



Instituto Superior de Economia e Gestão
Universidade Técnica de Lisboa
Master in Finance
Mergers, Acquisitions and Corporate Restructuring 2012/2013
12 September 2013
Exam

Duration: 1:30 hours

Name: _____ N.º: _____

Class: _____

Read the following instructions before starting the exam:

- Please answer to the questions in a sequential manner. If you do not know the answer to a question, leave enough blank space so as to readdress the questions later on.
- Read the problem and the questions. Before starting to solve a question, reflect on the necessary iteration sequence to solve it and on the presentation of the results on each step of your answer, so that your logic can be considered. While rushing you may commit a calculation error, but if you present the calculation sequence and the results throughout each step, the professor may still assess your knowledge and you may still obtain a good mark on that particular question. If only the final results are presented and you do a mistake on a calculation, the entire exercise will be considered wrong and you will not have a score.
- Do not forget to write all of the assumptions that you feel the need to use. If you do not do so, in some situations it may not be understood if you really know the answer or if you have randomly got the answer correctly, hence a discount will be applied.
- Do not stop on a problem if you do not know how to solve it immediately or if you experience some difficulties. Leave enough space in blank and return to the question at the end of the exam if you still have enough time.
- The total value of each question provides you an idea of the relative time that you should deploy onto each question (no more than 40 minutes per each exercise).
- The exam does not have consultation. It is not allowed any conversation between colleagues or calculator exchanges.

Part I.

1. Assume that an international group with head office in Brazil wants to acquire PORTUCEL-SOPORCEL, the leading paper and pulp producer in Portugal.

Detail and justify what are the steps that should be followed by the acquirer towards the acquisition of the company. *(3,5 points)*

2. Characterize what is a due Diligence process, its objectives and scope.
If the process of the acquisition intended by the international group towards PORTUCEL-SOPORCEL advances what aspects need to be fully analyzed in the Due Diligence process?
Prepare a check list for the areas of analysis to be comprehended in the due diligence assignment. *(3,5 points)*

3. Briefly describe IFRS 3 and its applicability to business combinations. *(3,0 points)*

Part II.

VectorEnergy Inc is a new constituted company that operates in the area of renewable energies. Its activity comprehends the production and sale of mini wind turbines and also the maintenance of renewable energies equipment.

The management of the company prepared some forecasted accounts as expressed in the income statement below. The accounts are management accounts (not audited).

Income Statement (by nature) - forecast			
In thousands of Euros			
Income Statement (by nature)	2013	2014	2015
Sales	190 157	248 110	366 176
Services rendered	352 755	368 750	408 831
Cost of inventory sold and consumed	-166 723	-222 508	-230 720
Payroll costs	-75 936	-101 210	-125 607
External supplies and services	-52 228	-51 720	-50 378
Restructuring costs	0	-6 496	0
Other gains/(losses) - net	-725	-543	1 947
Profit before taxes, depreciation and financing expenses	247 300	234 384	370 249
(Expenses) / reversals of depreciation and amortization	-6 757	-7 125	-6 478
Impairment of depreciable / amortizable investments (Expenses / reversals)	0	0	0
Operational results (before tax and financing expenses)	240 543	227 259	363 771
Interest and similar income	9 731	3 770	5 256
Interest and similar expenses	-4 721	-4 626	-5 371
Share of loss of associates	-676	-645	-255
Profit before tax	244 877	225 758	363 401
Income tax	60 136	56 815	90 943
Profit from discontinued operations	0	703	0
Net profit for the year	184 742	168 943	272 459

Some more additional information is available for the company:

Total assets (at 31 December 2013 – estimate): 1.200.000 euros

Equity (at 31 December 2013 – estimate): 450.000 euros

Loans (at 31 December 2013 – estimate): 350.000 euros

Loans (at 31 December 2015 – forecast): 250.000 euros

Other responsibilities (at 31 December 2013 – estimate): 400.000 euros

Investments in fixed assets in 2013 (estimate): 175.000 euros

Investments in fixed assets in 2014 (forecast): 185.000 euros

Investments in fixed assets in 2015 (forecast): 190.000 euros

Working capital needs represent approximately 15% of sales and services rendered.

The last loan obtained by the company incorporated a spread of 6%. Euribor at 6 months is 0,3%.

3. What other methods you could consider for the valuation of VectorEnergy Inc. Explain the advantages and disadvantages of each of the methods. **(2.5 points)**