



# Partnerships and alliances as the growth route for the Indian exhibition industry

New Delhi, May 27, 2011

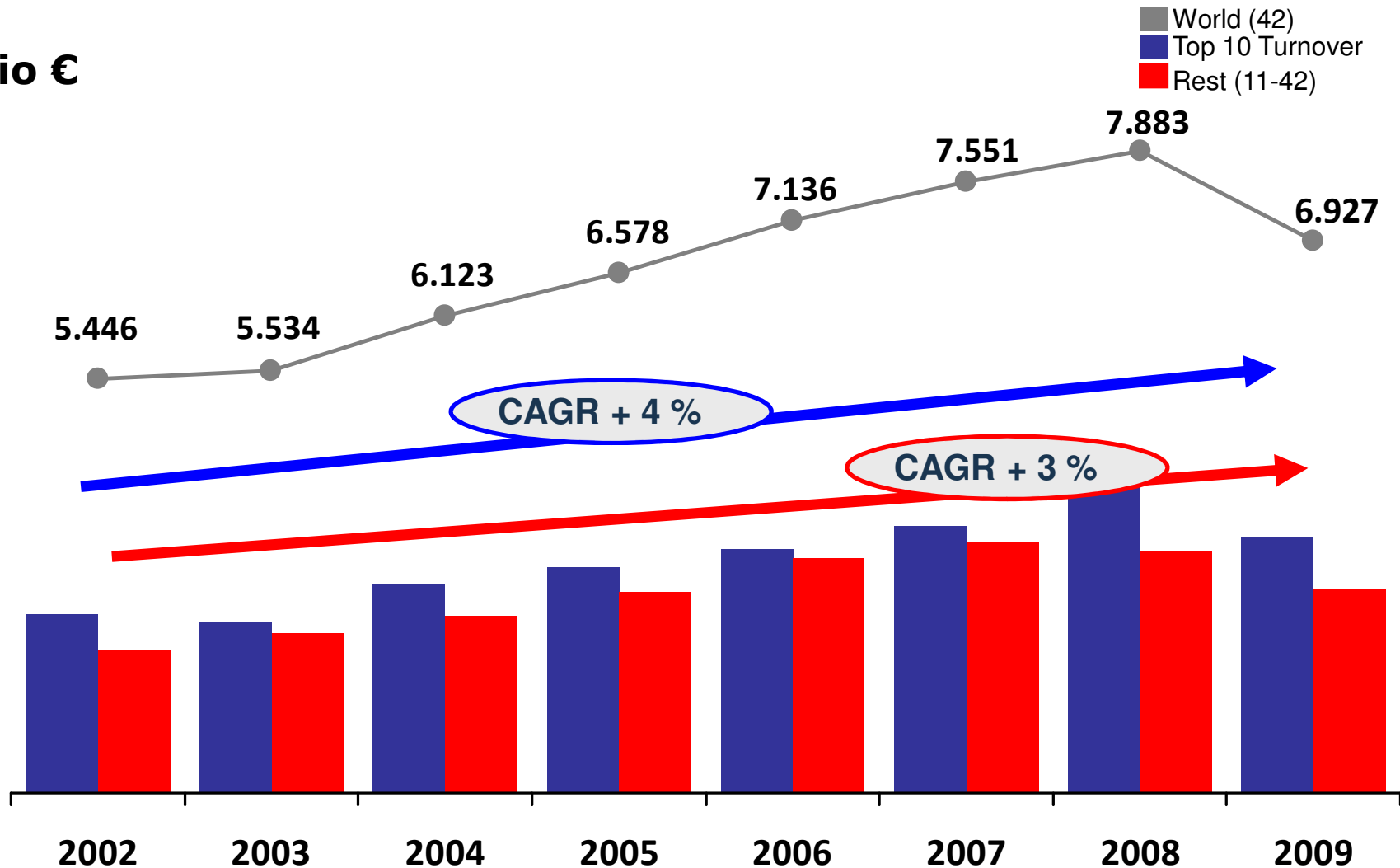


- 
- Introduction
  - Organic Growth
  - Partnerships
  - M & A
  - Licensing
  - Summary and Conclusions

# Cumulative Turnover 2002 – 2009\*

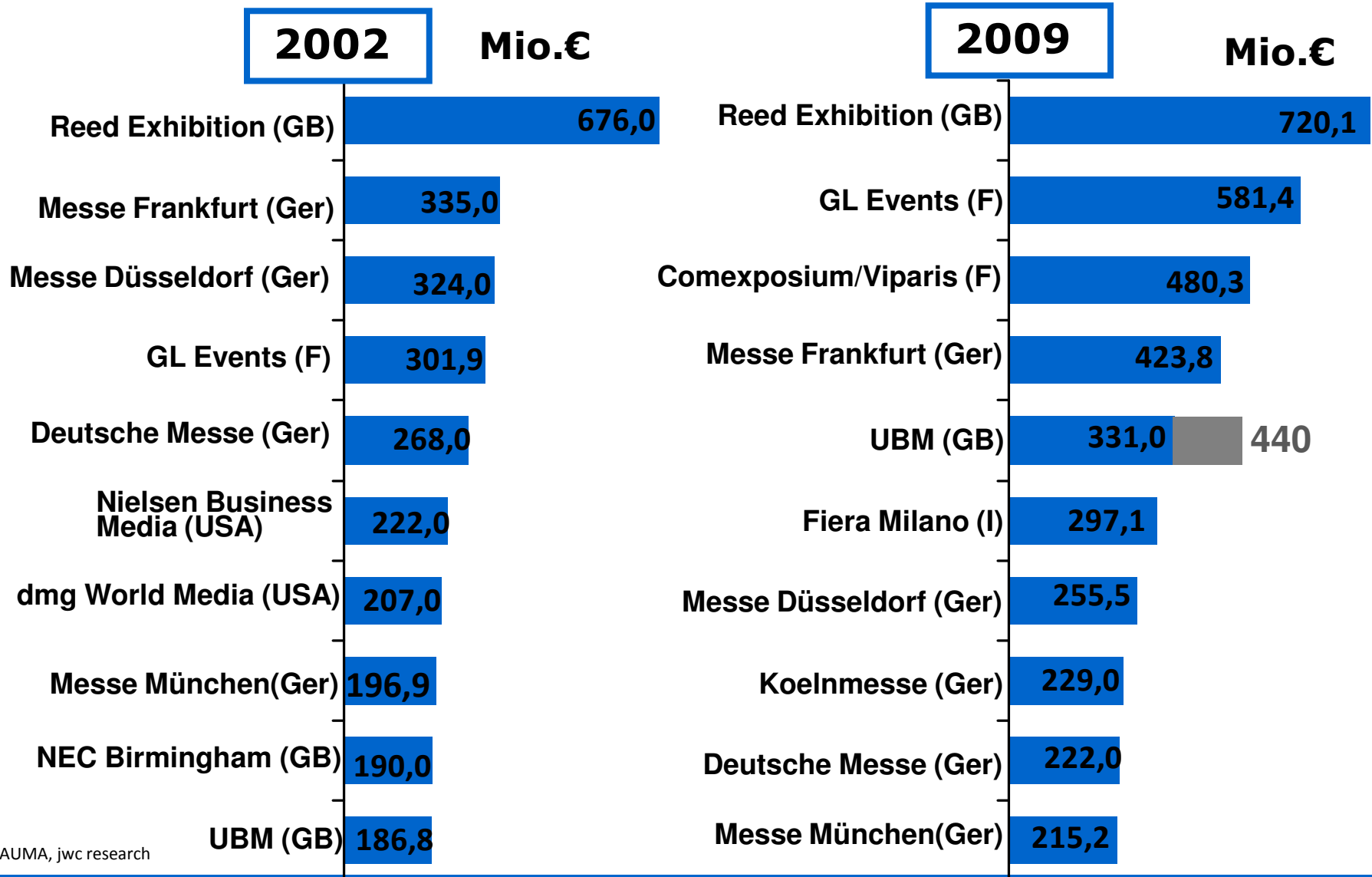


Mio €



\*Source: AUMA, jwc research, not adjusted for non organizer activities

# ....and the top ten have changed



Source: AUMA, jwc research

- 
- Introduction
  - **Organic Growth**
  - Partnerships
  - M & A
  - Licensing
  - Summary and Conclusions

# Pros and Cons of organic growth

---

- Moderate risk
- Create value without dilution
- No external influence from partner
- Develop and maintain know how
- High flexibility

- Time (relatively slow growth)
- Difficult to internationalize show
- People
- Finances
- Reputation

# Agenda

---

- 
- Introduction
  - Organic Growth
  - **Partnerships**
  - M & A
  - Licensing
  - Summary and Conclusions

# Partnerships (Joint Ventures)

---

- A partnership is
  - an arrangement
  - where entities and/or individuals agree to cooperate
  - to advance their interests.
  
- Normally a partnership is formed between one or more businesses in which partners (owners) co-labor to achieve and share profits or losses
  
- At the outset usually restricted to one event
  
- Often used as a vehicle to move into new regional markets

# Pro's of partnerships (JVs)

---

- Speed up growth
- Good will of (local / International) partner / show
- Risk sharing
- Not as binding as M & A
- Ease market entry / Internationalize event
- Utilize existing infrastructure, know how, people
- Access to local policy makers, to local politicians
- Legal restrictions
- Economies of scale
- No retention of staff

- **Differing philosophies**
- **Different expectations and objectives of the JV partners**
- **Imbalance in levels of investment and expertise**
- **Inadequate identification of staff**
- **Support and compensation of senior leadership and management teams**
- **Conflict in corporate cultures and operational styles**
- **Loss of control**

## Partnership (JVs) contracts

---

- Objective and structure of partnership
- Clear definition of roles and responsibilities
- Clear definition of priorities
- Clear definition of rights (i.e. use of brand) and obligations (i.e. deliver “x” number of domestic visitors)
- Clear understanding of values/assets contributed by partners
- Clear funding rules and budgets
- Clear exit provisions

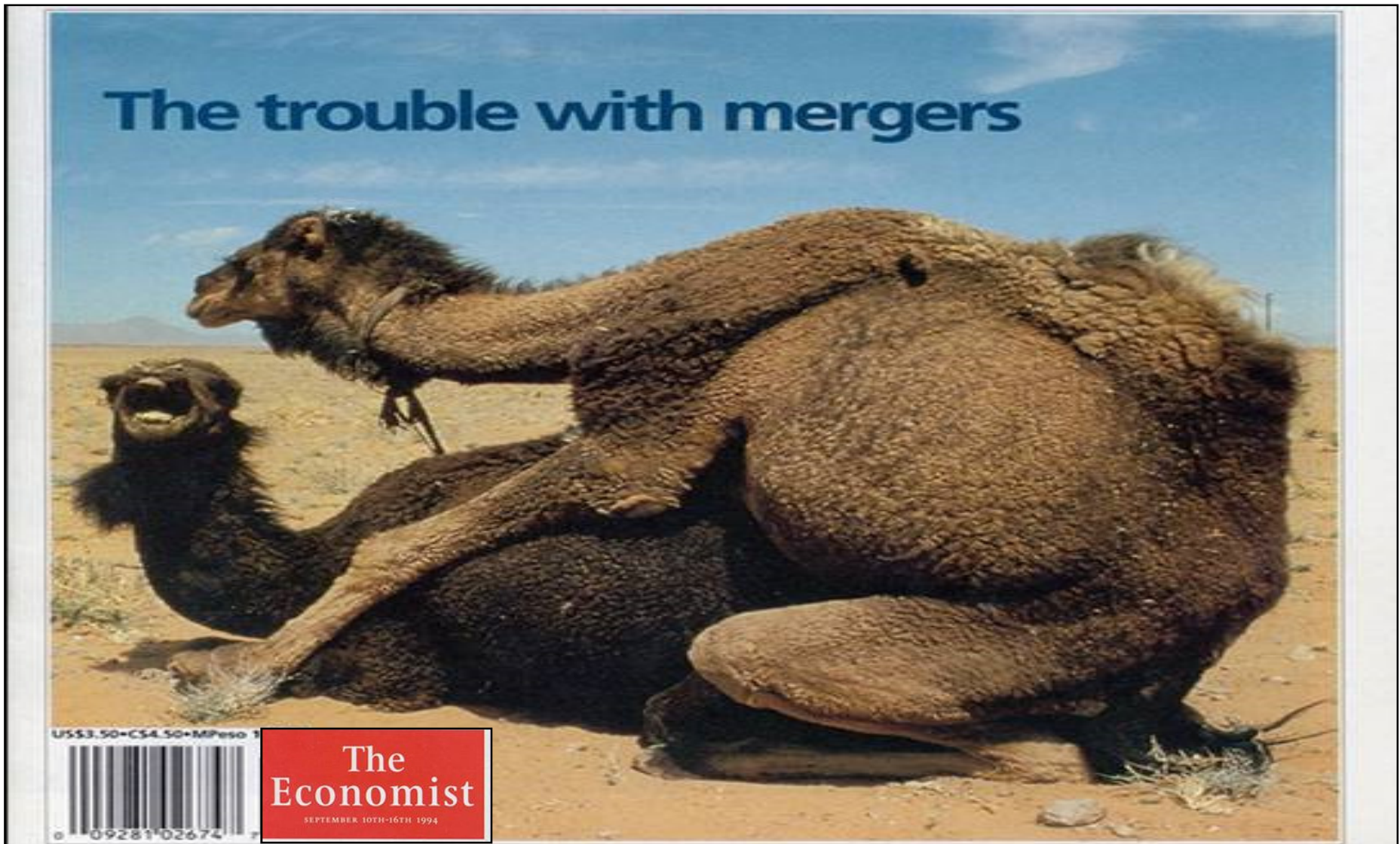
 **The contract is all about avoiding conflicts**

# Agenda

---

- 
- Introduction
  - Organic Growth
  - Partnerships
  - **M & A**
  - Licensing
  - Summary and Conclusions

A merger happens when two firms agree to go forward as a single new company rather than remain separately owned and operated



- An acquisition
  - Full sale: When one company takes over another and clearly establishes itself as the new owner. From a legal point of view, the target company ceases to exist, the buyer "swallows" the business – sometimes hostile.
  - Partial sale: When one company takes over part of the shares of another company



# Most reasons for M & A are similar to those for a partnership .....

---

- Speed up growth / Diversification
- Good will of (local / International) partner / show
- Risk sharing
- Ease of market entry / Internationalization of event
- Increase market share
- Utilize existing infrastructure, know how, people
- Access to local policy makers, to local politicians
- Legal restrictions
- Economies of scale / (cost) synergies
- Cross selling potential

## ... but there are also differences

- Often not restricted to one event
- M & A is more committing
- Normally with assumption of staff
- Upfront payment/receipt of consideration
- Longer term oriented
- Frequently assumption / loss of control

# Critical success factors for M & A

---

- Timing of absorption
- Quality of integration
- Cultural issues
- Cost control
- Brand architecture



# There are many aspects to consider if you plan to partner/partially sell/merge your activities



- Think about why – exit or growth
- Make sure you have a USP
- Get your books in order (financials and KPIs, no hockey sticks)
- Have your management on board
- Make sure you have valid contractual rights
- Look for the right partner – strategy may be more important than quick cash
- Have audited figures if possible
- Have a sound and lean organization
- Be aware that you cease control

# Agenda

---

- 
- Introduction
  - Organic Growth
  - Partnerships
  - M & A
  - **Licensing**
  - Summary and Conclusions

- Licensing definition
  - Permission to use a specific form of intellectual property under specified conditions
- Financials
  - Fixed
  - Variables
- Issues to be considered
  - Subject of license (brand, data base, concept etc.)
  - Quality control for licensor
  - Business interest of Licensor
  - Financial risk mostly with licensee
  - Risk of brand dilution for licensor
  - Administration often complex

# Summary:

---

- There is not just “one” right growth path
- Organic growth is flexible and bears comparably little risk
- Partnerships / Joint Ventures may provide benefit to both partners, provided that expectations are met and responsibilities are clearly defined
- M & A is the quickest path to growth, however, associated with the highest risks
- Licensing seldom renders appropriate value



**A diversified growth strategy needs to take all growth paths equally into account**

Partnerships and alliances can be one growth route for the Indian exhibition industry



**Thank you !**