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Dissertation

Do Mergers and Acquisitions Create Sustainable Shareholder Value?

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Executive Summary

Merger and acquisitions have been a restructuring strategy incorporated by companies to drive growth, increase access to capital markets, create synergies and improve operating efficiency. However history would show us that the results of this strategy in terms of driving true shareholder value has been mixed, for both the target and acquiring firm. This thesis will critically evaluate the underlying motivations of various companies in their attempt to achieve successful returns to shareholders through this corporate restructuring activity. The researcher presents primary data in the source of three in-depth interviews with corporate management that have had various results with an M&A activity in an Irish context. This data will be blended with the secondary data presented on the subject to provide a framework for ascertaining the key driving and motivating factors for entering into an M&A and how they impact the outcome. This data will be evaluated in combination with certain environmental factors that will be brought into consideration such as merger momentum to provide conclusive evidence on how positive drivers such as the creation of true operating synergies and more intangible factors as human capital play a more salient role in the success of such M&A's. The question that will be hypothesized will be whether or not true sustainable shareholder value is invariable created through this activity or whether markets invariable overestimate the returns to shareholders particularly of the target firm in the short term creating transient that eventually disappears.

Chapter 1 - Introduction

1.1 Mergers and Acquisitions:

Historically mergers have occurred between companies that are of a similar size that have had related interests. Acquisitions gravitate towards larger organizations acquiring smaller businesses. The overarching goal behind mergers and acquisitions is to create long-term shareholder value, obtain a larger market share and achieve greater efficiency. In contrary what we often find is that many such mergers fail to create efficiency's, achieve synergistic benefits or increase long term shareholder value. Mainly in circumstances where the underlying motivations and conditions surrounding the restructuring are with the purpose of taking advantage of factors such as perceived market reaction of the M&A as a sole motivation, then usually the foundations on the acquisition or merger may not be sufficient to create true shareholder wealth.

Companies use mergers and acquisitions for a variety of reasons. This is a result of the present day dynamic environment in which companies are faced with dealing with constantly changing ongoing technological advancement, market globalization, global competition and the drive to leverage advantage. It is clear that mergers and acquisitions have become one of the most important corporate level strategies in the new millennium (Hitt, et al., 2001).

But why is this the case? Why does corporate restructuring through an M&A activity become a weapon in the arsenal of a company to use for corporate advancement and return of shareholder wealth? It is argued that they give companies quick access to growth and markets, coupled with a potential increase in revenue making mergers and acquisitions an attractive route for expansion (Cartwright & Schoenberg, 2006). Conceivably a strong route for companies to take when looking to grow but why do so many experienced managers fail with the implementation of mergers and acquisitions? Many research studies conducted over the decades show the failure rate of mergers and acquisitions is at least 50% and in studies conducted in recent years up as far as 83% failed to reach the goals of the M&A (Weber, Oberg & Tarba, 2014). These statistics would give probable cause for companies to explore other strategic mechanisms to achieve synergies and profitability goals but in today's market (and over the past two decades), companies are consistently opting for M&A's as their main growth strategy. For instance the sheer amount of mergers and acquisitions and the sums of money invested in them have demolished the all-time record every year (Weber, Oberg & Tarba, 2014).

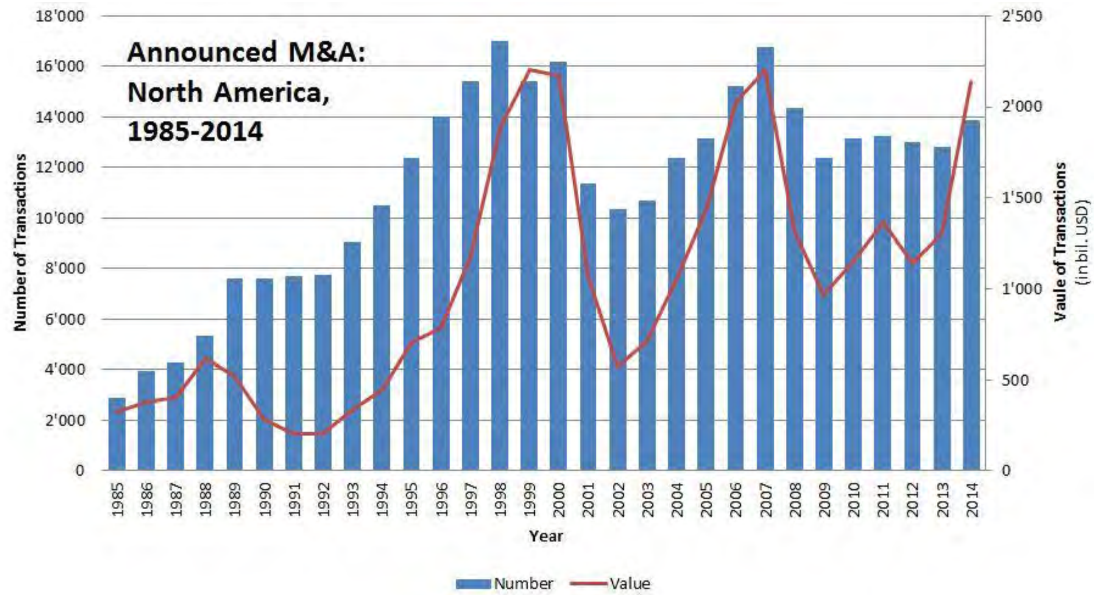


Figure 1.1. M&A Activity: Number & Value of Announced Transactions (IMAA, 2014).

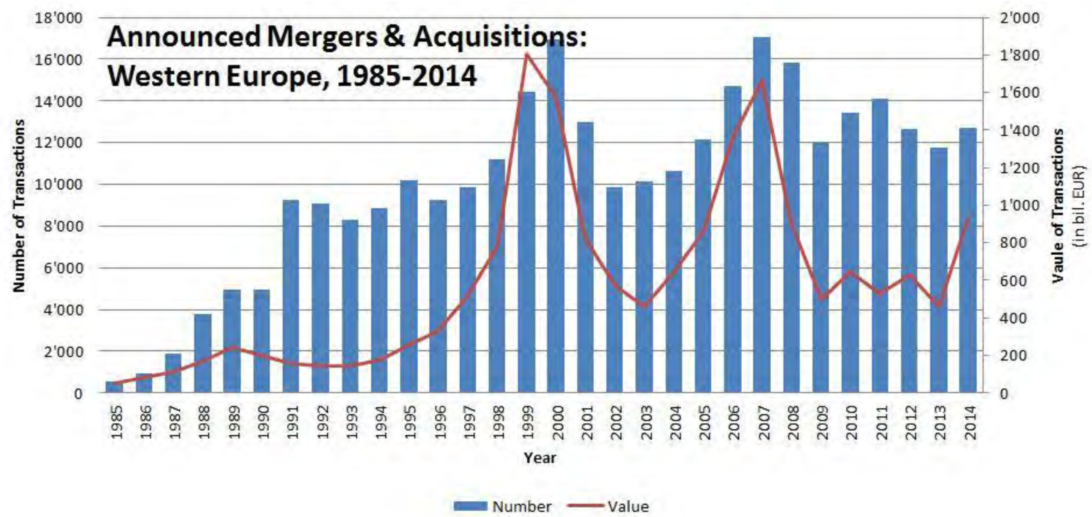


Figure 1.2. M&A Activity: Number & Value of Announced Transactions (IMAA, 2014).

These charts are just an indicator of the volume and value of mergers and acquisitions in the U.S and Europe over the last number of years. Although the value of transactions dip in 2008-09 the years of the financial crisis they are now back on a steady incline along with the number of transactions growing too. Although it is documented that failure rate amongst mergers and acquisitions is high, the success rate for the companies who succeed must outweigh the risks involved. The lure of increased profits, economies of scale, increased market share and enhanced value for the firms shareholders certainly justify reasons for companies to merge or acquire. That and the knowledge that companies are improving their 'know how' and their business reasons for entering into these mergers and acquisitions transactions also. (Rouse, Frame, 2009). It is held that mergers and acquisitions is a restructuring activity with varying results that are often difficult for analysts and the market to predict. History tells us that markets on average would often react positively to the announcement of mergers, often without fully appreciating the motivations underpinning the restructuring. Does this create transient shareholder value or can this value be sustainable? If indeed it can create true shareholder wealth where the combination of the two entities produces more than the sum of the individual units, then under what conditions is this achieved? When does one plus one in fact equal three? This research aims to provide a meticulous assessment of the motivations of companies to pursue a merger or acquisition strategy and how the results of such strategies affect their shareholders value. This will be evaluated in a current market context through the critical assessment of the literature in addition to an analysis of in depth interviews performed on three such M&A's in an Irish context.

1.2 Shareholder value in M&A

Due to the steady increase in the volume of M&A activity across an array of industries (and the varying results that have been realized in each restructure) this work will focus on three different case studies in recent years. There have been numerous explanations suggested as to why M&A's succeed or fail in a generic context and which particular common motivations enable each outcome. The majority of these reasons behind M&A's lack a categorization of strategic intentions. These are classified as "rational" evidence for M&A or "irrational" evidence that focuses on high level managers who employ "empire building" tactics or get swept into M&A momentum. Therefore the logic behind each M&A is created by an array of motivations simultaneously (Steger, Kummer, 2007). These motivations are heavily linked to the business logic behind the reason for the M&A. Although M&A's are motivated by different requirements, the end result is invariably an increase in the acquired size, capacity for growth and profitability. With the constantly increasing development of business systems and increased M&A knowledge (coupled with advances in communication technology) speed of growth and efficiency of operational function have become vital to ensuring survival and sustainability.

With today's investors often looking for quicker returns on investment due to global economic volatility, this can unhinge key criteria for success and essentially damage the viability of the M&A leading to mixed performances for certain stakeholders involved. Even though M&A is a popular and potentially profitable strategy, academic research has suggested the paradox to their popularity. With the shareholders of the acquired firm typically receiving positive short-term returns whilst shareholders in the acquiring company regularly enduring an underperforming share price in the months following the M&A (Cartwright & Schoenberg, 2006), (Agrawal and Jaffe, 2000).

Understanding what are the key motivating factors behind the M&A will help develop the knowledge of what affects shareholder value throughout the M&A process. With M&A's set to grow further this research will present a framework for the value ascertained by shareholders throughout the life cycle of M&A.

1.3 Research questions and objectives

Throughout this research the author intends to show the clear intentions of why the presented companies have decided to use this particular restructuring technique as a growth strategy, with a particular focus around the different phases of the M&A and their effects on shareholder wealth creation. In this context the research will investigate why certain M&A transactions damage shareholder value rather than generate value and vice versa. Also investigated will be how important the pre, post and announcement periods of the M&A are with regards to determining true sustainable shareholder value. The aim of this endeavor is to establish what M&A motivations show real increases in the creation of shareholder value. In an attempt to uncover this information the author proposes to present a set of answers to the following research questions and objectives:

1. What are the key motivations of companies to choose M&A as a form of corporate restructuring?

2. How can an incorrect market value be placed on returns to the acquired and acquiring companies surrounding M&A activities? (Eg, market anomaly effects such as merger momentum playing a part)

3. Do M&A’s create true shareholder value? (Short and long-term)

4. Under what conditions is an M&A most likely to succeed or fail?

1.4 Research scope and limitations

The present study focuses on identifying the fundamental motivations that entice companies to pursue M&A’s. By identifying these key motivations it is asserted that the correlation between certain drivers of M&A activity and true shareholder wealth created to these companies will be identified. This information will be found through the conduction of three in depth interviews based on three different case studies presenting non-material non-public information in conjunction with material public information to construct inferences of all the information in a mosaic theory format. Subsequently a critical evaluation of the results making inferences using the presented literature and the analysis outcomes of each three M&A will be presented. Through both research segments, the study aims to identify these key motivations of M&A and the factors that have a higher weighting on the creation of value to shareholders.

A large component of the research was based on the interview process with three high level managers who participated in an M&A transaction. This potentially may not give sufficient data to acquire all the relevant information. Also once the candidates for the interviews were sourced it proved to be a challenge to arrange meetings for one hour plus with these people due to their busy schedules. Other limitations included the inability of some of the interviewees to disclose material private information throughout the course of the interview, which had to be factored into the results.

1.5 Suitability of the researcher

Having studied a diverse range of finance modules over the past two years and having previously majored in Economics in an undergraduate degree, this area of study has helped the researcher grasp a valuable understanding of the economic and financial sector. Also through attending the MBA in finance with the goal of building a good bank of academic knowledge, the researcher has gained a great understanding of the dynamics of M&A activity. In tangent to the financial studies the researcher manages his own personal diversified portfolio of investments across a range of asset mainly classes, bonds, equities and property. More recently the researcher has taken a stake in a flourishing software app development start up company whose natural exit would be via an acquisition to either a competing or complementing business. With this academic understanding of the M&A market in addition to the practical and professional exposure acquired, this makes the researcher capable and sufficiently competent to carry out this proposed dissertation.

1.6 Recipients for the research

The recipients of this research will be anyone that has an interest in the financial market. Given the influence the M&A market has in the overall global economy, with trillions being spent on M&A every year, the outcome of this study will hope to provide an important framework that can be of use to different types of recipients. For example it could be used by future undergraduate and MBA students as a reference for their studies or by certain financial companies as a possible tool to gauge future M&As and if they potentially will provide shareholder value. With still such high statistical evidence present of the failure rates of M&As as growth strategies, I hope by touching the fringes of this subject more students and analysts will investigate possible strategies to improve their M&A 'know how'.

1.7 Dissertation approach

Having first attained an abundance of knowledge on the subject of M&A, an investigation into the different aspects and phases of the M&A growth strategy commenced. Areas such as pre, post and announcement periods of the M&A along with motivations, the cultural facets and the stakeholders affected by such a strategy were thoroughly scrutinized across a variety of case studies. This analysis involved amassing a wide variety of secondary sources of data, which included particular books, journal articles, eBooks, financial textbooks and online articles. Subsequently critical questions were conjured and a research topic ensued.

Post development of the research topic, key questions that formed the basis for the study were hypothesized. Primary data was then collected through in-depth face-to-face interviews with high-level managers who have previously been involved in an M&A transaction. All this data was then collated and categorized. The findings for each aspect of the research topic and surrounding questions were inspected with conclusions and inferences on the study were drawn.

1.8 Dissertation outline

Chapter 1-Inroduction

The Introduction is divided into eight sections: An M&A market overview, background of the issue, research questions and objectives, research scope and limitations, suitability of the researcher, recipients for the research, dissertation approach and dissertation outline. This chapter provides an overall introduction to the study.

Chapter 2-Literature Review

This section provides a critical review of the current literature, through the discussion of the M&A industry, strategic decisions, theories and different phases of M&A.

Chapter 3-Methodology

Methodology describes the research methodology and the rationale pursued by the researcher to construct the research layout and answer the research questions.

Chapter 4-Data analysis and findings

This chapter analyses the data obtained through the primary research. This is done through looking at the qualitative analysis of the interview process. The chapter will then involve some discussion of the primary research uncovered. Thus a good understanding of all data collected will be achieved.

Chapter 5-Conclusions

This chapter will outline the results of all the research conducted and the researcher will draw conclusions on the topic.

Chapter 6-Reflection

This chapter will provide a self-reflection on the researchers overall experience and thoughts. This will encompass a discussion on the skills gained throughout the MBA course along with the challenges encountered also.

Chapter 2 - Literature Review

2.1 Definition of M&A

Mergers and acquisitions are both facets of the corporate financial world using strategic management techniques to deal with the buying, selling, separation and joining of different firms. In today's market, companies need to constantly pursue growth strategies so they can obtain their goals of being financially viable and profitable. External growth is possibly the quickest form of strategic growth for a company and can contribute a faster route to gaining crucial expertise, economies of scale and a larger market share. This type of rationale is notably common when strong companies will acquire other companies to establish a more competitive and cost efficient company. It is now common for M&As to be enacted across borders, often providing solutions for corporates to enhance their influence from national to international markets. Consolidation of markets is also another main reason for M&As. Companies occupying similar products and services may be considering both consolidating and developing sharing similar interests to further their goals. In literature, the term merger and acquisition is frequently used interchangeably although there is a slight difference between the two notions (Grinblatt, 2004). M&A is a phrase used throughout the entire world but has not an exact definition, however Hunt (2009, p. 204) defines the concept of M&A as:

"Mergers and acquisitions are arguably the most prolific form of M&A transaction. A merger is the combination of two companies in a stock-for-stock transaction. An acquisition is the purchase of the stock or asset of a business using the stock of the acquirer, cash or other securities. In many cases, a merger and an acquisition are not mutually exclusive, i.e., an acquisition may be structured as a stock-for-stock transaction and hence can be viewed as a merger. Most often however, a merger is thought of in the context of two companies of relatively equal size combining, while an acquisition is thought of in the context of a purchase of a smaller target by a larger acquirer."

Although M&A is now a global term the contrast between a "merger" and an "acquisition" has evolved into an obscured view, as some believe an M&A indicates different strategies, thus are two different theories. According to Sherman and Hart (2006) they describe a merger as companies becoming equal partners, whereas acquisitions tend to facilitate larger organizations and companies acquiring smaller businesses. Dick, Ullrich & Wieseke (2005) also believe that the difference between mergers and acquisitions has become progressively blurred. They believe that mergers are two separately owned companies who become a single larger company but are jointly owned. However, regarding acquisition its believed one company takes control of the other exacting its power as a single owner. The stronger player absorbs the smaller firm ands keeps its own identity whilst growing in size. With the phrase M&A being used so commonly the distinction between the two terms can only be established on a case-by-case basis. Dr Christopher Krummer, President of the Institute of Mergers, Acquisitions and Alliances and professor and adviser on strategy and mergers outlines the features of M&A on a wider scale are considered not as significant due to the overall strategy is the integration of the two companies to become one.

"M&A is a common short term for mergers and acquisitions grouping the two concepts as a single area of interest. Whether some combinations are structured as a merger or acquisition depends not only on the underlying business transaction, but also on other legal, taxation and psychological implications. An acquisition may or may not lead to a merger, from a strategic and investment banking point of view the two concepts require a similar expertise and process. M&A activity contributes to the consolidation or rationalization in a particular sector or industry but may be subject to antitrust concerns" (FT.com, 2013).

This would indicate that mergers and acquisitions are viewed on a similar wavelength in regards to strategy but depending on the mindset of the companies involved other categorizations for M&A will be discussed in later literature. Additionally this study will use the acronym M&A for all mergers and acquisitions discussions.

2.2 Types of M&A

With regards to the perspective of M&A structures, there are three main structure types. These are the archetype in the M&A industry, horizontal, vertical and conglomerate combinations. Firstly horizontal M&A's combines two similar organizations in the same industry (Peavler, 2015). Horizontal M&A's are normally motivated by a desire for greater market power, e.g., Adidas acquired Reebok a former competitor to eliminate certain competition and expand their markets. Horizontal M&A's are highly regulated by competition authorities so companies cannot create a monopolistic scenario, e.g., U.S. competition authorities prohibited the merger of AT&T and T-Mobile as it would have create the largest U.S. mobile operator and taken a huge market share. Conversely the main goal of a vertical M&A is to improve efficiency or reduce costs. A vertical M&A takes place between two companies that has a buyer seller type relationship and combine under a single ownership. For instance a manufacturer might decide to merge with a supplier as an example. These companies are generally at different stages of production (Arnold, 2011). One of the most notable examples of a vertical M&A took place between AOL and Time Warner. Through this business transaction Time Warner supplied information to consumers via CNN and Time magazine whilst AOL shared such information through their Internet business. Lastly a conglomerate M&A appears when two or more companies in different markets join to form a single company (Economywatch, 2010). These companies are generally not competitors for example the merger between Proctor & Gamble, a consumer goods company and Gillette, a mans personal care company in 2005. The conglomerate M&A can be seen as a diversification strategy allowing the companies to exploit new markets and spread risk (Gaughan, 2011). With all three types of M&A's, the result will either be a friendly merger/takeover or a hostile merger/takeover. Friendly takeovers generally occur when both companies are in agreement and happy to enter the M&A. Hostile takeovers are normally opportunistic, as the acquirer believes its target is underperforming or undervalued and the transaction is seen as a good investment to generate high returns for the parent company's shareholders. Often such M&As are motivated by the empire building desire (Maksimovic et al, 2011).

2.3 M&A Waves

M&A waves are not exactly a new phenomenon. There have been several M&A waves throughout history and every period has had its own characteristics. Economists and historians had declared five periods of large-scale transactions among companies during the 20th century, with a sixth on the way (Economist, 2013). Certain macroeconomic features such as growth in GDP, interest rates and monetary policies are cornerstones in the creation of M&A waves (Lipton, 2006). In line with Lipton's (2006) views Petit and Ferris (2013) also believe there is three factors that have driven M&A activity to create waves and that is industrial and technological change, regulatory changes and credit availability. There have been seven wave periods identified (Martynova & Renneboog, 2008. From these periods M&A activity throughout the years can be understood as strategic business reactions to a changing environment. With growth being the primary motivation for M&A, M&A momentum can cause pressure on managers to initiate M&A activity due to the M&A market being 'hot'. This is certainly logical if competitors are seen to be engaging in M&A activity and potentially challenging the company's market position. The fear of being left behind spreads so M&A increases causing the "bandwagon effect" (Steger & Krummer, 2007). According to Duchin and Schmidt (2013, p. 63) this could lead to "the average long-term performance of acquisitions initiated during merger waves being significantly worse. We also find that corporate governance of in-wave acquires is weaker, suggesting that agency problems may be present in merger wave acquisitions". Another problem during waves is that high level managers can get carried away trying to compete with other companies and simply pay too much for the acquired company's shares, which wipes out any gains made from the acquisition. Many financial economists also know this as the "winners curse" (Henry, 2002). However according to Mourdoukoutas (2011) of Forbes believes "it depends on how the M&A is planned and executed" that matters but he does share concerns that M&A waves can put companies at risk of beginning "with the wrong vision".

2.4 M&A in an Irish context

The Irish M&A market has had a steady growth rate over the last number of years, with M&A activity and transaction values increasing year on year from 2012 to 2014. According to Horgan-Jones (2014) "M&A involving Irish companies were worth €97.4 billion in the first six months of the year, the biggest total for a half year since records began. Mergers originating in Ireland accounted for 17.7% of the total value of European transactions, with high ticket-price deals driving up Irish market share". These figures were a culmination of 22 M&A deals worth €120 million, 35 M&A deals worth between €12 and €120 million and 31 smaller M&A deals from €12 million and under (Horgan-jones, 2014). Deals such as Actavis acquiring Forest Laboratories for €18 billion euros and Medtronic acquiring Covidien for €30 billion has seriously increased Irelands position in the M&A market. However due to the recent economic crisis Ireland still faces a number of challenges and according to Bryan Bourke, head of corporate and M&A at William Fry, "the levels of public and private debt, for instance, remain troubling. Despite this, there are also many positive indicators pointing to bright future and I would advise cautious optimism for Irelands M&A marketplace" (Stack, 2014). Despite these warnings of caution Irelands M&A market is probably set to grow even further due to their exit from the EU-IMF €85 billion bailout programme. Decreasing bond yields and economic growth in most cases would indicate outside investment in Irish assets (Mellett & Dickson, 2014). Furthermore low Irish corporate tax laws are currently favoring and nearly enticing large corporations to do business in Ireland as a way to avoid bringing profits back to the US to be taxed. According to Horgan-Jones (2014) " the Medtronic/Covidien deal referenced in the Experian statement was widely seen as partly occasioned by a desire to bring down the company's US tax bill… US company Salix Pharmaceuticals said it is moving to Ireland in an effort to reduce costs". The M&A industry outlook is currently positive for Ireland but it should also be noted that the strong deal values for 2013 and 2014 are largely boosted by a small number of large-ticket M&A deals (Mellett & Dickson, 2014).

2.5 M&A Success vs. Failure

Failure:

In theory M&A can assist businesses to increase efficiency by lowering economies of scale, increase speed of growth, strengthen efficiency of operations functions and by combining joint corporate interests should enable greater revenue. However despite the financial expertise available to ascertain the viability of such business transactions, many of these business ventures fail. In fact according to Sher (2012) "most research indicates that M&A activity has an overall success rate of about 50%-basically a coin toss". Furthermore the Wharton school of the university of Pennsylvania and Harvard University has recently released studies citing that the level of M&A failure is as high as 90% (Shea & Solomon, 2013). Steger & Kummer assert that from this academic research it is clear that an M&A as an external growth strategy is highly risky but at the same time an M&A is an increasingly popular method of strategic growth. The reasons for these failure rates have been widely analyzed and investigated, leading to the fundamental reasons for failure being linked to the fact companies find it easy to buy on paper but in reality struggle to perform the M&A to the right standard to enable success.

M&A failures are widely typified by shortcomings in planning, differences in management and organizational culture, lack of synergies, poor integration approach, negotiation mistakes and limited knowledge among the senior managers of the M&A tools required to cope with the problems (Weber et al., 2014). These explanations are just the tip of the iceberg when it comes to the failure of M&A. Further research and literature has held that only the shareholders of the acquired company profit. In this context it is explained by the simple fact that the acquiring company paid above the value of the acquired company (Cartwright & Schoenberg, 2006), (Weber et al., 2014). For example, the share price of AOL declined in the first 24 hours after the acquisition of Time Warner was announced, the assumption here was that the price paid for Time Warner was very high (Swisher, 2000). Other reasons for overpayment and failure of M&A are over-confidence and the ego of the CEO and senior management (Steger & Kummer, 2008). According to Weber et al (2014) "the personal interests of senior management are not always commensurate with those o f stockholders. The CEO and his peers see personal advantage in the merger, such as greater empowerment and control of a larger organization, improvement of the social-management status, and higher salaries and benefits". This is effectively agency costs in practice where the agent in this case the management act in their own personal interests rather than that of the shareholders, as they are inappropriately incentivized to do so. The 'Human Factor' plays a significant role in both the success and failure of an M&A strategy. Even a deal that is financially sound may prove to be a disaster, if it does not deal sensitively with the acquired companies employees and their different corporate cultures (Stroh et al, 2003).

Success:

The success of M&As depends on three key areas that a company must addressed and deal with in a manner that puts all three areas on high priority. The combination of knowledge from economics and finance, strategic management and organizational behavior can bring success to M&A (Weber et al, 2014). Sound business strategies are the basis to which M&As can attribute factors of their success. A study conducted titled 'Why mergers fail and how to prevent it', pointed out that M&As outcomes are "linked closely to the extent to which management is able to integrate members of organizations and their cultures" (Cartwright 2012). Again the 'human factor' plays a significant role in the enablement of a successful partnership. This allows clear motives then to be enacted throughout the company by incorporating a good organizational strategy laying out key financial and management goals (Romig, 2009). The success of M&As is undoubtedly affiliated to planning and the process of execution, as well as external conditions, e.g., economy, financial situation, industry, size etc. (Langford & Brown, 2004). To create this success higher-level management/CEOs have a huge role to play according to Hanley (2014) "To find the right merger or acquisition target and then determine if the targeted company is truly the right option to pursue in their strategy for growth or "reinvention". While the appeal of "instant growth" or performance improvement is a driver, CEO's know they must ignore cosmetic temptations and instead ensure robust due diligence to reveal the truth (financial, culture etc.) about the partner they are taking into a marriage for the long haul". Linking the majority of literature on successful M&A's together Bain & company (2015) have create a model that outlines the route to a successful M&A.

1. Corporate strategy and acquisition strategy.
2. Deal thesis: Invest with a thesis. Successful deals are guided by a meaningful deal thesis that is tied to a firm's growth strategy and that spells out how the deal will add value to both the target and acquiring company.
3. Strategic due diligence: Ask and answer the big questions. The best acquirers investigate targets with a nose for what's really important, identifying the key sources of ongoing value and sniffing out any "perfumed pigs" buffed up for sale. A frequent acquirer knows exactly where it can add value and is therefore able to set its own price-and to walk away if the price isn't right.
4. Merger integration planning: Integrate where it matters. No two integrations are the same, and companies must carefully consider aspects from culture to IT in order to realize the full value of the deal.
5. Merger integration execution: Nail the short list of critical actions. Merging two companies requires rigorous follow-through on a long list of integration tasks, large and small. Doing both is hard. Act on all matters with deliberate speed.

Sher (2012) also outlines a model and believes that CEOs considering an M&A deal need to have honest answers to these questions or the deal will not being viable and potentially cause a loss in shareholder wealth.

- Do you have sufficient management capacity to take on the integration process, or are you already stretching to run your business?
- Have you thoroughly assessed the culture of your target acquisition, and is it compatible with your company's culture?
- Is the deal in line with your corporate strategy?
- Is the deal priced so that you can afford to pour adequate resources into the integration—and still have a return on investment that passes the hurdle rate?
- Is the acquisition, along with all the costs and risks associated with it, a better choice than all other alternatives?

According to Sher (2012), if your position looks weak under any of these five questions/areas, the integration will likely stumble and fail. By meticulously and diligently thoroughly investigating an M&A deal for integration success will always increase your odds for creating shareholder value.

2.6 M&A Motivations

The literature on M&A has uncovered a significant amount of drivers around why companies engage in M&A transactions. Gaughen (2002) takes a logical approach when identifying M&A motivations basing his theories on supported evidence from numerous case studies. He recognizes four main motivations:

- A method for companies to grow rapidly.
- To produce economies of scale.
- Better access to capital markets and reduction in the cost of capital (debt and equity)
- By implementing expert management skills to the acquired company the potential is there to gains or improve operational functions.

Other authors believe that efficiency gains are a common incentive as companies aim to generate profit. A perception by some business analysts is the belief that synergies such as efficiency gains may exist as an effect of the transaction (Ross, et al., 2012). Another big motive behind M&A is regarding increased market share and penetration into new markets. According to a study 'motives and effects of mergers and acquisitions' it was noted, "market power can help companies compete more effectively" (Wang & Zajac, 2007). The study goes on to further provide other motives such as the combining of resources thereby enabling creation of new product lines, technologies and potentially opening up new markets. Market power can be also coupled with the motivation to reduce competition (Gregoriou & Renneboog, 2007). Other motivating factors for pursuing M&A could be a strategy of diversification, allowing companies exploit new markets, acquire a new business line and spread risk (Martin & Sayrak, 2003). M&A motivations are based mainly on rational motivations such as financial and strategic drivers but Trautwein (1990) states there are also non-rational motives, where M&As are developed from an outside deception such as managerial benefits from such strategies. This scenario would be considered under agency theory, where managers engage in the M&A process to enhance their own welfare at the expense of the acquired shareholders wealth, Maksimovic et al, (2011) calls this the Empire building Theory. This is very closely linked to the hubris motive who suggests that managers make wrong assumptions in evaluating target firms and engage in mergers or acquisitions even when there is no Synergies (Roll, 1986). The majority of M&As set out synergies and shareholder value as their goals but there is a lack of evidence when it comes to monopoly and raider theory as motivations. On the other hand managers may choose M&A for reasons other than a quick financial return, for instance to escape an unwanted takeover or demise due to increasing debt (Angwin, 2007).

2.7 Synergies

Companies enter into M&A transactions for many different reasons aforementioned in the previous paragraph. Some decisions are plausible and others are not. In the case where a company enters into an M&A transaction and synergies are apparent between the two companies there is high potential that value will be created through the M&A (Petitt & Ferris, 2013). Therefore companies should only pursue an M&A strategy if the value of the acquirer and the target company is greater if they operate as a single firm rather than individual ones maximizing shareholder wealth for both parties (Grinblatt & Titman, 2004). Synergies can be divided up into three groups operating, financial and managerial. Operating Synergies are created from a combination of the acquirer and target's operations. Operating synergies play a huge role in increasing margins, returns and growth. According to Aswath (2005) economies of scale, the ability for greater pricing power, combining of different resource strengths and growth in new or emerging markets are all types of operating synergies that create value for the company and shareholders. The rational of operating synergies is that the two companies improve productivity or lower costs so that the unlevered cash flow of the combined companies outweighs the combined unlevered cash flow of the individual companies (Grinblatt & Titman, 2004). Operating synergies are closely linked cost synergies as they both try to benefit from economies of scale but cost synergies are a bit more sensitive due to the fact they can eliminate duplicate positions and even whole offices or factories within the merged entity. Financial synergies are attributed to the impact of M&A on the combined companies weighted average cost of capital (Kaplan, 2006). Again according to Aswath (2005) the payoff of financial synergies can be seen through either higher cash flows or a lower cost of capital or both. Aswath (2005) also states that financial synergies can include,

- Potential to create value by combining a firm with excess cash and a firm with high-returns projects. The value created here comes from the high-returns projects that can be undertaken with the excess cash that other wise would not have been taken.
- Debt capacity can increase, with two firms combining their earnings and cash flows may become more stable. In turn this allows them to borrow more creating potential tax benefits such as lower cost of capital.
- Tax benefits can be seen where a profitable firm merges with a non-profitable firm and they use the net operating losses to reduce its tax burden.
- Diversification is the most controversial of this group and may not produce value

for the firm as unsystematic risk can be diversified away by the means of M&A but systematic risk cannot be removed by diversification.

Managerial synergies are found through an increase in managerial efficiency, which will result in an improved performance of the corporation as a whole. Managerial synergies will also result in a more innovative structure with employees become more risk friendly. This is due to the merging of ideas thus increasing innovative solutions being created compared to working alone (Krug, et al., 2013). This results in the strength of one company complementing the other through managerial synergies allowing the combined entity to overcome challenges that would have stalled the firms had they existed independently (Williams, 2010). Unfortunately as aforementioned earlier due to agency costs, not all managers are motivated by the goal of creating shareholder value and some suffer from the hubris and empire building theories, potentially leading the company to have a negative effect on shareholder value (Petitt & Ferris, 2013). In the context of M&A this negative effect is known as a "dyssynergy". Dyssynergies can weaken a company's competitive position or destroy competitive potentials (Rockholtz, 1999). Dyssynergies can also lead to loss of customers to competitors, the resignation of qualified or specialized staff or increase in administrative costs (Sirower, 2001). With synergies being crucial to M&A success in the creation of shareholder value, companies also need to take care when estimating such synergies. According to Kuhn (2009) and the McKinsey study show that synergies are regularly overestimated. Where160 M&As was studied and 70% did not reach the planned revenue synergy goal and in cost synergies 40% missed the expectations. Although not all synergies reached their goal target the intention is to create positive synergies and a higher value for the merged companies than before the transaction.

2.8 Corporate Culture and Post Merger Integration

Every organization develops a specific, unique culture that is understood to be a very important characteristic and belief of the employees of this organization. Schein (1992) defines corporate culture as,

"A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems."

In order for a company to function at a high level and create value for shareholders their corporate culture must be in unison and in line with company goals. According to Deal and Kennedy (1982), corporate culture is a system bringing together of different values and beliefs. Through their research Deal and Kennedy examined 80 companies, with the theory that considered whether long-term successful businesses have employees who have the same basic expectations. The outcome of the study clearly shows a correlation between distinctive approaches, values, beliefs and economic success. Coleman (2013) also states that each firm has a unique corporate culture that management must be receptive of so they can develop the culture in a certain direction.

"83% of all mergers and acquisitions failed to produce any benefit for the shareholders and over half actually destroyed value. Interviews of over 100 senior executives involved in these deals over a two-year period revealed that the overwhelming cause for failure is the people and the cultural differences" (Gitelson et al., 2001).

Again according to Gitelson et al (2001), up to the point in the transaction where the papers are signed, the M&A is essentially financial, valuing assets, price paid and due diligence. Once they contracts are signed, this financially driven deal now becomes a human transaction filled with different behaviors often irrational. Sirower (1997) also agrees with this statement. This shows the importance that post merger integration has on the corporate culture as most companies fail at this stage (Monin et al, 2013). The main priority of the PMI phase is to link up strategies, operations systems, processes and cultures of the different firms. A good PMI considers the employees as a top priority during this phase, (Bain, 2009). Two different cultures in an M&A scenario often cause problems but throughout literature there is no consensus that cultural discrepancy's cause problems that affect success. According to Marks (2014) cultural collision is expected whenever when two strong corporate cultures are merged as one. An M&A can be a very distressing process for the people involved. M&A can include potential job losses, restructuring and the imposition of a new corporate culture can cause uncertainty and even resentment among employees (Appelbaum et al., 2000). This scenario can is also known as the 'merger syndrome'. Research has shown that a company's productivity can fall by between 25% and 50% while undergoing such a large-scale change; demoralization of the workforce is a primary cause of this (Tetenbaum, 1999). This could destroy potential synergies gained from the M&A. A poor PMI system coupled with corporate cultural differences can also lead to migration of key personnel, as managers suddenly deprived of authority and promotion opportunity can become hostile. One wall street journal survey found that "nearly 50% of executives in acquired firms seek other jobs within 1 year and another 25% plan to leave within 3 years" (Stroh et al, 2003). Marks and Mirvis (1985) have shown through their empirical study that the results of the merger syndrome negatively impact the performance of both employees and the business. Bouwmen (2013) suggests that cultural incompatibility between acquirers and targets is a primary cause of M&A failure. Such high profile deals as Daimler-Chrysler and Sprint-Nextel supposedly failed due to corporate culture clashes and a poor post merger integration system. These transactions caused the loss in billions of dollars in shareholder value. According to Marks (2014),

"Easing culture clash rests on acknowledging its presence, educating employees as to its dynamics, and preparing people to appreciate how initial impressions influence enduring cultural perceptions between the partners".

When managed well, cultural differences can result in post merger integration that can improve goals and achieve strategic and financial objectives than either company could achieve on its own (Marks, 2014).

Conclusion

From the literature and empirical evidence on the subject of value creation in M&A transactions, the results throughout (in the majority of cases) were contradictory. With regards shareholder value some common patterns were found. For example surrounding the announcement period of an M&A transaction, the immediate market reaction tended to be an increase in value, but these returns were often limited to the shareholders of the target company and created no true shareholder wealth for the acquiring company. This could be potentially due to researchers implementing different approaches when investigating M&A value creation. From certain literature on M&A it does conclude that M&A deals can show good returns but they must be approached with diligence and caution by CEOs and high level management as there are many variants that can go wrong through management not making the right strategic, calculated and unbiased decisions. There are a vast numbers of variables in literature that can affect the success of an M&A transaction throughout the different phases of the M&A. The problem then ensues that it is difficult to nail down the exact cause of M&A failure due there being no one cause of failure. There is disparity and a lack of conclusive results concerning M&A as a successful growth strategy that certainly leaves a gap open for further research. Although there seems to be a high level of failure, a lot of those statistics are associated with the failure to reach certain goals and not the complete failure of the transaction. Even with this high failure rate, CEOs and high-level management still pursue M&A as a restructuring strategy because literature and studies have shown that the given the right motivations for M&As, they can produce synergies, a sound corporate culture and create value for acquiring and acquired companies.

Chapter 3 – Methodology

According to Best (2002) research methodology is defined as a "systematic and objective analysis and recording of controlled observations that may lead to developments of organizations, principles and possibility ultimate control of events". Where Cooper and Schindler (2003) argue research methodology is the fundamental "research in any organization is the inquiry carried out to provide information for solving problems". Research methodology is the overall approach of a process of enquiry, investigation and use of research tools that can help solve practical problems and increase knowledge through analysis of data.

The objective of this study is to analyze and assess whether M&A's create true sustainable shareholder value or whether the M&A process is merely a strategy that promises in theory potential growth and value but in reality will fail more times than not. The research being conducted will have a particular focus on whether returns are realized to both sets of shareholders surrounding the announcement of the event and in the long-term and if so why these returns occur. Are these returns for example significantly correlated to the possible synergies incurred or is it simply due to the merger market being 'hot', if so is it valid to make the inference that the gain received/not received by shareholders is actually due to certain motivations and synergies being enacted? This area of the study analyses the methodology following the research such as data collection and analysis.

3.1 Research Questions

"For an investigator conducting a study, the research questions or hypothesis is a key preliminary step in the research process. The research question presents the idea that is to be examined in the study and is the foundation of the research study" (Haber, 2010). Saunders et al. (2007) also regards the research question as the main factor behind the research process, promoting the significance of clearly defined questions. The foundation of this research study will be based on the question; Do Mergers and Acquisitions create sustainable shareholder value? The purpose of this research is to study the correlation between M&A motivations and synergies that either lead to returns for shareholders at certain periods of the transaction or cause a loss of value for shareholders. Below are the hypotheses for the research findings:

(1) What are the key motivations of an M&A transaction that lead to a successful/failure of the deal?

Firstly this question is asked to find out what the main motivations and business logic of management are to enter into an M&A transaction. Secondly it will dig into why a certain business was chosen over another business to enter into the M&A. Finally through this question we will see if the motivations of management are linked to the success/failure of the M&A.

(1.1) Were Synergistic benefits achieved in the M&A?

This is a key question to find out whether or not a company has even got potential synergies and if it does how successful is the company in implementing these synergies to achieve success. This is an important question as the failure rate of M&A is over half of M&A deals undertaken.

(1.2) Was acquiring market dominance the primary driver in these M&A transactions?

M&A can be seen throughout the literature review as a key driver for inorganic growth. There are many different reasons for companies to choose M&A as a growth strategy but the majority of underlying motivations of the M&A are to assert market dominance and increase market share. This question is linked to the first question regarding motivations but is an important question as market dominance or 'empire building' can be a dangerous motivation due to the high failure rate. That said it could also maybe consolidate or monopolize the market in the favor of the dominant player.

(1.3) Did managerial personal interests affect success?

This is an area that can affect an M&A transaction for the right and wrong reasons. This question adheres to management and their agendas throughout the M&A process. This is an important question under the motivations heading to see if managers in this study have affected the M&A's researched.

(1.4) Has M&A momentum a positive or negative effect on the transaction?

This question evaluates the strategic reasons for the M&A transaction and considers whether or not these are valid reasons for undertaking such a transaction. The question needs to be asked as many M&A deals are currently done on the back of either market or company momentum in the M&A field which can lead to negative outcomes if the right strategies and business logic are not considered.

(1.5) Is gaining access to funds a motivation for M&A?

This question simply researches each case to find out if gaining access to funds was a primary motive of certain companies in entering a transaction. Following the outcome we can then see if gaining access to such funding has developed the company for the better or worse.

(2) Is the 'Human Factor' a major key to success of the M&A deal?

The 'human factor' question looks at how the integration process impacts on the success/failure of the M&A. This area is characterized in literature as one of the most important parts of the M&A process. Through this question we will be able to see the effects certain people and cultures will have on the M&A.

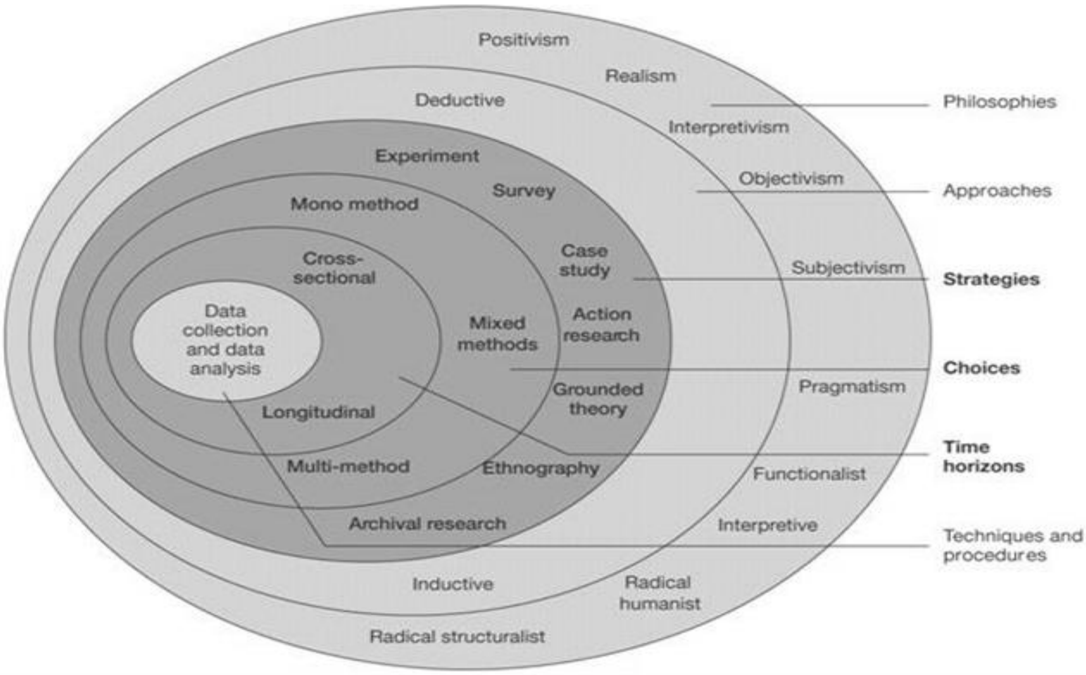
(3) Was Shareholder value realized for both parties?

For an M&A company to be successful it must create value for the stakeholders involved. Although throughout literature the consensus would agree that M&A would destroy value for shareholders rather than create it, as it was generally just one company who would benefit. This question will be used to discover which motivations; synergies, post merger integration and other conditions of M&A create value in the short, medium and long-term.

3.2 Proposed Methodology

We will employ the research onion methodology throughout this study. By utilizing each layer of the research onion the research methodology will be based on the use of sufficient research philosophy, approach, strategy, choices, and time horizon and data collection analysis. See figure 1 below.

Figure 1:



Source: Saunders, Lewis and Thornhill (2007, p.102)

3.3 Research Philosophy

In the first layer of the research onion the research philosophy refers to the knowledge that is applied to the study; it defines the true principles on which the study will be conducted. According to Saunders et al, (2007) there are three primary avenues to research philosophy, Positivism, Realism and Interpretivism.

Positivism is a philosophy based on a highly organized methodology that implements quantifiable investigations and gauges the result through statistical methods. This philosophy is generally used in the natural sciences and it is a critical and objective base method. This approach assumes the philosophy of unchanging, universal law and the external view of everything that happens in nature (Sundars 2003). Realism looks at the existence of an external reality that is completely independent from the human consciousness based on the alliance between human values and beliefs (Saunders et al, 2007). Saunders, Lewis and Thornhill (2009) state "Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors". Interpretivism focuses on understanding humans and how they comprehend different situations they encounter. For this current study realism and Interpretivism are the most efficient and appropriate philosophies that can be applied.

Realism

According to Blaikie (1993), realism accepts that reality may exist in spite of science or observation, and so there is legitimacy in identifying realities that are claimed to exist or act, whether proven or not. Realism distinguishes that the natural and social science are different. From a managerial viewpoint, Hatch and Cunliffe (2006), describe the realist as enquiring into the mechanisms and structures that underlie institutional forms and practices, how these areas develop over time, how they might enable and stifle social actors and how such structures may be critiqued and changed. This is quite important for the current study because value created for shareholders may be gained from different sources and these findings will control the outcomes of this study and research methodology. The realism philosophy approach contributes to the increased understanding of the different motivations for an M&A and how in turn M&A activity could potentially create value for the shareholders. Through the realistic approach this study will be developed around the basis of factual knowledge, data collected and critical analysis to identify the outcomes (as the realism path is traditionally aligned on the critical and objective analysis of facts.)

Interpretivism

Interpretivism is also applicable to this study as it takes into account the understanding of human behavior, which will be a critical area of study throughout this research. Investigating potential motivations and synergies throughout the M&A process will involve an understanding of the business logic that entice high level management to embrace M&A as a core growth strategy. The interpretation of this intricate process of humans as social actors is the key to many answers throughout the M&A transaction (Saunders et al, 2009). Hussey and Hussey (1997) believe that by placing people in their social contexts, there is better opportunity to comprehend the perceptions they have of their own actions. By understanding this philosophy and how it is directly correlated to the human behaviors of management in the M&A process, we can begin to comprehend how managers are thinking and feeling with regards decisions and strategies made during an M&A.

3.4 Research Approach

In the next layer of the onion there are two types of research approach that can be taken by the researcher; these are the inductive and deductive approaches (Saunders, et al, 2009). The choice of the research approach will rely upon the research philosophy and goals. Both these research methods are can be conveyed as a path to gaining knowledge.

Inductive approach

With this research project being of a qualitative nature, the research approach undertaken will be an inductive approach, as the study will flow from specific observations to extensive generalizations and theories. Saunders et al. (2007), state that inductive path involves the development of a theory as a result of the observations of empirical data. This is sometimes known as the 'bottom up' approach. This is where the researcher can look for patterns in the data collected and aim to develop a theory that could explain certain patterns found in the research. Qualitative research strategy is regarded as inductive. Rocco et al. (2003) suggests inductive logic and qualitative methods are generally employed with the goal of understanding a particular phenomenon of interest within its social context. This study aims to analyze whether or not M&A provides value to shareholders. The goals here are to investigate and understand the reasons why certain strategies and actions are happening throughout the cycle of the M&A. Therefore the most suitable approach is an inductive one which will allow the researcher to make observations and build theories eventually leading to conclusive generalized answers to the initial research question.

Deductive approach

The process of deductive research is often associated with quantitative research and involves starting out with a theory (Saunders et al, 2009). The deductive research reflects by undertaking existing qualitative research theories in a way to construct with hypothesis. In this regard the deductive approach is the most relevant approach to use when pursuing hypotheses tests in order to attain information regarding the study. The resulting data will show whether there is a correlation there or simply will not answer the research question. These tests will come under the five key stages of the deductive approach.

1. Deducing a hypothesis or hypotheses from existing theory,
2. Stating the hypothesis or hypotheses in operational terms,
3. Testing the hypothesis or hypotheses (collection of data)
4. Examining the outcomes of the testing of the hypothesis or hypotheses.
5. Modifying theory based on the findings.

With this type of approach being of a quantitative nature and this study being of an interview qualitative base, its imperative that the interviewees should be allowed to make many observations on their experiences and not just on one facet of the topic. Therefore the Inductive approach is chosen over the deductive approach for this study.

3.5 Research Strategy

The next stage of the research onion is the research strategy. Saunders et al. (2009) have indicated that there are several strategies that can be employed, these are: experiments, surveys, case study, action research, ethnography and archival research. Each type of research strategy could be used for all three purposes: Exploratory, descriptive and explanatory (Yin, 2003). This research study will employ case study and grounded theory as an appropriate research strategy to investigate if M&As create sustainable shareholder value or are they just a means for high-level management to build their empire and boost their ego whilst creating no returns or even losses for shareholders. Case studies according to Robson (2002) are “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. This topic will be both explanatory and exploratory so therefore we can utilize the case study information and answer the ‘why?’ ‘what?’ and ‘how?’ questions according to Saunders, Lewis and Thornhill (2007). Grounded theory bridges the gap between inductive and deductive approaches (Saunders, Lewis and Thornhill, 2011). This type of theory is used to research and explain forms of behavior. Through the information and analysis results found through the case study and grounded theory we can then prove or disprove both hypothesis of the study.

3.6 Research Choice

The next layer of the onion is research choices that refer to the methods used for quantitative and qualitative research. There are several choices of research methods, mono-method, mix-methods and multi-methods. Mono-method involves using only one method solely either quantitative or qualitative but accuracy of this method may be low if your study is unreliable. Multi-methods include diverse methods. Generally when using multi-methods the researcher will normally choose either one of quantitative or qualitative methods to test for their research. For this current study, the mono-method will be utilized through the qualitative approach. This is where a single data collection technique is used, in this case it will be three in-depth interviews followed by pertinent data analysis. The reasoning behind the in depth interviews is to uncover the more qualitative reasoning and drivers for the M&A from corporate management that were involved in the restructuring directly. They have access to the true reasoning behind entering into the activity and by delving into this we can attach tangible motivators that were perhaps not publically available at the time of announcement. The qualitative methods will be used by categorizing data from other literature to test against the studies results. By undertaken the mono-method and implying a qualitative approach, this will allow the researcher to gather complex information from interviewee’s on a face-to-face basis that would otherwise have not been collected through different means of analysis. This enables the researcher to ask the ‘why’ ‘what’ and ‘how’ questions that could give crucial answers to the study (Saunders, Lewis and Thornhill, 2007). In-depth interviews are widely regarded as most appropriate for situations in which you want to ask open-ended questions that elicit depth of information from relatively few people (as opposed to surveys, which tend to be more quantitative and are conducted with larger numbers of people). The interviews in this study will be conducted in a semi-structured state. The candidate’s involved are in crucial positions when it comes to there firms M&A process or they were in crucial positions during the transaction period. The hope is that some key implicit underlying motivations and drivers will come to the fore regarding the decision to undertake the M&A in a hope to find correlation between some of these factors and the outcome of the M&A. This could only be achieved through an in depth interview and tactful open-ended questions which is what this researcher has tried to achieve.

3.7 Data collection and analysis

This research project will be of both an exploratory and explanatory nature. The study will look to uncover under what conditions true shareholder value increases as a result of an M&A. And in particular in those scenarios where value is returned to the shareholder whether or not that value created from the M&A is actually sustainable or whether it is falsely short term inflated returns as a result of incorrect market valuation. This type of study will be a mono-method qualitative data approach with three in depth semi structured interviews as a primary source of information with three high-level management interviewees.
These interviews are structured in a format so as to ascertain the underlying motivations and drivers that these companies had pre acquisition. This is done so in an attempt to understand the strength of correlation between certain motivations and the failure or success of the restructuring activity. According to Crossman (2015) in-depth interviews are a good method of qualitative research and allow the researcher to be flexible and continuous with the questioning. It will be this flexibility and on-going questioning that enables the researcher to probe out such things as underlying motives, ambition and view different attitudes towards M&A as a strategy. According to Denzin et al (2005) qualitative research allows the researcher to gather a deep understanding of human behavior and the reasons that dictate such behavior. This allows the researcher to investigate the how and why of decision making through focused samples. This information will be critically analyzed so the hypothesis of whether M&A activity creates true long term shareholder value in can be accepted or rejected, from which we will then make inferences surrounding the results where appropriate.

The researcher will also use existing sources of data (secondary data) that are publicly available enabling him to develop and understand previous and up-to-date issues on the subject. The secondary data was sourced from websites, journals, academic articles, books and reports. This gave the researcher a wide range of differing opinions and facts when it comes to answering the research question. This data will be used to gain a knowledge base around the subject and compare results and findings against other literature. In terms of data analysis there is many ways to analyze qualitative material. Ritchie and Lewis (2010) agree with this statement, as they believe unlike quantitative data there are no straightforward rules to analyzing qualitative data. For this research study the researcher will initially collect the data through the interview structure. Following this the data will be processed and organized for analysis through the interviews being categorized and drawn up under different case studies. Then through exploratory and explanatory data analysis with realism and interpretive philosophies conclusions on each interview will be drawn up. This data will be blended with the secondary data surrounding their individual cases in addition to academia on the topic to aid in presenting a holistic picture on the

M&A activity, and using this inferences will be made to assist in the formulation of a conceptual framework for assisting in predicting the outcomes of M&A activity under a given set of assumptions and conditions.

3.8 Time Horizon

The next layer of the research onion refers to the time horizon of the study. In regards to time horizons according to Saunders et al. (2009) there are two types, these are cross-sectional and longitudinal studies. Longitudinal research involves study over longer periods of time and is typically involved in measuring change during this time period, which is typically not suited to projects with short-term time restrictions. Cross-sectional studies are noted for being snapshots of a particular phenomenon at a particular time (Saunders et al, 2007). The time horizon of this current study will be cross sectional due qualitative methods being utilized. By using this method the researcher will obtain a wide range of results and through analysis will be able to provide a snapshot of the M&A industry in Ireland. With this information obtained and critically analyzed answers to the research question can be applied to the M&A transaction process and shareholder value can be identified.

3.9 Research Ethics

According to Saunders, Lewis and Thornhill (2012, p.226), ethics is “the standards of behavior that guide your conduct in relation to the rights of those who become the subject of your work, or are affected by it”. Saunders, Lewis and Thornhill (2009, p.160) then explain how “the general ethical issue here is that the research design should not subject those you are researching to embarrassment, harm or any other material disadvantage”. This ethical area will be addressed by initial contact with the potential research parties via email. This email provided each research party the overview of the research, a set of research questions and finally the goals of the study. With all areas of the study presented to the potential participants each were given the option to accept or decline the offer to participate. Throughout this area of ethics the researcher has been very careful in the manner of how the interviewee was approached and that they each were provided with as much information as possible prior to being questioned. Bryman and Bell (2011, p.542), acknowledge this approach “that prospective research participants should be given as much information as might be needed to make an informed decision about whether or not they wish to participate in a study”. Once consent is given the researcher fully understands that the interviewees participation is voluntary and they can opt out at any stage. As this study will use in-depth interviews as a means of collecting primary data the researcher fully understands that confidentiality is paramount and any highly personal information will be protected. In addition there is potentially material nonpublic information that could be inadvertently given which is important to neither use or present so as to maintain an ethical To counter this as aforementioned the participant will have a detailed knowledge of the topic, potential questions asked and the researcher will take great care in dealing sensitively with any potential ethical issues that could arise. As According Bryman and Bell (2011, p. 122), “Ethical issues arise at a variety of stages in business and management research". Therefore during this research topic ethical issues were at the forefront of all research and were given sincere consideration. Given the nature of the financial industry, confidentiality from the researcher is imperative and confidential information if attained will not be disclosed.

3.10 Research Limitations

The qualitative approach for the data collection through in-depth interviews can pose potential difficulties. Time management, access to intended personnel, sensitivity of certain information and personal bias all required considerable attention during this study. Time management was a pivotal aspect regarding the limitations, as there was only a short window of opportunity to organize and complete the research. For instance, although in-depth interviews are potentially the number one tool in qualitative research, they can limit the number of participants because of time constraints. The interviews themselves require an extensive amount of time and finally because the participants are high profile CEOs and managers with busy schedules this made organizing meetings and securing participation quite challenging. Targeting CEOs and high-level management may be slightly ambitious but to get relevant valuable data salient to this study, high-level management participation was imperative.

The sensitivity of the information was also a concern. With three out of the four companies being privately owned certain financial information and future strategies or plans will have to be kept confidential. Additionally any material non-public information divulged as result of this study could have implications for manipulation of capital markets were it used by other parties.

Finally throughout the qualitative study the researcher needs be mindful of the potential of research bias. "Two important threats to the validity of qualitative conclusions are the selection of data that fit the researcher s existing theory or preconceptions and the selection of data that "stand out" to the researcher" (Maxwell, 2005). This is an important area as any potential bias could destroy the credibility of the information sourced. The researcher needs to be as objective as possible especially due to the interpretive philosophy when drawing conclusions after all the findings are accumulated. The selection of interviews can also be construed as biased but the justification for this selection is practical and aligned to the research purpose.

Chapter 4 – Research findings

Introduction

This chapter will discuss the findings from the primary research found in the three in-depth semi-structured interviews. In each case the interviewee ranged from high-level management involved in M&A to the CEO level. The interview process was based around a core set of questions asked to each interviewee along with roughly five more questions that focused closely on aspects that affected that interviewees M&A experience. A degree of flexibility was afforded in all interviews, as on certain topics additional follow on questions were imperative. The objective of these interviews were to inform the interviewer of the various underlying facets and drivers for entering into the M&A that could affect shareholder value and to also learn about the interviewees experience of the success and challenges M&A can pose. This part of the dissertation will record the findings from each interview and document market perception at the time of the individual M&A's and then compare each M&A transaction to see if there are any over lapping effects and strategies.

4.1 Synopses of the Interviewee and the M&A undertaken

Candidate 1: Niamh McAuliffe and Three/O2

Candidate number one originally was employed by O2 as a loyalty and retention manager. In 2012 when Three initiated dealings with O2 (and eventually acquired them) Niamh became Integration and Transformation manager with Three and was responsible for development and execution of the consumer change program within Telefoncia Ireland. This entailed having a strong focus on understanding and developing programs to deliver significant operational efficiencies. Her role encompasses areas such defining the sales and service model required to deliver the business objectives, retail efficiency, franchise evolution, digital/telesales growth, and care optimization including staff integration. With Three and O2 combining taking up over 37% of the Irish telecommunications market, this company now known as Three has become the second biggest player in the Irish telecommunications market. Also the market has now gone from four major players to 3 major players. Prior to this 780 million euro acquisition Three Ireland only took up 9% of the Irish market. This Acquisition is part of a Hong Kong based industrial conglomerate, Hutchison Whampoa who own Three Ireland. They are currently growing their telecommunications network throughout Europe acquiring companies in Austria, Ireland and now the UK.

Candidate 2: Padraig O' Ceidigh and Aer Arann/Stobart Group

Candidate number two is an Irish entrepreneur from Connemara co. Galway who was CEO of Aer Arann and in 1994 purchased the airline. In the year immediately preceding this purchase passenger traffic doubled and the airline won an award for service. In 2001 Aer Arann grew significantly and became recognized as Irelands regional airline, servicing regional airports and major Irish hubs. Particularly in the years 2002 and 2004 the airline grew significantly, opening routes to the UK and continental Europe. The franchise Aer Lingus Regional was established in 2010 but due to the economic conditions and the ash cloud issues that were pervasive for Irish airlines during that year the company struggled and finally entered into examinership. The company battled through this period and got back on its feet to stabilize again. It was during this year in 2010 Stobart group purchased its first shares in the company approximately 5%. In 2012 Stobart took managing control by increasing its ownership to 32.5%. In 2013 Stobart moved its holdings to 45% with the option to acquire complete control of the airline, by increasing its shareholding from 45%-100% and in 2014 it was announced that Aer Arann would become Stobart Air.

Candidate 3: Sean McKeon and the Dalata Hotel Group

Candidate number three is Company Secretary and Chief Financial Officer of the Dalata Hotel Group. Current CEO Pat McCann (who initially acquired a small group of companies from Choice Hotels Ireland later to be rebranded the Maldron Hotels) founded the Dalata group in 2007. Sean played a large role in Dalata's 2014 IPO and their debt fund raising. He is also responsible for financial reporting, compliance and risk management processes in the Group. Dalata itself is the largest hotel operator in Ireland, currently operating 47 hotels, 16 of which are owned by Dalata, 12 are operated under lease agreements and 19 are operated under management agreements. Initially Dalata's core business strategy was the Maldron hotels throughout Ireland but in 2014 the group raised €265 million through the Dublin and London stock exchange. Since then Dalata has acquired 15 hotels located in Ireland and the UK. They have acquired hotels such as the Clayton hotel, Pillo hotel, Whites of Wexford, Maldron of Derry and the Moran Bewley's hotel group.

4.2 Objective 1: To explore what are the key motivations of an M&A transaction that lead to the success/failure of the deal?

4.2.1 Increased Market Share and Growth.

Increasing market share and growth were motives outlined by each interviewee as a major reason for getting involved in the M&A process. In all three organizations it is believed that an increase in market share can help the companies decrease costs and increase revenues. In particular in the case of Threes acquisition of O2 provided Three with a jump in market share from 9% to just over 37%. According to the interviewee from Three this is because if you "are a new entrant into the telecommunications market, it is quite an expensive market when you have got customers that are with a certain company, it's hard to get them to move, and the only way to do it is through giving away free stuff, which is very expensive to do, i.e. Iphones etc etc, which is an extremely costly way of doing it, or to buy the market share, and to buy the expertise and to buy that position in the market and that's where the strategy would have come from, is to expand and to grow your market share". She maintains that by purchasing O2 (a company that is 18 years in the telecommunications market), Three automatically bought themselves a larger consumer base, industry expertise and a dominant position in the telecommunications market.

In the case of the second interview around the M&A between Aer Arann and the Stobart Group, growth into the airline indusrty was the key driver. Although the Stobart Group were already very embedded into the logisitcs industry, they had no aerial presence. With Stobart also having acquired two airports in the UK, Carlise and Southend, air transport was the next strategic route for them according to the interviwee. For Stobart, acquiring a solid market share in the airline industry was the primary motive in acquiring Aer Arann. This was because “they had more less expanded as much as they could in the transport market in the UK, so they needed to expand, they were also broadly possibly considering getting into air freight and the aircraft we had were very suitable for air freight”. For Stobarts this type of acquisition gave them the option of both continuing with Aer Aranns initial model of passenger transportation and also the possiblility of future growth into freight transportation. This is an area where they had grown their core strategy from the haulage business and the former Aer Arann CEO stated gaining a foothold in the airline industry was naturally their next progressive step as “they also wanted to get an airline to start servicing their Southend airport and Carlise airport”.

For the third interview surrounding the numerous acquisitions the Dalata Hotel Group have made, increasing market share and growing the business is one of two main motivations of the company. Increasing market share was certainly part of the growth strategy as they are now Ireland’s largest hotel operator, with a current prortfolio of 47 hotels. According to the CFO of Dalata, “the motivation in terms of the acquisition strategy would be to secure the future of the company and to put it on a more solid long term future and increase our market share. If you had looked at it prior to March 2014, we had something like 40 hotels in total, 13 of them would have been on leases, and 27 would have been on management contracts. Very few would have had a long term future. Now we still have just over 42 hotels but our mix is better. We have about a dozen owned, a dozen leased, and the balance is on management contracts, and a lot of those are moving into more long term 5 year relationships with owners”. As laid out by the CFO, growth through increased market share coupled with future security were key motivations of Dalata throughout the acquisition process as according to the interviewee they now have a secure share of the hotel market.

4.2.2 Synergies

For the Three/O2 acquisition, this transaction was at a very early stage. The company has only been combined for under three quarters of a year at the time of the interview. Certain synergies are somewhat established but many are still in the pipeline and are waiting to be enacted. According to the transformation and integration manager prospective synergies included “the bringing together of the staff and the knowledge that’s there in the market. Three have a very entrepreneurial spirit and great enthusiasm so there will be a combination of that talent and expertise from O2 … combined operational efficiencies will also be a big benefit to the company cost savings wise”. The interviewee goes on to explain other prospective synergies that will benefit both Three through potential sales and through their customers, mainly “you also have a combined network, an expanded network, particularly Three who have invested quite a lot in 4G, which is new technology which Three customers have had, but naturally they were a smaller customer base, but that is now going to be expanded out”. Certain synergies have already been enacted such as operational efficiencies according to the interviewee which have already realised cost savings in the first quarter such as one headquarters, no job doubles, new customer sevice bases, one financial base and an increase in staff expertise. Also according to the interviewee there are more synergies to be enacted once the company gets settled and the complete change over to Three is achieved.

Aer Arann/Stobart acquisition directly indicated that management and operationally synergistic benefits were expected to be achieved as a result of the acquition. From the beginning operational efficiencies were identifed as a potential cost saving synergy from Aer Aranns perspective due to Stobarts vast knowledge and large foothold in the logistics industry. Once the M&A transaction was undertaken this was not the case and both companies fell into the synergy trap where it was documented that intially at the outset “there were challenges. The challenges primarily surrounded Stobarts lack of experience in the airline sector, which was totally different to any other mode of transport, very very different, different set of matrices needed to be considered in making strategic decisions, so it took them a while really to get under the bonnet and really understand that”. Problems that were encountered according to the interviewee were that “our CEO and management team would be putting forward proposals in relation to routes and route analysis and growth and so on which Stobart had difficulty in understanding, and it took probably about 18 months for all of that to settle down”. Once all the difficulties were resolved and Stobarts acquired the knowledge needed to run the company those intial operational synergies were enacted and now the airline is running smoothly and even expanding”, according to the interviewee. Those initial synergies identified were simply Aer Aranns model but done on a larger scale with the capital to back the model. According to the former Aer Arann CEO “I’d ordered ten airplanes in 2006/2007. Those airplanes are in an operation now, same type of airplane, same type of routes, same kind of distances, same people employed, you know fundamentally, it’s basically the same model, with a much stronger balance sheet”. Through this model the former CEO believes the airline currently “is doing well now and is also providing the service that’s the franchise with Aer Lingus, it is also providing that same service to other airlines, like Flybe. It’s spanning out into other markets as well. So it’s certainly strengthened the company”. The former CEO maintains that although there were challenges at the outset, eventual synergistic benefits were realsied after a short term adjustment period post restructuring.

The Dalata Group have cited many synergies as reasons for acquiring certain hotels. They have a set protocol when carry out their due diligence on each hotel as every hotel is different and each has varying alurements. For the Dalata Group the critical factor in the evaluation is the opportunity for high levels of footfall with the potential target According to the current CFO, “we would be very targeted on what would work for us and what would not work, so it would be very much a city centre or large town centre and mixed use hotels that can add a corporate and leisure market … We are very much focally motivated; you can see the amount of properties we have bought in Dublin”. For the Dalata group this type of due diligence process allows them to enact their set of standard synergies on every acquisition. Again the CFO believes “there would be standard synergies; you are consolidating a number of hotels into making it a larger group so you could draw standard efficiencies out of that. You get the benefit of scale in terms of your sales and marketing and your operational management where you can have more senior people involved in the direction of the business. The reality is that having that many hotels gives you considerable intelligence of the industry as well, and a considerable understanding as to what margins you should be securing, what revenue you should be securing given the location of that hotel, so there is are those added benefits as well in terms of when we acquire a hotel”. Through each different acquisition made by Dalata their CFO is adamant that synergisitc benefits are enacted in each acquisiton as a direct result of Dalata’s expertise driven by experience and ecomoies of scale in the hotel industry.

4.2.3 Managements personal interests

From a Three/O2 perspective with such a large acquisition there was a number of high level managers involved and as the interviewee states she is speculating on the initial relationship between the two companies and if management interests were involved as a motivation for this transaction.

Regarding Aer Arann/Stobart Group there was certainly a case for managerial and personal interests as a primary motivation, especially relating to the acquired companys CEO. In Stobarts case this acquisition was in line with their current strategy on growth. However from Aer Aranns perspective it could be argued that this acquisiton was part of the CEOs personal agenda. By his own admission he bought into the company to build up and create a realiable customer focused regional airline that would become a known airline around Ireland and UK initally, then subsequently Europe. His long-term plan was always to sell when he felt the time was right and the airline could sufficiently run with out him at the healm. The former Aer Arann CEO stated during the interview when asked about Stobarts initial entry into the company, “from my personal point of view I never saw Aer Arann as being a long term life long investment for me or business. I saw Aer Arann as a company, an airline I would build up, give it my shot and then step out and sell it”.

As the interview progressed when the interviewee was asked about his own personal underlying motivations for the acquisition, he indicated that “strategic decision making is very different if your strategy is to sell within a number of years and not move forward with the company long-term”. Mr O’Ceidgh stated that, “on my behalf, an underlying motive and it’s a good question, was for me to create an exit mechanism over Aer Arann, because I had from day one when I set up the airline, the purpose I set it up was to exit it in a bearded plan. When you build a business with a purpose of exiting, you build it in a certain way and strategic decisions you make are influenced by what the end game is. Like another reason, if I build this airline and it be there for my family, my son or daughter will run it in years to come and so on, you make very different decisions around that strategic goal, as you would through if you were doing an exit”. The interviewee clearly cites his own personal interests as a key motivation for entering into the M&A transaction and he also indicates that because of these personal interests strategic decisions were made differently throughout his tenure.

From the Dalata Group perspective according to their CFO there was only one managers personal interest and that was coming from the current CEO, Pat McCann and that was transformation. What he meant by this, was an alignment to the companys current strategy of securing the future of the company and gaining a solid foothold in the Irish hotel market. “This transformation is what has changed the compnay and taken it from stuggling in a recession to being the largest hotel group in Ireland”. The CFO asserts that it was McCanns personal vision has changed the company and put them on the right path. He states, “transformation is the word that Pat uses, and it is exactly the right word. It has transformed the company from where it was twelve months ago. As the primary founder Pat had a vested interest in the company moving forward and that’s were transformation comes from”. Outside of this interest the interviewee cites no other personal management interests as reasons for any of the acquisitions.

4.2.4 M&A Momentum

M&A momentum is certainly a motivation that warrents weighted consideration when evalutaing the reasoning behind M&A activity and often arises as a result of companies looking to take advantage of environmental factors to increase their market values, achieve growth and increase their market share. This type of strategy is often aligned with the ‘empire building strategy’ mentioned in the literature review.

In the Three/O2 merger, it is clearly visible that Three through their parent company Hutchinson Whampoa have used a type of acquisition monentum to increase growth in the European market. From the interview it is also clear that an abundance of capital was needed to move forward with this type of growth. When asked about M&A monentum across Europe as a motivation in the first interview, the interviewee stated, **“**It appears that way. Only the most senior people would know these things naturally because of the commercially sensitive nature of them but so far Hutchinson and Three has acquired O2 Ireland and the UK recently and two maybe three years ago Orange in Austria. So their strategy seems to be merger/acquisition momentum in growing the company”.

M&A momentum seems to be a recurring theme thoughout the interviews as the strategy is also present in the second and third interviews. In the second interview although with the former Aer Arann CEO, he talks about Stobarts growth mechanism of acquiring businesses throughout the UK by acquiring and mergering both vertically and laterally. The interviewee states, **“**Yes, that was it, there was merger and acquisition momentum. They were in that merger and acquisition mode of operating, and if you look in detail at Stobarts in relationships, how they grew, they grew by acquisition, fundamentally by acquisition. So this was very much entrenched with their thinking, with their philosophy, with the way they go and develop vertically and laterally … laterally is going into airports, buying airports and then buying into Aer Arann”.

When asked about challenges the interviewee believes that because Stobarts were so engrained in continuous growth and M&A monentum at the time that high level management in Stobarts were worried mainly about how the stock exchange viewed the company and they teneded to neglect follow on aspects of securing stability post M&A which created problems for Aer Arann. The former CEO talks about the challenges encountered during the M&A, “No, it didn’t go perfectly with the plan for me. I would have got the top management in Stobart more directly engaged with our operations on our board. That's the single biggest issue, and that caused stress and that caused a challenge…. The problem I had though was that Stobarts guys, who were top management who were interested in getting involved were too busy with other acquisitions. They would do the acquisition and move on. They had a company of FTSE 250 to run and to manage and stock exchange to please and so on and so forth". In this case the interviewee admits that M&A momentum, although may look good on Stobarts stock results can cause sufficient problems for the acquired company.

In the third interview the Dalata group also encompassed an M&A momentum route to quick growth. Once they received funds from the Dublin and London Stock Exchange in 2014 alone they acquired fifteen hotels spending 600 million euro on acquisitions. According to the CFO this was in line with their strategic views and vision for the companys growth. Although in the literature review there is a high volume of evidence with each research giving different negative figures on the number of M&A failures because of this type of strategy but according to the CFO of Dalata, "M&A momentum certainly played a part after we raised funds but all our acquistions as I mentioned already went through a rigourous due diligence process, so they work for us. We needed to move forward as a company and this was the strategic decision to do so". In this case the CFO cites M&A momentum as a positve aspect of the companys growth strategy.

4.2.5 Gaining access to funds

Gaining access to funds is a motivation that is an important to each company throughout the interview process. Particularly relevent is the cost of the funds (cost of captial), the cost of debt can be significantly reduced due to conosldated assets on the balance sheet or cheaper access to equity can be also be achieved by more favourable valuation for the combined compnay on capital markets, For instance in the O2/Three acquisition, when the interviewee was asked if there was a winner/loser scenario in the transaction, she also answered the question of underlying motivations on the behalf of O2. This was cited as the capital injection Three would bring to the acquisition with O2. "Although they (O2) had a large market share they had a stagnent retention strategy in the market". The interviewee stated, "they are at different stages in their life cycles. So the issue is the telecommunications market is a declining market. The revenues that were once associated with voice and text dramatically reduced over the last number of years as a result of what's app, data usage and so forth, and the difficulty has always been how do you make money out of data? But particularly in Europe, which is a more advanced market".

O2 as a company was at a later life cycle phase in a declining market than Three and thus was more eager to get an investment injection. "Three would certainly would have more of an acquisition growth focus, especially backed by their parent, they have the balance sheet to back it up, whereas O2 due to its base size would have had more of retention focus, and focus on customer retention and how to retain that base and retain the revenue from that base. So I think when you combine the two organisations and the approach, attitude and the capital injection Three will bring its probably a win win from that prospective”.

The case in the second interview cites that Aer Aranns motivations in entering this acquisition was primarily to access funds as on a number of occasions as the former CEO alludes to their struggling balance sheet and Stobarts capital strength as a positive in their transaction. Aer Arann had a period where the airline really struggled and eventually went into recievership due to 4 factors according to the fromer CEO, “well four most significant factors. One was Ryanair, another one was the price of fuel going from $37 a barrel to $147 a barrel. That affects your bottom line, your profit. Thirdly was the recession, which a lot fewer people flew, business was on its knees in Ireland and around Europe. Less people flying, less people travelling around business and leisure. That seriously affected our passenger numbers. The fourth thing then was the volcanic ash, that’s what broke the camels back”. When asked ‚was the value of the company on a downward slope? The former CEO stated that the company was “worth in the region of about €100 million, but then as recession hit, Ryanair hit us hard and so on, the valuation of the company went down significantly, I’d say it went down to about €25 million or so in that period of time”. It was at this time Stobarts attempted to move in for the second time in an attempt to acquire Aer Arann”. On this occasion Mr O’Ceidgh decided to accept the offer. “What Stobart brought to the table was obviously a strong balance sheet, they brought investment to the table, they brought the UK awareness of the brand, so on and so forth”. Here the intervewee mentions the capital and investment Stobarts could bring to the company inferring that a key motivation of the former CEO was to gain access to capital and due strengthened collatoral of the combined balance sheet access at a cheaper price.

The Dalata Group indicated access to funds and the cost of which was always a topic that was on the strategic agenda however was as a specific motivation for acquiring companies. The Dalata Group gained access to funds pre acqusition so they could acquire these specific companies. In March 2014 Dalata raised €265 million through the issue of existing ordinary shares. Dalata’s strategy was to grow the business through a mixture of owned, leased and managed hotels. Gaining access to these funds allowed Dalata to “clear the remaining of the debts that were outstanding on the original fundraising in 2007, and it was on the back of that we would have gone out and basically we closed on €600 million acquisitions in the twelve months post that”. The Dalatas cost of capital has decreased since their acquisition strategies have commenced however this was inferred to be more of a side benefit of the restrurturing as opposed the driving force.

4.3 Objective two: Is the ‘Human Factor’ exceution a major key to success of the M&A deal?

The ‘human factor’ in literature plays a large role in determining the success or even failure of an M&A deal. According to Nelson (2012), “Typically, communication is what makes [a merger] work. The best approach is to just get everyone on one page and communicate the best you can. Once the deal is done you want everyone to feel like they're being treated fairly so that they jump into their job with both feet. If there is uncertainty after the close, it can cause real issues in integration."

In each interview, the interviewees all agree that integration of personnel is key to success. In the first case between O2/Three acquisition, offices was set-up in both companies prior to the deal according to the interviewee so they could plan and prepare for the integration period due to the amount of staff in the companies. The plan is "a 5 year plan for the full integration. A huge concentration in the first year, but there will be still things that will happen in the outer years, but predominately most of its happening within the first twelve months". When asked how the two cultures came together, the interviewee describes it as a process that is, "still happening, so you can't do it overnight, but that was one of the first key focus areas was to bring the people into the building and to bring the teams together. The Directors were appointed, then the heads of functions, so it went down through the layers". With such a large amount of staff the interviewer asked if such large scale integration then posed challenges to the M&A? The interviewee responded saying, "There would have been challenges in certain areas, but no major issues, no major HR or industrial relations issues or anything like that, because it was handled quite well. People were put through processes and things like it, some people exited but it was handled very very well". With the O2/Three acquisition still less than a year old the interviewee holds that the integration process has moved swiftly in a positive manner and that the company is already looking to the next phase. She states, "from what I can see from the things that have been delivered, and projects that have been delivered and closed, most of them have gone according to plan and have delivered quite well. I think with regard to the people stuff, it was treated quite well, people were treated sensitively and with respect and I don't think you can do much more than that".

In contrast to this type of large scale corporate integration, the other two M&A cases are quite similar. In both cases the acquiring company is seen as the 'White Knight' to the staff of the acquired companies. This was mainly due to the companies that were being acquired were in recieversship at the time of the acquisition.

In the Aer Arann/Stobart case the former CEO mentions that Stobarts acquisition of Aer Arann "gave the company significant strength and stability which the company needed and not one staff member lost their job during that period of time". This is a point the CEO makes quite adamently and one could deduce that an underlying reason behind the acqusition could be linked to another type of personal agenda the CEO has, one relating to an emotional tie to the business and a feeling of obligation or duty of care to his staff.

This case is similar to many of Dalata's acquisitions. When the CFO was asked about integration strategies he stated, "We had a relatively easy position as certainly a lot of hotels were in receiverships. So we were literally like a white knight coming in to give those people far more security, so they could see a long term plan for the hotel, as opposed to living maybe month to month but there would always be an uncertainty when you would have a receiver. So the fact that we were coming in, for most of the staff it was a commitment for the future. Certainly they took greater comfort, and would have had no negative experiences as a result of us coming in".

In all three cases the interviewees only mentioned positive aspects coming from their integration systems. Other aspects that come under the 'human factor' such as managerial interests have been aformentioned in the first objective section.

4.4 Objective 3: Was Shareholder Value realised for both parties?

The coporate structurre of the O2/Three acquisition was such that both companies were part of larger organizations, mainly O2 was owned by Telefonica and Three are owned by Hutchinson Whampoa. As a result it is difficult to detach the overall value of the parent company from the contribution of its subsidiaries to that shareholder value which is the desiered intention for this study.

When asked about how the companies were doing financially in the market pre-acquisition, the interviewee responded by saying that "pre acquisition I know O2 was going well in Ireland and that Telefonicas share price was around maybe between €10-12 in the last year or two. From the Three side of things I don't know much about Hutchinson and share prices but Three Ireland had done very well and grown organically and established a solid market share". Around the time of the acquisition announcement the interviewee was unsure about a spike in market share but she did state that, "I know hutchinson share price has been increasing over the last number of months". At this time the interviewee also mentions the rigorous due diligence process the company went through due to an investigation from the EU comission on the competitiveness of the Irish telecommunications market. This investigation was carried out because competitors and regulators alike were concerned that Three could potentially dominate the market. Later in the interview the interviewee does go on to say that "markets would tend to favor the announcement due to the consolidation in the telecommunications industry, through technology and network sharing". On the topic of consolidation the interviewee states that it "has already been seen from a network investment and a return on investment prospective, so I think the markets would favour it". The next question posed was surrounding how the joint company was fairing in comparison to its initial post merger/acquisition value? Due to the company being at such a young stage in the transaction process, not even a year old the interviewee could not give out certain information as it was currently comerically sensitive but the interviewee did mention that, "I know share price was around €90.00 for our parent company back in December and has risen to around €100.00 plus recently but again I don't know if that helps at that is Hutchinson and not just Three but from my prespective I can't imagine it would be negative at this point in time".

In the second case between Aer Arann/Stobart, at the time of the acquisition Aer Arann was a privately owned company. The former CEO and a major shareholder in the company when asked about Aer Arann's share price/value around the time of the acquisition the interviewee admits that the company hits its peak in 2006 and according to the former CEO the company "was probably worth in the region of about €100 million, but then as recession hit, Ryanair hit us hard and the valuation of the company went down significantly. We didn't get a valuation on it but I'd say it went down to about €25 million or so in that period of time". Although at the time of the acquisition Aer Arann was struggling financially and went into recieversship, the former CEO made reference to his confidence in the fact that Stobarts would bring investment and financial stability to the comapany. The next question posed to the interviewee around shareholder value was how the joint company was faring in comparison to the initial post merger value? In response he talked about the company still being privately owned but at the same time he mentioned how the company has become very stable due to Stobarts acquisition and how the Aer lingus model has worked well seing a large increase in the number of passengers. He cites that the passenger increase is "growing north of 15%, between 15% and 20% a year, year on year since about 2011 or so". Along with this increase in growth, the interviewee also makes reference to the airline moving into new markets and providing their service to airlines such as flybe. Finally when asked if the interviewee felt it was a win/win situation for both companies in this M&A process? The former CEO references o the fact that he cant mention direct price because of the sensitivity of the subject but he does say that "it was a win win situation for me in the sense that I got out of the company. I didn't get as much as I would have got for it back in 2006, but quite frankly and significantly less, but that was ok, I haven't lost a minutes thought or a minutes sleep about the decision. It was absolutely the right decision for me and for the company, and I would say also for Stobarts who have grown the company successfully".

In Dalatas acquistion similarities with Stobarts and Aer Arann M&A exist. Like Stobart, Dalata acquired many companies (hotels) that were in recieversship and/or privately owned. Due to this fact it is difficult to get any type of share price or valuation of the companies acquired. On behalf of the Dalata group and according to the CFO pre-acquisitions the group were struggling seriously due to the impact the recession had on the hotel industry, "for a few years the company would have faced extreme stress as there was a severe downturn in the hotel industry over those 2008, 2009 and 2010 years". Once the Group went public in 2014 and raised €265 million, cleared their debts on the original fundraising in 2007 and started acquiring hotels as their growth strategy the compnay started transforming their profitability and return to shareholders, according to the interviewee. He acknowledges that Dalata were able to acquire hotels "because of the recession and because of the over supply of hotels as a result of that recession, we were able to take up assets that we deemed were at value. So if you look at some of the hotels we bought, they were purchased for well below what it would cost to actually build them. That was good value for us". Following the acquisitions, when asked around the announcement of the acquisitions, have you noticed if the market value increased for Dalata? The CFO stated, "we opened at around 2.60 in March 2014, and I think we are at 3.60 now in terms of our stock price so that is probably the analytical measure you can put on it. The market seems to have reacted very positively to it". Finally when asked if the acquisitions at its current state were a success? The CFO again admits, "Yes. As I mentioned already our share price is up and we have acquired a group of hotels we are very happy with as they are all suited to our strategy going forward and many of the hotels we obtained at bargin prices".

Chapter 5 - Conclusion

This chapter will combine various aspects of this research by making inferences on the key findings of the research administered in consideration of the supporting empirical literature. As aforementioned the main objective of this study was to research the question: do M&A's create sustainable shareholder value in an Irish context? This question is relevant based on the discrepencies found in literature and practice relating to varied outcomes of M&A's and the commonalities of M&A successes and failures. To investigate this hypothesis the research focused on three research objectives, mainly, the role in which the motivations of the M&A in each case played in the outcome, whether or not the 'human factor' was a significant contributor in the result, and finally whether or not true shareholder value was realised throughout this process for target, acquirer or both entities. Drawing on the primary data sourced from the case studies and blending this with the secondary data presented on the subject, the researcher will perform an analysis that will allow rational conclusions and inferences about the research objectives be made.

5.1 Objective 1 – What are the key motivations of an M&A transaction that lead to the success/failure of the deal?

The question surrounding the drivers of a company's decision to restruture via an M&A is identified for assessment as a direct result of the failure rate in the M&A industry. Through this analysis the researcher aims to examine what motivates companies and high-level management to pursue M&A as a restructuring strategy and this exploration is pursed with the intention of discerning whether or not the primary motivation is more or less likely to lead to longer term value for the companies involved. In the three cases investigated in detail throughout this study,
five different key factors have been identified to explain why companies choose an M&A. These are also the salient motivations pervasive throught the majority of M&A's in the surpporting literature, mainly, to grow at a quicker rate, increase market share, achieve synergisitic benefits, satisfy managerial personal interests, take advantage of M&A momentum and gain access to cheaper debt and equity. Each case study presented highlighted different primary motivations driving their decision but common motivations such as increased market share, growth, synergies and M&A momentum were all mentioned during each interview.

If we look firstly at increased market share as a motivation, each company lacked a significant market presence in the area they were aquiring and moving into. By adpoting M&A to increase market share it has allowed their respective company achieve quicker market entry gaining access in all cases to an already established clientele base. This was certainly an important factor for each acquiring company. Three went from 9% to 37.5% of market share in Ireland, Stobarts purchase over a growing airline with potential for expansion extending their footprint in the logistics industry and Dalata became the largest hotel operator in Ireland after acquiring 15 hotels in 2014. According to Gaughan (2011), organic growth is not always a viable option as competitiors can directly compete with you and even win the market share. For the three cases in this study the best solution for them was to buy the market share by acquiring companies that suited their M&A strategies. In Threes case in particular as they are operating in a small ologopolistic market, their acquisition leading to increase of market share can enable them to have greater invluence over price setting in the industry further increasing their longer term profitability.

The potential of positive synergies was another motivation that was highlighted as a key driver across all three cases throughout the M&A process. Financial and operational synergies were the two most coveted. In each case study presented, a rigorous due diligence process took place to uncover whether these synergies would be present post acquisition. Postive synergistic benefits are not as easily quantifiable or assessed as other factors (for example like market share). There may be perceptions of synergies but due to imperfect information or information assymetry (where one party has more information in a transaction than the other party) this may lead to perceived synergistic benefits giving the company a market valuation that would not reflect its true value. As the market corrects itself post acqusition the percieved value attributed to the synergistic benefits that were never realsied vanishes leaving the company with a transient increase in shareholder value that is not sustainable . Uncovering true synergies pre acquisition was at the forefront of every companies agenda as a result. Weber et al (2014) stressed the importance of selecting a company that is right fit culturally and synergistically etc and how lack of knowledge and planning can lead to shortcomings and potentially failure of the M&A transaction. For Three entry into this M&A gave them instant access to talent and expertise of the O2 workforce and allowed them to enact immediate operational and cost saving synergies by creating one headquarters, one financial and customer services base indicating even though they are less than one year old as a new company they may have already achieved certain positive synergistic effects. For Stoabrts the synergistic benefits of acquiring Aer Arann were somewhat flawed as according to the former CEO it took Stobarts 18 months to grasp the concepts of the airlines operations. Sobarts misconception that their experience in logistics would lead to synergies with Aer Arann was not quickly realised. However over time as the process evolved they managed to merge their cultures and operations to create small positive sysnergies. In the three cases the Dalata Group posess the best tried and tested process for identifing and incoprating an acquisiton to as to achieve synergistic benefits. They have attributed their success as a direct result of their meticulous due diligence process, measuring the risks and identifing specific financial, cultural and environmental criteria for each acquisition. For the Dalata group this type of due diligence process allows them to enact their set of standard processes on every acquisition. It is this type of process and synergisitc benefits that has allowed Dalata to become the number one hotel operator in Ireland.

M&A momentum was the third motivation that was present in all three cases. In previous literature M&A momentum is seen as having the ability to lure companies towards M&A as a strategy due to the fear of being passed out by competitors causing what Steger & Krummer (2007) called the “bandwagon effect”, which could potentially cause companies to rush the process or even choose an uncompatible M&A leading to potential failure. This motivation could be deemed as the most risky to pursue as it lacks foundational and rational logic as to justify a solid business case for an M&A. In each studied case, due to the extensive pre acquisition due diligence process, merger momentum does not seem have a valid claim for a large contribution to the motivation for acquisition. Although the acquisition may have been successful there may be a case to argue that the Stobart Group suffer from the “bandwagon effect” and Henry’s (2002) “winners curse” theory. As according to the former Aer Arann CEO on many occassions, he admitted struggling to communicate with high-level management in the Stobart Group due to the amount of acquisitions they were currently undertaking at the time. This could lead us to believe that in the future Stobarts could potentailly suffer losses if sufficient time and appropiate plans are not exceuted properly and to a high standard.

Managerial personal interests is another motive behind M&A and is present in two of the three cases. In the Aer Arann/Stobart case, it is the former Aer Arann CEO who allows the acquisiton be carried out as part of his own personal agenda, as he feels with his resources and own personal plans he can only take the company so far. From his perspective he is not jeopardising the company in wanting to be acquired, he carefully considered his options when choosing a company to enter into an M&A transaction and according to him Stobarts were an all round perfect fit. By entering into the M&A arrangement with Stobarts the former CEO allowed Aer Arann to continue their growth and to increase sales and revenue under a new company potentially leading to sustained abnormal returns to shareholders. In previous literature it is generally regarded that personal managerial interests are normally associated with the acquiring manager and that it can be damming for the company if high-level management interests are not in line with company's strategic goals.

For the Daltata group, managerial interests would appear to play a large role in their companies M&A decision. According to their CFO, it was their CEO's transformation plan that changed the path of the company and allowed them to achieve their current position. The Dalata Group's CEO's interests were aligned to the companies growth strategies and they beared the three factors according to Weber et al (2014) to be successful in M&A, which were finance, strategic management and a sound organizational behaviour allowing them to implement a sound business strategy. By aligning managerial personal interests with the strategic development of the company in both cases has potentially enabled both companies to create sustainable value for shareholders. This can however be counter productive at a point as due to agency costs these incentives must be continuosly reviewed. The agent, in this case the CEO must always be acting in the best interests of the shareholders. Given the company growth and the success of this on the shareholders returns, it would appear that this is the case at present. However if this growth were to lead to unsuccessful acquisitions and the management is still incentivised to acquire due to increased growth the incentive structure would at that point be misaligned and need restructuring

Gaining access to funds, and access as a cheaper rate is the final motivation for two of companies researched in this study to enter into an M&A transaction. In both cases it is the acquired companies that are looking to gain access to funds for future investment and in Aer Arann's case financial stabilisation. In both scenario's for O2 and Aer Arann, by entering into the M&A process, can potentially enable their respective company's to increase revenues and sales through projected investment from the acquiring companies. This potential for capital injection into both companies would lead us to believe that each companies has the means to increase revenue through this investment. Fruthermore given the restructuring of the balance sheet the access to this debt and equity financing can be achieved from a stronger collatoral and market position respectively, giving each company cheaper funding

Given that in all three presented case studies there are a combination of drivers, one could conclude that the propossed correlation between the individual motivating factors and the increase in shareholder value is difficult to deduce. However the evidence presented would appear to allow us make some inferences, mainly that in the cases where potential synergistic benefits exist from the M&A this is a more compelling motivation to drive true shareholder wealth. In the case of the motivating factor being access to capital, given there are potentially postive NPV projects to allocate the captial toward this could also be a postive motivation (as was the evident in Stobart and Aer Arann case). However if that access to capital is for working captial purposes or attributed to contiuning currently unprofitable projects its return to shareholder value, if positive, may indeed turn out to be transient returns. However the more ambiguous motivation would be the desire to take advantage of merger momentum, where either previous successful acquisitions by the acquirer (in Stobarts case) or current successful acquisitions in the market or industry may give falsely represented long term value due to no real synergies or benefits occuring. Stobarts situation in partiucular, (given their history of acquisitons) may lead to a loss of focus and control causing inefficencies and reducing longer term profitability. Given the combination of these motivations the driving factor becomes convaluteted making it difficult to predict an overall success or failure for each individual case.

5.2 Objective 2 – Is the ‘Human Factor’ exceution a major key to success of the M&A deal?

This question would appear to be relevant for assessing an M&A’s ability to achieve long-term success. In previous literature it is heavily documented that many companies fail due to cultural clashes and management clashes. In the three diferent cases investigated in this study, two of the companies involved, Stobart and Dalata have had no apparent issue with integration or cultural clashes as both companies are percieved as ‘white knights’ coming in and making an instant contribution to the acquired companies. In doing so very few staff jobs were lost and in fact staff felt more secure in the knowledge the company had a strong future. From a combination of the primary and secondary data on the subject one could assert that this type of takeover would more likely lead to the long-term value for the acquired business due to positive operating efficencies instantly realised through improvement in perfomance due to increased job satsifaction. In the O2/Three case the integration process was dealt with very efficiently and a five year plan has been put in place to secure a full and successful integration. In Three’s case they enacted integration teams pre-acquisition and laid out long-term plans for this process as the interviewee was adament that a clear structure was essential. In this case in was performed in layers from corporate down the staff ladder as soon as the acquisition occured. Monnery and Peck (2000, p.8) support Threes early integration and organization teams pre-merger and their long-term plan for the integration as they believe this early planning and clear structure is a key element for a successful integration. The interviewee in my opinion laid out a clear and structured plan for the integration of both companies and this would position them to mitigate any potential future integration or corporate problems down the line leading to disruptions. Three’s integration strategy is also in line with Marks (2014) who holds that when managed well, cultural differences can result in post merger integration that can improve goals and achieve strategic and financial objectives more effectively than either company could achieve on its own.

In the first two cases between Stobarts and Dalata, integration is certainly not a problem. In fact there is motive there to say that due to the majority of staff jobs being saved it can be said that staff morale and general well being will be lifted which can only have a positive influence on how the companies are run. In the O2/Three case the author believes that the positive and active integration methods introduced by Three pre and during the integration phase has so far had a positive effect and could help ensure the success of the M&A. In all three studies with corporate culture integration being of a positive nature, it can definitely help to enact synergies in each company and therefore lead to the creation of sustainable shareholder value.

5.3 Objective 3 – Was shareholder value realized for both parties?

In the context of the O2/Three merger it is difficult to say whether or not shareholder value has been realized for both parties due to each company being a subsidiary of their respective parent. Being in such an early stage of the acquisition the question of long-term value is also difficult to ascertain. From an O2 perspective value realized has been in the €850 million fee for the company, which has been collected by their parent company Telefonica. The interviewee did cite that O2 were doing well at the time of the acquisition and Telefonica's share price was around €10-€12 pre-acquisition. With that in mind and looking at Telefonica's share price which has increased to €13.72 as of the 21st of April 2015 (just post acquisition), this would indicate that this was an announcement that was positively received by analysts and the market with value being returned to shareholders. Thus the inferences of a positive return to shareholders can be assumed for O2/Telfonica, at least in the short term content. For Three on the other hand at such an early stage of the acquisition the only indicator that value has been realized stems from an increase in their parents (Hutchinson Whampoa) shareholder price. From the time of the acquisition it was trading at around HK$100.00 and as of the 10th of April 2015 it increased to HK$113.70. Although their parent has received a solid increase in shareholder price and the interviewee believes the company is doing well this is not enough evidence to suggest shareholder value has been achieved from Three's input into the company as in terms of Three's contribution to the overall parent company it has a smaller impact on the parents balance sheet than that of the 02 Telfonica relationship

With regard Aer Arann/Stobarts, it's hard to say whether or not shareholder value was fully realized on Aer Arann's part due to the company being privately owned. According to the former CEO who sold it at a time when the company was valued at a lot less, he was still happy with the sale from the perspective or return of shareholder value to the Aer Arann shareholders. Therefore we can make the inference that shareholder value may have been realized but certainly not at the full potential it could have reached due to certain circumstances. On Stobarts behalf according to the former CEO the airline is expanding and increasing sales year on year by 15%-20% since 2011 with Stobarts share price jumping from £122 around the time of the acquisition to £143 within the first year. So short-term value has certainly been realized for Stobarts. Long-term it is more difficult so predict the value realized as post merger the share price has receded to the £108 level which may be due to transient gains as a result of overestimation of the value of the merger, or perhaps due to other environmental factors impacting the industry and business

In the final case outside of Dalata's most recent acquisition of Moran Bewley's for €453m, it is fair to make the assessment (based on the findings from the interview) that there was no shareholder value realized for the acquired hotels as the majority were in receivership and according to the CFO many were purchased for a price below what it would cost to build them. For the Dalata Group pre-acquisition share price was €2.60 and after their year of acquisitions it is now at €3.60 so short-term shareholder value has certainly been realized and it is also backed up by their clever purchasing strategy of many under priced hotels. Long-term value cannot be properly assessed due to the fact their acquisitions are relatively recent, however given the positive synergies, the M&A

success rate of the group and the below market price received for their acquisitions one can be more confident that longer term success can be achieved once their strategic plan is executed properly.

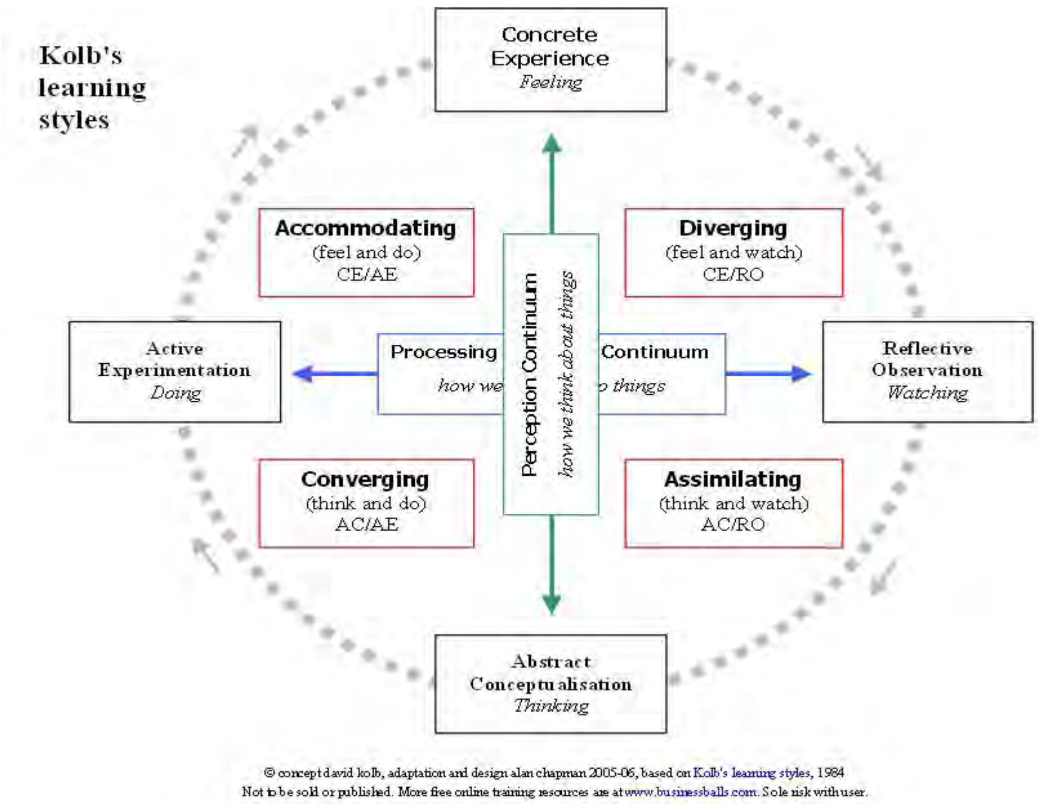
Chapter 6 – Reflection

This part of the dissertation will allow the researcher to provide a reflection on the work, experience gained and of the learning process that was developed throughout the course of this MBA program. In the first area of the reflection I will present a theoretical analysis of my learning process and style based on the literature of David Kolb.

In the second section of the reflection, I will review my learning's, skill development, challenges and my overall experiences encountered during firstly my dissertation and then the MBA program as a whole. Following this I will explain my rationale for undertaking the MBA and how it will be applicable to my future in affecting how it can put me on the right path to achieve my career goals.

6.1 Reflective Learning Theory

This reflection section of my research project is established on the basis of Kolb's experiential learning theory model. This is probably the most widely regarded and accepted learning theory. According to Kolb, "Learning is the process whereby knowledge is created through the transformation of experiences" (Kolb, 1984, p. 38). This teaches us that learning can be seen through the occurrence of different events or even just changes in day-to day activity. Knowledge is continuously being created. Kolb (1984) experiential learning cycle lays out four separate but intertwined learning phases; immediate or concrete experiences, observations and reflections, abstract concepts and active experimentation. Kolb's model indicates that development in learning is ongoing and that each step in the cycle leads into the next step supporting the idea that the learning process is constantly evolving and challenging. For instance the initial phase may provide an immediate experience, this can then lead on to certain observations on the subject, which can then be turned into abstract concepts and finally these concepts can lead to new implications and experiences. According to Kolb "Ideas are not fixed … but are formed and re-formed through experience". This statement is portrayed through Kolb's graph of his cycle theory and we can see how each different stage has a knock-on effect creating different learning experiences for each cycle.



6.2 Kolb's Learning Styles

According to Klob (1984) and Honey and Munford (1982) humans have various way of acquiring knowledge and generally prefer one method of learning to another. They both believe there are four different types of learning styles available. Klob believes that each learning style is influenced by different situations people experience. This could range from social, work to educational experiences and so on. It is these types of experiences that Kolb portrays that mold an individual's style. Through the cycle diagram we can see Kolb's four types of learning styles:

Converger (Doing and Thinking)

Convergers will think about something and then try out their theory to examine if it works in practice. They are factually based people who are suited to technical tasks. They prefer to work alone and act independently setting targets and completing their goal. Convergers can be associated with specialist types of work.

Diverger (Feeling and Watching)

Divergers are deep thinkers and look at each situation with different perspectives. They prefer to observe rather than interact, gathering information and using their imagination to solve problems. They are a sensitive type of person and enjoy working with others but they do not like conflict. They tend to work best in an idea-generating environment, learning through logic or constructive feedback.

Accommodators

Accommodators have a hands-on type approach. They rely on intuition rather than logical analysis, making them doers rather than thinkers. They are attracted to new challenges and experiences and will take risks to see what happens. They will also rely on information from others rather than carry out their own.

Assimilators

Assimilators would rather think than to act, they choose the cognitive approach. They like coordinated and structured understanding. Assimilators prefer learning through lectures; they learn best through a logical and thoughtful approach.

For this reflection the author will be using Kolb's model to reflect on the learning styles he adopted. Throughout this research project the author adopted a couple of Kolb's learning styles, mixing them together rather than choosing a definitive style. At the initial outset of this dissertation the author certainly adopted the diverger traits in gathering as much information as possible on the M&A industry as a whole and the industry in Ireland. With M&A being such a popular topic at the moment, especially in Ireland is was crucial to have this information at hand so the author could set research objectives and a research question. This again was aligned to the diverger theory as once the information was gathered the author could then generate ideas on how to pursue the research objectives and answer the research question. Once this section of the study was complete the researcher adopted the assimilator approach. The reason for this was there was a lot of investigation to be done in the M&A field to probe out different answers and results so the researcher had to take a logical approach when creating his framework around the M&A industry for the study. The primary data in this field was gathered through in-depth interviews so both the diverger and assimilator traits were used in this scenario. The diverger theory was used in gathering information and working with the interviewee to exhume the answers needed. Following the interview then the assimilator theory was adopted in analyzing these interviews and building a logical approach to the framework of the study. I feel throughout this study both learning styles adopted enabled the researcher to achieve his goals in the study and furthermore certainly showed the researcher that working with people and engaging in their experiences interests the researcher greatly.

6.3 My Experience and Rationale for undertaking an MBA

To date I am 29 years old and have been lucky enough to be a professional Rugby player for eight years with stints both at Connacht and Leinster and previous to that I spent three years in the Leinster academy system. I am currently playing with Connacht and own a small percentage share in a tech start up company. I have always had a keen interest in business studying Economics and Geography for my undergraduate degree in UCD. Throughout my Rugby career I have always had a strong emphasis on education as in todays professional rugby environment players are lucky to last ten years. Although that said it is a difficult task to balance a study schedule and a full time rugby career in a highly pressurized environment.

Outside of rugby I am aware that I do not have any professional experience in any type of work place. Undertaking this MBA course was a crucial decision for me. It was one I knew I had to take so I could progress my professional career. Under my current situation I am employed till June 2016, I hope to continue my playing career after this whilst also continuing to study and up skill. The main reason I undertook this MBA program was to further my education firstly but to also prepare myself for life after rugby and a potential career in business. As aforementioned I have a lack of professional work experience on my CV and by obtaining an MBA I feel would allow me to fill that void by giving me other experiences that would be aligned to actual work experience, such as group assignments, investigative research, networking and problem solving. Therefore to conclude as someone in temporary career obtaining an MBA was devised to make myself more employable by developing necessary skills to accompany my current skills, whilst increasing my knowledge and proficiency in the business and finance environment.

6.4 Reflection on the MBA program

Challenges encountered:

When the MBA was initially undertaken, I was very apprehensive as it had been four years since I had completed my undergraduate degree. Although I had a keen interest in business, kept up to date with current financial/business affairs and completed a level 7 HETAC diploma in professional rugby in that time I knew an MBA was a big challenge. The MBA program has being a great experience and has provided me with numerous skills that will be imperative for me when I enter the workplace but it also has posed different challenges for me along the way too. Initially I found myself quite stagnant when we started lectures. I found myself unfamiliar with certain business terminology; terms such as positivist and neo-realists for example baffled me. Terms which after attending lectures, note taking and some research I quickly became adjusted to. The concept of categorizing approaches to business as well as the social science side of the course were all elements of business that were beyond the scope of my primary degree and although only minor areas of the course they are just examples of the type of challenges I faced. As the course continued I promptly became familiar with the basics principles of the courses throughout the MBA. Other challenges I faced were certainly time management and organization for example. This was due to the majority of my day taken up with my current profession but I adapted quickly and eventually became very proficient in these areas as I had no choice or my MBA studies would have fallen behind. These types of skills developed will be outlined in the next section.

Skill Development:

This MBA program has helped me recognize and develop certain skills that were lacking before. Through my own personal SWOT analysis (see appendices) I was able to identify certain areas I needed to improve. In particular there were three very important skills I lacked to a certain extent. Through the different modules in the MBA and working with classmates and lecturers I have been able to develop a skillset that will enable me to fit into potential work environments.

Communication

This is an area I would have generally regarded myself as very competent in as I have completed a public speaking course but it wasn't until I entered the MBA course that I realized I wasn't as proficient as I thought in communication. I was very comfortable communicating about topics I was knowledgeable in to my own peers but when asked to present to a different group about a topic I had limited time to research I struggled initially to adapt and articulate exactly what point I wanted to express to the group. Throughout the course having presented numerous times through group and individual projects my confidence rose and with it each time so did my communication and presentation skills. That coupled with the previously knowledge I obtained through my public speaking course I found myself in the possession of a valuable asset that will stand to me in my future career prospects.

Cognitive Skills

When I first entered the MBA it had been four years since I had completed my undergraduate degree, although I had completed other minor courses throughout those years, nothing had prepared me for the MBA. Initially I struggled with attention problems, memory of previous knowledge learnt and even grasping simple things like essay writing again was tough. After attending lectures and group discussions in class my cognitive skills developed dramatically during the course of the MBA. I became a better communicator, my attention span grew considerably along with my ability to retain and remember previous information from past courses and my essay writing became a strong asset for me, through improving my grasp on research skills, theories and my ability to critical assess different topics forming rational conclusions.

Analytical Skills

My cognitive skills developed are closely linked to my analytical skills. As aforementioned, my ability to produce an essay through analysis of data and through reaching credible conclusions on the subject has improved dramatically. Other analytical skills I have improved throughout the MBA course would be my ability to problem solve and the ability to create a process for implementing certain outcomes, for instance these are important areas not just in regards to the MBA but also for a potential future profession. These skills were non-existent for me at the beginning of the MBA, my ability to problem solve and create a definitive answer were not at the level they should have been. I found this area challenging but through many class discussions, individual and group assignments and through my own research I grew my analytical skills adding another great skill to my repertoire.

6.5 Career Plan

At this current stage of my career, I have outlined a rough plan I would like to follow. Firstly at 29 years of age I would like to continue my current career for another few years if possible. Due to the nature of this career you can end up in many parts of the world but the one advantage of this type of career is I can continue to educate and up-skill myself during this time till I retire from rugby. My immediate focus post MBA is to secure another contract in my current filed and to potentially further my education by sitting the CFA examinations with a view to looking down the route of a career in finance. In addition to this I will look for an opportunity to acquire some work experience on my free days in order to prepare me and give me an idea of the financial business environment. This work experience will be done through the Irish rugby players union IRUPA who have set up an invaluable program that player's can avail of called the corporate mentoring scheme and externship programs. Both schemes are excellent ways of getting great work experience and also networking with key people in the industry I would like to potentially work in. I am confident in the knowledge I have gained through the MBA and the current skills I have developed through rugby, such as leadership, ability to work in a team environment, discipline and ability to work in a pressurized environment where results are critical that these skills combined can only be to my advantage. Such attributes acquired in both fields are certainly favorable and practical in any future profession. The experience I have gained has pushed me out of my comfort zone and challenged me in ways that has only made me more equipped to make my eventual transition from rugby to business a positive and successful one.

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Appendices:

INTERVIEW TRANSCRPIT REGARDING THE M&A OF O2 AND THREE

1: Pre Merger, how were the Operations of Three going?

ANSWER: That's tricky, as I'm ex O2 but let me see if I can answer you.

2: Well we can go from the O2 side.

ANSWER: I can try and answer both, didn't you say the Operations, what area do you need?

3: As in financially, how are they going on the market, how everything was looking for them before the merger?

ANSWER: Well, firstly O2 are owned by Telefonica and Three are owned by Hutchinson Whampoa in Hong Kong a very large conglomarate. Pre acquisition I know O2 was going well in Ireland and that Telefonicas share price was around maybe between 10-12 euro in the last year or two. From the Three side of things I don't know much about Hutchinson and share prices but Three Ireland had done very well and grown organically and established a solid market share.

4: ok very good. I saw some information on both companies alright regarding share prices.

ANSWER: Comgreg do a quarterly report that is published on their website. They actually have some really good numbers in terms of the market share of Three and O2. They are the regulator for telecommunications and on their web site you should look up Comgreg Quarterly Share Report, and what you will actually see is a trend-over. You should be able to lift and shift some of the diagrams out of it as reference potentially and that would give you all the information in terms of market share performance, number of subscribers that Three had and O2, prior to the merge. That will give you some of the numbers. In terms of the Operations, Three and O2 size wise, often in an acquisition, you would have the bigger operation taking over the smaller organisation and in this instance, our parent Hutchmanpro which are in Hong Kong, who are a huge organisation, but in the Irish you would think that Three are the smaller company. Like I say, backed by huge parent, but in the Irish market the market share is about 9%.

5: Yes I was wondering what Three's market share was initially, and then what O2's was?

ANSWER: O2 would have had the guts of about 30% of the market, somewhere between 29% and 31%. I'm not sure exactly what the market share percentage was at the time, but you can imagine you are going from having about 30% of the market to 9% taken up, so the companies as they operated in Ireland, one was substantially smaller than the other. You had things like Three's Customer Care which was based in India, like a lot of Three's Customer Care. There are a lot of Three's in Europe, there is a Three in the UK, one in

Austria, and I think one in Germany. A lot of the Customer Care and the Operational Functions would be similar across Europe, whereas in Ireland O2 was owned by Telefonica, which were a Spanish company, but our Customer Care was based in Limerick, so that was one difference between the two companies. Now as part of the merger, they are actually coming together and we have some stuff in India, some stuff in Limerick, where O2 would have had it, and we have actually opened another centre in Waterford, so we are doing an awful lot more stuff in Ireland, and we still have some stuff in India as well. Because the customer base is now 10% bigger, if you put the two of them together, they are going to serve them. So that was one big change as how they service the customers, and this is a change that is happening at the moment.

Financially, from the Finance Operations prospective, they would be quite different, as 3 is still a young company, O2 was the older company in a sense. It would have been 18 years old as a company; it would have been a big teen. O2 would have evolved over the years their Finance structure. O2 would have outsourced more of their Finance Operations, but that would also have been in line with what it did with Telefonica and what Telefonica did. Three and Three Ireland did an awful lot more financial stuff in-house and that had to be aligned to their parent in Hong Kong, so the alignments would have been different and as a result the requirements of the Financial Operations prospective would be slightly different. That integration is happening at the moment. They both had different systems. Three would operate on an Oracle system. These are the kind of challenges when you are bringing organisations together like that.

6: How did the relationship between O2 and Three start, when did it first come about? Could it have been potentially through high level managements interests for expansion?

ANSWER: It would have been at a very senior level. It would not have been really public knowledge. It probably would have been negotiations between Telefonica and perhaps the O2 CEO, but I'm just speculating. I don't know what type of interests each manager for either side had in this deal as it would have been at a very senior level. There would not have been a relationship between the two as it's not a merger, it's an acquisition.

7: Were there any other parties involved? Were O2 approached previously?

ANSWER: There may have been. There was speculation over the years but nothing confirmed.

8: What do you thing O2's motivations were for entering into the merger?

ANSWER: Like I said, it's actually more an acquisition, it is a merger of the two companies coming together from a customers prospective, but from a actual technical financial transaction prospective it's an acquisition. So Hutchinson bought O2 in Ireland from Telefonica, that's the fundamentally headwear, and they are in the process right now to do the same in the UK. That was just announced maybe two or three weeks ago. You will find some of that in the media. Hutchinson the parent company to Three followed a similar strategy in Austria, maybe about 2 or 3 years ago, where they bought Orange in Austria. Because you are a new entrant into the telecommunications market, it is quite an expensive market when you have got customers that are with a certain company, it's hard to get them to move, and the only way to do it is through giving away free stuff, which is very expensive to do, i.e. I-phones etc etc, which is an extremely costly way of doing it, or to buy the market share, and to buy the expertise and to buy that position in the market and that's where the strategy would have come from, is to expand and to grow your market share.

9: So do you reckon it was the market share motivation?

ANSWER: Yes, I would think so, yes, market share and experience but predominately yes. Now combined O2 and Three will challenge Vodafone very soon to become number one in the Irish market. If you look at the Comgreg Reports, you will actually see the combined market shares now.

10: Yes, I think I read that O2 and Three have 37% but like you said it may be even more now.

ANSWER: Yes, so it's poised, depending how Vodafone perform and how we perform. It's closer.

11: What do feel the prospective synergies of the acquisition would be, like benefits for O2 the acquired company or for Three even? Obviously you mentioned expertise and market share, is there anything else?

ANSWER: Yes, there would be the market share, were the bringing together of the staff and the knowledge that's there in the market. Three have a very entrepreneurial spirit and great enthusiasm and a lot of people in Three would have been in the industry for a very long time but they would be with Three less than they would have been with Vodafone, O2 or Eircom before, so there will be a combination of that talent and expertise from O2, market share and the propositions that they can bring to the market, combined operational efficiencies will also be a big benefit to the company cost savings wise, so ultimately it's going to be a better ending for the customers. You also have a combined network, an expanded network, particularly Three who have invested quite a lot in 4G, which is new technology which Three customers have had, but naturally they were a smaller customer base, but that is now going to be expanded out. We have told our customers about that. There are great things from that prospective to come, very progressive propositions for customers at the end of the day.

12: What was the market sentiments surrounding the acquisition, obviously Vodafone and Meteor aren't too happy about the whole situation? After the announcement of the merger, did market value increase initially?

ANSWER: I'm not 100% sure what it did to the market value, but I know hutchinson share price has been increasing over the last number of months. What you will find is the due diligence process took quite a long time and the investigations from the EU Commission, because the coming together of the two companies, there were concerns from the likes of Vodafone and also from Eircom on the competitiveness on the Irish market as a result of two become one. So there were some concerns, and as a result, the EU Commission laid out certain conditions as part of the sale, again you should be able to find that on line easy enough.

13: Yes, I was reading already that, you have to have 30% capacity.

ANSWER: Yes, and the spectrum, and we also have to facilitate the launch of two new mvno's, which is two new competitors into the market place. We just facilitate that from a wholesale prospective.

14: Two brand new competitors on top of Meteor and Vodafone?

ANSWER: Yes, so if you look at the EU Commission guidelines, and what that states, you will see some information around it. The sale went through on the 15th July, so somewhere around June, July, if you look at the media reports, or look for the EU Commission report which should be published, because it is public information, and that will give you what the conditions of the sale were, which were as a results of the concerns of some of the competitors. Namely Vodafone and Eircom/Meteor were the big concerns.

15: At its parent state, would you consider the acquisition a success so far?

ANSWER: At its current state, yes, absolutely. Like I said the deal went through when we became one organisation on the 15th July last year. As a result that was the first time that we could openly actually speak to each other, so prior to that there was an integration office in Three, and there was an integration office in O2, and they spoke to each other. Not only commercially sensitive information and we were very conscious to work with our legal team separately to ensure that no commercially sensitive information, but as part of the process there were certain questions that the Three team had right across the business as they were preparing their plans, so as I say the deal took quite a long time, about a year to go through from when the initial announcement was made in the prior June, and within that year the team in Three spent pretty much the most of that time developing the plans and the strategies. They didn't have all the information that they needed, because they couldn't, but they developed all of their plans, so it was quite far advanced. They would have asked questions through the integration office. The integration office then in O2 filtered that out to the rest of the organisation, collated that information could be shared and sent that back, so there was a legal process between both organisations to share information that was allowable, and once the sale actually went through, because the plans were there, the relevant people in each area could easily work together to either review and see if these plans make sense now that we have access to the information we really need, commercially sensitive information whatever it was. Does that make sense ok, if it doesn't, readjust the plans and move forward. So quite a lot of work has been going on since then, a huge amount of work, so that is where myself and my team come in, where we are doing the integration on all of those plans and bringing them forward. So a lot of work has been done in terms of the people's side, to bring two organisations together. If you could imagine you would have 2 marketing managers, there was lots of admin. That was in the media where Robert would have announced it. You had to do a consolidation of your people, you had to do a consolidation of your offices. Three's offices were based up off Grafton Street, they came down. All those things have happened and all happened fairly quickly to bring people together, and once the people were all in the one place, it's the deployment of the rest of the plans and that.

16: How did that go, all the culture of people coming together?

ANSWER: It's still happening, so you can't do it overnight, but that was one of the first key focus areas was to bring the people into the building and to bring the teams together. The Directors were appointed, then the heads of functions, so it went down through the layers. There are still some outstanding elements of the processes but most of the processes are either completed or underway, and some people exited the business. Actually there wasn't too much negativity, some people were happy to.

17: Were there any challenges?

ANSWER: There would have been challenges in certain areas, but no major issues, no major HR or Industrial Relations issues or anything like that, because it was handled quite well. People were put through processes and things like it, some people exited but it was handled very very well. So now the focus is on what's the plan for this year. People have seen the integration happen, it will still continue for the guts of 5 years. It's a 5 year plan for the full integration. A huge concentration in the first year, but there will be still things that will happen in the outer years, but predominately most of its happening within the first twelve months, and one of the things is the Telefonica and O2 Brand must be gone within the twelve months

18: So everything is going to be Three, it's pretty much gone anyway. I haven't seen much O2 or Telefonica around the place.

ANSWER: There would have been at Christmas. You still have things like your shops, the actual phones, voicemail. There are thousands of Touch phones that would have the O2 brand someway on it, so that's naturally one of the big projects to replace it and to bring customers on their journey as you replace that.

19: How is the joint company fairing in comparison to its initial post merger value, would you reckon that already the value of the company had risen due to the companies joining?

ANSWER: It's difficult to say because we don't have the information because and any of that information would be commercially sensitive in terms of market share for the end of the financial year, because that has to roll back into our parent company in Hong Kong. Any information that would be in the public domain would be our last quarter. Pre Christmas would be the last information that would be there. I know share price was around 90.00 for our parent company back in December and has risen to around 100.00 plus recently but again I don't know if that helps at that is Hutchinson and not just Three but from my prespective I can't imagine it would be negative at this point in time.

20: Do you feel if there was a winner or a loser, or do you reckon O2 went into because Three wanted to take a massive market share, or do you reckon O2 was kind of on the way down in the telecommunications market?

ANSWER: They are different stages of their life cycles, I suppose as organisations. I think you would have to look more into the rationale for the sale by the parent. So the issue is the telecommunications market is a declining market. The revenues that were once associated with voice and text dramatically reduced over the last number of years as a result of what's app, data usage, and the difficulty has always been how do you make money out of data. So they are challenges that telecommunications companies all over the world, but particularly in Europe, which is a more advanced market. So it depends on how you look at the organisations. Three would certainly would have more of an acquisition growth focus, especially backed by their parent, they have the balance sheet to back it up, whereas O2 due to its base size would have had more of retention focus, and focus on customer retention and how to retain that base and retain the revenue from that base. So I think when you combine the two organisations and the approach, attitude and the capital injection Three will bring its probably a win win from that prospective.

21: Do you feel that in general markets tend to favour the announcement of such an acquisition as now policy. There is a lot of attention around Three/O2 merger especially in Ireland so I presume an announcement like that would give an initial high financially to Three. Obviously we haven't gone long enough to see the long term effects of the merger.

ANSWER: I think the markets would win, depending on the analyst you speak to in the markets. There are companies in the UK that do pretty good analysis on this kind of stuff, Ovum and Forester. They would tell you the markets are saturated. Ireland effectively is only the size of Manchester as a market. We are quite small and to have 4 major operators and smaller operators underneath that mvno operators, it's quite a lot of players. I think at one point there were 8 or 9 players in the market the size of Manchester, that's tricky for any company, so sense would be that there would have to be some form of consolidation in the market. What that looked like nobody knew at the time, so this was the first step in some of that market consolidation, which I think would be favoured across the market. Also from a network investment prospective, you couldn't have all of those players investing, because as technology develops so much further, the cost of that technology and the role-out of that technology, whereas the revenue is the receiving, don't make financial sense, so this is why before this acquisition went through you had network sharing agreements between O2 and Eircom/Meteor and between Three and Vodafone, where they were sharing a network. Rather than everyone rolling out the same kit, and having 4 or 5 masses in the same place, you are actually sharing a network. That has already been seen from a network investment and a return on investment prospective, so I think the markets would favour it. Yes there would be concerns from the competition around it and the EU Commission, so from an investment prospective, yes it would be favoured. The EU Commission and the Competition Authorities would be concerned about the impact it would have on customers and pricing and that is why the commission and their concerns had to be addressed. So I think there is a dual piece there. Overall I would say it would be favourable.

22: Do you feel that there is sometimes falsely inflated high values associated with mergers, that are often unsustainable long term but obviously I presume there is quite positive outlook that the acquisition will be positive on the Irish market especially as its going from 4 to 3 and with the market share? Was the potential motivation to increase market share created almost monopolistic structure that would further increase the barriers to entry for potential competition? I know the EU Commissioner said that you have to have 2 smaller competitors.

ANSWER: Interestingly, I'm not sure if they have been announced who they are in the public, so just check the media reports on that. If I can find something on it I will be able to talk about it. There is the silicon republic. I just googled Three Ireland mvno, its mobile virtual network, so it's a virtual network our network, it's a wholesale network and it's UPC and Carphone Warehouse

ANSWER: Yes, they are the two competitors that are going to enter the Irish market as a result of the EU Commission. These guys were already looking at doing mvno's and talking to Vodafone and O2.

23: But are UPC not coming in under Three, are they not doing stuff together?

ANSWER: It is, it's on our network, but it won't be branded Three. They will be a player in the Irish market, they just won't have their own mobile network, so they have their network which would be their fibre network, their cable network that is going into everybody's house.

24: Will they be a partner with Three or will they be separate?

ANSWER: It will be separate. So what they are doing is that they will take their cable network and they will have that over there and they will buy from Three on a wholesale basis the access to a virtual network, access to the Three/O2 mobile network. They will be able to combine that mobile technology with their cable technology and offer that proposition to their customer, so they will be able to offer mobile services to the UPC customer base. So you can imagine they are not small, that's going to be quite large, as UPC are huge globally particularly across Europe, and this is what they call quad play, fixed TV, broadband, and mobile combined packages, what Eircom are doing. Eircom are late into the TV market, UPC have the TV market, it's all where's the play. What do people want more is the TV, is it broadband or is it the mobile, but the combination of those packages can offer great value for customers.

25: So where does Carphone Warehouse come into play?

ANSWER: Carphone Warehouse have done a similar deal in the UK, not through a EU Commission, but I'm not sure whose network they use in the UK but Carphone Warehouse would be a mobile operator in the UK as well, so similarly what they will do is become a competitor in the Irish market, but they will more than likely offer mobile services to begin with at least, and it will be predominately mobile services I would imagine. So there will be different competitors but then again Carphone Warehouse are quite a large company, they are not a small Irish starter, so while you have Three and O2 combining to create one player in the market, you now have these other two players coming in to replace I suppose where Three was a smaller player, they are now the second biggest player, you have got these other operators.

26: Three don't mind UPC and Carphone Warehouse initially coming in as they are not much of a threat, obviously Vodafone is number one at the moment, so I presume that's the target for Three to take over.

ANSWER: Yes, well like any organisation you want to be number one in the market that you operate in so that would be a big focus for the company but predominately doing that you can only do that by keeping your customers happy, if you are offering your customers services, 4G for instance and propositions that they want and that they are willing to pay for and that they are happy with you. So if you gain your market share as a result of doing that and become number one, that's when you really win, is when you are wining with your customer and as a result you win the market share.

27: Was the Irish or English acquisition first?

ANSWER: Irish has gone through, the English one has only been announced so they are going through due diligence at the moment. They are only at the very early stages. So Austria was recently I'm not sure what year, but we have worked with some of our Austrian colleagues understanding the learnings and experiences that the have had.

28: So this is like merger momentum, so they are going slowly around Europe.

ANSWER: It appears that way. We wouldn't have known that the UK one was coming. That would have been as much news to me as it was to you, as it would have been to some of the employees in the UK. Only the most senior people would know these things naturally because of the commercially sensitive nature of them but so far hutchinson and Three has acquired O2 Ireland and the UK recently and two maybe three years ago Orange in Austria. So their strategy seems to be merger/acquisition momentum in growing the company.

29: Would you change anything about the decisions or process, or has it all gone to plan so far, as in structurally, culturally, or whatever you think, financially or operations wise?

ANSWER: I think there always is on reflection when you do your lessons learned from any piece of work, there is always ways that you would do things differently, whether they are better or not we don't know yet because we are so in the process at the moment. From what I can see from the things that have been delivered, and projects that have been delivered and closed, most of them have gone according to plan and have delivered quite well. I think with regard to the peoples stuff, it was treated quite well, people were treated sensitively and with respect and I don't think you can do much more than that. There is momentum and focus which has been good, so the senior management team have managed to keep that going. When you are bringing two cultures together that is a difficult thing to do, and that has gone well and is going well. The momentum is there now and it's won good with people to deliver the next phase. From that then we will have to have a pause and reflection and look at lessons learned and how to take that forward, but there is not one thing at the moment that specifically jumps out as we would have done that differently.

30: Has the acquisition improved any aspects of the company already, have you found anything new?

ANSWER: Speaking from the O2 side first, as an ex O2 employee, like I mentioned before we are a very retention focus mode. The investment from Telefonica as a result of Telefonicas position in the market worldwide, the investment wasn't what it could have been, so whilst you may have had plans and ideas where you wanted to go as an organisation, you may not have had the funding to do that. Now there is a real sense of newness and the capital is there within reason. The guys in Hong Kong and the Financial team here, there is clearly a return on investment in any organisation has to be delivered.

The investment is forthcoming providing the rewards are there. The budget has to be very tightly managed like any organisation but there is that sense of optimism and investment and improvement and momentum, which I think is a really positive thing. That's the one positive thing that is really coming and a sense of positivity and momentum that comes from that.

31: So it was definitely a worthwhile strategic move for O2.

ANSWER: I think so. Effectively O2 no longer exists and the management team predominately are all gone. Telefonica no longer exists. Effectively we are Three now. I think from a Three prospective, having that momentum and that positive attitude and that entrepreneurial spirit now has been enhanced by bringing in the knowledge of customer management and retention and loyalty, so that there are different aspects that are there by coming together will be positive things coming into the future.

INTERVIEW TRANSCRIPT REGARDING AER ARANN AND THE STOBART GROUP M&A

1: Pre Merger how were the operations of Aer Arann going?

ANSWER: Pre Merger with Stobart was back in 2006, 2007, 2008 and 2009. I'll narrow those down. The Airline was doing really really well. I was actually working too hard, I was having blackouts, I was told medically to pull back. So I pulled back and I got somebody else in to run the Company as CEO. Shortly after I pulled back from running the company, Ryanair went hard at us and caused a lot or problems for us head on. Our biggest market was Cork – Dublin, it was 47% of our business. Ryanair offered flights for €5 each way to fly between Cork and Dublin. We weren't able to compete with that. We managed to survive it. After I left things started happening that were outside our control which meant that the financial performance of the company was getting worse and worse and worse. We are still surviving though, and one of the areas I thought of was to get more capital into the company, to stabilise the company and to get a strong partner. But in actual fact we succeeded to work through our business through a number of tough times, recession and so on, and I did a deal with Aer Lingus with Christoph Mueller, whereby we changed the whole model from the airline from being a standalone airline to Aer Lingus Regional. That was strategically really really important because now Aer Lingus were going to get off flights that were marginally profitable to them but highly profitable to us. So we had a totally new business model and that business model protected us or shouldered up against Ryanair. That was working fine but then, you may not remember, but in April a month after when I did the deal with Aer Lingus, the volcanic ash hit, and that caused huge problems across the industry in Europe. Something like 25% of all the airlines closed down. We didn't have the cash flow because we were fighting the Ryanair battle, and the recession battles all along so we didn't have that marginal safety. If the volcanic ash happened six months after that as we were going into our busy summer period, or if it happened six months after that maybe October/November, we would have been fine, we would have been able to carry it through, but it just happened at the cusp of us creating this new model Aer Lingus Regional, which didn't have a chance to survive. I decided then to put the company into examinership. I knew we had a good company and I had five different suitors who wanted to invest with me to take it out of examinership, one of them being Stobart. Stobarts are the largest transport logistic company in the UK. They have a turn over £700 to £750 million, a FTSE 250 company, and I knew the guys from a number of years beforehand, so I said ok I'll work with these, and they are into broadening this area, logistics transport, obviously not air transport. They own two airports, one in Southend and one in Carlisle, and it was strategically important for them to connect with Aer Arann.

2: Was that a strategic decision? With the other suitors that were there, why did you go with Stobart? Was it because they owned two airports?

ANSWER: It was strategic. One was that they were in the airline industry in relation to airports, and secondly they were in the transport sector, albeit just in the UK. Thirdly I wanted to break into the UK market and Stobart is a household name in the UK, so I wasn't reinventing the name or spending millions and millions to create a household name there. The other thing is that they had a really strong balance sheet. They were a publicly quoted company. So it ticked all of the boxes from my prospective, plus I knew the CEO and the CFO and a number of the Stobart team quite well and I had a good relationship with them, and I felt I could work with those guys. So they are the reasons I went with Stobart.

3: What do you think Stobarts motivations were for coming in with Aer Arann? They obviously I presume saw Aer Aranns balance sheet previous to the ash cloud.

ANSWER: That was one of the reasons and they saw then what turned the balance sheet on its head as it were. The reasons for it, they were found and reasonable reasons they could understand that, they had visibility through that. Another reason is that they needed to expand. They had more less expanded as much as they could in the transport market in the UK, so they needed to expand, so this was a cost effective way for them to expand. They also wanted to get an airline to start servicing their Southend airport and Carlise airport, to make it a real airport, because about thirty years ago it was the third largest airport in the London region and now there were no flights going out of there. If they had a seat at the board table they could influence to start providing air services out of Southend and stimulate this other asset that they had. They were the main reasons. There were also broadly possibly considering getting into air freight and the aircraft we had were very suitable for air freight. So there were probably about five strategic reasons for considering it.

4: When Stobart came in, in comparison to previous years what was the share price like for Aer Arann, was it gradually on a downward slope?

ANSWER: Aer Arann was and still is a private company, so there wasn't really a market share price out there but it hit its peak in about 2006. The company was quite valuable then, probably worth in the region of about €100 million, but then as recession hit, Ryanair hit us hard and so on, the valuation of the company went down significantly. We didn't get a valuation on it but I'd say it went down to about €25 million or so in that period of time. What Stobart brought to the table was obviously a strong balance sheet, they brought investment to the table, they brought the UK awareness of the brand, so on and so forth. It also strengthened our board with Stobart being involved, it strengthened the back office because there were systems and processes all be it in freight transport on the road, but some of those systems we could actually remodel and restructure to bring into aviation, which was an interesting combination. So there is a lot of innovation there.

5: Culturally how did both sets of managers come together with everything, was everything good, was there a lot of prospective synergies, was everything positive in that sense?

ANSWER: No there were challenges. The challenges primarily surrounded Stobarts lack of experience in the airline sector, which was totally different to any other mode of transport, very very different, different set of matrices needed to be considered in making strategic decisions, so it took them a while really to get under the bonnet and really understand that. Our CEO and management team would be putting forward proposals in relation to routes and routes analysis and growth and so on which Stobart had difficulty in understanding, and it took probably about 18 months for all of that to settle down.

6: Was there any market sentiment around Aer Arann pre merger, as in after the announcement did the market value increase for Aer Arann because you went with Stobart.

ANSWER: Again it is a private company and because Stobart got involved, it certainly would have given it a lot of sense of stability and security and long term security to the staff and passengers. People looking at aviation from a distance would say wow there is a very serious player in here with a strong balance sheet, it is not a one man band, an entrepreneur from Connemara with to be honest with you, very very limited resources trying to stabilise a company and build a company. It gave that significant strength and stability which the company needed and not one staff member lost their job during that period of time.

7: How was the negotiation process approached? Obviously Stobart initially took 5%, between 25% and 35%. How was that negotiated, was that negotiated over a certain period or was it always the plan?

ANSWER: Yes, that was the plan. We sat down and we worked out and found out from Stobarts where they were at, what their interest was in, their level of appetite, and that came in as you said at around 5%. But as you get to know the business, you like to ramp up as is fine, but I suppose from my personal point of view I never saw Aer Arann as being a long term life long investment for me or business. I saw Aer Arann as a company, an airline I would build up, give it my shot and then step out and sell it. This was totally in line with my idea of where I wanted to go plus also I had spoken to Stobart about me selling all of my shares to them in about two years after they get to really understand what the business was like. That was an agreed strategy.

8: Surrounding the announcement of the merger, were there any other significant external factors that could have affected the market price of the former company? I'm going back to the ash cloud again initially and obviously Ryanair, were they the two most significant factors?

ANSWER: The three, well four most significant factors. One was Ryanair, another one was the price of fuel going from $37 a barrel to $147 a barrel. That affects your bottom line, your profit. Thirdly was the recession, which a lot fewer people flew, business was on its knees in Ireland and around Europe. Less people flying, less people travelling around business and leisure. That seriously affected our passenger numbers. The fourth thing then was the volcanic ash, that's what broke the camels back.

9: At its current stage, do you consider the merger a success?

ANSWER: Yes, it was successful. Looking back at it now it had its challenges, but yes.

10: How is the joint company faring in comparison to the initial post merger value? So obviously around the announcement maybe there might have been a fluctuation, I know it's a private company in share price but how is it now on the long term? Would you say it has sustained the same share price or has it varied?

ANSWER: I would say and it's impossible to give a valuation because it hasn't gone on the market and the only way you would know really the value of something is if you have a willing buyer and a willing seller at a particular price, and that hasn't happened. But the company airline is very stable now, a lot more stable than it has been since probably about 2008 and it has bedded in very well on the Aer Lingus model. It has a significant number of passengers, it is growing north of 15%, between 15% and 20% a year, year on year since about 2011 or so. It is doing well now and its also providing the service that's the franchise with Aer Lingus, it is also providing that same service to other airlines, like Flybe. It's spanning out into other markets as well. So it's certainly strengthened the company, stabilised the company and there is clarity around where the company is going.

11: So the potential definitely is being achieved from the initial merger, so it's going in the right direction. Do you feel that in general markets tend to favour the announcement of mergers irrespective of the underlying motivations behind their intent?

ANSWER: Generally, I would say yes, because the assumption is that the purpose of a merger is a win win situation, and there are the economic benefits are assessed by a due diligence by each of the parties getting involved, so the assumption would be that yes this is a good thing, two and two make a lot more four. Either it gives extra market share to one or the other party, it puts finance into a company, like what happened with my situation. It was financial instability injection was the purpose driver behind it. It provides diversity as well too. It would be regarded when a merger takes place that it is a pretty positive thing.

12: Do you feel that there is sometimes falsely inflated highs associated with the mergers, that are often unsustainable long term, as in sometimes it is not often documented what are the benefits there. Your motivation initially could have been the assets that Stobart have like the two airports. Do you think on your behalf or on Stobarts behalf, were there underlying motivations?

ANSWER: On my behalf, an underlying motive and it's a good question, was for me to create an exit mechanism over Aer Arann, because I had from day one when I set up the airline, the purpose I set it up was to exit it in a bearded plan. When you build a business with a purpose of exiting, you build it in a certain way and strategic decisions you make are influenced by what the in game is. Like another reason, if I build this airline and it be there for my family, my son or daughter will run it in years to come and so on, you make very different decisions around that strategic goal, as you would through if you were doing an exit. Like one of the key things I did which was really important was to make myself totally unimportant to the company. In other words, the company could run totally effectively without me, and if you are exiting a company that is one of the things that you need to do, because people buying the company are saying are we dependant on this guy. What happens if a bus knocks him over, what happens if he just turns off and is not interested, just switches off, the millions we have invested is lost. I created a structure that made me in my view not relevant to the company. The biggest mistake I made was I stepped too far back from the company. I have spoken to a number of entrepreneurs since, who were in a similar position in they stepped back and they have been saying the exact same mistake that we all make is that we step too far back, which is a surprise, because people think entrepreneurs get too involved and stay too involved, and in some cases that is true. It's very much the case when you step back, entrepreneurs tend to totally walk away.

13: With Stobart they saw with Aer Arann, getting into the Irish market and airline transport, do you think they had any underlying motivations like you had, did they wait for the examinership, or were they in before?

ANSWER: They approached me a couple of years before the examinership with an interest in investing in the company, and that is how I got to know them first of all. I wasn't really in a position to sell then, and quite frankly at different stages they were not in a position to acquire either. They had their focus, and other things came on their table in relation to acquisitions. So we had a sense that this may well happen in the future, but neither me nor Stobarts were in a position to go dancing.

14: You mentioned earlier that there were 5 players involved. Did any other companies approach you around that time as well as Stobart?

ANSWER: They did yes. Not initially no. I was approached back in about 2003 by Michael Smurfit, and that has been documented in the media, so I have no problem talking about it, who expressed an interest in taking a minority share in the company. I had a number of meetings with him and his advisors, but that that didn't happen. I actually felt that there might not have been total compatibility between me and him, and where I wanted to bring the airline and where I saw the airline going. It was felt mutually by both of us, it wasn't one sided. I had a number of meetings with him in the K-Club and elsewhere in an around that time, and both of us didn't agree to leave it at that. I've had a number of tentative tyre kickers to be honest with you, and I really didn't have the time to entertain that. I was too busy trying to build an airline and I felt that they weren't serious enough.

15: Around obviously the time that you started speaking to Stobart, and still now today, mergers are a big talking point and at times like on the market, you can see mergers as a hot topic as many are happening, do you reckon that as Stobart are such a big company, and they have acquired a lot of other things as well, do you reckon Stobart came in as merger momentum? You spoke to them previously, but at the time do you think it was merger momentum as there were a lot of mergers on the market?

ANSWER: Yes, that was it, there was merger and acquisition momentum. They were in that merger and acquisition mode of operating, and if you look in detail at Stobarts in relationships, how they grew, they grew by acquisition, fundamentally by acquisition. So this was very much in train with their thinking, with their philosophy, with the way they go and develop vertically and laterally. Vertically is doing more of the same thing, so they acquired smaller transport companies in the UK, truck transport company, and laterally is going into airports, buying airports and then buying into Aer Arann. That would be in a transport, but very different to the road transport which they were into. They were into Bio mass and a whole lot of different stuff.

16: Often with merger momentum, through my research I see a lot of companies nearly do it, and it nearly falls through, I think there is a stat of 70% of mergers and acquisitions fail, but in your case it hasn't, obviously it worked. Why do you think it has worked, is it because you hand picked Stobart, so they were the right fit for Aer Arann?

ANSWER: I'm not saying that they were the right fit for Aer Arann, they were a good fit for Aer Arann. There were obviously challenges there. I think it is down to a couple of things. One is I had a good strong professional relationship with the key people in Stobarts, that was really important. They trusted me and I trusted them. Secondly we had a very clear focus on why I went for investment from a business and a personal point of view, and why they wanted to invest. We put that on the table from day one. There was absolute clarity around that. At any stage we were upfront in our deliberations. You can never foresee how a merger happens in relation to culture and all of that. There was a difference in culture in some respects but by and large we worked through that. And then the fact about two years after that I sold all my shares to Stobart, so I have just a small shareholding in the company now, which basically means that they control the company. There was no issue in relation to conflict or anything at all like that, I just go and get management accounts and so on and so on, I'm not involved. That is exactly where I want to be. It met all the requirements that I had set out plus the requirements that Stobarts had set out. We worked through it. It's not easy, it's very difficult, a merger, even when you do have alignment. God knows what can come up, issues, and you come up with uncertainties and unforeseen situations. It's a matter of working your way through that.

17: Would you have changed anything about this decision, the process, or did it go perfectly with the plan for you?

ANSWER: No, it didn't go perfectly with the plan for me. I would have got the top management in Stobart more directly engaged with our operations on our board. That's the single biggest issue, and that caused stress and that caused a challenge. Because when they are getting information sometimes second hand and third hand, they can create particular interpretation or assumptions or on something, which could be different. They are based over in the UK, I'm based in Ireland with a couple of telephone calls and so on, but the face to face meeting was not as frequent and as active, as I think could have been or should have been. The problem I had though was that Stobarts guys, who were top management who were interested in getting involved were too busy with other acquisitions. They would do the acquisition and move on. They had a company of FTSE 250 to run and to manage and stock exchange to please and so on and so forth. That's the one thing I would do differently definitely, probably the only thing that I would do differently, but I definitely would do that one differently.

18: Has the merger acquisition improved any aspects of the company, obviously when you were there you had limited resources, but as Stobarts came in and revamped certain areas, has it really given the airline a certain boost or has it just been running smoothly since.

ANSWER: It's not that it is running smoothly. Airlines never run smoothly unfortunately, there is always turbulence, and you could have issues with engines, a hard landing when the airplane comes and bounces along, issues with props, so on and so forth. There are always issues that will crop up which you haven't planned for or foreseen. No, the airline is fundamentally ran in exactly the same way, the same aircraft type. I'd ordered ten airplanes in 2006/2007. Those airplanes are in an operation now, same type of airplane, same type of routes, same kind of distances, same people employed, you know fundamentally. It's basically the same model, with a much stronger balance sheet.

19: Stobarts are obviously a very strong company, so the power of that balance sheet has led into the airline being a success?

ANSWER: What the strong balance sheet does is that when factors outside your control hits you, you've got reserves of cash and the strength of the balance sheet to carry you through those tough times. Like for example, when the dollar was almost on parity with the euro, and you buy your fuel in dollars, you buy your spare parts in dollars, 40 to 50% of your expenditure is in dollars, you pay back the loan on aircraft in dollars, you lease airplanes in dollars, and your income is in euro, so the value of your income in effect against the dollar is reduced. Now when you have a strong balance sheet you can actually forward buy your dollars as it were, at a rate, it's like an insurance policy as you know. So you can actually go and do that but you need a strong balance sheet to do that because the bank or whoever is giving you that are relying on a balance sheet to do so. You can mitigate to some degree or you smooth out curves in relation to volitivity if you have a strong balance sheet, but you can't do if you don't have it. We were not able to forward buy money for example. Also you can forward buy your fuel. That can be a plus and a minus, because fuel is gone down significantly in price right now, and actually Ryanair have been caught seriously with their pants down on it because they forward bought fuel at a much higher price than what you buy it now on the market. That has cost them a couple of hundred million euros but at the time fuel was increasing in price in 2010 and 2011 and we were not in a position to forward buy because we didn't have the strength of the balance sheet. Stobarts can go and do that.

20: Out of the five companies that were coming to you looking for an interest in becoming involved, has Stobarts the strongest balance sheet?

ANSWER: Definitely. Stobart ticked the boxes, and others ticked some of the boxes. Stobarts ticked them all, and the boxes were the ones that I mentioned to you in the beginning of the conversation.

21: Were there any lessons learned throughout this that you can pass on as advice to companies in a similar position?

ANSWER: Be very very clear as to why you are going to acquire or why you are going to merge. Make sure that the other sides are very much on song with you in relation to understanding what you need, and you understanding what they need, and that there is no clash in relation to aspirations or vision, that's the first thing. The second thing is that you have got to be personally very comfortable with possibly losing control of your company, and for me I wanted to lose control because I wanted to sell it. It was easy for me from day one, but a lot of people have difficulty psychologically in that, and that causes problems for them and for their partner in a merger later on down the road. It can be quite a serious issue. The other thing is to be really really careful about who from the merger sits on what board, and get the most senior people possible. Get the decision makers on your board. That is probably the most important one. And then the transition, plan the transition carefully and have weekly meetings about how the transition is going. I do that probably for about twelve months, those weekly meetings in relation to transition updates, if only for half an hour, if only if some people have dial in through conference calls, go and do it, and a team that is their primary role is to work through the transition. Have some like in airlines, head of operations, have somebody in charge of ground operations, flight operations, engineering, financial and commercial and have them meeting on a weekly basis as to what's happening here, what's the issues here, if you do this is it going to affect me.

22: Do you feel in the case of this merger/acquisition, was it a win win situation?

ANSWER: It was a win win situation, certainly it was a win situation for me. I can't mention the price to be honest. It was a win win situation for for me in the sense that I got out of the company. I didn't get as much as I would have got for it back in 2006, but quite frankly and significantly less, but that was ok. The company was in good safe hands. Really important to any entrepreneur who goes and builds something, it's like your child who goes and grows up and then the child goes away and lives their own life as an adult, and you are hoping that they hold on to maybe some of the life principals that your have shared with them , that they can stand on their own two feet. They have got integrity, and they can go and develop in their own shape, you are not directing or involved with them any more, and if you think like that you support that progression, then it is an awful lot easier. For me that progression has taken place and I am really comfortable about it. I haven't lost a minutes thought or a minutes sleep about the decision. It was absolutely the right decision for me and for the company, and I would say also for Stobarts who have grown the company successfully.

INTERVIEW TRANSCRIPT WITH THE DALATA GROUP REGARDING THEIR M&A ACTIVITY.

1: Pre acquisitions or mergers, how were the operations of the Dalata Group going, were there any major difficulties or was everything running smoothly regarding finances, in comparison to previous years?

ANSWER: It's an either or answer there, so it would have been smoothly. There wasn't any difficulties prior to acquisition, so operations were going well in comparison to prior years.

2: Through recession times and everything like that, Dalata was running smoothly and everything?

ANSWER: Well, there is a question now, how familiar are you with the history of Dalata?

3: I've had a brief run down through. I saw that you started with the Maldrons and then worked it from there and then worked around. You obviously own certain hotels, lease others and you manage some too, and there were different kinds of strategies that Dalata do, I know that. I know you go back to 2007, when you were established.

ANSWER: Yes, to give you a quick oversight, basically it was a 2007 creation, Pat was one of the founders or the primary founder. It basically bought out what was some of the Comfort and Quality Inns business, so there were 13 assets that it bought out on leaseholds and that was back to 2007 right in the cusp of the recession. So to try and give you as short an answer as possible, for a few years the company would have faced extreme stress as there was a severe downturn in the hotel industry over those 2008, 2009 and 2010 years. As a strategy for surviving the recession, the company would have taken on a lot of management contracts, which would have elevated the cash flow business or the cash flow challenges for the business. As the company began to recover or as the economy began to recover a lot of those management contracts would not have a long term future with them, not all of them but a vast majority of them would have been relatively short term contracts with receivers or owners in distress. As part of the long term strategy for growth for the company what would have been put together was the plan to raise money on the London and Dublin Stock Exchange on the AIM, which would have then given the company the facility to go out and acquire assets and take a greater and stronger position on the recovering economy in the hotel sector. In March 2014, we would have raised €265 million in our listing, and that would have cleared the remaining of the debts that were outstanding on the original fundraising in 2007, and it was on the back of that we would have gone out and basically we closed on €600 million acquisitions in the twelve months post that. So as a company we would have been in extreme distress in the recession, in terms of cash flow and so on, but this acquisition strategy would have been part of strategy to grow the company for the future and increase our share of the market.

4: With the hotels at the moment, Dalata are acquiring quite a few, Clayton, Whites, Pillo, Moran and Bewleys, how did the relationship between Dalata and these hotels start?

ANSWER: If you take the big one Moran Bewleys, that is a pure corporate acquisition. We bought the company that owns those hotels, and it would have been ultimately the shareholders of that business after having approaches from players in the industry, decided to put that business on the market, and we were invited into that process along with a number of other parties. We would have been successful, so that would have been pretty standard corporate acquisition.

5: There were other suitors for a few of the deals as well; you were not the only ones?

ANSWER: Yes, the other assets then basically, they would have been all disposals, Clayton, Whites, Pearse Street, Pillo Galway, they would have all been held in receivership, and we would have bought them from receivers. The ones like the Maldron Derry would have been just put on the market by its owners. The Holiday Inn Belfast we would have bought it off market. We just simply approached the owners at that stage. With The Parnell Square, we basically had discussions with the landlord and we bought out the freehold interest there. A lot of those like the Clayton Heights, and Pillo Galway, we would have already managed, and so we were familiar with the business as well, which was quite unique to this industry.

6: What do you think were the major advantages the Dalata Group had over other bidders, when going for these acquisitions?

ANSWER: It all depends on who you are bidding against. If you are bidding against another Irish hotel group, we are obviously the quite dominant tigger on the market and we were well funded, and the market was aware that we were well funded, so we could, and have demonstrated that we move quickly, so we certainly have a critical advantage over other hotel players. Just our scale and the access to funds we had. If you are bidding against the Golden Sacs or one of these other private equity funds who have actually deeper pockets than we have, but that's not necessarily an advantage, but our advantage is that we are an operator, we are involved in the industry so we know the industry very well so we can quickly appraise something and assess it as to whether we can add value or not. The overall advantage is that we had a foot in both markets, we were full funded and we were also industry players. We understand the business very quickly.

7: What were the major motivation strategies for the Dalata Group entering into acquisition type of moves, was it quick growth, was it the geographical locations of the hotels, or were there any other main reasons?

ANSWER: The motivation in terms of the acquisition strategy would be to secure the future of the company and to put it on a more solid long term future and increase our market share. If you had looked at it prior to March 2014, we had something like 40 hotels in total, 13 of them would have been on leases, and 27 would have been on management contracts. Very few would have had a long term future. Now we still have just over 42 hotels but our mix is better. We have about a dozen owned, a dozen leased, and the balance is on management contracts, and a lot of those are moving into more long term 5 year relationships with owners. So that would have been the overall corporate strategy. In terms of statistical acquisitions, we would be very targeted on what would work for us and what wont work, so it would be very much city centre or large town centre, mixed use hotels that can add a corporate and leisure market. So we wouldn't be into buying Mount Juliet or one of the larger hotels, that is not our business. We are very much focally; you can see the amount of properties we have bought in Dublin.

8: Has the recession helped or hindered plans, i.e. like purchase prices, or closures? I know obviously it was tough at the start but with acquisitions now and a lot of hotels went into receivership, has that helped in a certain way?

ANSWER: Yes, it certainly has been helpful in a way, because in reality we had a large cash box of over €250 million equity and because of the recession and because of the over supply of hotels as a result of that recession, we were able to take up assets that we deemed were at value, but that is not to say that there are assets out there that we certainly bid on or we were outbid on, because the market got too rich on it. So if you look at some of the hotels we bought, they were purchased for well below what it would cost to actually build them. That was good value for us but there were certainly hotels out there that we couldn't understand where the bids were going to. We would have either pulled out or failed in the process of buying those.

9: What do you feel the prospective synergies are or the benefits of acquiring the hotels? Obviously you have certain long term plans with the hotels, you have got footfall as prospective synergies, is there any other management coming from those hotels into Dalata or anything like that?

ANSWER: Certainly there would be a benefit. There would be standard synergies; you are consolidating a number of hotels into making it a larger group so you could draw standard efficiencies out of that. You get the benefit of scale in terms of your sales and marketing and your operational management where you can have more senior people involved into the direction of the business. The reality is that having that much hotels gives you considerable intelligence of the industry as well, and a considerable understanding as to what margins you should be securing, what revenue you should be securing given the location of that hotel, so there is those added benefits as well in terms of when we acquire a hotel.

10: Around the announcement of the acquisitions, have you noticed if the market value increased for Dalata, as there is so many going on at the moment, it's like a wave nearly?

ANSWER: You can check it there, we opened at around 260 in March 2014, and I think we are at 360 now in terms of our stock price so that is probably the analytical measure you can put on it. The market seems to have reacted very positively to it.

11: At its current state, do you consider the majority of the acquisitions a success?

ANSWER: Yes. As I mentioned already our share price is up and we have acquired a group of hotels we are very happy with as they are all suited to our strategy going forward and many of the hotels we obtained at bargin prices.

12: Has the competition authority stepped up regulations hurdles for you due to the number of acquisitions being made?

ANSWER: Well, with Moran Bewleys, we had to go through the competition process and for Pillo Galway, Whites and Clayton, we did as well. Their criteria is quite specific so you are either involved or not involved. It adds a layer of complexity and time to the process. They are quite clear in their role their deliverables as well.

13: Around the announcement of acquisitions in general, from your own experience, do you feel that the market tends to favour the announcement, as is there a general spike in share price or anything like that?

ANSWER: It just depends on how you get your message across, I would think. One of the first acquisitions we put together was the Pearse Street Hotel; it is now Maldron Pearse Street. On a rough or initial measure, we would have looked and paid a lot for that. But when we were able to put our story behind it and what we could do with it and so on, then the market would have reacted positively to it. So I don't think it's a case of something like Dalata has bought something else, the market reacts positively. They do look at the rationale behind it, the numbers behind it whether it fits the strategy and so on.

14: Going back to the motivations, is there any underlying or extra motivations in certain hotels that you would have found to be a big advantage to you and that is why Dalata might have gone for that type of hotel?

ANSWER: We have criteria that they are based in large urban centres, centrally located and prefer if they have a mix of corporate and leisure business. That would be really the main criteria. We would obviously take a lot of comfort if we were in there operating the hotel already. You have all your due diligence and you know exactly where the key business drivers are and so on.

15: With Dalata at the moment, was it M&A monentum as motivation to increase market share, like in Ireland, would you try and create an almost monopolistic structure?

ANSWER: M&A momentum certainly played a part after we raised funds but all our acquistions as I mentioned already went through a rigourous due diligence process, so they work for us. We needed to move forward as a company and this was the strategic decision to do so. Monopoly would not be in our interest anyway. Nationally we would be well below; we would have maybe 10% of the shareholdings. We certainly wouldn't have any aspirations for a monopolistic or even a duopolistic kind of domination of the market. It wouldn't work for us either; you would find that you would become stale. The hotel industry is something that you need competition. For the benefit of the competition we all do better out of it.

16: Has there been any other acquisitions at the time? I know Dalata are buying up a lot of hotels. Has there been any other companies or Golden Sacs or whoever buying up other property at the moment?

ANSWER: It's a very different mix. You have funds like Golden Sacs going in and buying debts from banks or Nama or IDRC and so on, so you have an element of that. Even the Airport Clayton would have been part of a project that Ulster Bank were involved, I think there was a total of ten properties in there, five of them were pure property sales and five of them were dead sales. It was very mixed like that. A guy called John Malone, who is a US high net worth individual has bought a lot of hotel assets over the last year. He has bought the Pearse Street Hotel, the Trinity Hotel. He has bought the one around the corner which is a HS. He has bought the Hilton in Limerick and so on. He is a partner with John Lally here in Ireland. You would have a lot of players in the industry that you would be aware of. There is no other Hotel PLC that is doing it.

17: Would you have changed anything about the decision or the processes or did the majority of the acquisitions go to plan?

ANSWER: No, I wouldn't have changed it, no. There is one that I can't mention, that got away that I would love to have got hold of but that's all.

18: From you personally, do you say that mergers and acquisitions improved the aspects of the company? Has it been a worthwhile strategic route for the company?

ANSWER: Transformation is the word that Pat uses, and it is exactly the right word. It has transformed the company from where it was twelve months ago. As the primary founder Pat had a vested interest in the company moving forward and that's were transformation comes from, if you look at us now to where we were previous there has been many positive changes.

19: Were there any lessons learned throughout that you could possibly pass on as advice to a company in a similar position?

ANSWER: You just need to try and resource. It is a challenging exercise. Resources would be one aspect and be flexible and agile in your plans because the nature of it, they will never go exactly according to plan. So you need to be flexible and delivery focused. At certain stages you're just going to have to say we need to get this over the line, and that's what you work towards.

20: With acquisitions there can be a lot of worry and doubt with people in jobs in their hotels. Were there much problem people wise with Dalata acquiring the hotels or was there a set strategy to control that?

ANSWER: We had a relatively easy position as certainly a lot of hotels were receiverships. So we were literally like a white knight coming in to give those people far more security coming in or when we came in, so they could see a long term plan for the hotel, as opposed to living not quite month to month but there would always be an uncertainty when you would have a receiver who would be ultimately in control of the hotel, even more in Bewleys. In essence it was owned by two banks and private equity funds, so the fact that we were coming in, for most of the staff it was a commitment for the future. Certainly they took greater comfort, and would have had no negative experiences as a result of us coming in.

21: In comparison to previous years has share prices grown each year with the growth of Dalata?

ANSWER: We have only a year's history now. We are only a PLC a year now literally but yes we have grown each year.

22: From the start has it grown year on year?

ANSWER: In operational terms? You can look on our web page you can see the kind of history that we can disclose, but basically all these acquisitions we are going to be north. We are going to be circ of 50 million earnings next year. If you have a quick look at our history, that literally is transformation from where we have come from. In 2014 we were just over 7 million, and that was our best year ever. We are going from 7 to 50 million, and 7 was actually a very good return. In 2013 it could have been as low as 3 ½ or something like that.

23: Going forward are Dalata going to keep acquisition as their main area of growth, or is the Maldron still a core strategy of Dalata?

ANSWER: Going forward we will have is 2 core brands. We have Maldron and we have Clayton. Most of the Bewleys, all of them except Newlands will be converted into Clayton, and a number of the other hotels will be converted into Clayton as well. We will have 2 core strategic brands. In terms of our strategy for acquisition, we buy in large bar we held some for rainy days and so on, but our acquisition strategy on the back of that initial fundraise is complete. As to what we do next on the strategic front is that we need to bed all these properties in and then decide really what we are going to do next.

Personal SWOT Analysis.

<table>
<tr>
<td>Strengths
Hard working
Competitive Edge
Good communicator
Disciplined
Unique work experience
Work well under pressure
Team player
Confident</td>
<td>Weaknesses
Networking Skills
Lack of Knowledge
- Technology
- Software
Lack of real work experience
Lack of clear career direction</td>
</tr>
<tr>
<td>Opportunities
Network base
Further my education while playing rugby.
Access to mentors/guidance
Grow experience through hands on approach with the company I have invested in.
Also diversify into new business opportunities.</td>
<td>Threats
No definite career goal
Need to prepare for life after rugby.
Need to strategically plan for the longer term
Contract length uncertainty
Financial pressure to acquire a job quickly after rugby.</td>
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