



M & A: A CROSS BORDER MATRIX

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In this *Briefing Note*, Nicholas Assef examines a number of the issues which the corporate should consider when making a cross border acquisition or investment.

In the rapidly globalising economy the rush to expand internationally can be a significant trap. Particularly for the first time international market entrant the decision process for investment needs to be carefully weighed up with the factors outlined in this *Briefing Note* (as examples) and other matters such as:

- ◆ What is the level of capital commitment that will be injected into the expansion programme ?
- ◆ Who within the senior management team has the experience to deliver successfully on an international expansion programme ?
- ◆ What 'gaps' exist in the current business model that will need to be plugged in order to make an expansion programme successful ?
- ◆ Is a realistic payback period in place to allow the expansion programme time to mature ?
- ◆ What are the Company's core objectives in relation to the expansion programme ?

LCC's experience is that there are 4 key areas (*amongst others*) that need to be understood upfront prior to making any strategic investment in cross border expansion. Examples of factors to be examined under each of these areas are as follows:

MACROECONOMY

- ◆ Trade Policy
- ◆ Foreign Policy
- ◆ Fiscal Policy
- ◆ Sovereign Risk
- ◆ Currency Exchange
- ◆ Sustainability of Resources / Advantage

MICROECONOMY

- ◆ Infrastructure
- ◆ Industry structure
- ◆ Consumer demand
- ◆ Wages & Conditions
- ◆ Foreign Investment
- ◆ Competition
- ◆ Growth Prospects
- ◆ Availability of Talent
- ◆ Cost of Living

INSTITUTIONS

- ◆ Legal System
- ◆ Banking
- ◆ Insurance
- ◆ Stock Markets
- ◆ Education
- ◆ Health
- ◆ Government
- ◆ Compliance

CULTURAL

- ◆ Community
- ◆ Education
- ◆ Leadership
- ◆ Work Ethic
- ◆ Demographics

Market Entry Thesis

- ◆ Is Economic Growth Sustainable ?
- ◆ What will market look like in 5 years ?
- ◆ Is it politically stable ?
- ◆ What are observations in relation to key economic trends: interest rates, currency movements & cost of living ?
- ◆ What sort of ROI should be sought on a risk adjusted basis ?



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