Joint ventures a tool for growth during an economic downturn

A tool for growth during an economic downturn 2009 © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member ? rms of the KPMG network are af? liated. 02 Joint Ventures Our focus on joint ventures Life is tough for businesses with expansion plans. The high leverage, liquidity and low funding costs that fueled growth may have stopped, but activist investors are still demanding increased shareholder value.

Meanwhile, investors such as private equity and sovereign wealth funds (SWFs) are eager to take advantage of falling asset prices. Do joint ventures1 offer an opportunity for expansion in these tough times? KPMG believes that they can. Joint venture activity has been increasing over the past few years and shows every sign of continuing on an upswing, potentially a big one. We believe that the downturn and lack of credit will be a primary driver for this. Access to specific capabilities and intellectual property, getting closer to the customer and winning contracts in new markets are other key drivers.

We also think that SWFs and private equity can play an important role as potential partners and sources of finance. KPMG has been watching this rise in joint venture activity with keen interest. Following the production of in-depth case studies into several large multinational alliances, KPMG commissioned the Globalization and Strategy Research Center at IESE Business School in Spain to explore joint ventures in greater depth. The IESE were asked to conduct an extended study – a thought leadership project surveying key factors behind joint ventures. IESE surveyed over 100 CEOs, CFOs and 1 enior executives across major industry sectors throughout the world about their joint venture experiences during the last five years. (See p15 for more details.) The results reveal some fascinating insights, including key factors that contribute to successful joint ventures, and pitfalls to avoid. In an increasingly complex and uncertain environment, companies are further challenged to compete and cooperate across various parts of the value chain. The findings, presented in this document, help support our views on using joint ventures as a tool for growth during these turbulent times.

Our sincere thanks go to all participants in this study. Your experience has provided invaluable ideas on making joint ventures a success in the current economic climate. Contents KPMG's Corporate Finance Practice Doug McPhee Head of EMA Valuation Services Dr Carsten Heckemuller Senior Manager KPMG Corporate Finance, KPMG in Japan IESE Business School

Professor Africa Arino Strategic Management Department Professor Pinar Ozcan Strategic Management Department The term ' joint venture' is used in this document to mean any type of inter-firm partnership/ alliance/ joint venture, including contractual joint ventures, equity joint ventures, cross share holdings, and so on. Joint Ventures 03 What we discovered Joint ventures are on the rise What's their motivation? ransparent about the value of contributions, equity and cash top-up expectations, as well as the ownership of intellectual property created and customers won by the partnership. This can help to create a setting from which all parties can benefit. The majority of respondents – regardless of their satisfaction with their joint venture experience – expressed a positive view of their company's future joint venture activity. And 50 percent of respondents expect that in the next two years their company will increase its joint venture involvement, with more than half of these being cross-border transactions.

The main reasons respondents entered joint ventures were:

•Gainingaccesstomarketsinthesameindustry •Reducingcosts •Gainingaccesstonewmarketsinforeigncountries. Another important reason cited was reducingrisk, as joint ventures can share or spread risk between partners better than alternative forms of corporate strategies. Create a sound structure High success rate More than half of joint ventures met or exceeded expectations. This makes an interesting comparison with KPMG Advisory research on the global M&A market, which found that only 27 percent of acquisitions enhanced value. Trust is vital Trust between co-venturers was seen by the respondents as critical. From the outset, partners should be Careful negotiation and drafting of commercial issues, governance structures, operating agreements, and break-up considerations is critical. The different parties' goals and strategies can diverge over time, and many joint ventures have a limited life span. Deadlines should be imposed at an early stage, and decision processes should be efficient in order to be able to move fast. ComsToCk , TeTra Images, LaurenCe mouTon/geTTy Images 2 All to play for: Striving for post-deal success,' KPMG International, 2008 © 2009

KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. 04 Joint Ventures Joint venture drivers What’s their motivation? Companies tend to have very specific reasons for forming joint ventures. We asked respondents to rank their top reasons for forming a joint venture. Gaining access to markets in the same industry was cited by more than 60 percent of respondents as one of the primary motives.

By forming a joint venture, a company can strengthen its position in the market. Effectively working in partnership with a competitor can enable a company to establish itself further, gaining capabilities and resources. 3 More than 40 percent of respondents ranked reducing costs as one of their primary reasons. Joint ventures allow co-venturers to share the costs of developing their services or goods as they combine knowledge, distribution channels and methods of producing a product or providing a service.

These costsaving factors are, of course, particularly valuable during an economic downturn. Gaining access to new markets in foreign countries was another important reason for entering into a joint venture, with approximately 30 percent of respondents’ companies looking abroad, particularly into high-growth countries. Given the excellent prospects for increased revenue in high-growth countries, we expect the trend of using joint ventures as an entry strategy to continue in the mid- to long-term.

In fact, with the current fears of increased economic protectionism, joint venture activity may reach new high levels – uncertainty over potential future 3 protectionist measures can make the idea of a joint venture with local partners extremely attractive. Other important factors that participants cited were: • • • • Reducing risk Developing new technologies Developing new brands/extending own brands Gaining additional financial resources. FiGuRe 1 Key drivers behind joint venture success Gaining access to same industry Gaining additional financial resources Reducing costs 60% 50% 40%

Having looked at the individual responses, we amalgamated their first, second and third choices according to a basic formula to incorporate weightings for each option (choice 1 was given a ranking of 1, choice 2 a ranking of 0. 66 and choice 3 ranked 0. 33). This enabled the production of a total ranking value that could then be used for comparison, as highlighted in Figure 1. For example, the total number of respondents that chose ' Gaining access to markets in the same industry' is 70, therefore, 62 percent of all respondents believed that this option was a top three reason for undertaking a joint venture. 0% 10% 0% Source: KPMG/IESE Joint Venture Survey 2009 Certain sectors in some countries require foreign companies to form joint ventures with domestic partners in order to enter their markets (this is usually due to local regulations and foreign trade laws). © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Other 20% Gaining access to markets in another industry Developing new technologies Meeting government requirements Blocking the competition

Developing new skills Reducing risks Entering into a joint venture can result in risks being shared or spread between partners. A prime example of this is recent developments in the mobile telecommunications market where many

European operators are forming network operating company joint ventures to run, enhance and share networks. The commodity nature of the network enhanced by the increased utilization from two carriers as opposed to one on the network reduces risk and financing costs, so improving value for both co-venturers. 70% Developing new brands/extending own brands

KPMG vIEW Gaining access to new markets in foreign countries Joint Ventures 05 " With the current fears of increased economic protectionism, joint venture activity may reach new high levels" © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Brand X Pictures/Getty imaGes 06 Joint Ventures Facing the challenge Throughout the joint venture, companies should tackle problems as they occur to help ensure the best possible outcome.

Respondents were asked what problems they encountered during the negotiation and operational stages of the joint venture. Figure 2 shows these challenges, ranked according to the number of respondents who had problems in these areas. Partner's contribution was the most difficult challenge during negotiations, but fell to third place once the joint venture was up and running. Problems in this area included information exchange – during the negotiation stage, just over half of the respondents believed their partner did not provide sufficient information on their financials, forecasts and costs.

KPMG view Holding back – or being seen to be holding back – on information can lead to a trust problem later as companies are unsure of their partner's commitment and abilities, and therefore their contribution, to the joint venture. while clear agreement on objectives ranked during negotiations as the least of the challenges, it caused the greatest problems during the operational phase of the joint venture. Management control was seen as a key challenge throughout, ranking third during the negotiation and second during the operational phases.

KPMG view Focusing on technical and commercial issues, such as having clear agreement on objectives and management control issues, helps in the operational phase of the joint venture. Addressing these issues in a much more robust manner during the negotiation phase can, in our view, give the joint venture a higher chance of generating positive real returns. The second most contentious point during the negotiation phase was valuation of intangibles. This dropped to eighth place during the operational phase.

KPMG view Issues that are difficult to negotiate before the joint venture comes to life may not be that influential in determining its outcomes. What matters when forming a joint venture is cash flow, which creates value, and not the impact of accounting policies, which determine periodic profits profiles. Cash is king – it allows you to pay dividends, repay debt and invest in new opportunities. Joint venture partners should focus on incremental cash flow opportunities early on in the planning process. KPMG view Valuation of a partner’s contribution is a strong reason to enter a joint venture rather than engaging in a merger or acquisition.

Once a company is in a joint venture it is in a better position to assess the value in use. Eventually, the end result may be similar to an M&A-type deal but the company will have a better knowledge of its partner's contributions. Our member firms' experience suggests that this is most relevant when considering the difficult issue of intangible valuation. The barriers to joint ventures Re-negotiating the joint venture Many companies can often discover that the only way to resolve issues or to address areas in which there is a lack of clarity is to re-negotiate the initial contract.

Figure 3 shows how respondents' perceived greatest challenges during negotiation compare with the frequency with which these areas were re-negotiated. The majority of respondents were satisfied with the results of the issues that they renegotiated. The greatest improvement was found with changes to partner's contribution – 72 percent of respondents who changed this aspect of the contract were satisfied with the overall joint venture performance. interestingly, while performance evaluation ranked seventh on the list of sensitive or difficult topics during the original negotiations, it was the third most frequent issue to be re-negotiated.

KPMG view These findings on causes for re-negotiation help strengthen the view that commercial aspects should be strongly highlighted in the early stages of joint venture discussions. It is more likely for the commercial rather than legal aspects of the joint venture deal to be re-negotiated, despite the fact that more emphasis seems to be given to the difficulties in negotiating the legal position before a final agreement to proceed with the joint venture is reached. 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Joint Ventures 07 " Holding back on information can lead to a trust problem later as companies are unsure of their partner's commitment and abilities, and therefore their contribution, to the joint venture"

FIGURE 2 Key challenges While negotiating joint venture 1 Partner's contribution 2 3 4 5 6 7 8 9 During operational stage 1 Clear agreement on objectives Valuation of intangibles 2 Management control Management control 3 Partner's contribution Processes to carry out 4= Processes to carry out subsequent changes subsequent changes Formal structure 4= Governance bodies Ownership structure 6 Ownership structure Performance evaluation 7 Formal structure Governance bodies 8 Valuation of intangibles Clear agreement on objectives 9 Performance evaluation

FIGURE 3 What companies re-negotiated Challenge while negotiating joint venture 1 Partner's contribution 2 Valuation of intangibles 3 Management control 4 Processes to carry out subsequent changes 5 Formal structure 6 7 8 9 Frequency with which issue was re-negotiated 1 Partner's contribution 2 Management control 3 Performance evaluation 4= Processes to carry out subsequent changes 4= Clear agreement on objectives Ownership structure 6= Ownership structure Performance evaluation 6= Valuation of intangibles Governance bodies 8= Governance bodies Clear agreement on objectives 8= Formal structure

Source: KPMG/IESE Joint Venture Survey 2009 © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. STOCKBYTE/GETTY IMAGES 08 Joint Ventures Secrets of success Success rate Many companies that undertake a joint venture typically hope that their partnership will meet the initial objectives and increase their competitiveness – and hence value – in the market. The survey results indicate that 52 percent of the time joint ventures met or exceeded partners' expectations (see Figure 4).

Joint ventures that work Success factors So what makes a joint venture work? Respondents were asked to assign 100 points between the key elements they believe constitute a successful joint venture (see Figure 5). Trust between partners emerged as most important, gaining 28 percent of respondents' points. Some respondents indicated that, from the outset, a lack of trust left them unsure of their partner's true intentions and commitment. KPMG view It is crucial for a joint venture to get off on the right foot, and trust plays an integral role here. Trust between partners is vital for areas such as due diligence.

A lack of trust can be seen in respondents' responses throughout the survey as the cause of unexpected issues and problems. So, it is important to use the negotiation phase to start to build trust. In KPMG firms' experience, corporates too often approach the negotiation phase with an ' M&A mindset' and don't give enough consideration to the key difference with joint ventures – that it is not about tactical aspects to achieve the highest selling/lowest buying price but about a win-win collaboration. Partners' strategic compatibility was rated the second most important factor for success, receiving 22 percent of 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Stockbyte/Getty ImaGeS Joint Ventures 09 respondents' points. This compatibility focuses on the assets, know-how, and competencies that the partners bring to the joint venture, as well as the synergies that the combined joint venture offers in these areas. Joint ventures are different to mergers and acquisitions as the parties will continue to work together after the transaction.

It is essential that the parties are compatible and that the combined management teams that will run the joint venture are clear about the goals of the joint venture and collaborate to achieve them. The management team must remain detached from the co-venturers and be focused on achieving the goals of the joint venture for the combined good of the investors. Communication between partners received 18 percent of respondents' points. Encouraging clear communication through open channels can help the joint venture team to overcome many of the problems encountered at both the negotiation and operational stages.

One of the main reasons that joint ventures fail to launch is a lack of open and honest communication at the outset, including discussions about ' sacred cows', and being clear about areas that are not open for negotiation or compromise. Communication is also an issue in the operational phase when, for example, the strategic intentions of one of the partners changes. Being clear about exit mechanisms right from the beginning helps in overcoming these communication challenges. 4 Interaction between colleagues gained 14 percent of respondents' points.

Asking people from different companies and cultures to work together can present a significant challenge for those managing the joint venture. So it is important that the joint venture management team, which will comprise individuals from each co-venturer, has a clear and consistent approach to conveying to staff the goals and delivery plans of the joint venture. They must not deliver contradictory messages, so it is crucial to establish reporting lines, job descriptions and responsibilities before the joint venture commences operations.

The last two factors, each meriting 9 percent of participants' points, were joint venture formal structure and composition of governing bodies. Joint ventures require robust and structured governance and a clear process for resolving conflicts that may arise. Distinct reporting lines and involvement of senior management from the co-venturers is a must for resolving conflicts or disagreements at the operating level on an expeditious basis. FIgure 4 How successful was the joint venture? 4, 5 Undecided 17% Better 18% As expected 34% Worse 31%

FIgure 5 Key success factors Joint venture formal structure 9% Composition of governing bodies 9% Trust between partners 28% Partner's strategic compatibility 22% Communication between partners 18% Interaction between colleagues 14% Source: KPMG/IESE Joint Venture Survey 2009 Respondents were asked to asses the joint venture's performance overall and relative to their initial expectations. 5 Respondents answering ' undecided' were, at the time of the survey, in the early stages of a joint venture and therefore unable to provide an evaluation. 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. 10 Joint Ventures Important considerations Taking care of business Choice of partner and success Just under half (47 percent) of the respondents’ companies actively searched for a joint venture partner. Existing relationships were behind 28 percent of partnerships while 24 percent of respondents were approached by their partner (either directly or through a third party connection).

When the respondent’s company actively searched for a joint venture partner, they were more likely to have a worse opinion of the performance of the subsequent joint venture. Those that formed a partnership from an existing relationship were most likely to have their expectations met, while companies that were approached tended to be more evenly split in their assessment of the joint venture’s outcomes (see Figure 6). KPMG viEW Actively looking for a new partner is, in KPMG firms’ experience, one of the most difficult ways to set up a partnership, especially when the relationship has to be built from scratch.

There can be difficulties in building trust between the parties, and so a reluctance to release key information for the purpose of due diligence can develop. This can lead to companies that do not fit well being incorrectly matched. Here, joint ventures differ from mergers and acquisitions, where, typically, control is gained. This brings us back to our original emphasis on the vital importance of the pre-operational stage – especially when actively pursuing a joint venture with a partner with whom there is no previous relationship. The negotiating team The remaining members came from sales, R&D, manufacturing, human resources, and logistics. Survey results show that involving top-level management and finance personnel in the formation of the joint venture produces a better outcome:

•64percentofcompanieswhosetopmanagement playedaroleattheformationofthejointventurewere satisfiedormorethansatisfiedwiththeoutcome •66percentofcompaniesinvolvingfinancepersonnel intheformationofthejointventureweresatisfiedor morethansatisfiedwiththeoutcome.

KPMG viEW It is vital that personnel from top-level management become involved in negotiating key contracts and deals. Their interest indicates the importance and commitment of the company to the partnership and their dedication to advancing the joint venture. 100% 80% 60% 40% 20% Active search for partner • Topmanagement(32percent) • Finance(15percent) • Strategy/businessdevelopment/M&A(10percent) • Marketing(9percent) • Headsofbusinessunits(8percent). Development of existing relationship Approached for joint venture (direct or third party connected) Better As expected Worse

Companies tended to involve people from a range of functions in the joint venture negotiation process. From the survey results (see Figure 7), the main participants in the negotiation teams were: Figure6Partnerchoice andsuccess 0% Source: KPMG/IESE Joint Venture Survey 2009 Respondents were asked to indicate how many members of the team came from each function. The total number of team members for each function was taken as a percentage of the total number in the combined teams. 7 Analysis excludes correspondents who did not answer this question. 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Joint Ventures 11

Figure7Proportionofpeopleonthenegotiationteamfromthe followingfunctions6 Manufacturing 5% R&D 4% HR 4% Distributor 4% Logistics 3% Due diligence Respondents were asked about due diligence levels in legal, commercial, financial and environmental areas. Results in Figure 8 indicate 60 percent of respondents believed legal due diligence was the highest priority; more han 40 percent felt commercial and financial areas received a high focus; and environmental issues received the least focus. A tighter focus on financial and commercial due diligence (as opposed to legal due diligence) tended to result in higher satisfaction with the outcome: • 8percentofrespondentswhoundertookahighlevel 7 oflegalduediligencetendedtobesatisfiedorvery satisfiedwiththeoveralljointventure • 1percentofrespondentswiththehighestlevelsof 7 commercialduediligenceweresatisfiedorvery satisfiedwiththeirjointventure • 0percentofrespondentswiththehighestlevelsof 8 financialduediligencetendedtobesatisfiedorvery satisfied.

Although a lower absolute percentage of respondents ranked commercial and financial due diligence as key factors, this focus seemed to drive a higher level of success for the joint venture. KPMG viEw Legal due diligence is a key element in forming successful joint ventures, given the level of related party transactions once the venture is formed. The tendency not to undertake comprehensive commercial and financial due diligence on the operations and assets being contributed to the joint venture – for fear of aggravating the other party – is risky.

Top management 32% Finance 15% Strategy/business/ development/M&A 10% Marketing 9% Head of business units 8% Sales 6% Figure8extentofduediligenceinthefollowingareas7 Environmental Commercial 100% Financial Legal 80% 60% 40% 20% High Medium 0% Low Source: KPMG/IESE Joint Venture Survey 2009 © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. ToDD GipsTein/naTional GeoGraphic/GeTTy imaGes 12 Joint Ventures Looking ahead

Eye on the future Joint ventures on the rise Respondents were asked about their expectations for their company's future joint venture activities. Around 65 percent of respondents expressed a positive view of their company's future joint venture activity, with 50 percent expecting that their company would increase its involvement in joint ventures (Figure 9). KPMG viEw In these challenging times, the lack of access to debt capital and inability to use shares as considerations is likely to lead to more parties considering joint ventures.

This will then allow them to take advantage of value-creation opportunities that are presenting themselves from depressed asset prices and an abundance of over-geared businesses that remain operationally profitable and attractive. Regardless of their satisfaction with existing or past joint venture projects, the majority of respondents anticipated an increase in the level of their company's joint venture activities (Figure 10). KPMG viEw Joint ventures have traditionally been viewed by many corporates as less attractive for delivering growth strategies than organic growth or outright acquisitions. This seems to be due to a perceived iew that they are difficult to manage and that there is no control over operations and strategies. However, the results of our research help to illustrate that this is not the case. 8 Entering new markets The respondents who thought that their company would increase its joint venture activities were asked about the geographical areas where they believed these activities would occur. The results show that: • 53 percent of respondents believed that future activities would be cross-border • 26 percent indicated mainly domestic activity • 21 percent anticipated equal domestic and cross-border activity. Joint ventures have traditionally been viewed as less attractive for delivering growth strategies than organic growth or outright acquisitions… our research clearly illustrates this is not the case” Figure 9 expected future joint venture activities Exit 8% Undecided 18% Less 9% More 50% Same 15% Source: KPMG/IESE Joint Venture Survey 2009 This question was only posed to respondents who believed that their company would increase its levels of joint venture activity in the future. © 2009 KPMG International.

KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Joint Ventures 13 Figure 10 expected joint venture activity based on satisfaction with existing projects Somewhat unsatisfied Somewhat satisfied Very unsatisfied 100% 80% 60% 40% More Same Less Exit Undecided 20% 0% Note: Of all respondents 16% did not indicate any level of satisfaction. Figure 11 expected location of future joint ventures8 Very satisfied Satisfied Mainly domestic 26% Equal domestic and cross-border 21% Source: KPMG/IESE Joint Venture Survey 2009 2009 KPMG International.

KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. MedioiMages/Photodisc/getty iMages Cross-border 50% 14 Joint Ventures Our suggestions A helping hand What affects the chance of a joint venture being successful? From our firms' extensive advisory experience and research into alliances and joint ventures, we have put together some recommendations, which the survey results and case studies support. • Entering into a joint venture is not necessarily the right option for every company or every situation.

Evaluate all options available before making your decision. • Set a deadline when searching for a partner to seek to ensure that the process does not take too long. Setting a deadline tends to produce better results. • Look at existing relationships first when searching for a partner – these tend to produce more satisfying outcomes. • Consider private equity firms and sovereign wealth funds as potential partners – they could help with certain industry deals as well as providing possible sources of additional financing. • Partners in a joint venture may not share the same goals.

Potential conflicts of interest need to be identified early on and managed carefully throughout the process. • Trust between partners is considered to be the most significant factor for a successful joint venture. Remember that building trust begins from the very first day of negotiation. 9 • The negotiation processes should take account of factors including: needs; best alternatives; options; concessions; time; power; information; joint venture design; changing circumstances; and relationships. • Financial and commercial due diligence are as important as legal due diligence.

The commercial side is most likely to be re-visited once the joint venture is in place. • If you do not want to share commercially sensitive information at the early stages of a negotiation, or if there are legal barriers to the release of price-sensitive information, consider using the services of independent financial and legal advisers, who can offer, for example, ‘ clean team’ due diligence. 9 • Ensure that the processes for dealing with ongoing issues are included in the joint venture agreement. • Joint ventures feature more complex compensation arrangements than companies and can also have non financial goals.

These need to be clearly identified, defined, and managed to the agreement of all partners. • Manage the relationship with your partner carefully, with permanent channels of communication and conflict resolution mechanisms, and governance by shared objectives. ‘ Clean team’ due diligence refers to collecting information from both parties to produce an independent report that does not include commercially sensitive data but that can include matters such as valuations and a proposed structure or that can black-out certain contract details to help both sides make an early assessment of the merits of the proposed venture. 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Joint Ventures 15 Appendix A Figure 12 respondents by sector Pharmaceutical 9% Other 16% Technology 15% the survey This report is based on the results of a survey sent to companies across the world involved in most major industry sectors. Participants were asked about their experience of the joint venture project that they were most involved in over the past five years. The questionnaire was sent to senior executives who were involved in establishing joint ventures.

The sample covered companies listed on the Fortune 500 and S&P 1200 databases, plus IESE alumni. Figure 13 Type of joint venture Equity joint venture Business 17% Financial 17% Industrial goods 11% Energy 7% Consumer goods 8% The questionnaire was sent to CEOs (68 percent), CFOs (11 percent), and senior executives (10 percent), with 11 percent sent to other contacts. Most of the firms contacted were based in Western Europe (67 percent), then North America (15 percent) and South America (8 percent). The survey was conducted via e-mail. It comprised a brief description of the project, and survey questions.

The e-mail was sent to 770 contacts – a total of 113 valid surveys were returned, representing a 14 percent response rate. The respondents were distributed across the main business sectors, as shown in Figure 12. All the respondents had been exposed to one or more joint venture projects, with a total of 252 projects noted across all replies. Analysis of the type of joint venture is presented in Figure 13. The greatest involvement was with equity joint venture projects, followed by purely contractual joint ventures. Respondents were least exposed to cross-shareholding alliances. 20 100 Number of joint venture/alliances Cross-shareholding 60 Other 80 Purely contrac tual 40 20 0 Source: KPMG/IESE Joint Venture Survey 2009 © 2009 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated. Altrendo imAges/getty imAges kpmg. com/succeeding Find out more Doug McPhee Head of EMA Valuation Services Tel: +974 605

5871 co. uk The views and opinions expressed herein are those of the survey respondents and do not necessarily represent the views and opinions of KPMG International, KPMG member firms or IESE Business School. Financing, Debt Advisory, and Valuation Services, are not performed by all KPMG member firms and are not offered by member firms in certain jurisdictions due to legal or regulatory constraints.

Designed by Haymarket Network Ltd, UK Reproduction by Colour Systems, UK Publication name Joint Ventures Publication no 906066 Publication date June 2009 Printed by the Stephens & George Print Group on Revive 75 Silk, a recycled paper containing a minimum 75% recovered waste and manufactured at a mill accredited with ISO 14001 environmental management standard. The pulp used in this product is bleached using both the Elemental Chlorine Free (ECF) andTotally Chlorine Free (TCF) processes. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.