

Accounting, Analysis and Governance in Complex Deals

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Complex Deals?

BMME303

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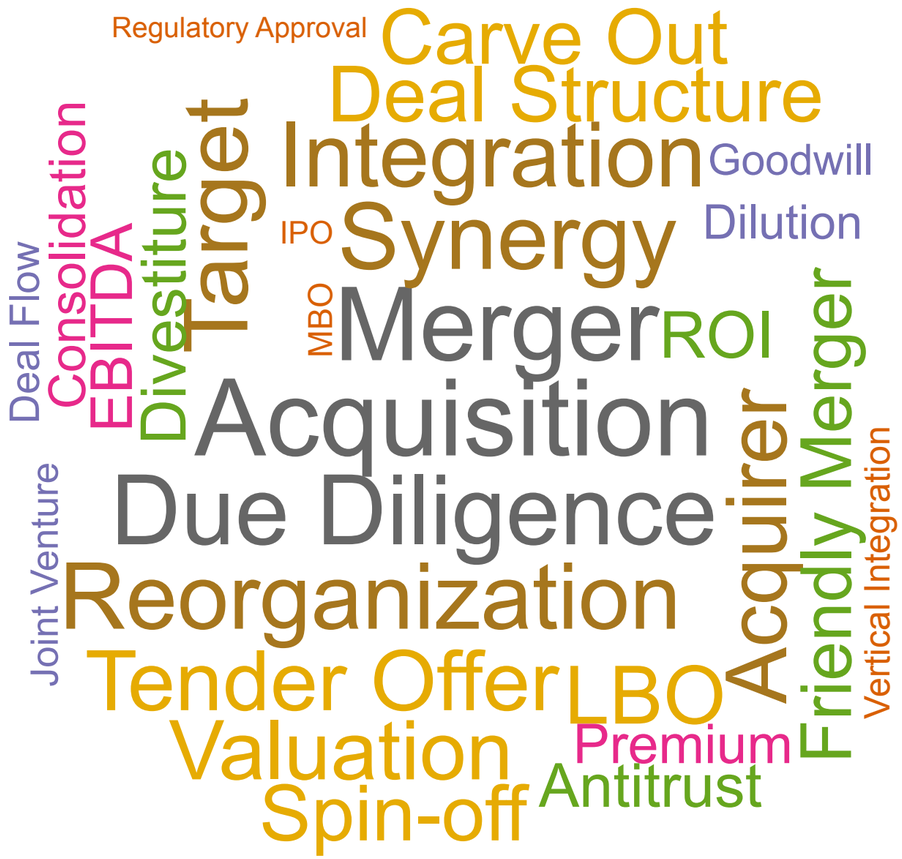
Complex Deals (?)

Introduction

What are complex deals and why are they “complex”?

Complex Deals (?)

Introduction



Complex Deals

Introduction

Structure Needed!

- Which transactions/complex deals do we observe in practice?
- Why and how do complex deals take place?

What are M&As that we typically read about in the news?

Pharma deals between late 2024 and early 2025

Pharma deals fall to lowest level in almost a decade

Experts forecast Trump administration could usher in new era of mergers and acquisitions among drugmakers

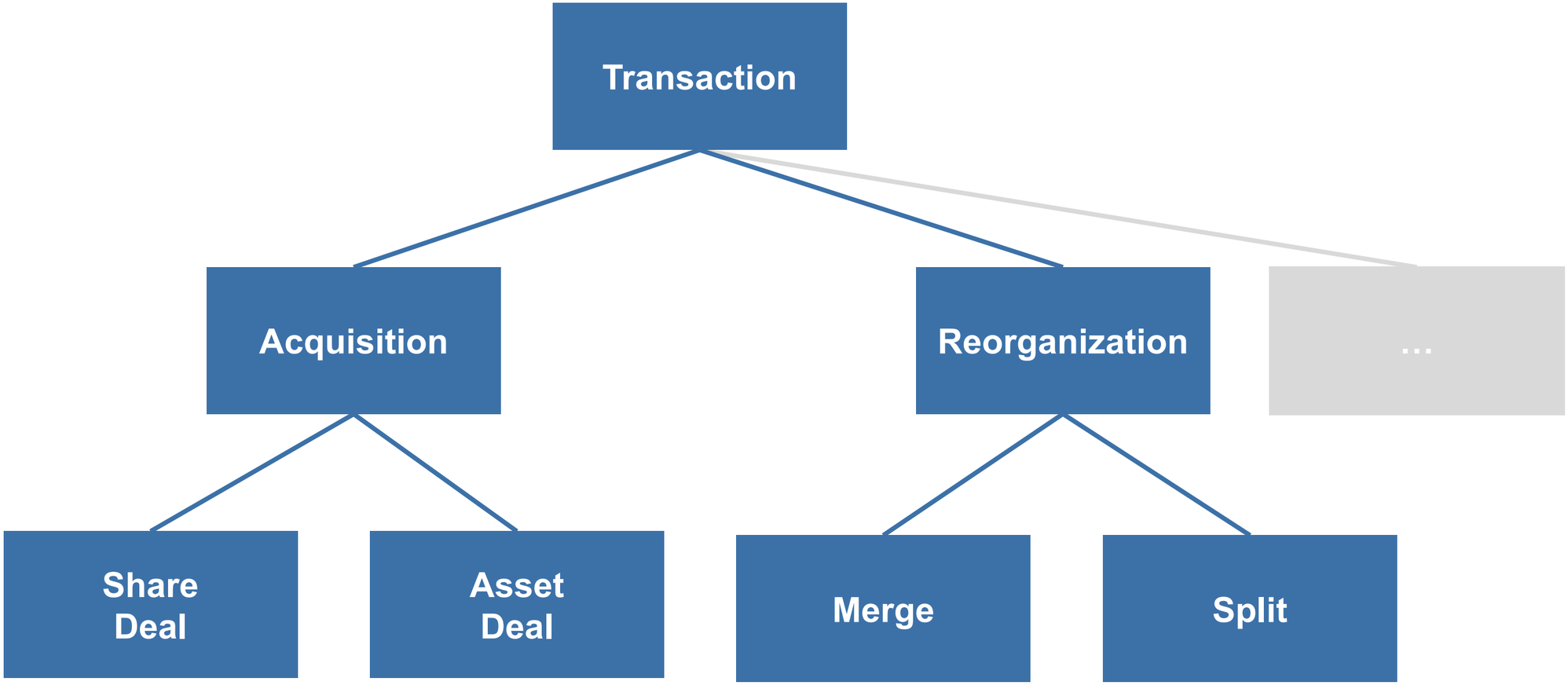
Germany's Merck to buy US biotech SpringWorks for $3.9bn

Pharmaceutical group says deal will help it establish leadership in treating rare tumours

Acquisitions → acquiring a controlling stake in a target's shares: **share deal**

Complex Deals

Overview



Asset Deal and Share Deal

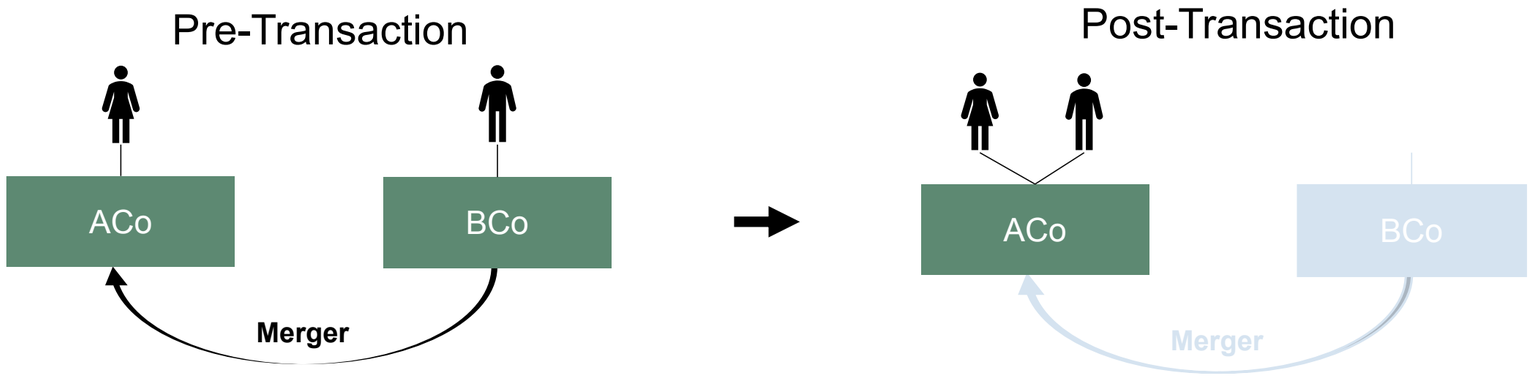
Acquisition



- **Asset deal** → acquirer acquires (substantially all the) assets and liabilities of the target without buying the corporate shell/shares (complexity is increasing with the amount of assets because assets are transferred individually)
- **Share deal** → acquirer acquires a controlling stake in the target's shares

Merger

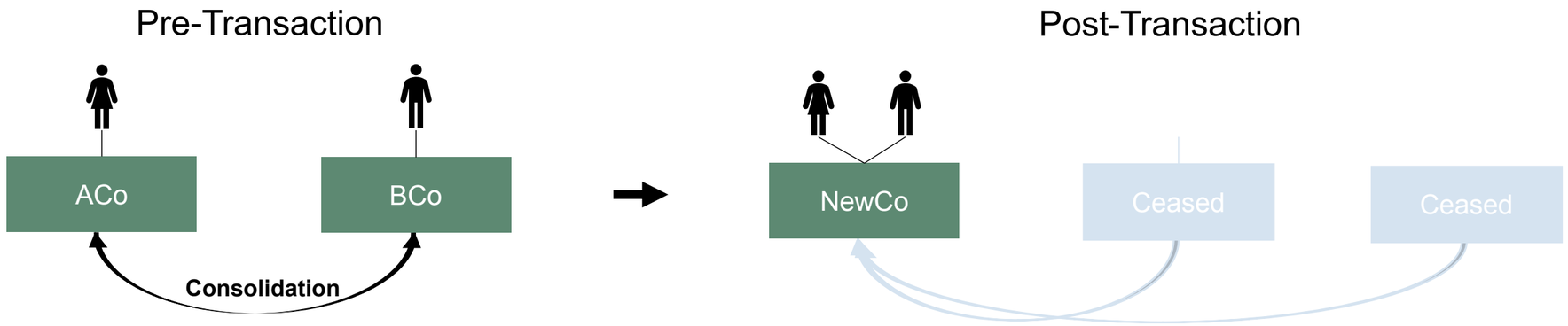
Reorganization



- **Merger** → an existing, reorganizing company (BCo) merges into another company (ACo) and BCo ceases to exist
- Where's the M in the M&A we read about in the news then?

Consolidation

Consolidation refers to a form of reorganization, not to "group-consolidation" financial accounting



- Both existing companies (ACo & BCo) merge and become part of a new legal entity (NewCo). ACo and BCo cease to exist as independent legal entities
- **What are economic (think about the involved parties' perceptions of the deal!) reasons for choosing a consolidation over a merger?**

Merger of Equals

Reorganization

> A new leader crowned: Praxair and Linde to complete $90bn merger of equals

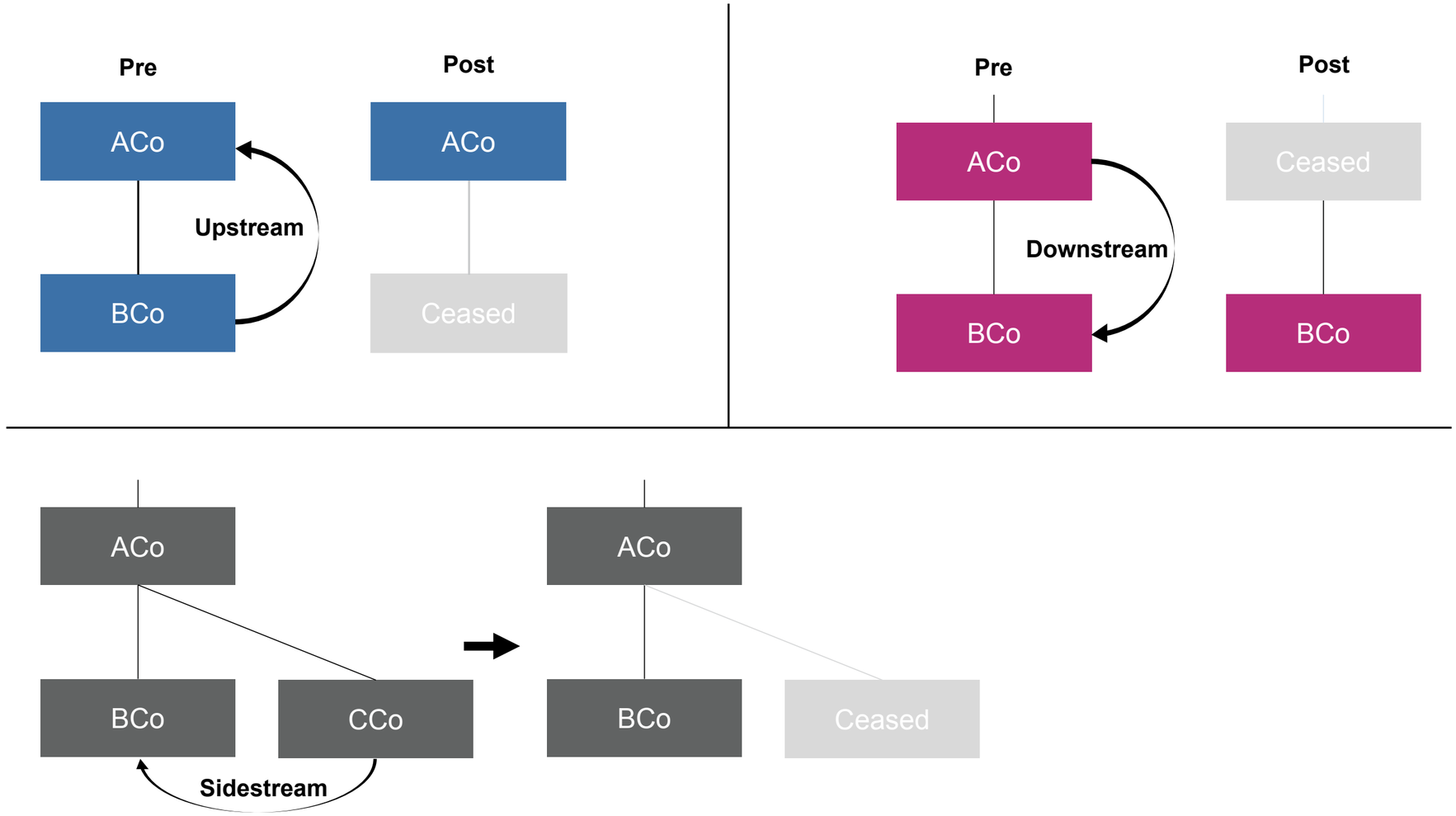
By Rob Cockerill on Oct 22, 2018 | 0 | Translate

It's official: Praxair, Inc. and The Linde Group will complete a $90bn merger of equals, creating the single biggest player in the global industrial gases business.

- Establishing a NewCo suggests that involved parties are on the same level playing field (no dominant partner, which performs a "takeover")
- *"Using the term merger of equals inevitably sets the parties up for unrealistic expectations of equality and integration."*[1]

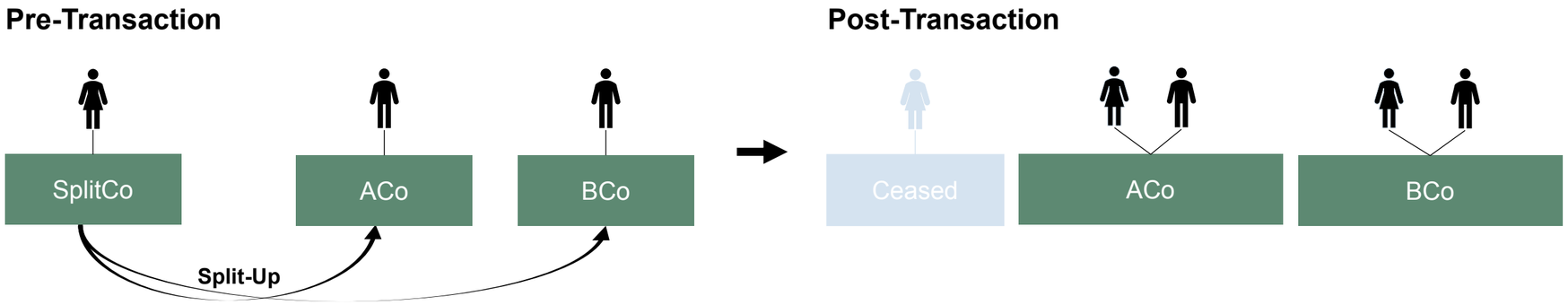
Upstream, Downstream, Sidestream

Reorganization within Group



Splitting → Split-Up

Reorganizations



- **Splitting** is a technique to separate the assets and liabilities of one entity and to allocate them to multiple entities
- A **split-up** is the exact opposite of a merger or consolidation (why?)

Splitting → Split-Up

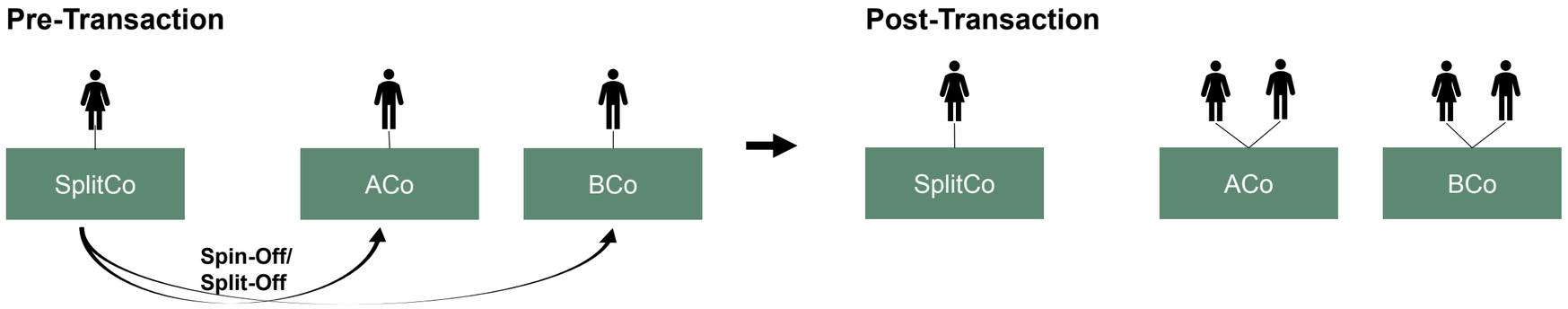
Reorganizations

Definition

- The entity splitting up transfers its assets and liabilities as a whole to two or more already existing or newly-established entities
- The splitting entity is dissolved (without formal liquidation procedure)
- The shareholder(s) of the splitting entity obtain shares in the entities acquiring the assets and liabilities
- In comparison to a merger, the direction of the asset/liability transfer is reversed: many-to-one (Merger) vs. one-to-many (Split-Up)

Splitting → Split-Off & Spin-Off

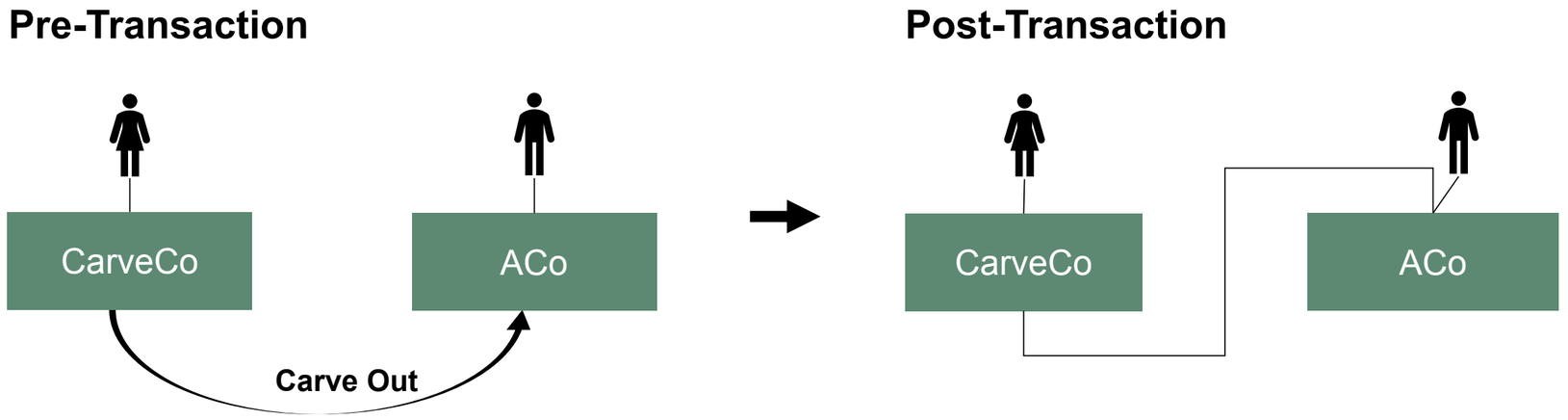
Reorganizations



- The splitting entity (SplitCo) transfers **part** of its assets and liabilities to one or more already existing or newly-established entities (ACo/BCo)
- **Spin-Off** → SplitCo's shareholders receive shares in ACo/BCo without giving up their shares in SplitCo
- **Split-Off** → SplitCo's shareholders exchange their shares in SplitCo for shares in ACo/BCo

Splitting → Carve-Out

Reorganizations



- The splitting entity (CarveCo) transfers **part** of its assets and liabilities to one or more already existing or newly-established entities (ACo)
- **Carve Out** → the transferring entity (not its shareholders) obtains shares in the entity or entities acquiring the assets and liabilities
- The entity acquiring assets and liabilities (ACo) becomes a subsidiary of CarveCo

Splitting

Overview

Reorganization	Reorganizing Company's Fate	Shareholders of Reorganizing Company
Split-Up	**Ceases to exist**	Shareholders receive shares in multiple (new) entities
Spin-Off (Split-Off)	**Continues to exist**	Shareholders receive shares in receiving entity (spilt-off: exchange shares)
Carve-Out	**Continues to exist**	No immediate shareholder impact

ⓘ Note that the organizational charts on the splittings depict cases where the receiving entities are *already existing*. In case the receiving entities are *newly-established entities* the charts would look different but the classification of the transaction would not change.

Siemens Energy

Reorganization


Siemens Energy outrallied Nvidia this year. There is more to come

The German group's comeback does not end here

- FT 2024: **Comeback** from?
- Relationship between **Siemens Energy** and German conglomerate **Siemens**?

Siemens Energy

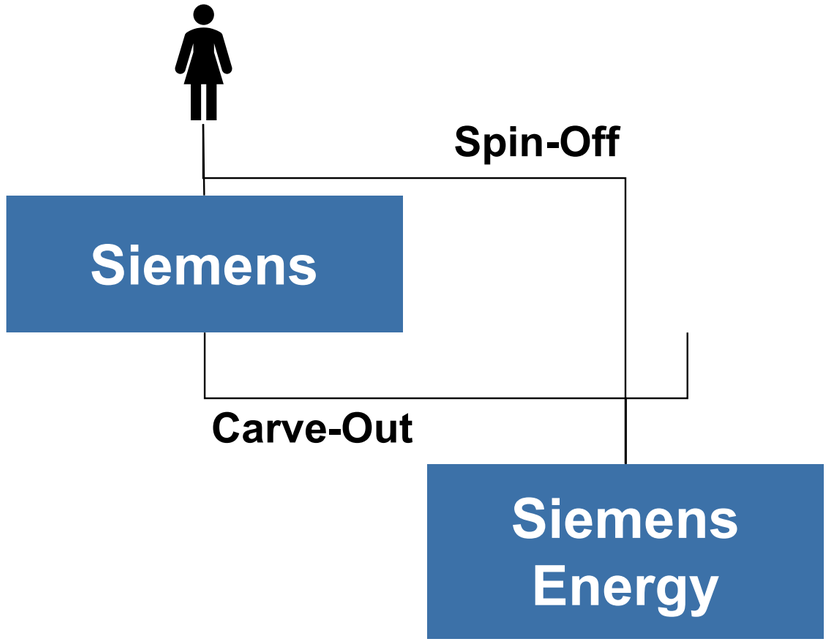
Reorganization

> Siemens Energy was spun out of its namesake, Siemens, in 2020.
>
> For the past 18 months, the company has been rocked by problems at its wind turbine division, Gamesa, after quality issues and a private financing crunch led to a €4.6bn annual loss and a government-led rescue plan.

- In 2020, the German industry giant Siemens decided to divest its Energy business
- **Siemens' shareholders and Siemens itself** became shareholders of **Siemens Energy**
- **How can the splitting be characterized?**

Siemens Energy

Reorganization

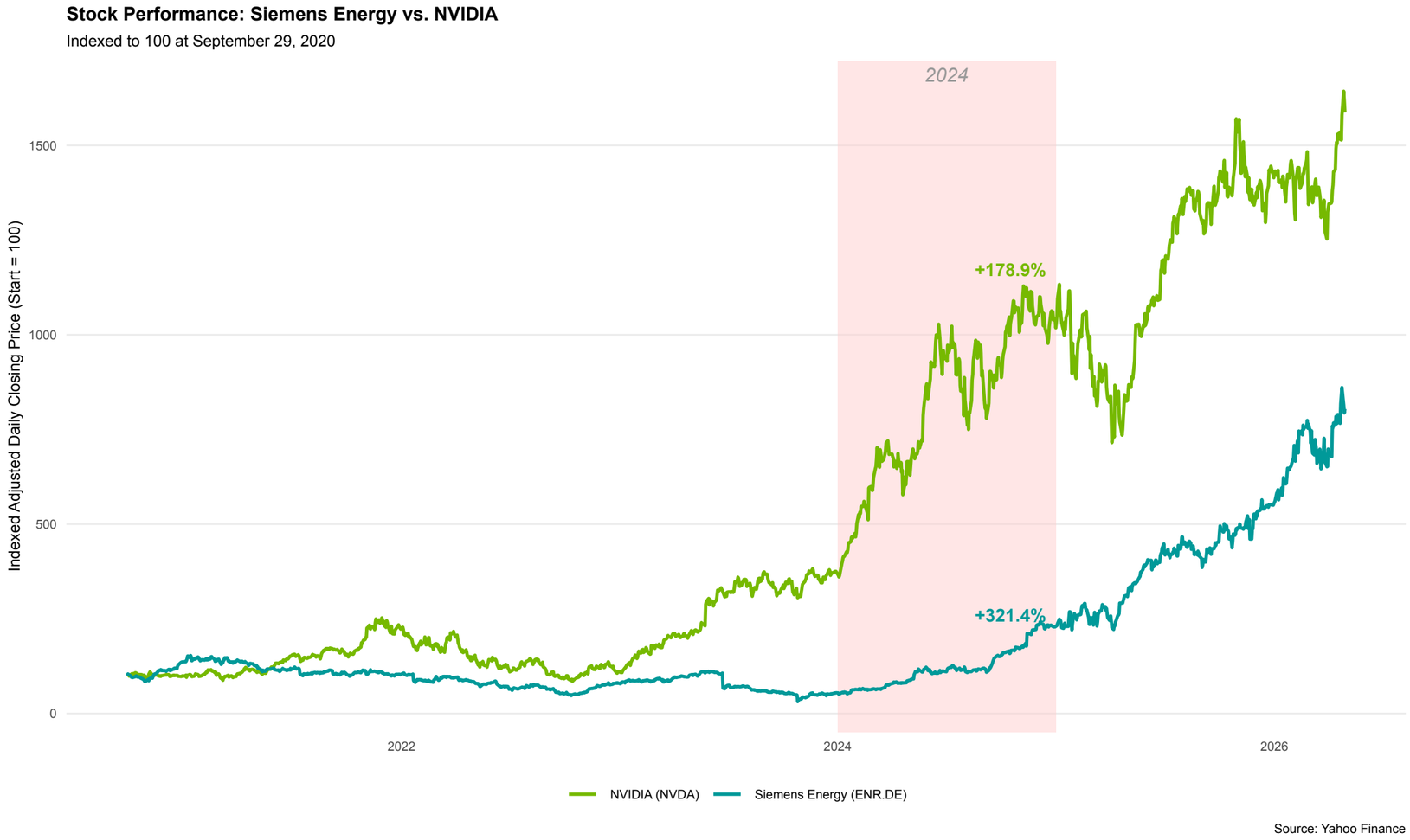


Spin-Off & Carve-Out Combined

- Siemens' shareholders receive shares in Siemens Energy
- Siemens receives shares in Siemens Energy upon the transfer of assets
- Siemens reduced its stake in Siemens Energy to 5.5% post-transaction until 2026 → **Equity carve-out**, when placing shares in carved out entity on stock market

“Siemens Energy outrallied NVIDIA this year”

2024 Stock Performance



Source: Yahoo Finance

Acquisitions & Reorganizations

Categories of Transactions

Complex Deals

- Complex deals often don’t fit neatly into a single category
- Transaction structures are designed to achieve specific strategic objectives
- Hybrid/chained approaches can satisfy multiple interests
- Our classification framework provides a vocabulary for analyzing complex/hybrid/chained transactions
- There are many more types of complex deals! Which?

Lifecycle of Complex Deals

DePamphilis (2025)

Environment

- Strategy
- Regulation
- Uncertainty
- **Governance**

Process

- Target Selection
- Cross-Border
- Post-Merger Integration

Valuation

- Accounting Information
- Pricing
- StartUps

Structure/Fin.

- Due Diligence
- Payment
- Financing Strategies

- We now know common forms of complex deals but need to understand their lifecycle along several dimensions to navigate them effectively

⇒ We'll start with the role of **Governance**

Thank You!

RSM Ezafung

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DePamphilis, Donald M. 2025. *Mergers, Acquisitions, and Other Restructuring Activities*. Academic Press.