

UBS New Zealand Investment Banking Competition



UNIVERSITY OF AUCKLAND
**INVESTMENT
CLUB**



UBS



UBS

UBS overview

UBS is one of the world's leading wealth managers and the premier universal bank in Switzerland, enhanced by world-class asset management and investment banking businesses

Globally...

Wealth Management

Provides comprehensive financial services to wealthy private clients around the world

Investment Bank

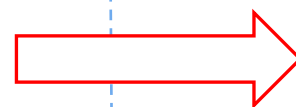
Provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and precious metals. Also provides advisory services as well as access to the world's capital markets for corporate, institutional, intermediary and alternative asset management clients.

Asset Management

A large scale asset manager with well diversified businesses across regions, capabilities and distribution channels. We offer investment capabilities and investment styles across all major traditional and alternative asset classes.

Corporate Centre

Focus on efficiency and effectiveness and is responsible for the management of our risks, capital and employee resources.



...and in New Zealand

- ✓ In New Zealand, UBS offers investment banking services across Global Banking, Equities Research and Equities Sales
- ✓ UBS is **New Zealand's only global, full-service investment bank**
 - full-suite of investment banking services and **seamlessly integrated with our global network**
 - the strength of UBS' global reach and expertise, combined with our local insight and credentials, create a powerful partnership
- ✓ UBS has operated in New Zealand for **more than 60 years**
- ✓ More than 30 professional staff providing financial services to corporate, institutional and government clients
- ✓ UBS is **consistently one of the leading investment banking institutions** in New Zealand

Overview



Investment bankers play a pivotal role in the corporate world. They create value for clients by offering several services: advising companies on corporate strategy, raising capital on the debt and equity markets and advising clients on mergers, acquisitions, or divestments.

Businesses make acquisitions for several reasons. Many look to diversify their portfolio or leverage an incumbent to pivot into new ventures. A merger between companies can be equally exciting as the merged business may create synergies and enable new opportunities.

As an Investment Banker, it is crucial to create value for clients through the origination and execution of well-structured transactions. You are a new analyst expected to bring fresh ideas to the UBS New Zealand IBD team. Your Managing Director has instructed you to review some of the largest and most influential transactions in the Australia and New Zealand market to understand the deal process and inform the origination of new deals for the coming decade.

You will:

- Select two transactions from the set provided
- Evaluate the selected transactions and prepare analysis on both
- Present your analysis to a panel of judges
- Answer a subset of finance-related questions asked by the judges

Analysis



Your analysis should cover the following for each transaction:

- Introduction
- Company Context
- Strategic Rationale
- Offer Context
- Synergies
- Performance

You will also be expected to answer a subset of questions related to Investment Banking activities. Study the questions in this competition document to prepare for the Campus Heats or Campus Finals.

It is important to tell a story. You are trying to form a narrative, informing the audience why they should trust your judgement.

Your analysis should support this story.

Analysis: Introduction

An introduction to both selected transactions. Please provide an overview of the following:

- The names of the companies making the acquisition (if applicable) for each transaction
- The names of the companies being acquired (if applicable) for each transaction
- The names of the companies merging (if applicable) for each transaction
- The names of the industries transaction-related parties operate in
- A clear and concise description of both transactions
- A clear and concise justification why you selected these two transactions over the remaining eight

Analysis: Company Context

Provide a concise explanation of the background for all companies in the transactions. Please provide high-level descriptions of the following:

- Business overviews of each company involved in the transaction
- The industry each company operates in
- The products and services the companies produce
- The strategy and competitive advantages for each company

Each point should be discussed in no more than one or two sentences.

Analysis: Strategic Rationale

Provide an explanation behind the strategy of both transactions. The reasons for executing transactions, in order to add value for related parties, could include the following:

- Expand to offshore markets and increase global competitiveness
- Acquire a distressed asset in a stable industry, make operational changes and sell later to generate returns
- Acquire new technologies to improve your existing product
- Diversify risk by acquiring properties in domestic or international markets
- Acquire a related service and client base to upsell services
- Increase reliability by acquiring a target that produces the inputs used in the production of acquirer's product

Analysis: Offer Context

Provide an overview of the offer process including bids made, deal progression, competitor responses, offer composition, financial metrics and transaction outcomes. Your analysis may include the following:

- The initial price per share bid and any following bids
- The takeover type, timeline and process e.g. Friendly, Hostile, Reverse, Backflip, Tender Offers, Proxy Fights
- Proposal context (Binding, Non-binding, Indicative, Non-indicative)
- Due diligence details and conditions
- Offer composition e.g. Cash Offer, Use of Debt (LBO), Scrip Bids
- An evaluation of pre-bid stakes e.g. shareholder interest, defensive position against competitive proposals
- Valuations supporting the offer e.g. Discount Cash Flows, Transaction Multiples, Precedent Transactions

Analysis: Synergies

Provide an explanation of the synergies both transactions would create for the company acquiring the target or for the two companies merging. Synergies may include the following:

- Cost savings achieved through sharing resources or the cutting of non-essential services
- New revenue streams from new products
- Adoption of new technologies creating competitive advantages
- Acquisition of new talent, leadership or management
- Increased efficiencies by focussing on core services

Analysis: Performance

Evaluate how the transaction performed and whether the proposed synergies were realised.

- Analyse of how (if) the company grew post transaction
- Quantify the proposed synergies using financial metrics
- Briefly evaluate whether another target or merger partner would have been a better choice
- Compare and contrast the outcome of the transaction with organic growth or other measures
- Evaluate if subsequent transactions took place after the initial transaction

Questions

Investment Bankers play an important role in creating value for the world's largest and most influential companies. It is important to have a comprehensive understanding of finance fundamentals to both evaluate opportunities and sell services to clients. Many concepts, principles and methodologies support your proposals and help convey the value you create with conviction. You may be in a boardroom convincing the CEO of a Fortune 500 company why they should acquire a particular business, divest a core asset or IPO.

The following slides include a series of Investment Banking related questions you may be asked during recruiting processes.

Your team will be asked five variations of the following questions during your presentation to test your resolve and confirm why your team are best choice in creating value for the client's company.

Questions

- What are three ways to value a company?
- What is one example when you couldn't use a DCF to value a company?
- What is one way to calculate the Free Cash Flows to Firm and what does it represent?
- What are two ways to determine Terminal Value?
- How do you calculate the Weighted Average Cost of Capital (WACC) and what does it represent?
- How do you calculate the Cost of Equity and what does it represent?
- How do you calculate the Cost of Debt and what does it represent?
- What are three factors that make a company a great acquisition target?
- How do you calculate the Net Present Value of Free Cash Flows to Firm in a forecast period?
- How do you calculate the Enterprise Value of a company?

Questions

- What does Net Debt represent?
- How do you calculate the Implied Equity Value of a company using the Enterprise Value?
- How does an increase in operating expenses paid using credit affect each financial statement?
- What is the difference between Equity and Transaction Multiples, which is higher and why?
- What are three entry assumptions of a Leveraged Buyout (LBO)?
- What are four sources of debt financing possibly used in an LBO?
- What is the difference between a Leveraged and Unleveraged Free Cash Flow?
- Explain the structure of an LBO?
- How do you calculate the Multiple of Money?
- What are two ways to calculate the P/E Ratio?

Questions

- What is the difference between a Forward and Trailing P/E ratio?
- Which industry has a higher average P/E ratio between industry X and industry Y? Why?
- What is the difference between Equity and Enterprise Valuation Multiples?
- Why can't you use EV/NOPAT as a valuation multiple?
- What are two advantages to debt financing over equity financing?
- What are four services Investment Banks provide to clients?
- Explain the difference between Buy-Side and Sell-Side clients?
- Net Debt is \$40m in 2020, the P/E ratio will increase 50% in 2021, NOPAT is \$50m in 2020 and will increase 20% in 2021. What is the Enterprise Value of the company in 2021?
- Market Capitalisation is \$60m, Debt is \$40m, Cost of Equity is 10%, After Tax Cost of Debt is 5%. There are no preference shareholders. What is the Weighted Average Cost of Capital?

Transactions



The following transactions were some of the largest and most influential transactions in the Australia and New Zealand market.

Select two transactions from the ten below to prepare analysis and present to a panel of judges. The following slides describe each transaction:

- TPG and Vodafone Australia Merger
- Amcor acquires Bemis Company Inc.
- WorleyParsons acquires Jacobs ECR
- Downer acquires Spotless
- EBOS Group acquires Symbion
- Fletcher Building acquires Crane Group
- Apax Partners acquires Trade Me
- EG Group acquires Woolworths Petrol Business
- BP acquires BHP US Shale Assets
- Choose a transaction from the Australia/New Zealand Market

TPG and Vodafone



Transaction: TPG and Vodafone Australia Merger

Company 1: TPG Telecom

Company 2: Vodafone Australia

Industry: Telecommunications

Year: 2020

Website(s): [TPG Telecom](#), [Vodafone Australia](#)

Amcor and Bemis



Transaction: Amcor acquires Bemis Company Inc.

Company 1: Amcor

Company 2: Bemis Company Inc.

Industry: Packaging

Year: 2019

Website(s): [Amcor](https://www.amcor.com)

WorleyParsons and Jacob

Transaction: WorleyParsons acquires Jacob ECR

Company 1: WorleyParsons Limited

Company 2: Jacobs Energy, Chemical and Resources

Industry: Engineering Services

Year: 2019

Website(s): [Worley](#)



Downer and Spotless



Transaction: Downer Group acquires Spotless

Company 1: Downer Group

Company 2: Spotless

Industry: Engineering Services

Year: 2017

Website(s): [Downer](#)

EBOS and Symbion



Transaction: EBOS Group acquires Symbion

Company 1: EBOS Group

Company 2: Symbion

Industry: Healthcare

Year: 2013

Website(s): [EBOS Group](#)

Fletcher Building and Crane Group



Transaction: Fletcher Building acquires Crane Group

Company 1: Fletcher Building

Company 2: Crane Group

Industry: Industrials

Year: 2011

Website(s): [Fletcher Building](#)



Apax Partners and Trade Me



Transaction: Apax Partners acquires Trade Me

Company 1: Apax Partners

Company 2: Trade Me

Industry: Private Equity/Technology

Year: 2019

Website(s): [Apax Partners](#)

EG Group and Woolworths



Transaction: EG Group acquires Woolworths Petrol

Company 1: EG Group

Company 2: Woolworths Retail Petrol Business

Industry: Oil/Gas/Energy (Retail)

Year: 2019

Website(s): [EG Group](https://www.eggroup.co.uk)

BP and BHP



Transaction: BP acquires BHP US Shale Assets

Company 1: BP

Company 2: BHP

Industry: Oil/Gas/Energy

Year: 2018

Website(s): [BP](https://www.bp.com)

Choose your own



When interviewing for Investment Banking roles, it is more common than not you will be asked to discuss a M&A transaction you found interesting. There are many interesting transactions at every level of business from SMBs to Large Caps depending on the market.

It is important to be able to discuss a couple of transactions related to the market you are applying. The transaction you select may be the differentiating factor between you and the other candidates.

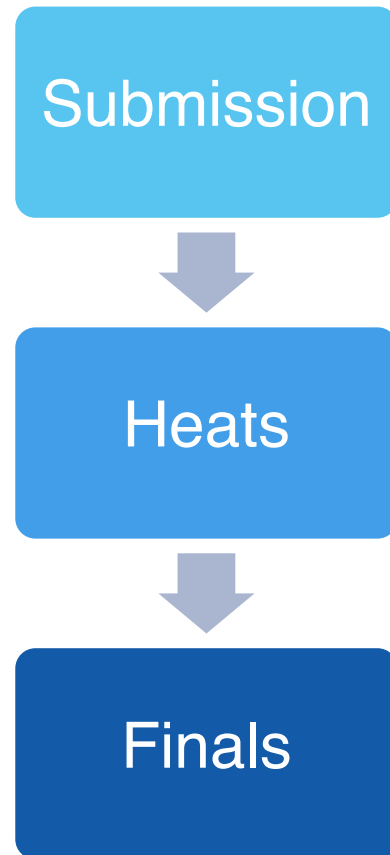
To prepare for the application process, you may analyse a Merger or Acquisition of your choosing from the Australia or New Zealand market in addition to one of the transactions provided.

Deliverables



- Investigate the transactions in the set provided
- Select two transactions to analyse
- Complete overview, company context, strategic rationale, offer context, synergies and performance analysis for each of the two transactions
- Prepare for financial questions by reviewing the question set
- Prepare and submit your analysis on both transactions using the template provided (or one with a similar structure)
- If selected to present in the heats, you will present analysis on both transactions
- If selected to present in the finals, you will present analysis on both transactions

Structure and Rules



- Teams are to consist of 2 - 4 members
- Competitors may be undergraduate or postgraduate students
- Competitors must be UAIC members or approved students by UAIC
- Each team will submit their deliverables
- If selected to compete in the heats and/or finals, presentations are 10 minutes followed by 10 minutes of Q&A
- Analysis and presentations will be presented using the provided templates or similar
- There are three stages to the competition – Submissions, Heats, and Finals

Competition Steps

Submission

- Attend Tutorial at 6pm on 28th September 2020
- Prepare your analysis as a PowerPoint Presentation
- Submit slides by 8pm on 8th October 2020 by emailing them to competitions@uaic.co.nz in **PDF** format with the subject line: Team [X] – UBS New Zealand Investment Banking Competition

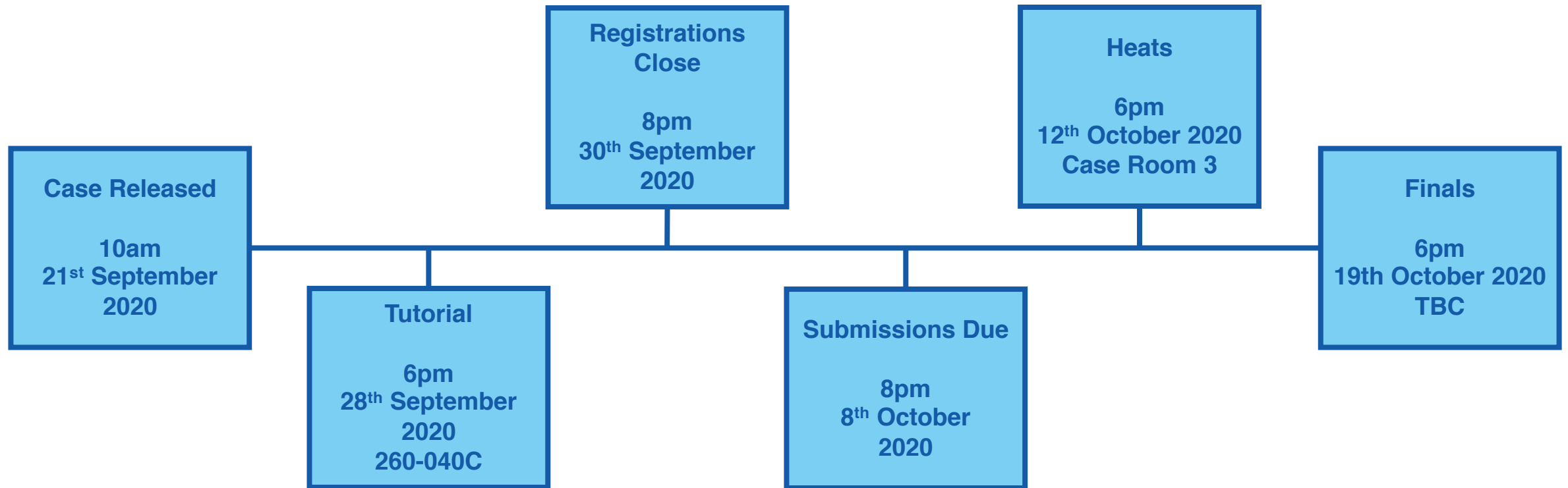
Heats

- Five teams in total will be selected to present in the heats
- Judges will be a combination of, UAIC Executive Officers, Investment Committee Analysts, Bulletin Writers and Industry Professionals
- Presentations are to take place at 6pm on 12th October 2020
- Presentations are 10 minutes followed by 10 minutes of Q&A

Finals

- Three teams will be selected to present in the finals
- Judges will be a combination of UAIC Alumni and Industry Professionals
- Presentations are to take place at 6pm on 19th October 2020
- Presentations are 10 minutes followed by 10 minutes of Q&A

Timeline



Prizes



The following prizes will be awarded:

Team Awards

UBS New Zealand Investment Banking Competition
Winner - \$1200

Individuals Awards

Best Speaker - \$150

Best Q&A - \$150

Assessment

Qualitative	Description	Score
Introduction	<ul style="list-style-type: none"> Demonstrates a clear understanding of both transactions and a clear justification on why these transactions were selected 	/5
Company Context	<ul style="list-style-type: none"> Demonstrates a clear understanding of all parties involved in both transactions 	/10
Strategic Rationale	<ul style="list-style-type: none"> Comprehensively outlines the strategic rationale of each transaction and how they add value to stakeholders 	/15
Offer Context	<ul style="list-style-type: none"> Demonstrates a clear understanding of the complete offer process quantified with valuation metrics 	/20
Synergies	<ul style="list-style-type: none"> Outlines the potential synergies created from both transactions 	/10
Performance	<ul style="list-style-type: none"> Comprehensively evaluates the performance of the transactions 	/10
Finance Questions	<ul style="list-style-type: none"> Confidently answers each finance-related question with five points awarded each question correctly answered 	/25

Assessment

Quantitative	Description	Score
Written Presentation	<ul style="list-style-type: none">• Clear and concise language, well formatted, and excellent use of charts, figures and tables	/10
Q&A	<ul style="list-style-type: none">• Depth and breadth of knowledge tested. Questions are answered completely, and all answers are consistent with the recommendation	/15
Oral Presentation	<ul style="list-style-type: none">• Competitors are confident, speak with clarity, and are persuasive	/10

PowerPoint Presentation Structure



The following slides outline the form your submission should take. You will be required to present both transactions in both the Campus Heats and Campus Finals.

Note: You may use custom formats if they follow a similar structure

Template

Team Title Slide – Team [X]

Transaction 1: Overview

Transaction 1: Company Context

Transaction 1: Strategic Rationale



Transaction 1: Offer Context

Transaction 1: Synergies

Transaction 1: Performance

Transaction 2: Overview

Transaction 2: Company Context

Transaction 2: Strategic Rationale

Transaction 2: Offer Context

Transaction 2: Synergies

Transaction 2: Performance

Summary

Resources

The following resources may be useful:

- [Types of Takeover](#)
- [Valuation Multiples](#)
- [Leveraged Buyout](#)
- [Transaction Multiples](#)
- [Australian Financial Review](#)
- [National Business Review](#)
- [Reuters](#)
- [Bloomberg](#)

Note: Some resources require paid subscriptions e.g. AFR, NBR