

PRESSURE TESTING DEAL CONCEPT IN POTENTIAL EMERGING MARKET JV

THE CLIENT

- US Retailer
- Looking to enter a high potential emerging market with a local partner

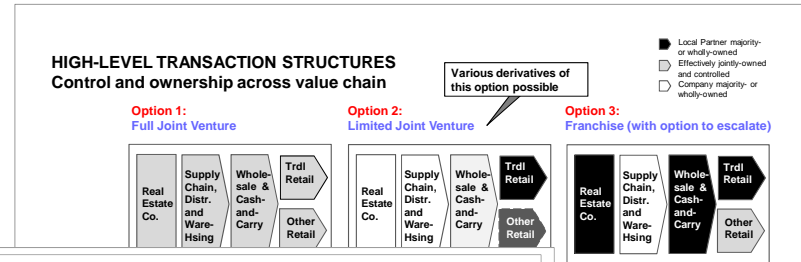
THE NEED

- Identified, and in preliminary discussions with, target partner
- Wanted to have a detailed understanding of preferred deal structure before entering into serious negotiation with partner
- Asked us to generate a slate of 3-4 discreet deal options along key parameters – e.g., scope, business system, economic model, evolution

OUR SOLUTION

- Collected and pressure tested deal inputs/ boundary conditions – e.g., sources of value, partner aspirations, regulatory constraints, “gaps” in the business system
- Outlined a range of 3 deal options based on key deal parameters and critical questions – e.g., what is in the venture vs. done by parents, functions and activities where control is imperative
- Developed criteria for assessing each option – e.g., feasibility, total economics to both parents

High-level transaction structures



Summary of key deal questions and options

KEY QUESTIONS AND OPTIONS FOR STRUCTURING DEAL

Key questions	Options
<p>Scope</p> <p>1. What is the geographic scope of the venture?</p>	<p>A. National scope – [full emerging market] B. 8 major cities only - Company may pursue separate partnership for second-tier markets C. xxxxxx – xxxxx</p>
<p>2. What other retail formats are included in the initial concept beyond [core US retail model]?</p>	<p>A. Personal finance / in-store banking – xxxxxx B. Health clinics – (assuming pharmacy included in traditional retail stores)</p>
<p>Structure</p> <p>3. What is the initial high-level transaction structure?</p>	<p>A. Franchise arrangement – xxxxxx B. Retail front-end only JV – Company owns other pieces of the retail value chain – e.g., warehousing and distribution, property management, banking / personal finance C. Full-business JV – all elements of the local business inside single JV management company; with multi-year licensing and technical services agreement with Company D. Mix-and-match JV - E. Equity position in local partner – xxx</p>
<p>4. Within the retail business, what capability gaps do we have (vs. partner brings vs. need to contract out to third parties in local market)?</p>	<p>A. xxx – xxxxxx B. xxx – xxxxx</p>
<p>5. What is the evolution path of the venture over next 3-5 years?</p>	<p>A. xxx – xxxxxx B. xxx – xxxxx</p>

- Company franchises brand and traditional retail concept to Local Partner; provides core operating processes and IT systems
- Exclusive franchise for 5 years within specified geographies and formats
- Company likely needed to provide start-up / working capital loans
- Traditional franchise economic structure

Analysis of where Company needs control

