Mergers and Acquisitions
When and Why?
(1+1=3)

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OVERVIEW

1. BACKGROUND
2. WHY
3. WHEN
4. OPPORTUNITIES
5. KEY STEPS
6. CONCLUSION
CORPORATE GROWTH

- Organic Growth
- Mergers
- Acquisitions
- Friendly / Hostile?
Back Ground

- Two better than 1?
- Size and Control determine Merger/Acquisition
- There are more failures than Successes (be warned?)
WHY MERGER

- Synergy: (2+2>4)
- (economies of scale: skills/finances/markets)
- Tax considerations
- Undervalued Assets (Mashholdings)
- Break up value (Africansun/Dawn)
## $100 Billion Opportunities

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2040 (Projected/targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP in billions</strong></td>
<td>$11</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Population (Estimate)</strong></td>
<td>12 million</td>
<td>14million</td>
</tr>
<tr>
<td><strong>Gdp per capita (est)</strong></td>
<td>$900</td>
<td>$7,000</td>
</tr>
<tr>
<td><strong>Formal employment</strong></td>
<td>1,200,000</td>
<td>3,200,000</td>
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<tr>
<td><strong>Unemployment rate (est)</strong></td>
<td>80%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Estimated Deposits</strong></td>
<td>$3 billion</td>
<td>$20 billion</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Power Generation</strong></td>
<td>1,750 MGW</td>
<td>20,000 MGW</td>
</tr>
<tr>
<td><strong>Exports in billions</strong></td>
<td>$4.4</td>
<td>$40</td>
</tr>
<tr>
<td><strong>Tarred roads</strong></td>
<td>9,000km</td>
<td>36,000km</td>
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</tbody>
</table>
Towards A $100 bn Economy

- Real GDP doubles every 7 years;
- Per Capita income rises more than tenfold from under US$500 to US$5000;
- 2 million Jobs in employment creation;
- Sustained poverty reduction
- Enhanced Youth and Gender Mainstreaming;
- New and DIFFERENT business opportunities
Towards A $100 bn Economy

Unemployment Trend: Okun@0.5
Energy
Road Transport
Air Transport
WHEN M&A?

- NOW DAMN IT!
- ECONOMY IN TRANSITION
- ZIMBABWE CATCHING UP FROM DECADE OF DECLINE
- SOME INDUSTRIES NO LONGER RELEVANT
- COUNTRY IS REDIFINING ITS DIRECTION
- AGRICULTURE/MINING ICT OFFER OPPORTUNITIES
- ITS IMPORTANT THAT YOU BE IN A GROWING SECTOR! (M&A into it!)
WHICH INDUSTRIES ARE RIPE?

- Banking capitalisation of $100 million
- Insurance Sector: 30 players/$200 million business
- Manufacturing Sector: Old-Tired Technology/brains in Good buildings?
- Airline Industry?
WHY NOT MERGE

‘...two dogs make no lion....’

- Buyer beware!
- TARGET IS OVERVALUED
- FOR CEO POWER/EGO
- Target is far from core business
- Buyer acquires out of weakness
Key STEPS

- Get transaction advisor
- Due Diligence Review a must
- Consider competition and regulations
- Post Merger Control
- Have appropriate Financing beyond the acquisition (land reform)
- Look for complimentary resources
ICONIC MERGERS/ACQUISITIONS

✓ KINGDOM/Miekles (culture on trial?)
✓ Africansun/Dawn Properties (underlying synergies)
✓ Reneissance/FML (diversity far from core?)
✓ AOL-TIME WARNER ($200 billion lost)

✓ Intermarket/ Southampton/Founders (too much too quickly/success?)
✓ MASHONALAND HOLDINGS (liquidity creation).
THANK YOU