

Diploma in Corporate Finance

Corporate Finance Strategy & Advice

Date of exam	Monday 22 June 2015
4 hours	1.00 pm – 5.00 pm
Rubric	Answer all the questions

Candidates are reminded that no marks will be awarded for illegible work.

Notes to candidates

1. Please insert your candidate number on the cover of your answer book.
Do not insert your name.
 2. Show **all** workings in your answer book.
 3. Candidates may attempt the sections in any order. Please indicate clearly in your answer book which questions you are answering.
 4. Please insert the numbers of the questions which you have attempted, in the order in which they appear in the answer book, in the box provided on the cover of your answer book.
 5. You may use the calculator provided or a model approved by the CISI.
 6. You must hand your answer book to an invigilator before you leave the examination hall. **Failure to do so will result in disqualification.**
 7. The decision of the exam panel is final and no correspondence will be entered into concerning the grade awarded.
 8. Once submitted, examination scripts become the property of the CISI and the ICAEW. They are not returned to candidates.
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Please turn over when instructed.

Assume that the current date is 21 March 2015.

At a recent board meeting of Asos plc (Asos) the board was considering expanding operations by taking over another company in the fashion industry. At the meeting the finance director suggested that SuperGroup Plc (SuperGroup) would be a suitable takeover target and suggested that the finance could be raised from a rights issue. However, the board was split as to the suitability of SuperGroup since its operations are in two segments, which might not blend well with the Asos business model.

The CEO of Asos suggested that it would be prudent to have an independent view on the suitability of SuperGroup as a takeover target and on how the finance might be raised to finance the purchase. He wondered whether a share exchange might be a better alternative to a rights issue.

Your firm Bolton Corporate Finance (BCF) has been engaged to make a presentation to the board of Asos on the potential acquisition of SuperGroup. You have been asked to prepare a report for a partner in BCF who will be making the presentation to the board of Asos. You have the following information available to you:

	Information Book Pages
Contents	1
Asos Annual Report 2014 (Pages 02 - 25)	2 – 26
SuperGroup Annual Report 2014 (Pages 02 – 35)	27 - 56
SuperGroup interim results 2014	57 - 93
Asos Christmas trading statement	94 - 96
Asos Company Profile (21 March 2015)	97 - 99
SuperGroup Company Profile (21 March 2015)	100 - 102
Asos Capital IQ spreadsheets: Financials	103 - 123
Asos Capital IQ spreadsheets: Comparable Companies	124 - 130
Asos Capital IQ spreadsheets: Estimates	131 – 136
SuperGroup Capital IQ spreadsheets: Financials	137 - 157
SuperGroup Capital IQ spreadsheets: Comparable Companies	158 - 165
SuperGroup Capital IQ spreadsheets: Estimates	166 - 171
PwC's Annual Global Total Retail Consumer Survey – <i>Total Retail 2015: Retailers and the Age of Disruption</i>	172 -178

Requirements:

Assuming that Asos offers a 30% bid premium to the shareholders of SuperGroup, prepare a report for the partner in BCF, which should include:
(Note: You must include supported conclusions and assumptions in all parts of the report)

1. A financial analysis which compares and contrasts Asos with SuperGroup
(20 marks)
2. An evaluation, using multiples, of whether Asos is justified in offering a 30% bid premium for the shares of SuperGroup. (12 marks)
3. A SWOT analysis for Asos based on the potential takeover of SuperGroup. (25 marks)
4. A suggestion of the terms of a share exchange that are likely to be acceptable to both the Asos and SuperGroup shareholders (assuming a 30% bid premium). (8 marks)
5. Your recommendation, with supporting assumptions, on the form of consideration (for example, cash raised by way of a rights issue or a share exchange) that is likely to be most acceptable to both the Asos and SuperGroup shareholders. (15 marks)
6. A description of the public documentation that will be required to complete the transaction under each financing alternative. (10 marks)
7. The Code and Listing Rule implications of the transaction. (10 marks)

End of examination paper

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