1.7.1 Case Study 1

Treasury Structure and Value-Add Exercise[1]

Unit:	Study Unit 3 – Strategic Treasury Solutions
Case:	Case study 1 – Treasury opportunities
Date:	1 September 2016
Summary:	Exercise relating to treasury's overall support for Victor's acquisition strategy, to the capture of efficiencies and to the value of real options.
Key words:	treasury structure, organisation, objectives, synergies, real options

In this exercise you need to consider some overarching implications for Victor, arising from Victor's acquisition strategy generally, and from the proposed Teleware acquisition specifically.

Use the background case material for Teleware, your text book, readings and any other resources you consider applicable. Read Chapter 6 (pp 255 – 266) in Damodaran, A. (4th edition) Applied Corporate Finance – discussion of real options.[2]

Answer the following questions from a treasury perspective:

Question 1
How would you recommend that Victor organised its treasury function to support the acquisition strategy and the ratings target, and what would its objectives be?

Student Notes
Refer to previous readings on treasury organisation.

Question 2
The success of the Teleware acquisition (should it proceed) may well lie in active value additions.

a) From a treasury perspective what synergies might there be in the acquisition, and how could they be maximised?
b) From a Group perspective, what real options are included with the acquisition, and *qualitatively* how valuable / important do you think they might be?

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[1] Post your responses to the various questions and discuss your thoughts and responses in the Case study 1 forum in light of the answers posted by fellow group members and the model answer released by the tutors. Finally, vote in the 'To buy or not to buy' poll also in the forum. You are expected to post during the Case study 1 timeline – see course site U3/Case 1 for dates.

[2] Recommended *Further Reading*: Chapter 6 (pp245 – 255) in Damodaran, A. (4th edition) Applied Corporate Finance – disussion of side costs and synergies.

Student notes

- For synergies consider all the typical aspects of operational treasury activity.
- You might also consider minimising inefficiencies.
- Damadoran, Chapter 6 page 255 onwards: discusses real options in depth.