

*Round Table*

**Treasury's Role in International  
M&A**

Mr. Martin Eng  
Chief Financial Officer  
*Western Technology Investments*

Ms. Jennifer Ceran  
Treasurer  
*eBay, Inc.*

Mr. Tom Lobene  
Treasurer – Americas  
*WPP Group*

*May 16, 2006  
10:45 – 12:00 p.m.*



## *Round Table*

### **Treasury's Role in International M&A**

The treasury department continues to become more involved in strategic organizational functions, including analytical involvement at the beginning of the M&A process as well as during the integration process. This treasury practitioner panel will share their experience getting the deal done on a global basis—from target identification through implementation, and provide a comprehensive step-by-step approach to integrating treasury functions, including cash management, capital financing, foreign exchange hedging and pensions.



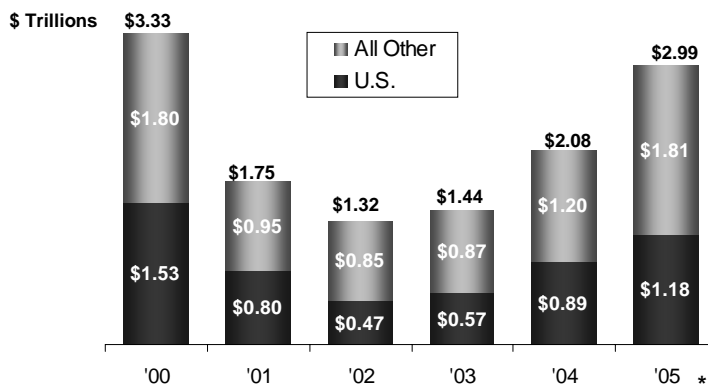
## ***The Treasurer's Role in Global Mergers and Acquisitions***

*Marty Eng* - CFO, Western Technology Investment

*Jennifer Ceran* – VP Treasurer, Ebay, Inc.

*Tom Lobene* – Treasurer North & South America, WPP

## **Global M&A Volume**



\* 2005 Announced Transactions

Source: Dealogic



Western Technology Investment  
www.westerntech.com

## 2005 Global M&A Deal Value by Range

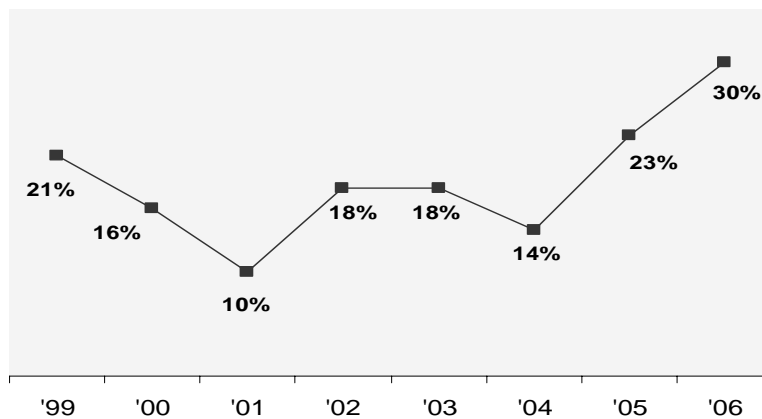
| Deal Range                     | '05 Completed Deal Value | '04 Percentage Increase |
|--------------------------------|--------------------------|-------------------------|
| \$1 billion to \$10 billion    | \$227.79 B               | 41.8%                   |
| \$100 million to \$500 million | \$260.07 B               | 14.9                    |
| \$10 billion and more          | \$471.76 B               | 18.9                    |
| \$500 million to \$1 billion   | \$478.12 B               | 11.2                    |
| \$100 million and less         | \$956.41 B               | 11.3                    |



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Source: Dealogic

## Percentage of CFOs Anticipating M&A Activity



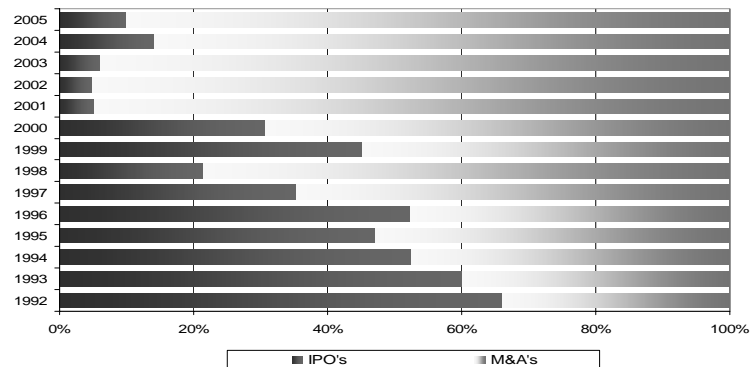
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Source: Bank of America Business Capital

## Exit For Start-ups

### M&As Remain Primary Exit Option

Percentage Breakdown of Venture Backed Liquidity Events: IPO vs. M&A



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Source: Dow Jones VentureSource

## Small Company Environment

- M&A will continue to be the primary exit vehicle for venture backed companies
  - Median exit value \$60 million for 1Q/06

Structural Issues in the US market are restricting venture based IPO

- SOX 404 requirements
- Institutional purchasers need for larger deal sizes
- Issuers need north of \$75mm in annual revenues and \$350mm market cap to IPO



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## Outlook

- M&A activity likely to continue at the same pace or accelerate
  - Large corporates and hedge funds awash in cash
  - Industry sector consolidation
  - Strong pipeline
- SOX continues to dampen IPO as exit for private companies



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May 16, 2006  
Treasury's Role in M&A

## Introduction

- eBay's growth strategy includes acquisitions to create long-term value for the enterprise
- In 2004/2005 we completed 13 acquisitions or investments
- The company has established a consistent and thorough process of review, decision, execution and integration
- Treasury plays a support/consulting role in the process and is heavily involved in financing, deal settlement and the integration process



# Recent Acquisitions

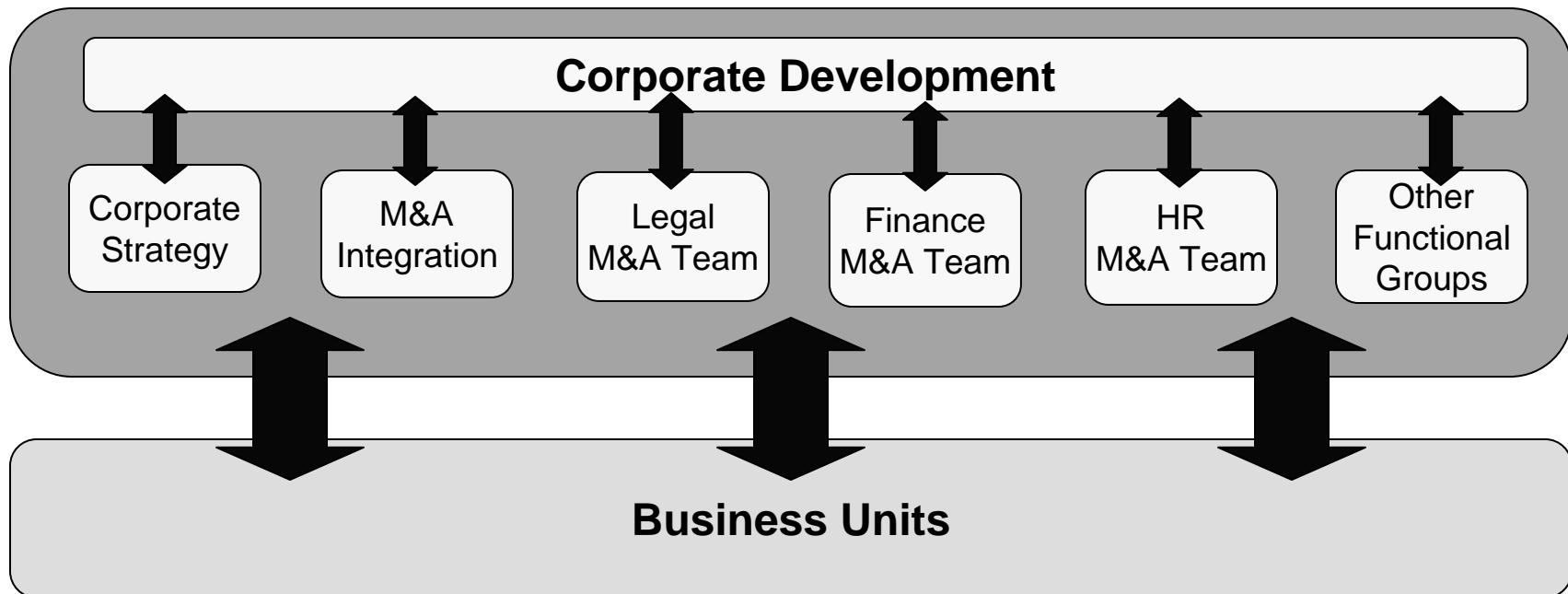
## eBay Announced Acquisitions in 2004 and 2005

| Target (headquarters)                                   | Transaction Purpose   | Purchase Price                    | Closing Date               |
|---|---|-----------------------------------|----------------------------|
| <b>Mobile.De</b> (Germany)                              | Grow our German Motors business   | Cash for Mobile.DE stock          | April 1, 2004              |
| <b>Baazee</b> (India)                                   | Enter the India market  | Cash for Baazee stock             | August 2, 2004             |
| <b>Minority Interest in Craigslist</b> (US)             | Learn more about local classifieds; facilitate potential acquisition                                  | Cash for ~25% of Craigslist stock | August 11, 2004            |
| <b>Remaining Shares in Internet Auction Co.</b> (Korea) | Gain full economic stake in our Korean business and achieve operational flexibility                   | Cash for IAC stock                | Various dates in 2003/2004 |
| <b>Marktplaats</b> (Netherlands)                        | Grow our Netherlands business; further explore classifieds  | Cash for Marktplaats stock        | November 10, 2004          |
| <b>Kurant</b> (US)                                      | Acquire storefront technology to facilitate eBay off-marketplace strategy                             | Cash for Kurant assets            | January 28, 2005           |
| <b>Rent.com</b> (US)                                    | Grow our classifieds business and expand our participation in real estate segment                     | Cash for Rent.com stock           | February 23, 2005          |
| <b>Gumtree</b> (United Kingdom)                         | Support our overall classifieds strategy and roll-out of Kijiji                                       | Cash for Gumtree stock            | May 18, 2005               |
| <b>LoQUo</b> (Spain)                                    | Support our overall classifieds strategy and roll-out of Kijiji                                       | Cash for LoQUo assets             | May 18, 2005               |
| <b>Opusforum</b> (Germany)                              | Support our overall classifieds strategy and roll-out of Kijiji                                       | Cash for Opusforum stock          | June 29, 2005              |
| <b>Shopping.com</b> (US)                                | Expand our participation in new in-season goods and facilitate development of product search offering | Cash Shopping.com stock           | August 30, 2005            |
| <b>Skype</b> (United Kingdom)                           | Use communication capability to facilitate ecommerce and pursue other opportunities                   | Cash and stock for Skype stock    | October 14, 2005           |
| <b>VeriSign Payment Gateway Business</b> (US)           | Acquire additional online merchants for PayPal Merchant Services                                      | Cash for VeriSign assets          | November 18, 2005          |



# Multi-Disciplined Team

- Currently about 18 persons work full-time and 20-30 persons work part-time on the company's M&A activities



# General Principles

|  |   |
|--|---|
| <b>Common Process</b>                  | There is a common process in the company for pursuing acquisition, investment and joint venture opportunities, to ensure consistency and rigor  |
| <b>Clear RASCI</b>                     | The process has a clear RASCI, which places on Corporate Development overall responsibility for exploring and executing on opportunities  |
| <b>Business Unit Sponsorship</b>       | The process requires that a business unit or senior executive champion an opportunity in order for it to move forward   |
| <b>Early High-Level Assessment</b>     | The process seeks early assessment of an opportunity, so resources are not wasted   |
| <b>Strategic Alignment</b>             | The process seeks to pursue opportunities that align with the company's strategic objectives, so our efforts are most impactful   |
| <b>Prioritization of Opportunities</b> | In addition to looking at the merits of individual opportunities, the process includes assessment of relative merit and priority, so we are pursuing the most important opportunities |
| <b>Thorough Investigation</b>          | The process requires that all opportunities be subject to thorough investigation and analysis, to avoid sloppiness associated with "deal fever"                                       |

## Treasury Role

- Ensure adequate funding alternatives for transaction
- Analysis and due diligence of treasury issues
- Communication of treasury-related deal concerns to M&A Team
- Preparation of integration plan
- Determine and manage FX risk of settlement
- Ensure deal is closed and financially settled on time
- Ensure immediate transfer of bank account controls
- Begin and complete integration process
- Support new entity with all treasury needs





# Acquisitions

## AFP's Global Corporate Treasurers Forum

May 2006

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### Pre-Acquisition Discussions

| <i>Large Company</i>   | <i>Small Company</i>   |
|--|--|
| Cash, Short and Long term debt instruments and uncommitted credit lines  | Understand cash and/or Credit needs  |
| Revolver: which banks and when matures   | Banking relationships – who are main bankers and services used   |
| FX/Interest rate Hedge policy (at high level), hedge accounting and FX/rate swap volume outstanding                  | Cash management – make clear in Purchase Agreement that target joins existing cash pool/sweep arrangement if one exists  |
| Global Treasury staffing/reporting lines, and if centralized/decentralized Treasury management model for US/overseas | Make clear in Purchase Agreement whether interest, bank fees, standard Insurance coverage/premium, other HQ charges are part of earnout (and bonus) calculation. |

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## Pre-Acquisition Discussions

| <i>Large Company</i>                             | <i>Small Company</i>   |
|--|--|
| SOX: Discuss status of their compliance efforts  | Let target know of monthly Financial Reporting and SOX requirements, as it may require additional headcount, which affects earnout payout. |
| Major Cross border intercompany loans (if large) | Define Legal/Tax business “partners” as associated cost is borne by target   |
| Investment and/or venture portfolio              |  |
| Determine if global DB plans are under-funded    |  |

## Post-Acquisition Discussions

| <i>Large Company</i>  | <i>Small Company</i>   |
|---|--|
| Identify global staffing needs and communicate final plans to staff.<br>- Understand cultural differences.                      | Target should visit HQ to meet people and discuss action steps   |
| Centralize cash, debt, all credit lines (revolver and uncommitted), investment portfolio<br>- Repay global debt where possible. | Get started immediately to change their banks to join cash pool. |
| Determine bank group and consolidate into one Revolver.   | Pay off external debt where possible                             |
| Meet with Rating agencies   | Review Key Performance Indicators for Treasury                   |

## Post-Acquisition Discussions

| <i>Large Company</i>  | <i>Small Company</i>  |
|---|---|
| Coordinate integration of daily cash management banks and processes globally. Work with A/R and A/P processes.<br>- Retain a single Treasury workstation<br>- Discuss cash forecasting capabilities             | Understand international operations, banking/cash needs and exposures                   |
| Review SOX documentation and audit work.  | Get Target under Corporate Insurance coverage   |
| Include target into in-house bank (initially for cash pooling/intercompany loans)   | Understand real estate needs/lease as may be able to combine with other available space |
| Agree new hedging practices (FX, interest rate, commodities) for B/S and revenue hedges.<br>- Agree which hedge gain/loss is part of BU's bonus.<br>- Coordinate Treasury consulting services to business units | Have target join existing 401k plan   |
| Pension plans: funding status of DB and opportunity to consolidate DC with one provider   |   |

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## Some Issues Encountered

- Having an organized integration plan for major areas – a SWAT team.
- How to move fast to identify best practices, when there is lack of full understanding of target's internal processes and information needs.
- Employees have “fear of the unknown” without effective communication.
- How to select the “keepers” of the target's staff and communicate plans, severance, knowledge transfer and integration timelines.
- Managing a multitude of Bank relationships, their shifting “share of business” and the bank's appetite for potentially higher credit limits. Transferring away business from target's long time bankers and related processes.
- Having BUs understand new policies where it affects their bonus line, like hedging strategies, instruments/frequency.
- Coordination with Accounting for access to required data.

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