

MEGA PROJECTS : EXECUTION & OPPORTUNITIES

“ THE CAT IS OUT OF THE SACK ”

MERGERS & ACQUISITIONS - CASE STUDY

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PROLOGUE

- **THE SPEAKER ALWAYS BELIEVED THAT CONSOLIDATION IN ENGINEERING AND CONSTRUCTION IS STRONGLY RECOMMENDED TO STRENGTHEN LOCAL BUSINESS PRACTICES**
- **MERGERS AND ACQUISITIONS (M & A) IS AN OPTION THAT CAN BE TAKEN IN THIS REGARD**



AGENDA

I. PREVIEW

II. MERGERS & ACQUISITIONS

III. THE CASE STUDY

IV. LESSONS LEARNED

V. RECOMMENDATIONS



I. PREVIEW

I.1 BUSINESS FOUNDATION

I.2 REGIONAL MARKET STATUS
“THE CAT IS OUT OF THE SACK”

I.3 ENGINEERING & CONSTRUCTION
“THE CHALLENGES”

I.4 WHAT CAN WE DO ?
“ SOLUTIONS”



I.1 BUSINESS FOUNDATION

- MEGA PROJECTS NEED ORGANIZATIONS WITH A COMPARABLE CAPABILITY
- CLEARLY DEFINED STRATEGY
- ORGANIZATION STRUCTURE
- DETAILED OPERATIONAL SYSTEM
- VISIONARY LEADERSHIP



I.2 REGIONAL MARKET STATUS

“ THE CAT IS OUT OF THE SACK”

- REGIONAL AND MEGA PROJECTS IN ALL SECTORS FOR THE NEXT TWO DECADES
- EXAMPLE
NCB's RECENT SEMI ANNUAL REPORT STATES THAT SAGIA EXPECTS SAUDI ARABIA WILL SPEND US\$ 600 BILLION IN THE NEXT TWO DECADES TO DOUBLE THE GDP



I.3 ENGINEERING AND CONSTRUCTION CONTRACTORS “ THE CHALLENGES ”

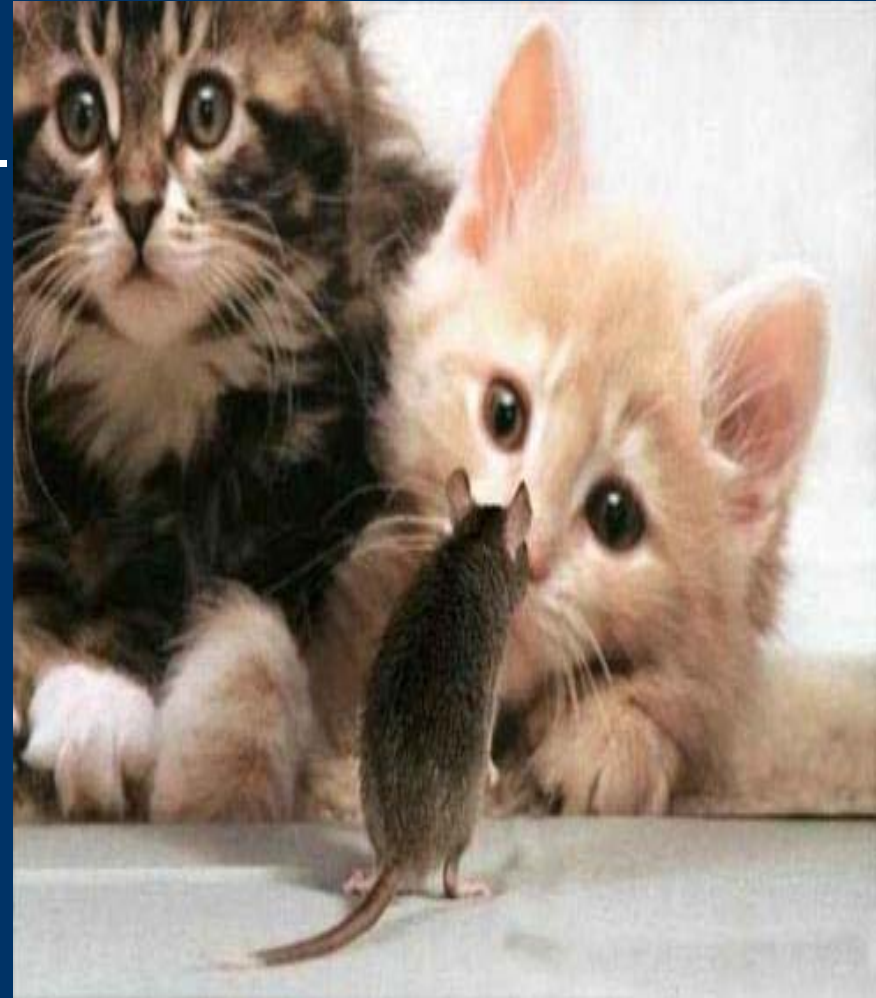
- **MEGA PROJECTS NOW AND CURRENTLY PLANNED FOR THE NEXT TWO DECADES CREATE MARVELOUS OPPORTUNITIES**
- **THE CHALLENGES ARE NUMEROUS**



I.4 WHAT CAN WE DO ?

“ SOLUTIONS ”

- **SHORT / MID TERM SOLUTIONS :-**
 - ALLIANCES
 - CONSORTIUMS
 - JOINT VENTURES
- **LONG TERM SOLUTIONS :-**
 - ORGANIC GROWTH
 - MERGERS AND ACQUISITIONS
(M & A)



II. MERGERS & ACQUISITIONS

II.1. M & A CYCLE

II.2. M & A VALUATION METHODS

II.3. M & A TYPICAL ISSUES & RISKS

II.4. M & A EXECUTIVE HIGHLIGHTS



II.1 M & A CYCLE

- **PHASE I :
BUSINESS STRATEGY /
CANDIDATE SELECTION**
- **PHASE II :
DUE DILIGENCE**
- **PHASE III :
M & A INTEGRATION**
- **PHASE IV :
POST M & A RATIONALIZATION**



II.2 M & A VALUATION METHODS

THE MOST COMMON VALUATION METHODS ARE :-

- **CAPITALIZED EARNINGS METHOD**
- **CAPITALIZED BOOK VALUE METHOD**
- **DISCOUNTED CASH FLOW (DCF)**
- **NET ASSET METHOD**



II.3 M & A TYPICAL INTEGRATION ISSUES

- MAINTAINING FOCUS UPON THE CORE BUSINESS OPERATIONS
- REALIZING SYNERGY BENEFITS
- INTEGRATING SYSTEMS
- BUILDING A STRATEGIC PLATFORM
- CUSTOMER / EMPLOYEE RETENTION
- CULTURAL ALIGNMENT
- BUSINESS CONTINUITY



• M & A FAILURES & SUCCESS

60% of all mergers fail due to errors in the approach and execution of the merger

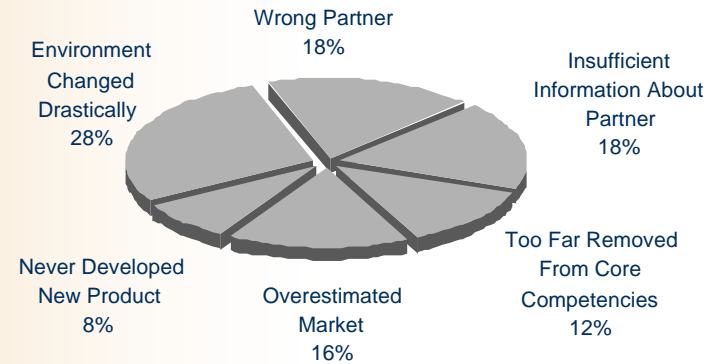


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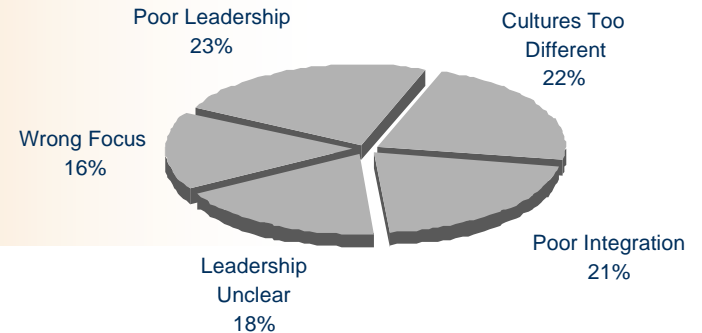
A preponderance of mergers and acquisitions fail to deliver value



Approach



Execution



II.4 M & A EXECUTIVE HIGHLIGHTS.

- M & A IS A TOOL. NOT A GROWTH STRATEGY
- INVOLVING BUSINESS UNITS
- UNDERSTANDING LIMITATIONS

“THESE OBSERVATIONS ARE NOT MEANT TO DOWNPLAY THE IMPORTANCE OF M & A IN OVERALL COMPANY STRATEGY”



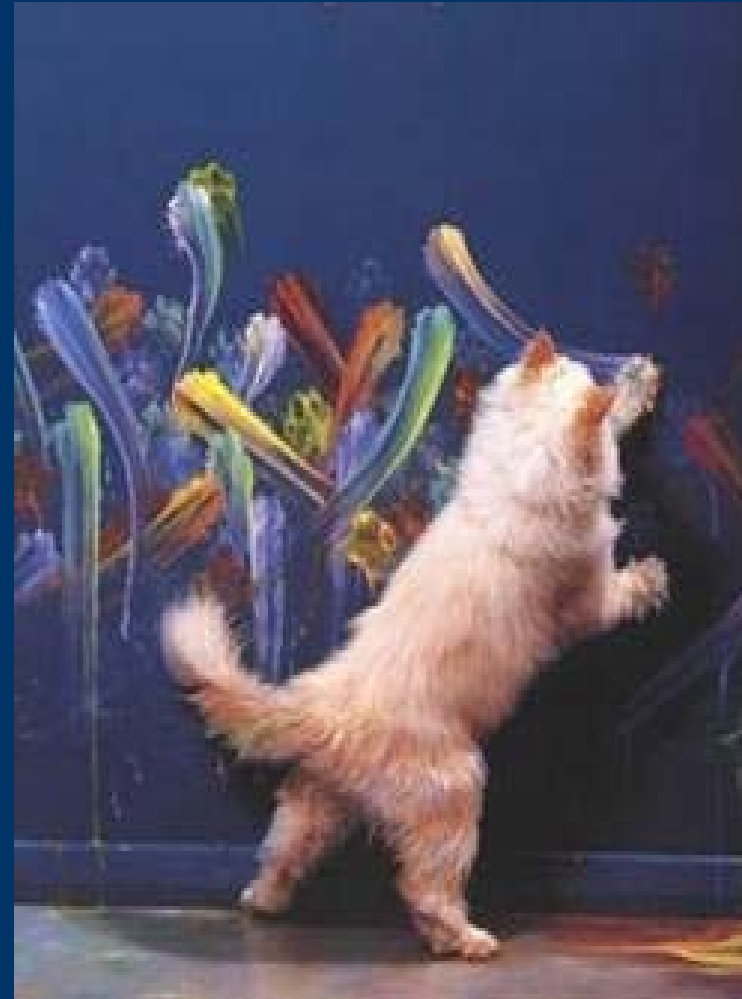
III. THE CASE STUDY – MERGING CONSTRUCTION COMPANIES

III.1 THE INCEPTION / HISTORY RECORD

III.2 THE WAY FORWARD
PRE-MERGER INTEGRATION PHASE

III.3 THE IMPLEMENTATION
MERGER INTEGRATION PHASE

III.4 MERGER STATUS
POST MERGER INTEGRATION PHASE



III.1 THE INCEPTION / HISTORY RECORD

- **PARTIES INVOLVED**
- **BASIS OF MERGER**
- **APPOINTING EXECUTIVES**
- **OBJECTIVES & STRATEGY**



III.2 THE WAY FORWARD / PRE MERGER INTEGRATION PHASE

- **ASSET VALUATION :
OBJECTIVES, KEY ACTIVITIES
& DELIVERABLES**
- **PRE MERGER
INTEGRATION PLAN :
OBJECTIVES, KEY ACTIVITIES
& DELIVERABLES**



“SIDE NOTE : AT THIS STAGE PARTY “E” WITHDREW.”

III.3 THE IMPLEMENTATION / MERGER INTEGRATION PHASE

- **MERGER INTEGRATION TEAM STRUCTURE**
- **MANAGEMENT CONSULTANTS ROLE**
- **MAJOR DECISIONS TAKEN**



III.4 MERGER STATUS / POST MERGER INTEGRATION

- **START UP INITIAL CAPITAL**
- **LEGAL DOCUMENTS**
- **OPERATIONAL DIVISIONS**



IV. LESSONS LEARNED

- **M & A IS A MAJOR TASK & MUST BE TREATED ACCORDINGLY :-**
 - **TAKES TIME & MONEY**
 - **ALL PHASES MUST BE FOLLOWED**
 - **REQUIRES DEDICATED TEAMS**
 - **IS NOT THE END BUT MERELY A BEGINNING**
 - **“FRIENDLY” MERGERS ARE NOT IDEAL**
 - **“TOP DOWN” APPROACH SHOULD BE AVOIDED**

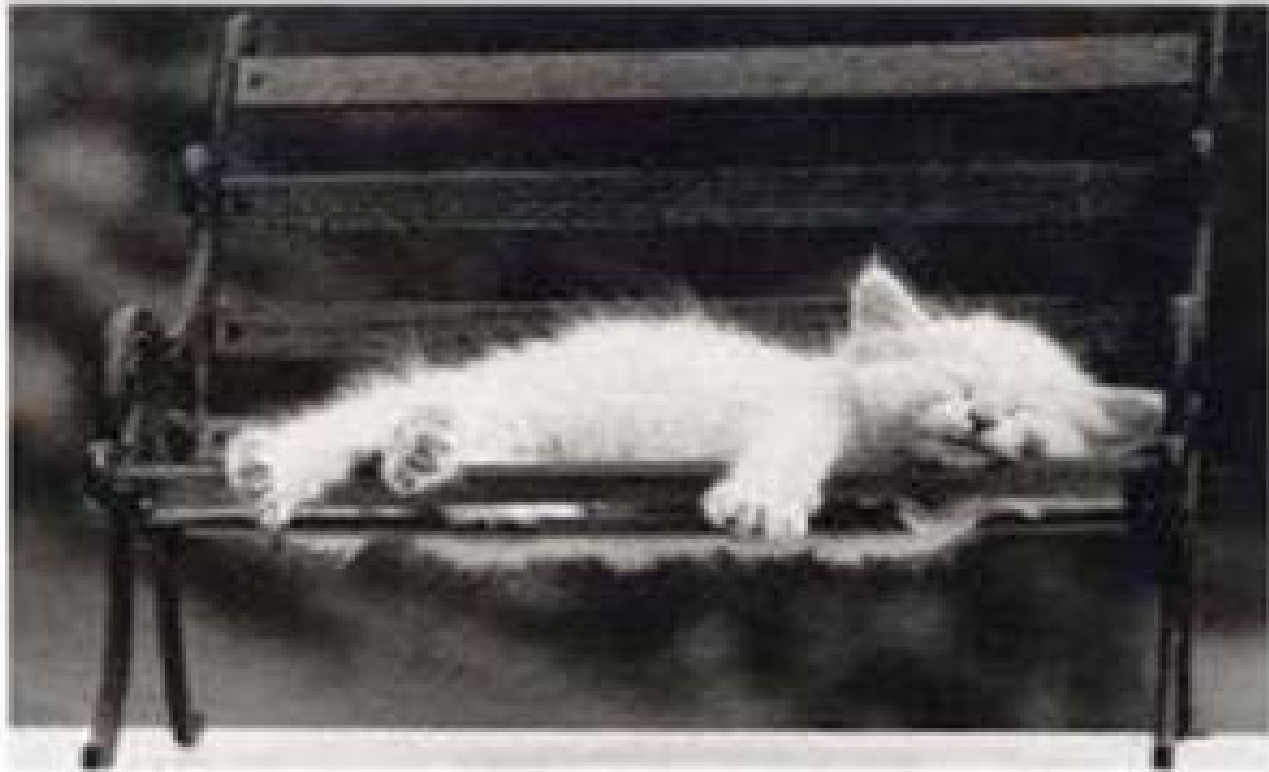


V. RECOMMENDATION

- **TO FURTHER THE CASE FOR M & A ACTIVITY IN THE REGION :-**
 - **BELIEF IN M & A**
 - **BARRIERS MUST BE BRIDGED**
 - **CONTINUOUS M & A EDUCATION**
 - **REGIONAL BUSINESS PLANS**
 - **RULES & REGULATIONS**
 - **GLOBALIZATION & WTO IMPLICATIONS**
 - **CURRENT H.R. SITUATION**



THIS IS NOT THE END MERELY A BEGINNING



What a week this has been...



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