

**Individual Assignment Guidelines****Deal Rationale****[10 marks]****Due Date: Friday, 25/09/2020, 6 PM – Submission to Turnitin via Moodle**

For this assignment, you should analyse the takeover of Fairfax Media Ltd by Nine Entertainment Co Holdings Ltd (ASX: NEC) in 2018. You should analyse the deal based on the information available at the time the deal was announced.

- The assignment write-up should be about 1000 words (up to 2 pages long).
- You can add one more page of appendix of tables and graphs.
- You should make your own graphs and tables --- do not copy graphs and tables from other sources).
- You should include a list of references --- this will not count towards the page limit.

Your write-up should address the following points:

- **Overview of acquirers' industry and its business and discussion of acquirer's business plan/strategy and its merger strategy (about one page)**
- The analysis should be based mainly on lecture 2 and include the following elements:
  - Industry analysis:
    - Focus your discuss on cyclical or structural changes that the industry might be undergoing that might be relevant for the merger
  - Company analysis:
    - Analyse recent (last five years) financial performance and trends in performance
    - Focus on financial performance and trend that might be relevant for the merger
  - Devise/analyse company strategy based on the industry and company analyses above
  - Devise/analyse company's merger strategy
    - What kind of companies should the acquirer acquire based on your analysis?
- **Deal Rationale (about one page)**
- Justify or criticise the deal concept and explain the logic (or lack thereof) of the deal.
  - Using tools and concepts from lecture 1 (and the three slides on synergy in lecture 3), describe the motivations and the rationale for the deal.
    - What are the sources of synergy? Be specific and detailed.
    - What are the other potential sources of value creation in this deal?
    - What other objectives/reasons are behind the deal?
    - Are there bad reasons for the deal?

- Was the deal reasonably priced and correctly timed?
- Try to link the deal rationale with the industry/company analyses above.
  - How does the current deal fit with your analysis (of acquirer's business/merger strategy) of the kind of targets the acquirer should pursue --- i.e., is this deal a good 'strategic fit' for the acquirer?
  - Does the deal make sense in a long-term or 'strategic' sense?
- The bullet-points above are given as a guide to organise your write-up.
  - You do not need to address all the bullet points, and you may want to use other concepts/frameworks from lectures 1 & 2, including the annex slides, in your write-up.
- Please be aware that all factors are not equally important in all deals, so you should vary the emphases on different points as appropriate.
  - Try to think what is the strategic challenge facing the industry and the firm, and what are the major reason(s) for this particular deal.
  - Then organise your write-up so the analyses support your conclusions on these issues.
- Your write-up should be based on thorough research. You should use all of the following sources to gather the necessary background information:
  - Financial ratio analyses of the bidder and target --- analyse at least last 5 years
  - Bidder and target's annual reports, bidder's statement and target's statement (or scheme booklet, for Scheme deals) --- these are available from ASX:  
<https://www.asx.com.au/asx/statistics/announcements.do>
  - You should also consult other ASX announcements of the bidder and the target around the proposal of the deal.
  - News articles about the industry and mergers in the industry and about the bidder and the target. You can use google search to find relevant articles.

**Assessment Criteria:**

- The following criteria will be used to assess the assignment:
  1. Quality of your analysis and the soundness of your arguments and logic as evidenced by your ability to analyse and discuss the factors driving the acquisition decision (the deal rationale).
  2. Ability to apply the theories and concepts introduced in the lectures to analyse the deal rationale.
  3. Clarity of writing and quality of presentation.
- Some additional guidelines:
  - You should support your arguments and claims with evidence.
  - Your analyses should build up to a conclusion, and should not be just a series of unconnected observations and statements.
  - You should not include information that is not relevant for your arguments and conclusions.
  - The language of the report should be clear, concise, coherent and grammatically correct.