

# New incentive structures for listed and other companies, in anticipation of, or immediately following, an M&A transaction: the golden rules

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# Four golden rules

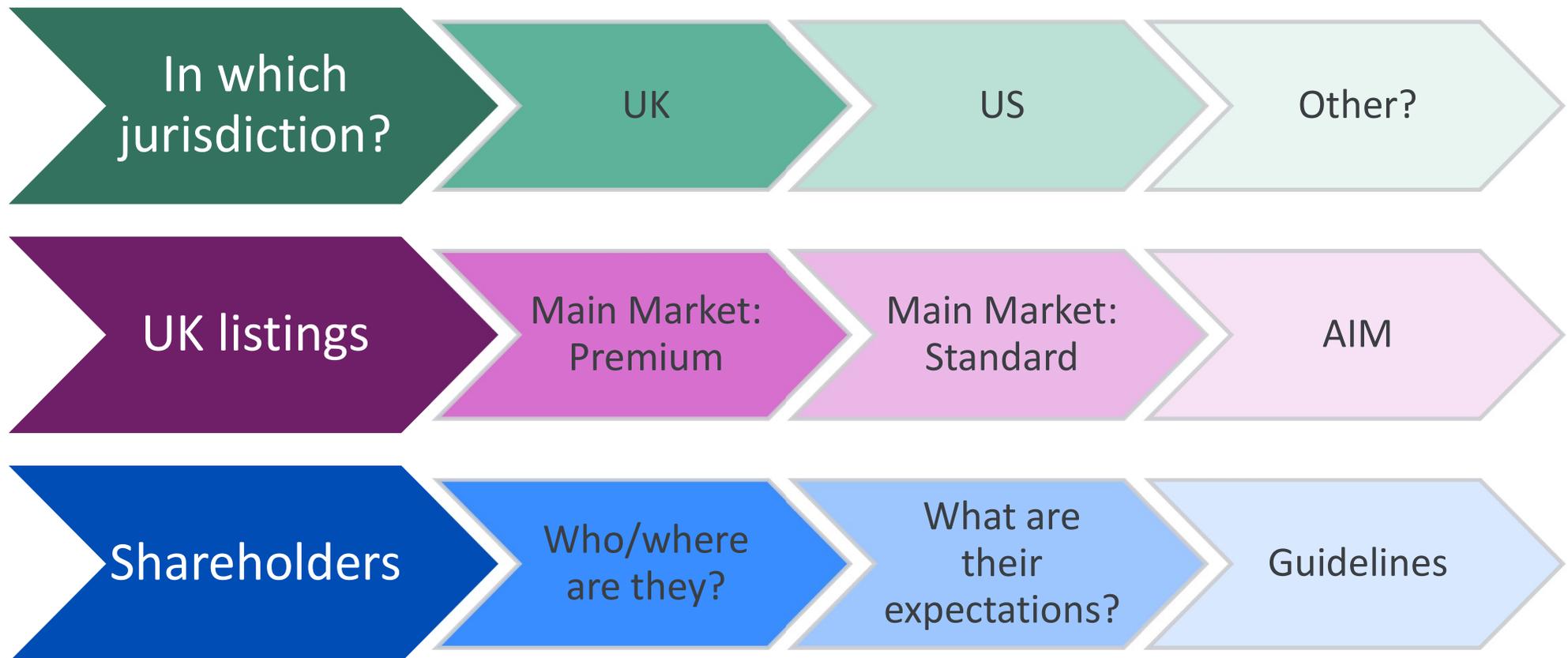
Understand the  
type of company

Understand the  
incentivisation  
objective

Anticipate the  
likely plan events

Cost and  
administration:  
don't create a  
monster!

# Understand the type of company: listed



# Understand the type of company: private

## Start-up

- Idea rich but cash poor
- Limited time/resources
- Want to keep things simple

## Owner-managed

- Do the owners want to share ownership?
- How will award value be realised?
- Is an internal market needed?

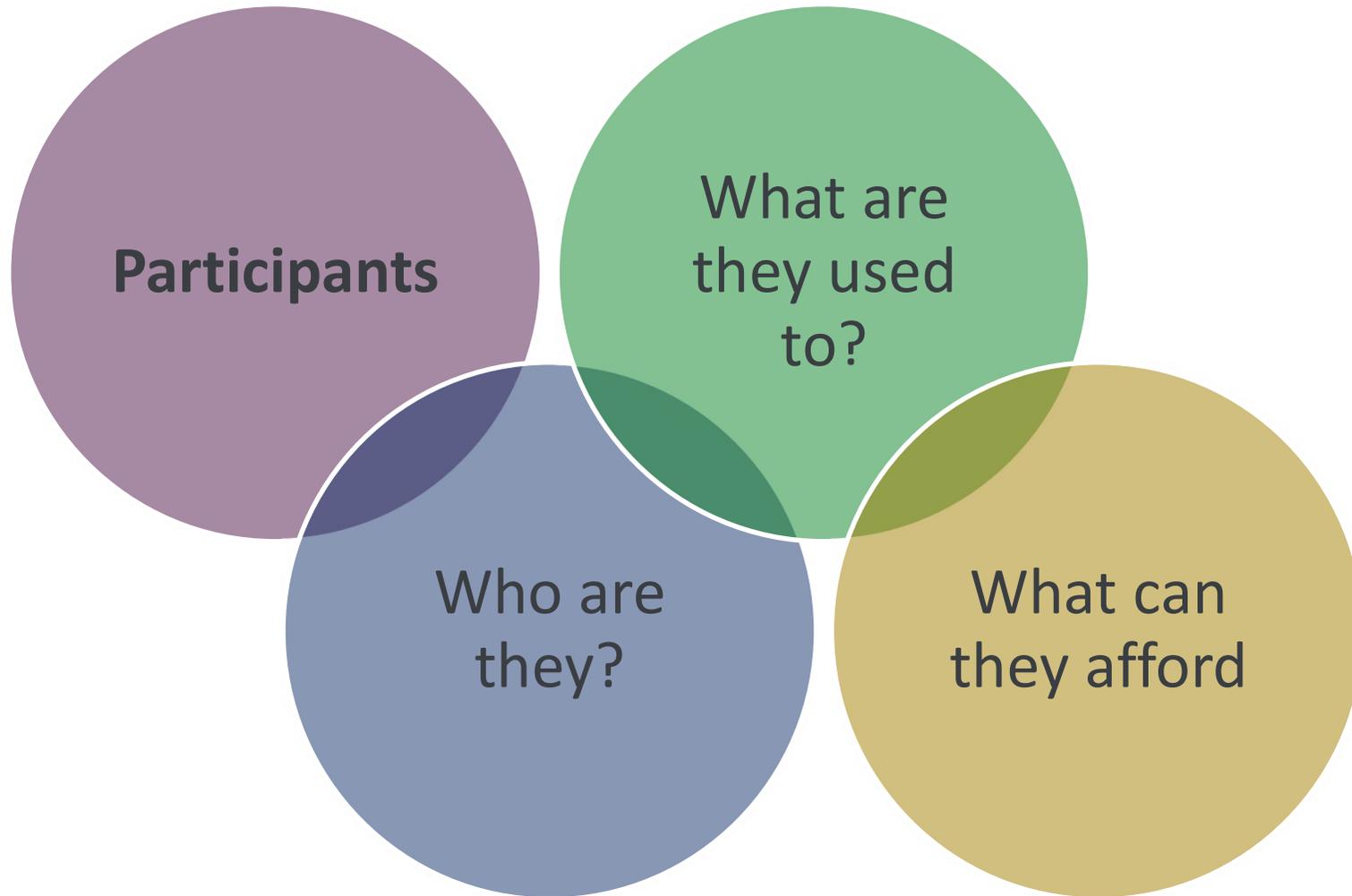
## Private equity backed

- Realisation opportunity will be sale or IPO
- Management/employee shareholder shouldn't be a drag
- Share valuation

## Infrastructure investor backed

- Long term shareholders: exit event unlikely
- Synthetic exit event?
- Shares vs cash

# Understand the incentivisation objective



# Understand the incentivisation objective

What is the purpose of the incentive arrangement?

- Recruitment
- Retention
- Incentivisation

What behaviours do you want to see from participants?

- Linking the incentive arrangement to the corporate objectives
- Achieve an exit event?
- Sale of division?
- Turnaround situation?
- Personal performance conditions?
- Other?

# Anticipate the likely plan events

## Award terms

Cost of participation

Vesting periods: annual vesting vs cliff vesting

Holding periods

Performance conditions

Dividend equivalents rights



## Leaver treatment

Good leavers vs bad leavers

Should leavers have an ongoing benefit from their award?

Consequences of good leavers retaining awards



## Change of control/exit event

How should unvested awards be treated?

Early measurement of performance conditions

Mandated rollover?

Practically achieving the exit



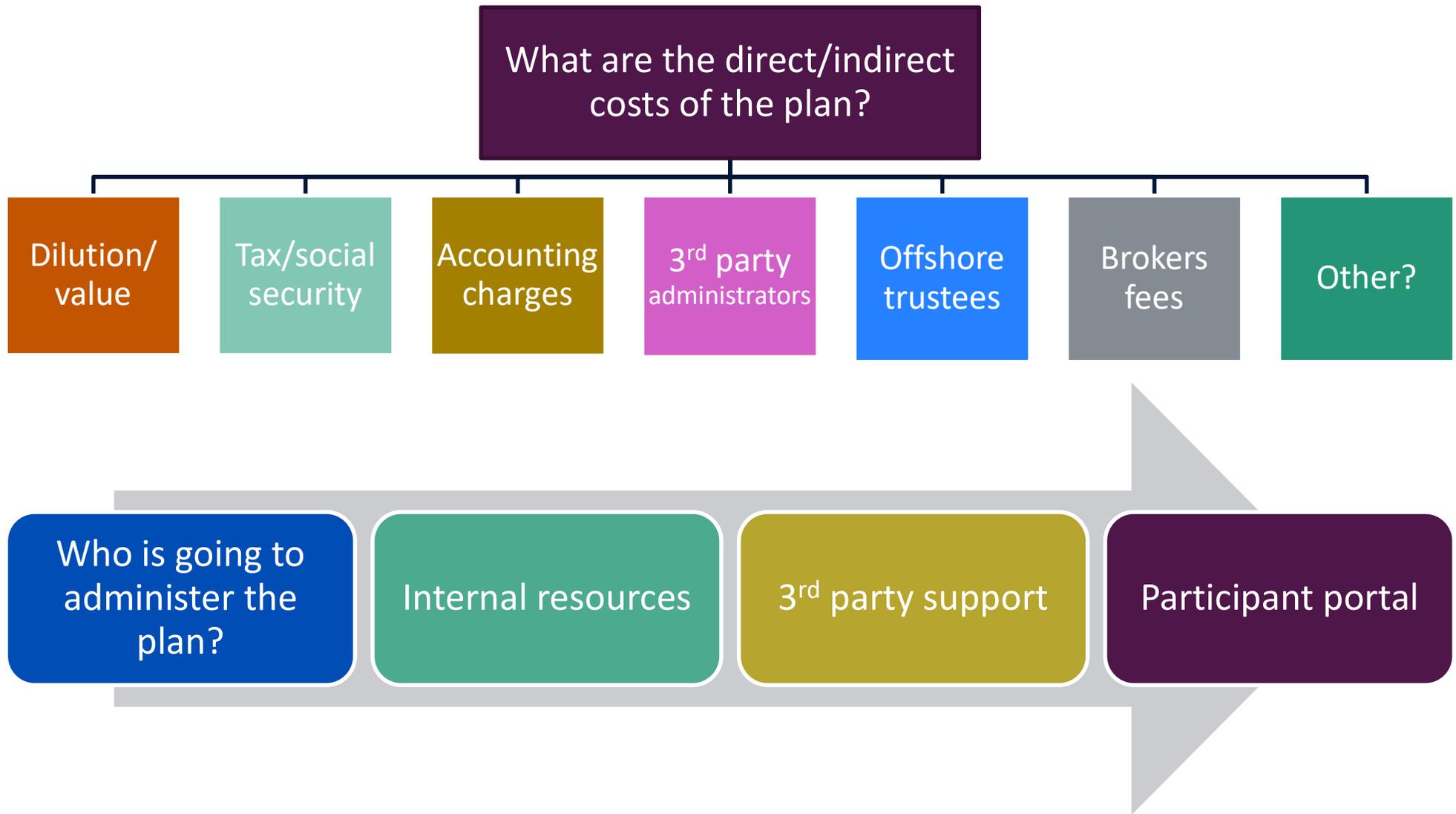
## Intermediate corporate events

Reorganisation

Refinancing

Other?

# Cost and administration: don't create a monster!



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