

BENEFITS ADVISORY SERVICES

GLOBAL BENEFITS:

**AN INTRODUCTION TO MERGERS &
ACQUISITIONS**

Benefit Advisors
NETWORK





WELCOME: AN INTRODUCTION TO MERGERS & ACQUISITIONS

LEWIS MOSLEY - DIRECTOR

Lewis is the lead Global Consultant at Benefits Advisory Services Ltd. He has over 10 years' experience working within the global employee benefits space, most of which have been spent advising US multinationals on all aspects of their global benefits, from their first foreign hire's benefit program in a new country to managing 30+ countries with merger & acquisition heritage.



CONTENTS

- Who Are BAS?
- General Outlook & Objectives Of 'Deals' (From A Benefits Perspective)
- Advice / Support
- Structure Of A Deal
- Required Infrastructure
- Analysis:
 - The Benefits
 - The Contracts And Conditions
 - The People
- Red Flag Moments: Raising The Alarm
- Post Acquisition
- Final Thoughts

WHO ARE WE?

BAS are a UK based consultancy who specialize in providing global employee benefits advice to North American based multinationals with operations overseas.

- **BAN & Alera International Resource**
- **True Global Consultants – A Resource For You**
- **Agnostic / Independent**
- **Fee Based**
- **UK based US specialists**

BAS is owner-managed, and we pride ourselves on the truly independent nature of our consulting. Our team has extensive experience in dealing with North American based parent companies and assisting in not only solving their issues, but also delivering the information in terminology familiar to the benefits professionals. Our consulting services cover both retirement and health and welfare.



GENERAL THEMES

Focus Areas:

Compliance:

- Mandatory benefits
- Supplemental benefits

Opportunities/ Hurdles:

- Savings
- Amalgamation Challenges

Benchmark

- Understanding where the target fits & local standards
- Carrier/ Provider Status
- Administration Fees (if applicable) – BAS will vet and approve any fees for administration on a local level prior to to ensure that the fees charged are fair and reflect good value for the activities taking place.



**“ DUE
DILIGENCE IS
THE BEST
INSURANCE
POLICY ”**

**AN OPPORTUNITY TO
UNDERSTAND WHAT YOU'RE
BUYING**



ADVICE / SUPPORT PROCESS

- Lawyers
- Incumbent Adviser
 - Incumbent teams usually have a good relationship
 - Seek Impartial Advice
- Creation of Infrastructure
- Engagement internally (Finance and HR)

STRUCTURE OF THE DEAL: DEFINITIONS

Stock Purchase

- A stock purchase is simpler in concept than an asset purchase. Therefore, in most instances, it's just basically an easier, less complex transaction
- The Acquirer buys the stock of the target and takes the target as it finds it, in regard to both assets and liabilities. Most contracts the target has – such as leases and permits – transfer automatically to the new owner

Asset Purchase:

- In doing an asset sale, the seller remains as the legal owner of the entity, while the buyer purchases individual assets of the company, such as equipment, licenses, goodwill, customer lists, and inventory

Merger:

- The combination of one or more corporations, LLCs, or other business entities into a single business entity; the joining of two or more companies to achieve greater efficiencies of scale and productivity

Spin Off:

- A spinoff is the creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company. The spun-off companies are expected to be worth more as independent entities than as parts of a larger business

STRUCTURE OF THE DEAL: PRACTICAL THINKING

Stock Purchase

- Ownership of Entities
- Ownership of Liabilities

Asset Purchase

- No Entity
- No People

Merger

- Entities
- People
- Focus On Benefits Harmonization

Spin-out/ Spin-Off

- New Entity & Infrastructure
- New Benefits

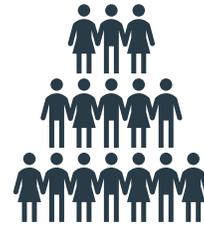
INFRASTRUCTURE



Entity



Bank Account / Payroll



Advice / Support





ANALYSIS: THE BENEFITS

- Benefits In Place
 - Mandated Benefits
 - Plan documents
 - Employee Handouts/ Benefit Summaries
- Can they be replicated (if not taking ownership of the benefits)
- Does any of the above create an ongoing liability to the business?
- Cost of Benefits
 - Technology administration?

THINK
ABOUT
THINGS
DIFFERENTLY

ANALYSIS: EMPLOYMENT CONDITIONS / CONTRACTS

- Contractual Benefits (Focusing on the promise versus the benefit in place)
 - Benefits listed in employment contracts
- Local Employment law
 - Labor conditions - Collective Bargaining Agreements
- Overarching transaction legislation – E.g. TUPE (Transfer of Undertakings for Protection of Employment)



ANALYSIS: THE PEOPLE

- **Has the Company identified its Key Persons**
 - Is cover in place/ required
 - Levels and cost of cover
 - Review of existing arrangements
 - Review any governing documentation
 - Succession planning
 - Exit strategy
- **Expatriates / Travelling Community**
 - Is cover in place/ required
 - Levels and cost of cover
 - Forma/ informal promises of benefits?
 - Expectations of those employees
- **Your 'Equivalent'**
 - Team pyramid going forward

French workers at Goodyear tyre plant take bosses captive

Workers in Amiens take two managers hostage at plant billed for closure in bid to keep factory open or win 'enormous' pay-offs



▲ Goodyear workers at the northern French plant in Amiens pictured during an industrial dispute in 2009.
Photograph: Philippe Huguén/AFP/Getty Images

SOURCE:

<https://www.theguardian.com/world/2014/jan/06/french-workers-bosses-hostage-goodyear-amiens>

RED FLAG MOMENTS

'Target Co' People Dictating Terms

Data Collection

- Data rooms – Access to Information
 - Language
- Staff
 - Limited understanding
 - Protectionist mentality
 - Deceitful

Retirement Benefits

- Defined Benefit / Final Salary Pension Arrangements – **ENHANCED DUE DILIGENCE REQUIRED**

Off Balance Sheet Liabilities

- Gratuity Funds
- Post Retirement Life Cover
- Unfunded/ unfulfilled benefits promises

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POST ACQUISITION / COMPLETION

- Sale & Purchase Agreement – Provision For Short Term Continuation Of Benefits.
 - Culture - Think Global But Act Local
 - Harmonization / Implementation & Communication
 - Managing Staff (Politics)
- 
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FINAL THOUGHTS / RECAP

Pre-Deal

- **Structure of the deal**
 - Influences the work required
 - Having a functioning entity, payroll and bank account is vital to maintain at least a status quo
- **Advice Process**
 - How are you going to be informed? Choose your own 'auditor'
 - As part of the due diligence plan for post acquisition
- **Analysis**
 - Analyse the benefits, the contracts (& conditions) and the people. The devil is always in the detail

Post Deal

- **Change 'Opportunity'**
 - If there is potential negative changes, pursuing it as soon as a deal completes can be beneficial as employees are on the defensive
- **Harmonization**

CONTACT YOUR BROKER FOR A FREE BENEFITS DUE DILIGENCE CHECKLIST



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BENEFITS ADVISORY SERVICES

Fort Dunlop | Fort Parkway | Birmingham | B24 9FE

Get In Touch On 01217529596

WWW.BENADVSERVICES.COM

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