



Going global

As 2008 draws to a close, ACQ talks to experts from the four corners of the globe to find out how the current economic climate has affected business, and what they believe will happen as we prepare to enter 2009.

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Africa

Elias Pungong, resident in Libreville, Gabon, is Lead Partner at PricewaterhouseCoopers, specialising in Energy. He has 17 years experience working with energy companies and governments as financial advisor, regulator and within international operations in the United Kingdom, Belgium and many countries in Africa. Elias has directed many assignments for major energy companies in

strategy development, government negotiations, corporate restructuring, mergers, acquisition and disposals. He has worked extensively in the energy industry covering upstream oil and gas, downstream oil and chemicals, power, alternative fuels and climate change. He is currently Oil & Gas Leader for PwC in Africa and also runs the Assurance & Advisory Business for 19 countries in Sub-Saharan Francophone Africa. Elias is a committed African and his passion for the continent's welfare and development has been a principal source of his motivation. Since returning to Africa, following an absence of 15 years, Elias quickly came to the realization that the continent was confronted by a series of major challenges and hurdles which Africans themselves needed to take ownership of and address. He devoted a substantial amount of his time trying to understand the nature of some of these problems, and to see what contribution he could make in order to

provide leadership, make a difference and act as a catalyst for change.

Most Africans who study abroad are loath to return to the continent to drive change and move the continent towards a better future. Sometimes the uncertainty, the fear of the unknown as well as the dysfunctional image of Africa as painted by the media act as serious impediments. Nevertheless, after his years abroad - studying and working Elias decided to return, buoyed by the firm conviction that the continent would be better served if its elite sons returned to help make the continent a better place.

"Commodity prices in the Energy sector have never been better than during 2008," comments Elias. "We saw all energy sector commodity prices hype with oil reaching the record mark of over \$145 per barrel. The average price of oil stood at over \$120 per barrel from a bare \$20 per barrel some five years back.

"The effect of this has been a boom in the energy sector the world over. This has seen oil rich nations in Africa amass huge petro dollar reserves. Oil companies have made record profits with some investing hugely in exploration activities over marginal fields that have hitherto remained unattended.

"The scramble for resources in Africa has been overwhelmingly led by China. In the oil sector the China National Petroleum Company is investing in all that is available in the market and has taken over most marginal fields that hitherto have remained untouched. They are investing in deep offshore blocks in most of these countries as they attempt to secure the increasing energy needs instigated by its fast growing economy. India has also been active in this scramble. It is however important to note that despite the increased gains of the energy boom, increased production has meant that crude reserves are fast depleting and something needs to be done to enhance alternative energy development and sustainability within the continent.

"During 2008, one of my areas of focus has really been on assisting African governments develop strategies towards developing renewable energy sources to enhance and sustain energy requirements in Africa.

"Within PwC in Francophone Africa, we have unique capacity in this space, as we combine in-depth local knowledge and worldwide specialists experience to help governments and clients develop an effective and efficient strategy to maximise value and enhance efficiency from renewable energy activity. Our group provides the requisite answers and advice by:

- Assessing the significance of the potential role renewable energy has on Africa's energy challenges and policy options under which renewable energy sources can contribute to Africa's energy needs;
- Identify most promising policy and regulatory options and new policy actions required to stimulate broader and accelerated market-based dissemination of renewable energy;
- Assess renewable energy technologies related challenges and discuss how they can be addressed;
- Identify capacity needs for renewable energy markets enablers/facilitators and players; and
- Engage stakeholders in issue-oriented discussions, share experiences and develop (replace with -aimed at

developing) a common plan of action for market-based scaling up renewable energy.

"2008 has been a good year for our business despite increasing concerns over Global economy. It is expected that if the increasing concerns over global economy were brought to bear, 2009 could be a great year for energy and consequently investments in Africa. Our focus within PricewaterhouseCoopers Francophone Africa remains with improving the quality of services we deliver to our clients. Quality is our obsession as we move into 2009."

Russia

Anton Klyachin is managing partner and co-founder of Moscow-based law firm, Salomon Partners. Established in 2006 by three lawyers, Salomon Partners is a young firm with its main services being within the M&A sector, private equity, media, technology and telecoms.

"As a young firm, we have little experience to compare this year with. For us it is definitely the most successful year both in terms of workload and the quality of work we are involved in. We expect these factors to reflect on our profitability as well. Speaking of market generally, we feel strong and still growing demand for legal services from major businesses, both domestic and foreign. Many Russian companies come to an understanding of why to hire external counsel rather than to use internal specialists for all matters. This obviously extends the market. Even though business activity seems to slow a bit in the second half of the year, those lawyers involved in our areas of specialization (especially in private equity) are still pretty busy.

"Private equity firms sometimes are an alternative to bank financing, and therefore private equity lawyers are kept busy by their clients. Certain assets are now undervalued due to cash problems, which fact also pushes private investors to act rapidly. Generally, Russia has suffered from the credit crunch much less than U.S. and Europe, and business activity here has not experienced such a deep crisis.

"Our main instructions for the year 2008 are still in progress, among completed transactions we can name CapMan Russia investment into Region-Avia, Russian regional air transport company; sale of Apogey-Spetsstal, one of Russian leaders in steel trading, to AFI Group; acquisition of a forestry business by the funds managed by Wermuth Asset Management.

"For us, the main tasks for 2009 are to entrench ourselves in our main specialization areas and to attract high-level lawyers able and willing to help us to do so."

The Netherlands

Hans Nieuwenhuis is senior consultant at Tauw Group, a founding member of CAT Alliance, a worldwide alliance of environmental, safety and health consultants. The company's key process is environmental and related due diligence, but increasingly it provides compliance management during the ownership period of a company. Being

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successful not only means understanding of technical, environmental features, but also of the transaction framework. And then, it is about delivering solutions for identified issues. The alliance allows for global presence of local partners, understanding local cultural issues.

"Historically, the Netherlands have always been very active in transactions, with a flourishing private equity community. In addition to doing our work properly, we have also learnt to understand our clients and their wishes. Although our due diligence work is only a small and niche-type area in the entire due diligence process, we still notice that clients appreciate our capabilities; many clients have become recurrent clients.

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"Although the credit crunch originally primarily affected the big ticket market, it gradually also started to affect the mid-market. Due to uncertainties in the market, particularly among lenders, transactions were more complicated or postponed.

"Where the private equity market started to be a bit more complicated, with less transactions, multinational industries more or less stayed active at the usual level. Specific transactions for us included deals for Vion, Heineken and others. "Although we have no crystal ball available, unfortunately, we do hope the market will return. Private equity has become to be a major part of society, and the money is there. However, people involved need to get used to the somewhat lower returns and more complicated financing.

"For 2009 we will follow the market and closely look at developments in the markets and in society as such. Going green is one development that we see, e.g. in real estate realisation. Another development that we notice is the fact that also private equity firms are now confronted with questions around environmental, social and governance issues, based on raised awareness on these areas of consumers and stakeholders."

Phil Woodward is a founding director of Leumi ABL and is currently managing director. His primary focus is the Sales and Marketing side of the business and is actively involved in many deals, both during the deal negotiation and throughout the client relationship.

"The Turnaround market has seen many opportunities in 2008. As always, the trick is to identify and fund those turnaround scenarios which have a solid business plan, a strong management team and an excellent product or service offering. Leumi ABL has supported a number of businesses in 2008 which have been in turnaround and I am delighted to say that we have been involved in many successes.

"Firstly, the hardening of the economy, together with a lower funding availability overall, has led to many businesses suffering as a consequence. This creates situations where a turnaround strategy is appropriate.

"Secondly, there is growing awareness of the Asset Based Lending sector and a realisation by Corporate Funding and Rescue Professionals that ABL provides funding against the business' assets, i.e. receivables, stock and plant & machinery. In many cases this will result in a more appropriate funding package for a business without the need for significant personal security or a reliance on traditional property security. This presents a more flexible approach which can maximise the funding available over more traditional financing solutions.

"During 2008 Leumi ABL has been involved in an increasing number of deals which have been introduced to us by Corporate Finance professionals and also private equity houses, both of whom have grown to recognise the benefits and flexibility of our ABL offering.

"The refinancing of the premium brand Cobra Beer was a highlight for Leumi ABL. Cobra Beer is now one of the fastest growing beer brands in the UK, with numerous awards and a rigorous new product development programme. The potential for continued growth is virtually unlimited and the company was looking to finance further expansion.

"Dynshaw Italia, Finance Director and COO at Cobra Beer, brought Leumi ABL into the deal negotiation process at a relatively late stage, having already looked at two other invoice discounters to replace an existing facility. The Leumi ABL team immediately spent time working to understand the Cobra business model, their business ethos and marketing strategy – all critical to the future success of the business.

"There is a growing awareness of the hidden value in balance sheets relating to brands, and this has the potential to enhance the funding available. Bank Leumi (UK) plc was brought in to provide a working capital facility based principally on an assessment of the value of the Cobra brand.

"With the focus on a quality management team, strong brand and robust business strategy, a £15m facility was put in place, rising to £20m, with Bank Leumi UK providing a £6m additional working capital facility secured on the brand and stock. This is almost double the size of Cobra's previous finance facility, giving greater scope for business growth.

"Raising market profile through deal successes, and building solid relationships with the introducer community continue to be priorities. Above all, Leumi ABL will continue their client-focused strategy where a flexible approach and ability to structure multi-facility deals, along with Bank Leumi UK, can often result in higher levels of funding for clients.

"With a strong client service ethos, the Leumi ABL team understands the needs of growing businesses and the importance of adapting facilities to suit changing needs. Leumi ABL works with businesses which have funding requirements from £500,000 to £25 million. Services include invoice discounting to improve business cash flow, combined with stock lending, and plant & machinery finance to further enhance funding. In conjunction with Bank Leumi UK, facilities can include trade finance, property finance and commercial banking."

"Funding facilities from Leumi ABL enable businesses in a wide range of sectors to improve existing working capital, finance growth, restructure, fund an MBO/MBI or facilitate M&A plans." **ACQ**

DETAILS



Elias Pungong
PricewaterhouseCoopers
+241 772335 / 762371
elias.pungong@ga.pwc.com

Anton Klyachin
Salomon Partners
anton.klyachin@salomons.com

Hans Nieuwenhuis
Tauw Group bv/CAT Alliance Ltd
+31-570-69 98 29
hans.nieuwenhuis@tauw.com

Phil Woodward
Leumi ABL Limited
+44(0)1273 716202
pwoodward@leumiabl.co.uk

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