



ZAI CORPORATE FINANCE LTD

**HOW WE HELP YOU DEVELOP THE RIGHT CORPORATE
FINANCE STRATEGY:**

THE SEVEN SOLUTIONS



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Understanding the Client's Problem: the Vast and Complex Capital Markets

- ❑ Capital markets are vast, ever changing and often confusing
- ❑ As a result, finding the right capital market or corporate finance solution can be a huge task. The following slides illustrate the various equity capital markets, their relative size and complexity
- ❑ In addition, seeking external finance is not a regular or day-to-day task. This is why many CEO's and FD's seek the assistance of a specialist advisor



Quoted Capital Markets: Alternext vs AIM (2012 year end)

	<u>Alternext</u>	<u>AIM</u>
Market Cap (€ mln)	6 184	75 332
Companies listed	180	1 096
Compaies admitted	13*	71
Total capital raised (€mln)	36,8*	862,7

* Does not include the IPO of BTG Pactual – a large Brazilian investment bank (capital raised €mln 1,480, market cap after flotation €mln 11,260)

Source: Historic Statistics, Alternext and AIM



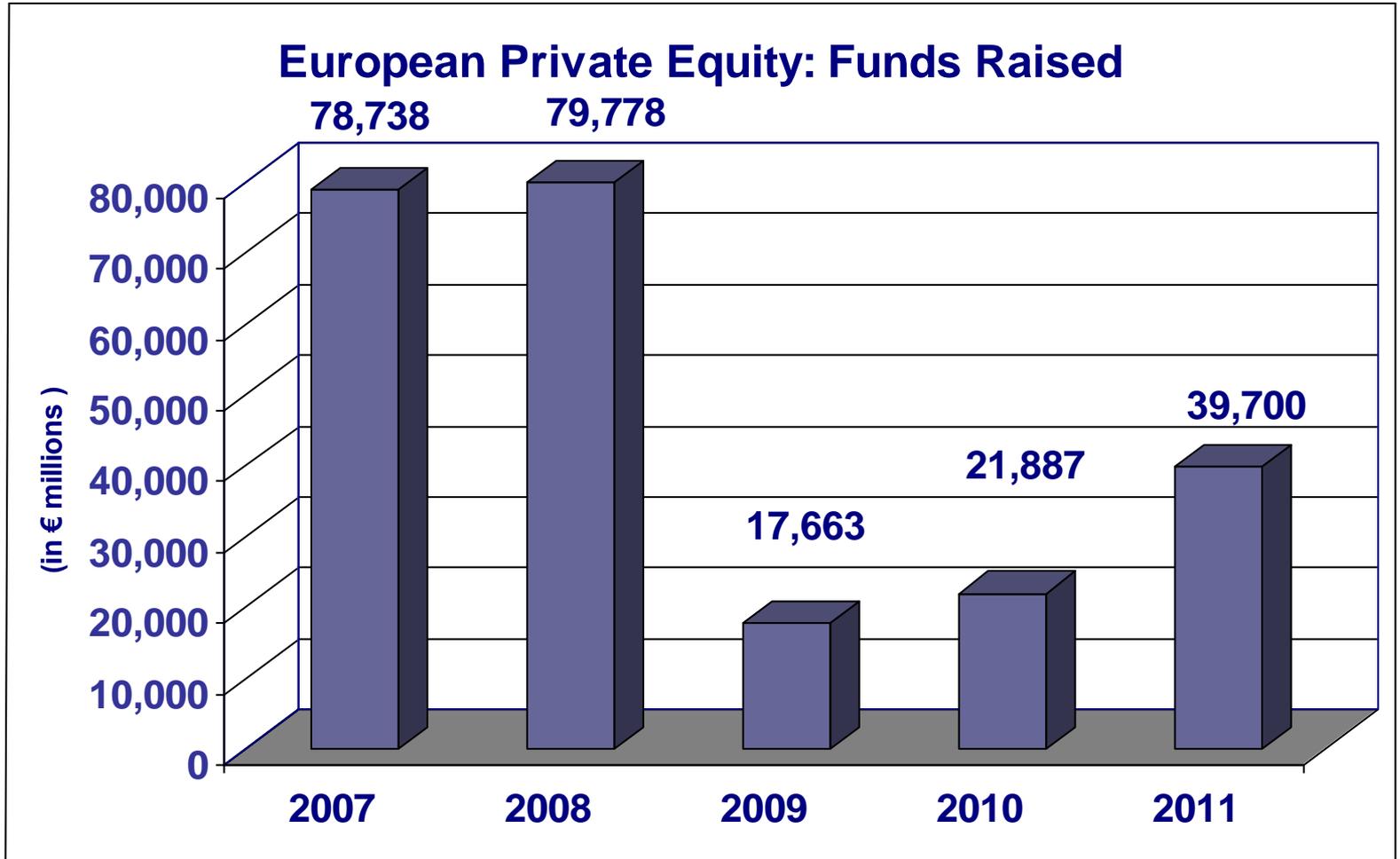
Quoted Capital Markets: London Stock Exchange (2012)

In £ Mln	Main Market		AIM	Total
<i>As of end of December 2012:</i>	Domestic	International		
Equity Market Value	1,963,269	1,805,600	61,747	3,830,616
Companies listed	1,009	318	1,096	2,486
Equity capital raised from new issues	1,878	5,436	707	8,021
Equity capital raised from further issues	3,806	329	2,437	6,572
Total Capital raised	5,685	5,765	3,144	14,594

Source: Historic Statistics, London Stock Exchange and AIM



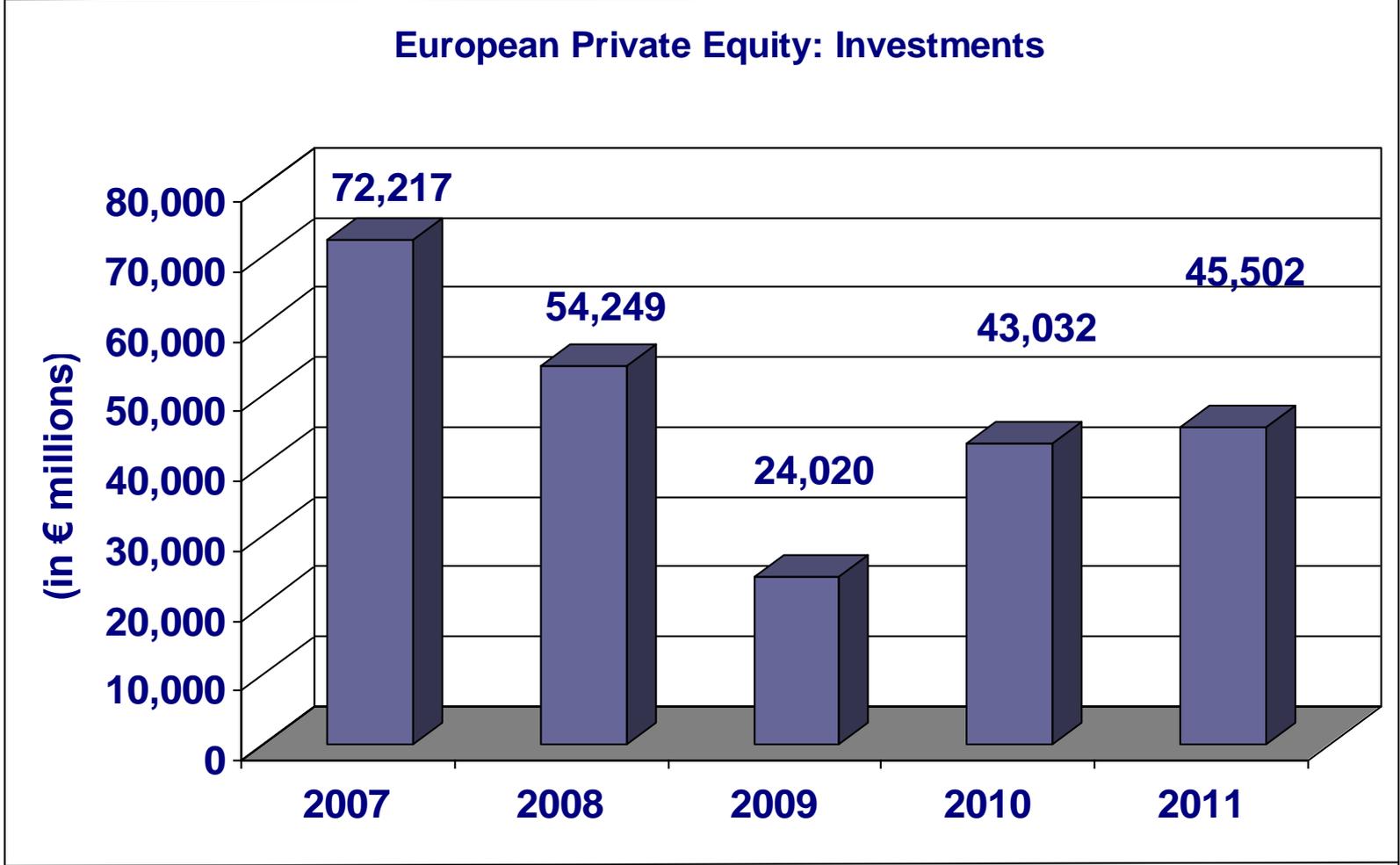
European Private Equity and Venture Capital: Funds Raised



Source: European Private Equity and Venture Capital Association



European Private Equity and Venture Capital: Investments



Source: European Private Equity and Venture Capital Association

European Private Equity and Venture Capital (2011)

Total Investments (2011), €mln	45,501.62
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Stage	Amount(€m)	%	Companies	%
Seed	168.9	0.4	428	8.4
Start-Up	1,971.9	4.3	1,740	34.1
Later Stage Venture	1,755.2	3.9	1,019	20.0
Growth	5,208.0	11.4	874	17.1
Rescue/turnaround	420.8	0.9	101	2.0
Replacement Capital	1,293.0	2.8	74	1.4
Buyout	34,683.9	76.2	870	17.0
Total (2011)	45,501.6	100	5,011	100
Initial for the company	21,251.5	46.7	2,310	44.5
Follow-on investment	23,826.6	52.4	2,786	53.7
Unknown	423.5	0.9	95	1.8
Total (2011)	45,501.6	100	5,011.0	100

Source: European Private Equity and Venture Capital Association



Global M&A

Total volume:	\$2.11 trillion
Number of (stated) deals:	24,700
Average volume of the deal:	\$ 85.4 million

NSource: Bloomberg 2012 M&A Outlook Report, scope: 11 month ending November 2011:

N.B: We estimate that "stated" deals account for less than 50% of "all" deals, however, they account for more than 70% of the total capital volume.

Source: Bloomberg 2012 M&A Outlook Report, scope: 11 month ending November 2011



European M&A

Source: Bloomberg 2012 M&A Outlook Report, scope: 11 month ending November 2011:

Total volume: **\$571.52 billion**

Number of (stated) deals: **5,486**

Average volume of the deal: **\$104.2 million**

N.B: *We estimate that "stated" deals account for less than 50% of "all" deals, however, they account for more than 70% of the total capital volume.*

Source: Bloomberg 2012 M&A Outlook Report, scope: 11 month ending November 2011



The Problem with the Traditional Approach

- ❑ In addition to the sheer size of capital markets, they are very **complex**
- ❑ To make matters worse, below the level of the major global equity issues, handled by the “bulge bracket” banks, dis-intermediation is the predominant characteristic of the marketplace. i.e. “Single service providers” dominate the market
- ❑ *The traditional approach is:* Rothschild only do M&A, Numis only do IPO’s, 3i only does private equity, etc. etc. As such, various clients often find themselves bombarded by many different solutions from various sources. However, many are poorly equipped to properly compare and interpret them
- ❑ Clients also get very little help in understanding the differences between the various solutions (which are significant and complex) from the traditional providers, *as it is only in their interest to sell their own services*



What are the Client's Options: The "Seven Solutions"

The Client is therefore bombarded from all angles with at least

7 different solutions

- ❑ The "seven solutions" describe the various sources of equity capital, from within the 3 major marketplaces (Quoted Equity, Private Equity and M&A), to which a client may turn to raise money
- ❑ We break the 3 major markets down into 7 distinct categories of Capital because of the differences in the way the sources of Capital "behave" with regards to financing opportunities



The “Seven Solutions”

A classic discussion with a client will help illustrate the dilemma:

1. “My lawyer went to school with someone from Numis (or Merrills, or Cazenove, etc.) His friend tells him the big money comes from an **IPO**”
2. “My accountant works closely with an M&A boutique (or these days, has his own M&A capacity in-house) he tells me an **M&A** solution is by far the best (**TRADE SALE**)”
3. “3i called the other day, they said “you don’t really want to sell out to one of your lifetime competitors, do you? Sell to us!” A problem arose however in that 3i only take minority stakes, and I think I may want to sell out entirely (**FINANCIAL BUYER - MINORITY**)”
4. Curiously, a week later the Client gets a call from Advent, who explain they are interested as well and would be happy to buy 100% of the business, indeed they would *insist* on a 100% sale (**FINANCIAL BUYER – MAJORITY**)



The “Seven Solutions” (cont.)

5. Then the top managers heard about the 3i visit and went to see Apax, who agreed to back them for an MBO, either on their own or along with some external professional managers (**MBI**) brought along by the investor (**MANAGEMENT-LED BID**)
6. Hearing about the MBO/MBI prospect, the representative of the employees council decided to get involved and sent in a proposal that the firm be sold to the employees retirement fund. “*It worked for Avis, so why not for us*” he said
(SALE TO EMPLOYEES)
7. The Client’s dilettante son, having heard all the above, decides to fly back from Cannes immediately and now wants a job in the business. “After all, he’s my only son, and sole inheritor”, says the Client (**FAMILY SUCCESSION, FRIENDS AND RELATIVES**)
8. N.b: when speaking of a full company disposal, i.e. the search for an Investor to buy 100% of the business, then technically, an 8th option exists: **LIQUIDATION**; but this would be an academic option only for our purposes



The Right Solution

- ❑ The traditional dilemma then is: which of these markets and the various forms of solutions they propose, is right for me?
- ❑ **The answer is:** no one market and no single solution, is either inherently good or bad for any given company
- ❑ Immediately choosing one solution and eliminating all others, is quite frankly the approach proposed and preferred, by all the “single solution” providers
- ❑ Rather, the correct approach is to investigate ***each of the 7 solutions***, on the basis of the specific facts of each client’s case and to choose the best option from the results of this analysis



How To Choose?

How to choose between the various solutions?

1. Start with clear objectives and criteria;
2. Adopt a clear methodology;
3. Take a systematic approach to analysing each option;
4. Avoid "Opportunism" at all costs;
5. Beware of "Deal fever";
6. Plan for and devote sufficient "time and effort" and "human resources" to the task

In short: ***do a professional job of it!***

One is constantly amazed at how many businesses do not take this approach, when all admit that such events are always amongst the most important in the life of a business

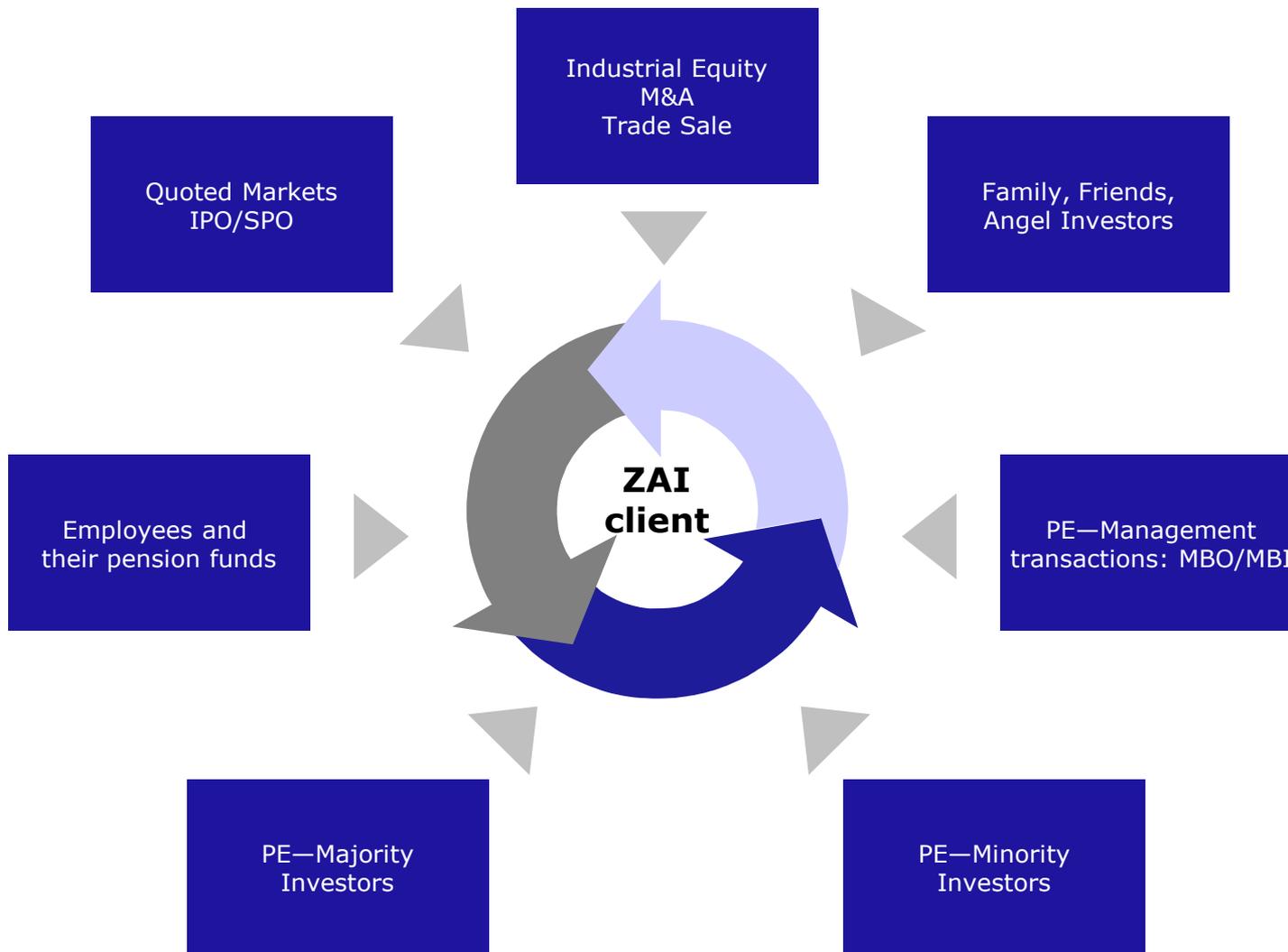


Methodology: What We Do

- ❑ Understand the client's business and the objectives of the proposed transaction
- ❑ Consider all Seven Solutions
- ❑ Conduct exhaustive research into each of the Seven Solutions
- ❑ Develop live transaction possibilities from amongst each solution category
- ❑ Apply a two-round "Dutch auction" methodology to each of the retained solutions to maximise value
- ❑ Execute the best solution



Methodology: What We Do (cont.)





Conclusion

In much the same way as our “Bulge Bracket” brethren do for the FTSE 100 clients, ZAI have created a service which allows a client:

- To thoroughly consider all of their financing and investment banking options, before deciding how to proceed
- To choose between and amongst the various options on the basis of objective criteria
- As opposed to solutions provided by Management Consultants, to work on the basis of “applied strategy”, i.e. real options with real investors
- The ability to execute each of the solutions.
- All from the same firm, at the same time, within the same service and (not coincidentally) ...
- All for the same price

This is a unique solution which delivers superior results



ZAI value added

ZAI offer client-oriented, full-service investment banking advice

- ❑ Unique client-oriented approach: we are not selling you what we have, we are finding you what you need
- ❑ We have the ability to properly advise you on each of the seven solutions
- ❑ We have the unique ability to execute each of the seven solutions
- ❑ In the execution phase, we have extensive experience in closing transactions
- ❑ We have extensive experience in negotiating with each category of potential investor



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