

Alexander Scheffner

Value creation or destruction. Similarities and differences between the cross-border transactions of KUKA AG and Adam Opel AG

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**Master Thesis at the
International School of Management**

**Value creation or destruction – Similarities and differences between the
cross-border transactions of KUKA AG and Adam Opel AG**

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Abstract

The global Mergers & Acquisitions (M&A) market has reached new all-time highs since the meltdown of the financial crisis in 2008. In 2015, the global M&A transaction volume reached its peak amounting to USD 4.7 trillion. While this way of strategic inorganic growth is often aimed at creating value to its shareholders and stakeholders respectively, the major concern of value creation using M&A remains. Recent studies testify a negative performance from the buyers' perspective, as such as about 60% - 70% of all M&A transactions fail to generate value.

Among others, the reasons include flawed valuation and thus overestimations of synergies and to unexpected high integration costs lead to value destruction. While these reasons hold true for domestic acquisitions and developed markets, there are further reasons for cross-border transactions, particularly for China, as Chinese buyer play an increasing role in worldwide M&A activities. Value destruction in such cross-border transactions is mostly associated with cultural differences, poor communications between the involved parties, lack of experience or local market know how.

The findings suggest that the probability of value creation is higher if a buyer has broad experience in M&A activities, undertakes many small acquisitions, focus on cost reduction rather than growth motives and understands the market of the target company. The acquisitions of KUKA AG and Opel AG show many positive attributes, which lead to a higher probability of value creation. Beyond that, both companies are familiar with their targets and gained experience in acquisitions, which further reduce the factors that might lead of value destruction.

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List of Abbreviations

B2B	Business to business
bn.	Billion
C2C	Customer to customer
Cap ex	Capital Expenditures
CAPM	Capital Asset Pricing Model
CCA	Comparable Company Analysis
CNY	Chinese Yuan
CRP	Country Risk Premium
CTA	Comparable Transaction Analysis
D/E	Debt/Equity
DCF	Discounted Cash Flow
e	expected
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation & amortization
EUR	Euro
EV	Enterprise Value
FCFE	Free Cash Flow to Equity
FCFF	Free Cash Flow to Firm
FDI	Foreign Direct Investment
JV	Joint Venture
M&A	Mergers & Acquisitions
mn.	million
Non-WC	Non-Working Capital
NPV	Net Present Value
NWC	Net Working Capital

List of Abbreviations

PMI	Post-Merger Integration
PV	Present Value
R&D	Research and Development
SG&A expenses	Selling, general and administrative expenses
t	Tax rate
WACC	Weighted average cost of capital
WC	Working Capital
YE	Year end
yr.	Year