

Expanding Overseas through Mergers and Acquisitions

IE Singapore
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Driving Singapore's External Economy

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Agenda

1. Introduction
2. Assistance on M&A
3. Examples

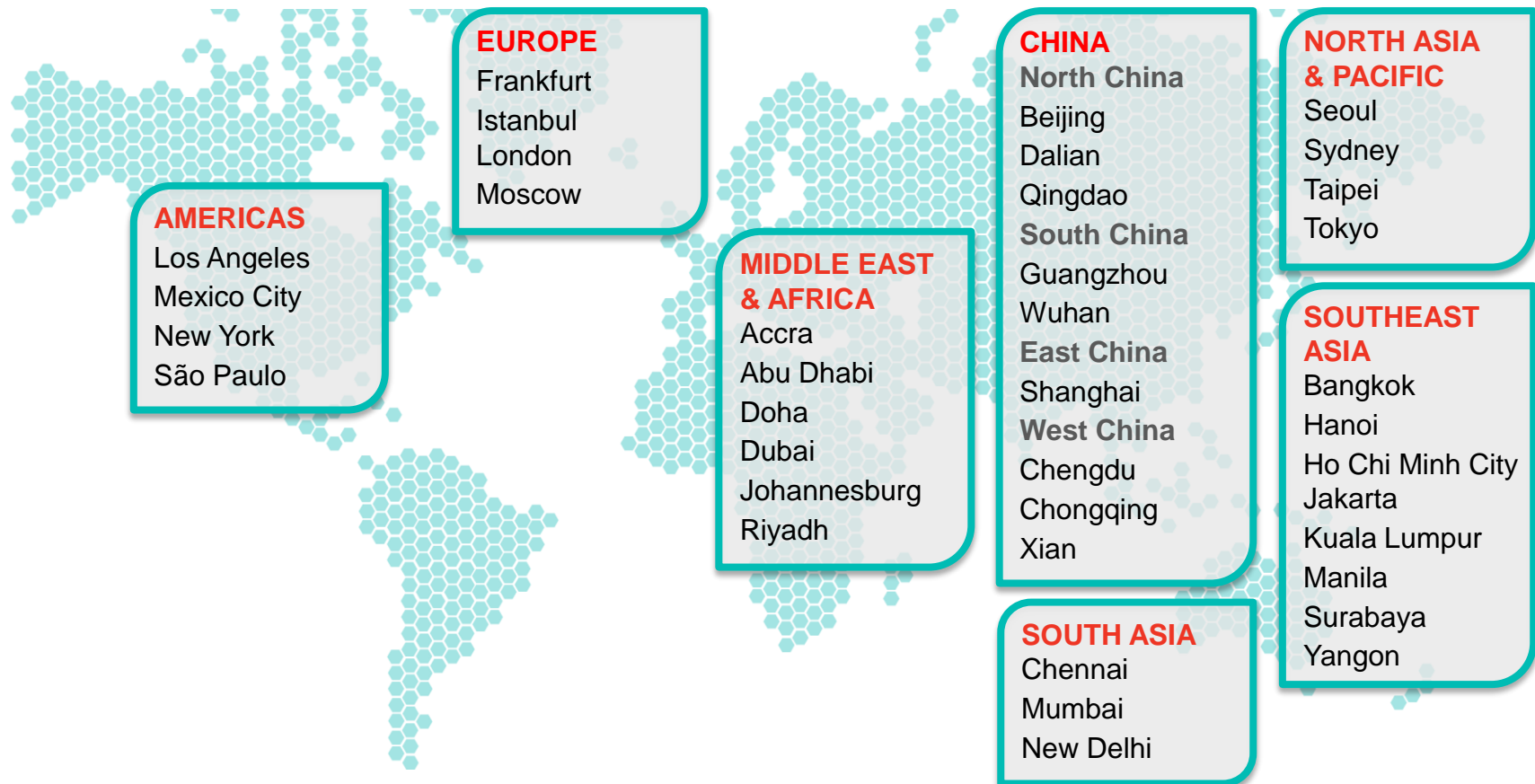
Introduction

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IE Singapore's global network

More than 35 offices worldwide



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IE Singapore provides assistance to grow Singapore companies at various stages of internationalisation



Internationalisation is a natural part of growth story



More help for firms keen to spread their wings abroad

Venturing out and up the value chain for steady earnings

More SMEs acquiring or merging with firms abroad

It can be more cost-efficient way of breaking into new markets, they say

Companies new to internationalisation can now access an enhanced range of support for promotional activities, including marketing support, e-commerce, and tradeshow, said IE Singapore. **TOP STORIES / 4**

IE Singapore enhances support for overseas market promotions

Initiatives cover areas such as marketing support, e-commerce strategies, and trade shows

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M&A is one mode to internationalise

M&A increasingly favoured as internationalisation strategy

IE Singapore sees steady take-up of its M&A grants, with S\$8.3m awarded over 95 projects from 2011 to 2015

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Singapore

MORE Singapore companies are internationalising via mergers and acquisitions (M&As) – using these deals as a quick way to ramp up their overseas presence and address capability gaps.

According to data obtained from International Enterprise (IE) Singapore, the agency has seen a steady take-up of its M&A grants, with a total of S\$8.3 million awarded over 95 projects from 2011 to 2015.

Just last year, the total grant amount doubled to S\$2.4 million, compared to S\$1.2 million in 2011. The number of M&A projects IE Singapore undertook also increased from 14 in 2011 to 25 in 2015.

Angeline Chan, IE Singapore group director, capability development group, told BT that M&As have proven to be an effective route for firms looking to gain new market networks, capture fresh customer segments or acquire new technologies.

Said Ms Chan: "Based on IE Singapore's grant data, the top sectors looking at M&A include consumer and logistics-related industries while the top markets of interest are China, followed by South-east Asia and the US.

"Companies look to expand in China and South-east Asia mainly because they wish to diversify in new geographical revenue streams or to use M&A to expand distribution channels in those countries. One reason to venture into M&A in developed markets like the US is to pursue technology acquisition."

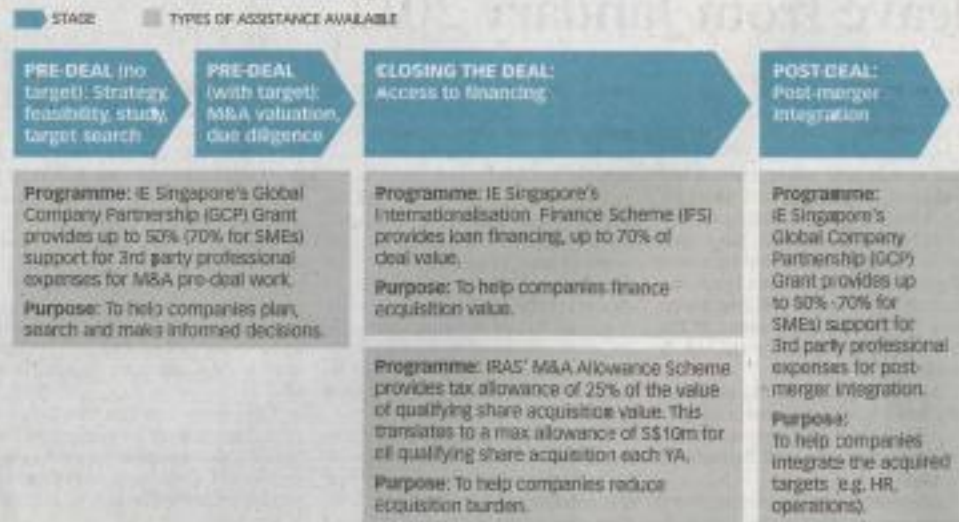
The government provides a host of assistance for firms looking to scale up via M&As, ranging from pre-to post-acquisition.

This includes the Inland Revenue Authority of Singapore's M&A tax allowance scheme, which allows a company to reduce its cost burden, and IE Singapore's Internationalisation Finance Scheme (IFS), which helps to finance deals through a loan.

One company that has leveraged such assistance is Trans Euroka's. Continued on Page 4

M&A assistance

IRAS, IE Singapore's end-to-end financial programmes



SOURCE: IE SINGAPORE

Assistance on M&A

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M&A: Support from start to end

ADVISORY

Description:

Provides advisory (eg. introduces professional help, target identifications).

Purpose:

To help companies move in **the right directions**.

GRANT

Programme:

IE's **Global Company Partnership (GCP) Grant** provides up to 50% (70% for SMEs) support for 3rd party professional expenses for planning, advisory, due diligence, valuation or post-merger integration work.

Purpose:

To help companies **plan, search and make informed decisions**.

LOAN

Programme:

IE's **Internationalisation Finance Scheme (IFS)** provides loan financing, up to 70% of value.

Purpose:

To help companies **finance the acquisition**.

TAX

Programme:

IRAS' **M&A Allowance Scheme** provides tax allowance of 25% of the value of qualifying share acquisitions, up to a cap of \$40m acquisition value. This translates to a max allowance of \$10m each YA.

Purpose:

To help companies **reduce acquisition burden**.

GCP Grant: How it supports M&A?

Quantum of Support

- For SMEs: 70% of eligible costs
- For non-SMEs: 50% of eligible costs

Eligibility Criteria

- Global HQ in Singapore
- Annual turnover at least S\$500,000
- PUC at least S\$50,000



Capability Building

Examples of Activities

- E-commerce Infra Development
- Etc.



Market Access

Examples of Activities

- Feasibility Study
- M&A Due Diligence
- Etc.

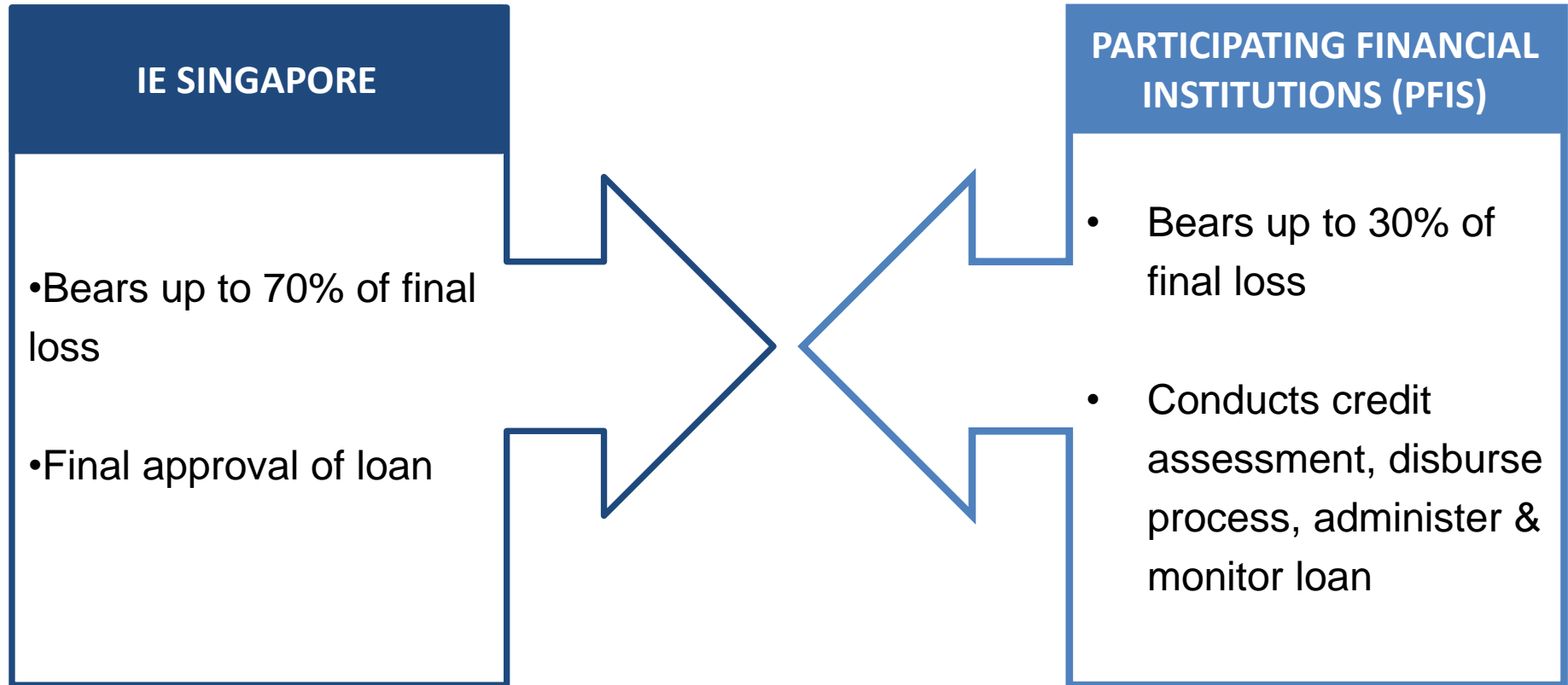


Manpower Development

Examples of Activities

- Headhunting of critical talents
- Overseas attachments
- Etc.

IFS: How it supports M&A?



IFS: How it supports M&A?

Type of Facilities	Max Loan Limit	Max Loan Period	Max Quantum of Financing ⁽³⁾	Interest Rates
Asset-Based Financing •Factories/Land •Other Fixed Assets	S\$30M per Borrower Group ⁽²⁾	15 years 6 years	90% ⁽⁴⁾	Determined by PFI
Project Financing •Structured Loan ⁽¹⁾ •Bankers Guarantee		3 years 5 years	90% ⁽⁵⁾ 100%	
M&A Financing		5 years	70% ⁽⁶⁾	

Notes:

- (1) Refers to working capital expenses in relation to fulfillment of overseas project/sales orders
- (2) Refers to the Singapore-based company, its subsidiaries & associated companies.
- (3) Maximum quantum of financing shall be up to the percentage of borrower's shareholdings in the overseas operation or the maximum quantum for the different type of facilities, whichever is lower.
- (4) Based on valuation or purchase price whichever is lower.
- (5) Based on the project value.
- (6) Based on acquisition price.

Examples

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Case studies as Examples

Leads Generation

Who:

A Singapore urban solution company

What project:

It had clear plans to grow in the China through M&A but had no access to immediate targets.

How does IE support:

Through China offices, several leads were identified for and introduced to company. Eventually, company was able to complete a few China acquisitions.

GCP Grant

Who:

A Singapore lifestyle company

What project:

It was making an acquisition in the US. As part of M&A progress, it needed to conduct due diligence work on the US target.

How does IE support:

Through IE's GCP Grant, 70% of its due diligence expenses was defrayed.

IFS

Who:

A Singapore industrial manufacturer

What project:

It was buying a distributor in the US. It had completed all valuation and due diligence work. It wanted to finance a portion of the transaction value.

How does IE support:

Through IE's IFS, X% of this deal was financed through loan.

Source for Financing

Who:

A Singapore engineering firm

What project:

It had plans to buy over its suppliers and distributors in SEA, but it lacked the financial position to do so.

How does IE support:

IE introduced PE firms as financing partner to the company.



Thank You

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