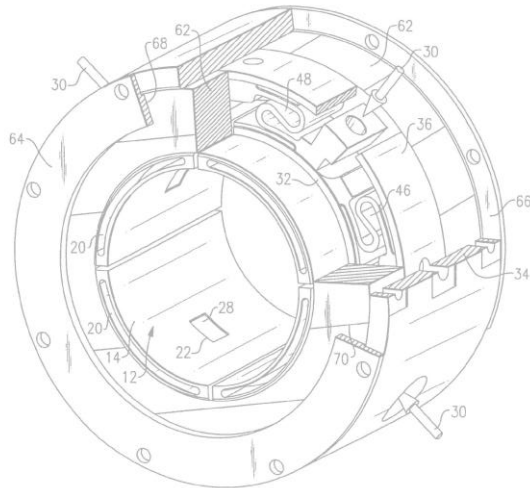
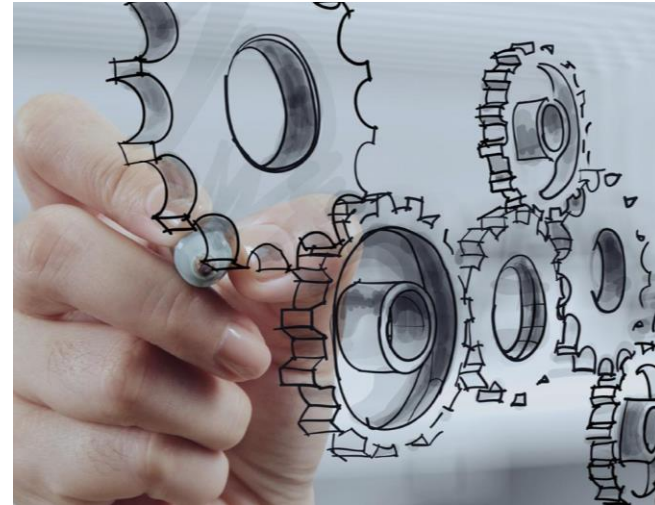


EDHEC – European Finance cup

M&A case – Edison Technologies acquisition



YOUR MISSION (should you choose to accept it)



- You are the deputy CFO of Da Vinci Group, a leading provider of engineering and research & development services in Europe
- Before joining the corporate finance team of Da Vinci Group five years ago, you worked in the M&A department of a famous Investment Bank for more than ten years and was a Managing Director in charge of the TMT sector



- The CEO of Da Vinci Group has been monitoring the evolution of Edison Technologies, a US competitor of Da Vinci Group, over the last few years and he is convinced that combining the two companies would create the undisputable leader in the industry
- Edison Inc. would ideally:
 - ▶ Complement Da Vinci Group's global footprint
 - ▶ Bring new competencies to the Group (Internet of Things, Artificial Intelligence, etc.)
 - ▶ Provide a more flexible, more price competitive and highly talented workforce (most of Edison Technologies engineers are located in Emerging countries)
- The CEO asked you to prepare a document for the board supporting this transaction. As this is very preliminary and confidential, the CEO asked you not to share this information with your team and external advisors before getting the green light from the board

Your company
Da Vinci Group



- Da Vinci Group is a leading provider of engineering and R&D services in Europe
- Your objective is to expand your client base (notably in the US), acquire competencies that you do not master yet and gain access to cheaper but qualified engineers
- The company is listed in Paris

Your target
Edison Technologies



- Edison Technologies is a rising star in the industry with an atypical business model
- By acquiring Edison, you would expand your geographic footprint, acquire new competencies in key technologies and diversify your workforce
- The company is currently owned by a Private Equity fund (Big Money Partners)

The transaction



- Your CEO has just received a Non-Disclosure Agreement from Big Money Partner's adviser inviting Da Vinci to participate in the upcoming auction
- Your CEO is firmly convinced that this is the right time to make a structuring acquisition and that Edison Technologies is a really good opportunity
- You have learned from an old friend (a banker who is looking to advise you) that Da Vinci will be the only industrial bidder in the process and that other bidders will be private equity funds⁽¹⁾

THE WALL STREET JOURNAL

CORPORATE NEWS

Is Edison Technologies up for sale?

The article discusses Edison Technologies' financial performance and market position. It mentions that the company's stock price has risen significantly since its IPO in 2012, reaching a peak of over \$100 per share in early 2014. The chart shows a steady upward trend with some volatility, ending at approximately \$80 per share by the end of the period shown. The text also notes that the company is currently owned by a private equity fund, Big Money Partners.



(1) According to him those funds could support leverage around 4.5x and current interest rates would be around 4%

- *The COO will be in charge of preparing the document presenting the key investment highlights and why the transaction would make a lot of sense on an operational standpoint.*
- *You'll be in charge of preparing a support document helping articulate a fair price for Edison Technologies. The CEO has not made his mind on what the offer price should be. He wants you to present an offer price (Enterprise Value and Equity Value) that would consider both the intrinsic value of Edison Technologies from Da Vinci's point of view as well as a tactical price in the context of the auction and the price that your competitors could offer. As you have gained the trust of the CEO over the past few years, he fully relies on your opinion to determine what offer price should be suggested to the board*
- *The CEO has made it clear that he wants to preserve the financial leeway of Da Vinci Group and that he will not accept a Net debt/EBITDA ratio above 3.5x one year after the closing of the transaction. This means that you will have to be either i) creative in terms of financing of the transaction, ii) limit yourself in terms of price you can offer, or iii) a bit of both*
- *Explaining to the CEO how your suggested offer price and your proposed financing structure work together will be key to the success of your meeting with him*

DETAILED REQUESTS FROM CHIEF EXECUTIVE OFFICER – 2/2

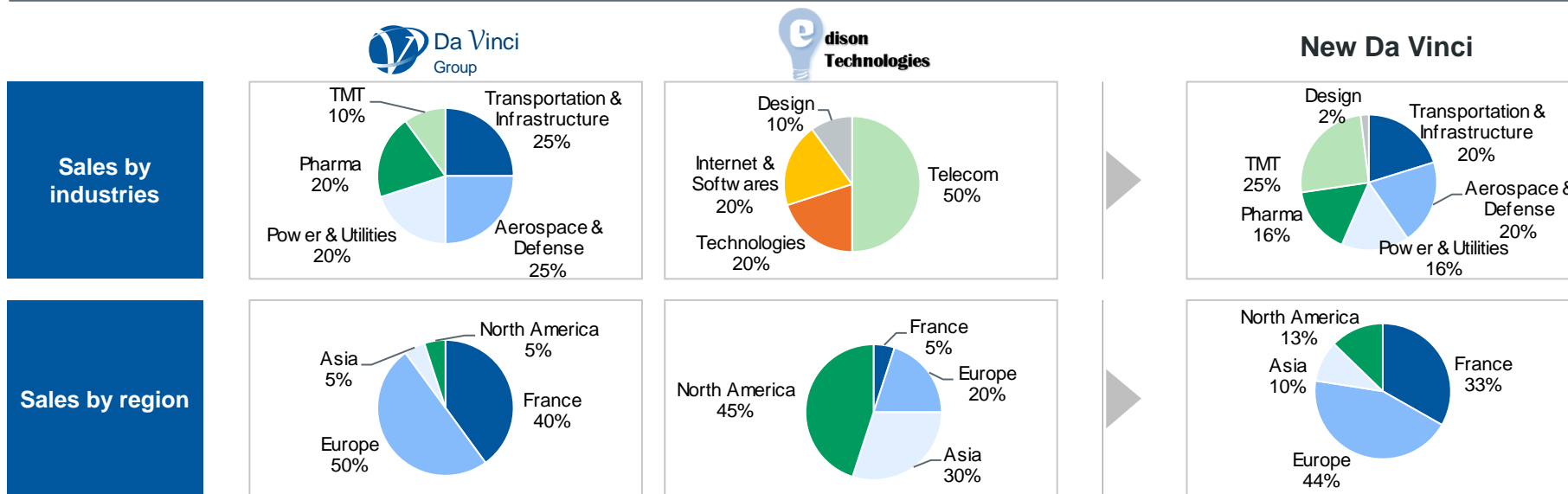
ELEMENTS TO INCLUDE IN YOUR VALUATION REPORT

MULTI CRITERIA VALUATION ANALYSIS	<i>Trading multiples of engineering and R&D services providers</i> <i>Analysis of precedent transactions in the engineering and R&D services industry</i> <i>Intrinsic valuation of the target</i> <i>An estimation of the price that other bidders could offer to the seller</i>
FINANCING OF THE TRANSACTION	<i>Quantum of each of your different financing sources</i> <i>Indicative pricing of each instrument (if applicable)</i>
VALUATION ANALYSIS CONCLUSION	<i>Offer price range (in enterprise value and equity value)</i> <i>List of potential upsides that would justify an increase in the offer price range</i> <i>Your analysis should show your estimation of the price that your competitors could offer</i>
TRANSACTION IMPACTS	<i>Analysis⁽¹⁾ of the leverage of the combined entity (will depend on the financing structure you are considering)</i> <i>Analysis⁽¹⁾ of EPS accretion / dilution (will depend on the financing structure you are considering)</i>
PROCESS	<i>Envisaged timeline of the project until transaction closing</i>

(1) For simplification, you can assume that transaction would occur on 31/12/2017 in your EPS and Leverage analysis

SIDE BY SIDE ANALYSIS: TWO HIGHLY COMPLEMENTARY BUSINESSES

GEOGRAPHICAL FOOTPRINT AND MARKET SEGMENTATION BETWEEN THE COMPANIES



2017 OPERATING PROFILE

