



**Industrial minerals mergers
and acquisitions --
Importance of Market
Intelligence in Due Diligence**

Ted Dickson



TAK Industrial Minerals

- Nature of Industrial Minerals Companies
 - Many market niches
 - Local/Regional/Global markets
 - Diversity of industries
 - Multiple grades
 - No terminal market pricing
 - Few publicly quoted “pure” industrial mineral companies
 - Each one unique

Routes to acquisition

- Strategic plan to target company/sector
- Company/division offered for sale as divestment
- Distressed asset investment
- Privatisation
- Private Equity realising investment

Acquiring companies

- Previously
 - Existing industrial mineral producers
 - Private Equity
 - Other natural resource companies for diversification
 - Other financial organisations
- Now
 - Asian Producers/Consumers to secure raw material supply

Time Sensitive

- Bidding process months if not weeks
- “Off the shelf” limited and general
- Require advisors with intimate knowledge of industry and culture –no time for learning curve
- Need access to target company employees and information
- Prioritise what is achievable in the timescale
- Best (informed) estimate better than no estimates

Market research requirements

- Specific focus on target markets
 - local/regional/global
- Assessment of target provided information
- Input of independent informed market analysis
- Set parameters for assessment of value
- Assessment of competitive position of target
- Co-ordinate with production assessment – production capacities, qualities, reserves

Scope of Work

- “Questions are the answers”
- Define parameters and needs of acquiring company
- “Education” part of the process for financial companies
- Assess achievable goals

Projections

- The most difficult and contentious issue
- Target company will set optimistic projection
- Realistic projection needed by company acquiring assets
- Need to convince finance providers, internally or externally, of viability of acquisition
- Opinions based on sound knowledgeable market analysis – there are no certainties

Projections 2

- Identification and assessment of market drivers
- Opportunities for growth organic or industry consolidation
- Threats to growth – competition from alternatives, changing technology, cheaper sources of material, declining mineral resource ...

“Red Flags”

- Need to assess potential “fatal flaws”
- Not always readily apparent
- Target company unlikely to highlight in Information Memorandum or Prospectus
- Assess effects of possible downside of projections, corporate weaknesses or competitive position