



Structuring Considerations to Maximize Value

Private Equity Symposium



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DIVERSIFIED, GLOBAL FINANCIAL SERVICES ORGANIZATION

- Global institution, operations in all financial centers
- Total assets under management ~C\$198 billion
- 55% of total operating income derived from international markets
- More than 11,300 employees in 25 countries
 - Over 1,250 employees in the Americas
- Top 20 ASX company; market capitalization of ~A\$18 billion
- Successive years of record profits and consistent growth since 1992



Macquarie's Global Assets

109 ASSETS, 25 COUNTRIES

EUROPE

UK

Airwave
Arqiva/NGW
Bristol Airport
CLP Envirogas
East London Bus Group
Energy Power Resources (UK)
M6 Toll
Moto
National Car Parks
Red Bee Media
Steam Packet
Talaris
Thames Water
Wales & West Utilities
Wightlink

Belgium

Brussels Airport

Spain

Itevelesa

France

Autoroutes Paris-Rhin-Rhône
Energy Power Resources (Europe)
Trois Sources & Lomont windfarms

Germany

TanQuid (tank storage business)
Warnow Tunnel

Denmark

Copenhagen Airport

Portugal

Tagus Crossings

The Netherlands

European Directories**
NRE*
Netbeheer Haarlemmermeer*
Obragas Net*

Poland

Deep Sea Container Terminal

Sweden

Arlanda Express

United Arab Emirates

Al Ain Industrial City
Industrial City of Abu Dhabi (Phase 2)
Industrial City of Abu Dhabi Extension Phase 2
ICAD Effluent Treatment Plant

Canada

407 ETR
A-25
AltaLink
Cardinal Power
Clean Power Operating Trust***
Edmonton Ring Road
Fraser Surrey Docks
Halterm Limited
Leisureworld
New World Gaming
Sea To Sky

Japan

Hakone Turnpike
Ibukiyama Driveway

China/Taiwan

Changshu Xinghua Port
Taiwan Broadband Communications

Australia

AlintaGas Networks
Broadcast Australia
Dampier-Bunbury
Eastern Distributor (M1)
EastLink
Electranet SA
Macquarie Regional Radioworks
Multinet
Prospect Water
RVG Sydney
Retirement Care Australia
Retirement Services Australia
Southern Cross Broadcasting
Sydney Airport
Transtoll
United Energy Distribution
Westlink M7
Zig Inge



AFRICA

South Africa

Bakwena Platinum Corridor
N3 Toll
N4 Maputo Toll
Neotel

Tanzania

Kilimanjaro Airport

USA

AlR-serv
American Consolidated Media
Aquarion
Atlantic Aviation
District Energy
Dulles Greenway
Duquesne Light
Hanjin Container Terminals
Icon Parking
Indiana Toll Road
International-Matex Tank Terminals
Longview
FastTrack Parking
Skyway
Smarte Carte
South Bay Expressway
The Gas Company

South Korea

Baekyang Tunnel
Cheonan Nonsan Expressway
Daegu East Circular Road
Incheon Expressway
Incheon Grand Bridge
Kwangju 2nd Beltway, Section 1
Kwangju 2nd Beltway, Section 3
Machang Bridge
New Daegu Busan Expressway
SK E&S
Seoswon-Osan-Pyungtaek Expressway
Seoul Chuncheon Expressway
Seoul Subway #9
Soojungsan Tunnel
West Sea Power / West Sea Water
Woomyunsan Tunnel
Yongin Seoul Expressway

New Zealand

Metlifecare
Private Lifecare
RCNZ

As at June 30, 2007 – the assets listed are managed on behalf of investors with various direct % stakes held in each
* Subject to financing and customary closing arrangements
** European Directories also located in Sweden, Finland, Austria, Czech Republic, Slovakia, Denmark and France
*** Includes wind, hydro and biomass power assets



Structuring and Deal Considerations

- Maximizing Value: *It's about making the pie bigger*
 - Increasing cash flow certainty
 - *Revenue growth and/or cost containment*
 - *Tax and other structuring*
 - Allocating risk to the best party

- Getting to Close: *It's also about getting the money*
 - Minimizing deal risk
 - Optimizing the process
 - Managing regulatory approvals



Making the Pie Bigger: More Revenue Certainty

■ Examples can include:

- Selling / buying at the right time for the business
 - *Setting the table...*
- Reducing the “discount” for future growth or initiatives
 - *Well documented business plans and strong history of execution*
 - *Includes “simple things” such as a comprehensive data room*
- Transition Agreements
 - *Reducing execution risk*



Making the Pie Bigger: Tax and Structuring

■ Optimizing Tax

- *Assets vs. Shares*
- *Canadian Controlled Private Company, other...*

■ Bridging a value gap: ways to overcome an impasse

- *Earn-outs*
- *Stub equity / B shares*
- *Contingent Value Rights*



Making the Pie Bigger: Risk Allocation

- If you can't grow the cash flows, reduce risk
 - Negotiating the typical basket of issues
 - *Reps & warranties, indemnities, survival periods, etc...*
 - *Who has better knowledge? Who is best positioned to mitigate?*



Getting to Close: Key Terms

■ Renewed focus on key clauses

- Termination rights:
 - MAC/MAE, cure periods, materiality, breaches
- Conditions Precedent
 - Financing, rep & warranty bring down, regulatory and other approvals
- Recourse for seller
 - Counter-party risk, break fee, third party beneficiary



Getting to Close: Optimizing Process

- How to go about the exit
 - *Broad auction (including IPO)*
 - *Limited auction*
 - *Bilateral negotiation*
- As Jeff mentioned, pros and cons to each approach
 - *Most tension for broad auction*
 - *Ability to get more creative with a bilateral negotiation*
 - *Fulfil fiduciary obligations with a go-shop, fairness opinion, etc...*
- Consider impacts of a failed process!



Getting to Close: Managing Approvals

- Not just about the buyer and seller
 - *Shareholders*
 - *Employees*
 - *Customers*
 - *Regulators*
 - *Media*
 - *Politicians*

- Do your homework and be well prepared