ▶ This is the limit for at least the next three years.

- ▶ If they now use the GPM port, they can **immediately increase production** to their maximum, which is 400m tons. That is worth:

$$150\text{m tons increase} \times \$50 \text{ per ton} \times 3 \text{ years} = \mathbf{\$22.5\text{Bn}}$$

- ▶ Additionally, OM can **avoid the capex** that they would have to outlay for the expansion

$$\mathbf{\$22.5\text{Bn} + \$1.5\text{Bn} = \$24\text{Bn}}$$

## Proposed Solution to Task 2.3

- 3 REGIONAL OFFICES:** GPM’s annual **regional office SG&A costs** come to \$20m, while Oredonia Minerals’ cost base is \$30m. For the purpose of this case study, let us assume that the **duplicated headcount and related costs will be eliminated from the Target’s operations**. While there are no “right or wrong” answers here, there does appear to be some scope to cut costs when we run through the various functional areas:

Functional Area	GPM regional office staff costs (\$ m p.a.)	Oredonia regional office staff costs (\$ m p.a.)	Commentary	Potential Reduction
Information Systems & Technology	3.0	3.0	Assuming both companies run similar systems, there is a strong case for reducing a major portion of the Target’s staff costs. Let us assume that we can reduce by 50%.	1.5
HR	1.0	n/a	-	-
Finance	2.0	n/a	-	-
Shared Service charges (Finance / HR)	n/a	8.0	The Target has a relatively high charge for shared Finance & HR services. We should assume that these functions will be covered by GPM post-acquisition. While we do not know the required headcount, if we assume that GPM can run the combined business with a similar number of staff at a continued combined cost of \$3m, we can be reasonably confident that the \$8m charge can be cut.	8.0
Research & Development	1.0	3.0	Both businesses have R&D teams. The reasons for the cost delta are not clear. However, let us be bold and assume that we can take out 50% of the Target’s R&D team.	1.5
Procurement & Supply Chain	2.5	2.0	Assuming that both companies have similar supply chains and a comparable number of suppliers, we should be confident that, at a stretch, we can take out 80% of the Target’s cost base.	1.6

## Proposed Solution to Task 2.3

Functional Area	GPM regional office staff costs (\$ m p.a.)	Oredonia regional office staff costs (\$ m p.a.)	Commentary	Potential Reduction
Management	4.0	8.0	The Target's management seems to be inflated, possibly because the business was a public sector organization from a legacy perspective. At a push, we could again take out 80% of management costs.	6.4
Communications & External Relations	1.0	n/a	Since the Target does not have a C&ER department, there is not much scope here. However, if some activities and tasks were performed by the management team, we could further reduce the Target's management costs.	-
Sales & Marketing	2.0	3.0	While the increased production capacity will need to be sold, there may be a lot of duplication here. While more information would be required to substantiate this, let us assume that 50% of the cost base can be eliminated.	1.5
Exploration Administration	0.5	2.0	When mining companies merge, there is normally scope to take out the majority of one of the companies' exploration operations. With GPM's costs seeming fairly lean, let us aim to just give the Target's cost base a 25% haircut for the timebeing.	0.5
Health & Safety	3.0	1.0	GPM seems to put greater emphasis on H&S. Therefore, let us assume that a 50% reduction is feasible.	0.5
<b>SG&amp;A total</b>	<b>\$20m</b>	<b>\$30m</b>		<b>\$21.5m</b>

## Proposed Solution to Task 2.4

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**ENGINEERING PROJECTS:** There may be **potential savings on engineering project contracts** by consolidating the combined capital programs (total costs of \$1.95bn = \$750m for Oredonia + \$1.2bn for GPM) and reducing the number of contractors, savings could be realized on management overheads, discounts from offering contractors a secure project pipeline, consulting fees, etc. Assuming there is a certain degree of similarity between the two programs, it could be possible to save between 3-10% on the nominal program value. Therefore, the synergy case could be anywhere in the region of \$60m and \$200m.

# Case Study Discussion

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## Tasks

- 1) From the information given, what are the possible synergies which may be produced by this deal?
- 2) Provide an indicative valuation of *some* of the synergies, where possible.
- 3) What advice would you give to Juliette regarding the potential downsides and costs to achieve on this deal?

# Proposed Solution to Task 3

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**Task 3)** What advice would you give to Juliette regarding the potential downsides and costs to achieve on this deal?

- To realize the synergy case as we just discussed, several cost buckets need to be considered:
  - i) **Rail infrastructure costs:** (180km x \$5m per km) = **\$900m**. New railway stock may be needed, however the information in this case study is insufficient to determine how much exactly this would cost.
  - ii) **Blending plant costs of \$1bn**
- Costs will be incurred to realize the synergy savings in connection with **combining the two separate corporate functions** (mostly headcount reduction costs).
- **General integration costs** will need to be considered in the business case.
- The **CSR (Corporate Social Responsibility) costs** of potentially removing a significant number of jobs from a single industry town must also be taken into account.
- Any continued **pressure from indigenous / environmental groups** needs to be carefully considered and a strategy developed for working with these stakeholders. In this context, the potential for disruption should not be underestimated! Given that GPM appears to have operated in this region for some time, it may already have established strategies to manage these challenges and issues.
- In light of the fact that the merger would give the business control over 75% of total iron ore assets in the region, there may be some **anti-trust issues to deal with**. The government, for example, may not want to have 75% of its iron ore resources owned by a foreign company. Persuading the government to sell its 25% stake may also prove to be problematic further down the line.
- **Risks around infrastructure projects** such as the new railway line and blending plant are also potential hurdles with cost implications. In this case study, it would of course have been very helpful to have more detailed insights into timing aspects and phasing.

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# Contact Details

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**For any further questions please feel free to contact us!**