

NEPTUNE ORIENT LINES: VALUATION AND CAPITAL STRUCTURE¹

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Version: 2017-03-29

On December 7, 2015, the CMA CGM Group (CMA CGM) offered SG\$1.30² cash for each of the 2.6 billion shares in Neptune Orient Lines Limited (NOL), amounting to a total of \$3.38 billion. This represented a 6 per cent premium above its last closing price, or a 49 per cent premium above its closing price on July 16, 2015, the last trading day before NOL said it was considering strategic options.³

Singapore's state investment firm, Temasek Holdings Private Limited (Temasek), gave an irrevocable undertaking to sell its entire majority stake of 67 per cent in NOL at this price for a total of \$2.3 billion.

CMA CGM sought to delist NOL and take it private. In order to delist, the company would need to acquire another 23 per cent to hit the acceptance threshold of 90 per cent.

Should the remaining shareholders sell their shares at the offer price of \$1.30 per share, or hold out for a better price? Should bondholders of CMA CGA and NOL be concerned about the acquisition?

NEPTUNE ORIENT LINES: BACKGROUND

NOL was started in 1968 as Singapore's national shipping line to facilitate industrial development and support the economy. It was wholly owned by the government. Under the leadership of its managing director, Goh Chok Tong (who later became Singapore's second prime minister), NOL turned profitable in the mid-1970s. In 1981, its initial public offering on the Singapore Exchange successfully raised \$155 million. The funds were used to grow the business globally, diversifying away from containerization into the bulk carrier market.⁴

In 1997, NOL acquired American President Lines Ltd. (APL) for US\$825 million, and started operating under the APL brand. Through the acquisition, NOL gained access to major container trades, key logistical support, and terminals in the United States and Asia.

In July 2008, NOL attempted to acquire Germany's Hapag-Lloyd AG for US\$7 billion, but eventually pulled out because of the onset of the global financial crisis.⁵ The crisis was hard on NOL: in 2009, it

recorded a net loss of US\$741 million. This decline was followed by an amazing turnaround of its fortunes in 2010, which saw a net profit for the company of US\$461 million. However, the performance could not be sustained. NOL dipped into the red again, with losses of US\$478 million in 2011,⁶ US\$419 million in 2012,⁷ US\$76 million in 2013,⁸ and US\$260 million in 2014,⁹ for a total loss of US\$1.233 billion over this four-year period. In February 2015, NOL sold the profit-making APL for US\$1.2 billion to concentrate on its container-shipping business,¹⁰ which had grown to become the 12th largest in the world.

In November 2015, it was announced that French shipping giant CMA CGM was in exclusive discussions to buy Singapore icon NOL.¹¹ With its high debt levels and inability to return to profitability, NOL had been looking for a buyer for months.¹² CMA CGM was the world's third-largest container-shipping firm, and was privately owned by the billionaire Saadé family. On the deadline to complete due diligence, December 7, 2015, CMA CGM offered \$1.30 cash for each of NOL shares.¹³ The company intended to take NOL private¹⁴ and also planned to sell assets worth \$1.4 billion from the merged entity to reduce debt.¹⁵

Temasek's head of portfolio management said,

We are supportive of this transaction [because] it presents NOL with an opportunity to join a leading player with an extensive global presence and solid operational track record. We also note and welcome the commitment of CMA CGM to enhance Singapore's position as a key maritime hub, and grow Singapore's container throughput volumes.

The offer was subject to the approval of the American, European, and Chinese regulators.¹⁶

WHY SELL A NATIONAL ICON?

According to the director of research at Drewry Shipping Consultants Limited, NOL was suffering from overcapacity in the container-shipping industry and from falling freight rates: "The 2015 volume total is on course to be the lowest since 2009, while average freight rates are destined to be the lowest in at least a decade. It's a toxic combination that the management has failed to arrest, and Temasek appears to have seen the writing on the wall that a turnaround is not imminent."¹⁷

NOL's deputy chief executive and chief financial officer in the 1990s felt that NOL might fetch a better price if it waited, "but there's also the worry that if they don't sell now, there may not be a suitor later." Although the offer price was 0.96 times NOL's book value, Ocean Chinese Banking Corporation Investment Research analyst Eugene Chua agreed that it was fair, given the poor sentiment of the shipping industry. He was of the opinion that Temasek had accepted the offer "[in the hope] that the deal would bring greater economic benefit to Singapore."¹⁸

CMA CGM had pledged to "increase its commitment," and help reinforce Singapore's position as a leading maritime hub; the company intended to establish its regional head office in Singapore, and sought to enhance Singapore's position in Asia.¹⁹ Vice-chairman Rudolphe Saadé (son of CMA CGM's founder and chairman, Jacques Saadé) said,

We recognize the strategic importance of Singapore as a key hub for the maritime industry and we are committed to reinforcing its regional leadership. At a time when the shipping industry is facing strong headwinds, scale is more critical than ever to capitalize on synergies and capture growth opportunities wherever they arise.²⁰

NOL's chief executive officer, Ng Yat Chung, said that the buyout would deliver "the scale that is required for NOL to succeed" and reaffirmed that "the change in ownership of NOL will not impair Singapore's continuing journey to be a premier maritime hub."²¹

MOTIVATION ON THE PART OF CMA CGM²²

Over the years, CMA CGM had acquired several national icons, namely the French state-backed Compagnie Generale Maritime (CGM) in 1996, the Australian National Line in 1998, French rival Delmas in 2005, and Taiwan's Cheng Lie Navigation in 2007.²³

There was some pressure for CMA CGM to expand, given that the two state-owned Chinese shipping giants, China Ocean Shipping Group Co. and China Shipping Group Co., were in advanced talks to merge.²⁴ If successful, the merger would create the world's fourth-largest container-shipping line, after the Maersk Group, Mediterranean Shipping, and CMA CGM, in that order.

Saadé revealed, "We were the first ones to initiate discussions with NOL and Temasek, and it made sense to them; that is why we carried on with the discussions." As of the end of 2015, most of CMA CGM's ships called at Malaysia's Port Klang, but Saadé explained that there were "enough volumes to operate in the two terminals." He added that it was chronic overcapacity that had pushed freight rates down, and disagreed that shipping was a dying industry:

People have said many things about shipping for many years, but if shipping was not there, we would not have TV sets and all kinds of other goods at competitive prices. Because today, the only competitive and environmentally friendly mode of transport is shipping. Maybe one day it will be different, but at least for the years to come, I don't believe so.

Without directly stating how CMA CGM planned to chart NOL's fortunes, Saadé concluded, "I will not comment on the way it is being managed now but I would say we firmly believe we have the expertise to allow NOL to develop a much stronger and better business."

VALUATION

At its highest, NOL's share price traded at \$5.839 on July 16, 2007. At \$1.30 a share, Temasek would take a big hit. In 2004, it had launched a cash offer for the 70 per cent of NOL that it did not own at \$2.80 a share.

Many had commented that CMA CGM's offer was reasonable given the present slump—but was that really so? What would be a reasonable valuation for each of NOL's shares based on the company's past financial performance (see Exhibits 1 and 2) and other relevant market information?

For a discounted cash flow analysis, some growth projections would be necessary before a reasonable terminal growth rate could be applied in perpetuity (see Exhibit 3). For a dividend discount model valuation, it would be reasonable to assume that dividends would continue to grow for some years before applying a terminal growth rate (see Exhibit 4). For a relative valuation analysis using peer comparison, data had been collected but a suitable peer group had not been identified (see Exhibit 5). The past stock price performances of NOL and its potential peers had been traced and charted for easy comparison (see Exhibit 6).

EFFECT ON THE BONDS

Some of NOL's bonds had clauses that would be "triggered by the planned sale, allowing for potential early repayment or compensation."²⁵ Such clauses were often inserted in bonds that received implicit parental support of triple A-rated (triple A-rated entities were unlikely to default) majority stakeholders like Temasek.

The head of fixed income for Asia at Coutts Royal Bank of Scotland commented that "the confidence placed in government-owned companies was somewhat over-extended. Investors who are looking to invest in these companies should look closer at the covenants of each issue, ensuring they are well protected on the downside should government support be removed."²⁶

Of the four outstanding NOL bonds, two contained trigger clauses (the 2017 and 2019 bonds), while the other two (the 2020 and 2021 bonds) did not. The prices of all four bonds had suffered as events unfolded but not all to the same extent (see Exhibits 7 and 8). In addition, CMA CGM's offer also had an impact on its own bond (see Exhibits 7 and 8).

ISSUES FACING INVESTORS

In light of NOL's past financial performance, should NOL's shareholders accept CMA CGM's offer of \$1.30 per share? Given the impact that the offer had on the value of the bonds, what should the bondholders of NOL and CMA CGM do?

EXHIBIT 1: NEPTUNE ORIENT LINES: INCOME STATEMENTS, 2011–2015 (IN US\$ '000)

	2015	2014	2013	2012	2011
Total Revenue	5,382,596	7,025,575	8,831,193	9,511,631	9,210,704
Revenue from logistics segment sold	722,781	624,333			
Revenue from container shipping retained	4,659,815	6,401,242			
Cost of sales	5,029,914	6,723,377	8,247,254	8,988,204	8,819,462
Gross profit	352,682	302,198	583,939	523,427	391,242
Other gains net					
Miscellaneous	31,376	12,970	224,414	14,862	11,138
Finance and investment income	6,653	5,183	5,448	5,263	6,805
Expenses					
Administrative IT	-80,100	-78,390	-153,795	-693,956	-716,214
Administrative non-IT	-344,551	-397,556	-571,703		
Restructuring cost	-	-	-8,645	-29,147	-
Finance	-125,503	-138,954	-45,240	-75,272	-56,149
Other operations	-55,834	-60,070	-58,372	-115,349	-75,211
Share of results of associated companies	-5,055	1,559	7,572	9,035	8,437
Share of results of joint ventures	2,632	1,798	545	364	1,017
Loss before income tax	-217,700	-351,262	-15,837	-360,773	-428,935
Income tax expense	-1,170	-20,502	-56,131	-52,908	-44,997
Loss from continuing operations, net of tax	-218,870	-371,764			
Profit from discontinued operations, net of tax	929,946	120,267			
Net loss for the financial year	711,076	-251,497	-71,968	-413,681	-473,932
Equity holders of the company					
From continuing operations	-220,439	-374,353			
From discontinued operations	927,642	114,512			
	707,203	-259,841	-76,298	-419,445	-478,188
Non-controlling interest					
From continuing operations	1,569	2,589			
From discontinued operations	2,304	5,755			
	3,873	8,344	4,330	5,764	4,256
Loss per share:					
Basic, from continuing operations	-8.50	-14.47	2.95	-16.25	-18.54
Basic, from discontinued operations	35.77	4.42			
Diluted, from continuing operations	-8.50	-14.47	2.95	-16.25	-18.54
Diluted, from discontinued operations	35.77	4.42			

Source: NOL's past financial statements: Neptune Orient Lines Limited, *Annual Report 2015*, accessed March 1, 2016, <https://www.nol.com.sg/wps/wcm/connect/a655b534-c9d4-490e-bff0-531c3dcf1217/Full+Annual+Report+2015.pdf?MOD=AJPERES>; Neptune Orient Lines Limited, "Investor Relations," accessed February 28, 2017, <https://www.nol.com.sg/wps/portal/nol/investorrelations/reportsandannouncements/annualreports>.

EXHIBIT 2: NEPTUNE ORIENT LINES: BALANCE SHEETS, 2011–2015 (IN US\$ '000)

	2015	2014	2013	2012	2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	229,907	1,225,771	980,993	896,978	227,562
Trade and other receivables	520,458	1,080,359	1,073,085	1,091,573	1,045,671
Inventories at costs	91,720	175,244	254,232	267,309	326,993
Derivative financial instruments	435	726	6,952	5,847	3,853
Assets classified as held for sale	-	24,516	35,840	142,501	50,225
Other current assets	81,606	103,206	115,541	119,918	111,403
Total current assets	965,199	2,609,822	2,466,643	2,524,126	1,765,707
NON-CURRENT ASSETS					
Investments in subsidiaries	-	-	-	-	-
Investments in associated companies	107,462	160,835	149,039	111,831	98,191
Investments in joint ventures	21,970	21,220	21,374	26,588	28,992
Available-for-sale financial assets	-	-	83	37	53
Property, plant, and equipment	5,590,142	6,012,433	6,097,508	5,229,062	4,789,588
Investment property and land use rights	-	817	855	0	15,862
Deferred charges	3,509	5,387	5,765	10,909	14,283
Intangible assets	12,277	31,100	31,245	35,947	26,676
Goodwill arising on consolidation	121,036	158,068	158,663	157,047	129,095
Deferred income tax assets	39,773	42,575	33,437	16,730	4,615
Derivative financial instruments	-	-	13,340	29,859	7,344
Other non-current assets	47,368	57,367	51,083	74,458	81,442
Total non-current assets	5,943,537	6,489,802	6,562,392	5,692,468	5,196,141
TOTAL ASSETS	6,908,736	9,099,624	9,029,035	8,216,594	6,961,848
	2015	2014	2013	2012	2011
LIABILITIES					
Current Liabilities					
Trade and other payable	854,661	1,178,233	1,252,421	1,247,627	1,274,431
Current income tax liabilities	78,509	132,448	165,409	160,795	114,627
Borrowings	572,551	615,095	599,119	429,246	422,095
Provisions	29,983	40,378	43,528	44,737	43,459
Deferred income	205	5,156	7,670	12,585	848
Derivative financial instruments	11,034	30,363	11,625	10,123	18,443
Liabilities of group companies as held for sale	15,988	-	-	-	-
Other current liabilities	140,532	226,949	232,195	252,480	251,812
Total current liabilities	1,703,463	2,228,622	2,311,967	2,157,593	2,125,715
Non-current liabilities					
Borrowings	2,309,811	4,676,308	4,266,827	3,546,621	1,931,746
Provisions	147,838	191,654	171,977	145,066	131,780
Deferred income	581	1,566	6,016	15,370	3,904
Deferred income tax liabilities	2,717	6,431	6,980	5,446	8,900
Derivative financial instruments	233,267	160,357	65,168	15,938	36,694
Other non-current liabilities	18,503	26,809	69,289	65,300	70,925
Total non-current liabilities	2,712,717	5,063,125	4,586,257	3,793,741	2,183,949
TOTAL LIABILITIES	4,416,180	7,291,747	6,898,224	5,951,334	4,309,664
EQUITY					
Share capital	1,840,260	1,834,341	1,830,222	1,826,723	1,822,117
Treasury shares	-5,216	-5,216	-5,216	-5,216	-5,216
Other reserves	639,298	-79,012	252,097	390,064	784,079
Capital and reserves attributable to equity holders of the company (subtotal of Share Capital + Treasury + Other reserves)	2,474,342	1,750,113	2,077,103	2,211,571	2,600,980
Non-controlling interest	18,214	57,764	53,708	53,689	51,204
TOTAL EQUITY	2,492,556	1,807,877	2,130,811	2,265,260	2,652,184
TOTAL EQUITY + LIABILITIES	6,908,736	9,099,624	9,029,035	8,216,594	6,961,848

Note: During financial year (FY) 2012, 1,754,757 new ordinary shares were issued under the NOL share option plan at \$1.05; During FY 2011, 940,299 and 32,932 new ordinary shares were issued under the NOL share option plan at \$1.05 and \$2.10, respectively; During FY 2014, 3,789,763 new ordinary shares were issued under the NOL restricted share plan (RSP) 2010 and NOL performance share plan (PSP) 2010; During FY 2013, 2,582,419 new ordinary shares were issued under NOL RSP 2010 and NOL PSP 2010; During FY 2013, 379,674 new ordinary shares were issued under NOL share option plan at \$1.05.

Source: NOL's past financial statements: Neptune Orient Lines Limited, *Annual Report 2015*, and Neptune Orient Lines Limited, "Investor Relations," accessed February 28, 2017, <https://www.nol.com.sg/wps/portal/nol/investorrelations/reportsandannouncements/annualreports>.

EXHIBIT 3: ASSUMPTIONS UNDERLYING DISCOUNTED CASH FLOW VALUATION

The assumptions behind the pro-forma statements are listed below.

a. Assumptions regarding revenues:

- Revenue from the logistics segment that had been carved out would be ignored. Only revenue from the container-shipping segment would be used in the valuation exercise.
- Shipping volume was assumed to be 2,600,000 forty foot equivalent units (FEUs) in 2016, and to increase at a 3 per cent annual rate thereafter. Average Revenue/FEU was assumed to increase to US\$2,000/FEU in 2016, and to US\$2,286/FEU in 2017 (which was the rate during the 2008 financial crisis), and then increase at a 3 per cent annual rate until 2020.

Year	Volume ('000 FEU)	Average Revenue per FEU (US\$)	Revenue ('000 US\$)
2007	2,353	2,740	6,447,220
2008	2,465	3,033	7,476,345
2009	2,289	2,286	5,232,654
2010	2,831	2,787	7,889,997
2011	2,979	2,500	7,447,500
2012	3,020	2,509	7,577,180
2013	2,946	2,318	6,828,828
2014	2,827	2,264	6,400,328
2015	2,469	1,887	4,659,003
2016 projected	2,600	2,000	5,200,000
2017 projected	2,678	2,286	6,121,908
2018 projected	2,758	2,355	6,495,090
2019 projected	2,841	2,425	6,889,425
2020 projected	2,926	2,498	7,309,148

- Other revenues, in the form of “Miscellaneous” and “Finance and Investment Income,” were assumed to stay the same as 2015.

b. Assumptions regarding costs:

- Since NOL had been improving its cost efficiency, the gross margin was predicted to improve steadily from 8.5 per cent in 2016, to 9.5 per cent in 2017, and to 10 per cent in 2018, 2019, and 2020. This estimate was relatively conservative because the gross margin before the oversupply situation set in was 14 per cent.
- Other expenses mainly consisted of administrative (IT and non-IT), and finance expenses. Administrative (IT) expenses were expected to grow at a low rate of 2 per cent for the next five years, to adjust for inflation and increase in revenue. Administrative (non-IT) expenses were expected to reduce by 8 per cent and 4 per cent for the next two years as NOL strove to cut costs in this area, before growing at a positive 2 per cent rate. The yearly finance expense was equal to the cost of debt (2.5 per cent) multiplied by the total debt in the previous year. Other operating expenses were assumed to stay the same as 2015.

c. Assumptions regarding assets:

- All current assets, except for “Assets of Group Companies as Held for Sale,” were assumed to grow with revenue, using 2015 as the base. It was assumed that “Assets of Group Companies as Held for Sale” would drop to zero in 2016 and thereafter.
- All non-current assets, except for “Investments in Associated Companies,” “Investments in Joint Ventures,” “Property, Plant, and Equipment,” and “Goodwill Arising on Consolidation,” were assumed to grow with revenue, using 2015 as the base. It was assumed that “Investments in Associated Companies,” “Investments in Joint Ventures,” and “Goodwill Arising on Consolidation” would stay the same. It was assumed that “Property, Plant, and Equipment” would grow at 5 per cent per year—to take overcapacity into consideration.
- Property, Plant, and Equipment (PPE) was assumed to depreciate at 7 per cent per year. Capital expenditure was the sum of the change in PPE and depreciation.

EXHIBIT 3 (CONTINUED)

- Change in net working capital was the difference in net working capital from one year to the next. Net working capital was defined as current assets not including cash, minus current liabilities.
- d. Assumptions regarding equity:
- All items under equity were assumed to stay the same except for “Retained Earnings.”
 - Retained earnings was equal to retained earnings from previous years plus profit/loss of the current year less dividends paid.
 - Payout ratio was assumed to be zero in 2016, 20 per cent in 2017, 40 per cent in 2018, 60 per cent in 2019, and 80 per cent thereafter.
- e. Assumptions regarding liabilities:
- All current liabilities, except for “Liabilities of Group Companies Classified as Held for Sale,” were assumed to grow with revenue, using 2015 as the base. It was assumed that “Liabilities of Group Companies Classified as Held for Sale” would drop to zero in 2016 and thereafter.
 - All non-current liabilities, except for “Borrowings,” were assumed to grow with revenue, using 2015 as the base.
 - Non-current borrowings would be the plug.
- f. Assumptions regarding terminal growth rate:
Terminal growth rate was assumed to be 2.5 per cent.

Source: Data on volume and average revenue from 2007 to 2015 obtained from NOL Corporate Presentations, 2007–2015, accessed March 1, 2016, <https://www.nol.com.sg/wps/portal/nol/investorrelations/reportsandannouncements/quarterlyreports#navhomeibid>; The growth rates are estimates based on NOL's past financial statements: Neptune Orient Lines Limited, *Annual Report 2015*, accessed March 1, 2016, <https://www.nol.com.sg/wps/wcm/connect/a655b534-c9d4-490e-bff0-531c3dcf1217/Full+Annual+Report+2015.pdf?MOD=AJPERES>; Neptune Orient Lines Limited, “Investor Relations,” accessed February 28, 2017, <https://www.nol.com.sg/wps/portal/nol/investorrelations/reportsandannouncements/annualreports>.

**EXHIBIT 4: ASSUMPTIONS UNDERLYING DIVIDEND DISCOUNT MODEL AND
OTHER SELECTED FINANCIAL DATA**

NOL's ordinary shares outstanding	2,601,400,000
NOL's stock price as at December 4, 2015	SG\$1.23
Exchange rate	SG\$1.40 = US\$1.00
NOL's book debt as at December 25, 2015	US\$2,882,362,000
NOL's cost of debt	2.50%
NOL's equity beta	0.81
10-year Singapore Government bond yield	2.47%
Singapore equity risk premium*	6.89%
Asia/Middle East equity risk premium*	8.57%
Europe equity risk premium*	10.768%
Americas equity risk premium*	7.978%
Singapore's tax rate	17%

NOL's equity risk premium was computed as a weighted average of Singapore's equity risk premium and those of other markets in which NOL operated, with 50 per cent weight placed on Singapore, and the other 50 per cent divided across the geographical regions based on contribution to revenue, Asia/Middle East (29.1 per cent), Europe (16.2 per cent), and the Americas (54.8 per cent).

NOL would start paying dividends from 2017 onwards, with dividend payout ratios of 0 per cent, 20 per cent, 40 per cent, 60 per cent, and 80 per cent for each year from 2016 to 2020, respectively. A terminal growth rate of 2.50 per cent was assumed.

	2016	2017	2018	2019	2020
Dividend payout	0%	20%	40%	60%	80%

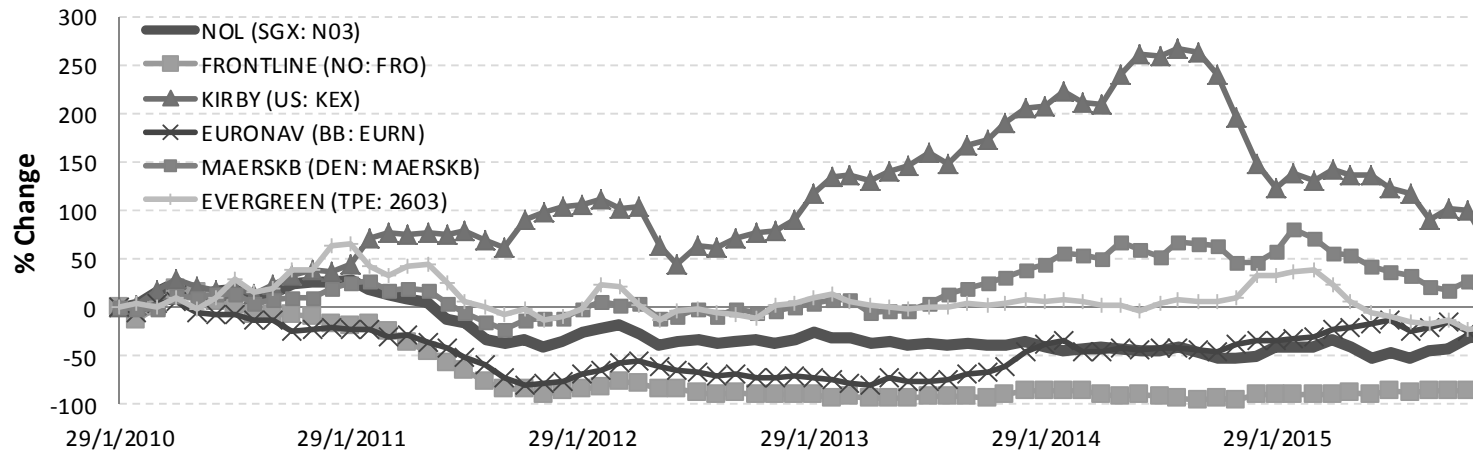
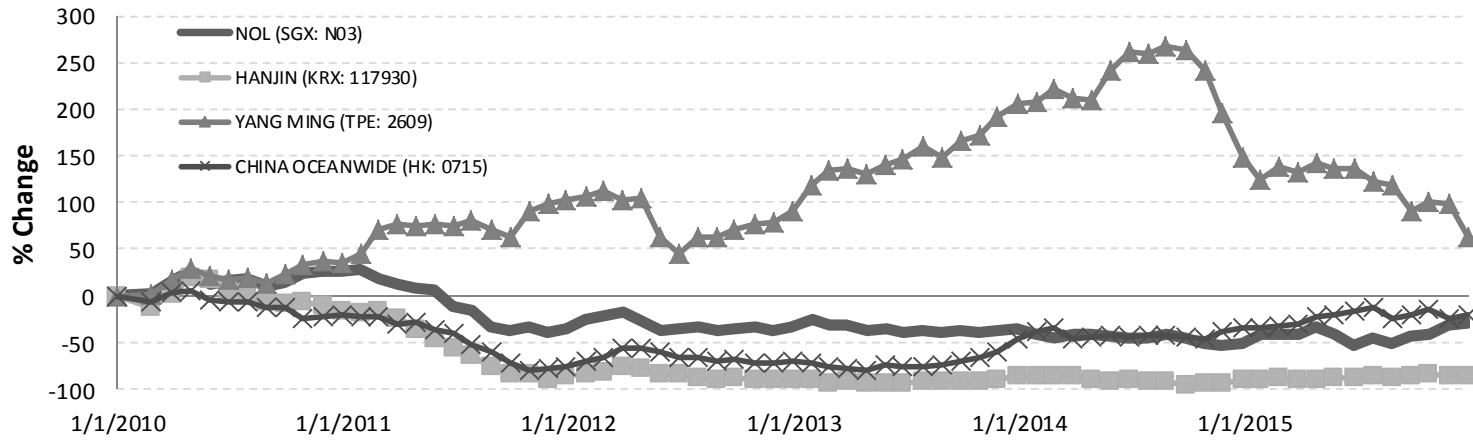
Source: Equity risk premiums were downloaded from Bloomberg; Balance sheet data were obtained from NOL's past financial statements: Neptune Orient Lines Limited, *Annual Report 2015*, March 1, 2016, <https://www.nol.com.sg/wps/wcm/connect/a655b534-c9d4-490e-bff0-531c3dcf1217/Full+Annual+Report+2015.pdf?MOD=AJPERES>; Neptune Orient Lines Limited, "Investor Relations," accessed February 28, 2017, <https://www.nol.com.sg/wps/portal/nol/investorrelations/reportsandannouncements/annualreports>.

EXHIBIT 5: KEY FINANCIAL FIGURES AND MARKET-COMPARABLE MULTIPLES OF SELECTED PUBLICLY TRADED FIRMS

	NOL	The Maersk Group	Evergreen Group	Hanjin Korea	YangMing Marine Transport Corp.	China Oceanwide Holdings Group	CMA CGM
	Singapore	Copenhagen	Taiwan	Korea SE	Taiwan	Hong Kong	-
Stock Exchange Share Price (on January 5, 2016)*	S\$1.23	DKK89.40	TW\$12.65	KRW34.65	TW\$8.25	HK\$1.01	-
Market Capitalization	2,286	27,611	1,338	707	745	1,416	-
Employees	13,525	89,207	4,866	-	4,989	48	18,249
Revenue (ttm**)	5,383.60	42,898.00	4,483.49	7,439.81	4,236.16	16.69	16,330.60
Gross Profit (ttm):	352.68	-	242.31	420.73	189.55	9.99	-
Operating Margin (% ttm)	-1.19	11.36	-0.54	3.38	-2.42	60.53	6.63
Net Income (ttm)	-218.87	5015.00	38.80	-425.35	13.57	11.39	583.60
EPS (ttm, diluted)	-0.09	163.53	0.00	0.19	-0.03	0.00	-
EV/Revenue	0.93	0.87	0.82	0.84	0.72	1.88	-
EV/EBITDA	11.3	4.5	13.2	13.6	12.5	22.3	-
P/E (ttm, forward)	-	9.1	62.6	67.0	-	-	-
P/S (ttm)	0.4	0.6	0.3	0.1	0.2	72.4	-
P/B (mrq****)	0.9	0.7	0.7	0.7	0.8	1.7	-
Total Cash and Equivalents	229.91	3,507.00	1,038.19	500.82	685.78	336.03	932.80
Total Debt	2,882.36	12,325.00	3,023.08	5,928.06	2,663.73	0.00	5,480.10
Exchange Rate in US\$ (as of January 5, 2016)	1.4262	6.9382	33.1630	1191.33	33.1630	7.7523	-
Indicative Stock Price in US\$ (share price divided by exchange rate)	0.8624	1288.5186	0.3814	2.9085	0.2488	0.1303	-

Note: All balance sheet, income statement, and EPS data in US\$ millions, but share prices are quoted in local currencies; *Adjusted closing share price on January 5, 2016 quoted in exchange currency; **Sales growth percentage versus same quarter of the previous year; ***ttm = trailing 12 month; ****mrq = most recent quarter
Source: Bloomberg L.P., accessed January 5, 2016. The exchange rates are taken from the Exchange-Rates.org website, accessed January 5, 2016, www.exchange-rates.org.

EXHIBIT 6: CUMULATIVE RETURNS FOR THE SPECIFIC STOCKS—JANUARY 2010 TO DECEMBER 2015



Source: Created by authors using data from Bloomberg L.P., accessed January 4, 2016.

EXHIBIT 7: DETAILS OF NEPTUNE ORIENT LINES BONDS AND CMA CGM BONDS

Issuer Name	NOL	NOL	NOL	NOL	CMA CGM
ISIN	SG6U79981465	SG6Y06987482	SG7X44961531	SG6P73971303	XS1244815111
Country of Domicile	Singapore	Singapore	Singapore	Singapore	France
Issue Date	26/4/2012	8/11/2012	9/9/2010	22/6/2011	3/6/2015
Maturity Date	26/4/2017	8/11/2019	9/9/2020	22/6/2021	15/1/2021
Security Type	Corporate Bond/Note	Corporate Bond/Note	Corporate Bond/Note	Corporate Bond/Note	Corporate Bond/Note
Seniority Level	Senior Unsecured	Senior	Senior Unsecured	Senior Unsecured	Senior Unsecured
Issue Currency	Singapore Dollar	Singapore Dollar	Singapore Dollar	Singapore Dollar	Euro
Issue Amount	400,000,000	300,000,000	280,000,000	300,000,000	550,000,000
Maturity Price (% of par)	100	100	100	100	100.00
Offering Price (% of par)	100	100	100	100	98.87
Face Value	250,000	250,000	250,000	250,000	1,000
Coupon (%)	4.250	4.400	4.650	4.400	7.750
Coupon Type	Fixed	Fixed	Fixed	Fixed	Fixed
Payment Frequency	Semi-Annual	Semi-Annual	Semi-Annual	Semi-Annual	Semi-Annual
First Coupon Date	27/10/2012	8/5/2013	9/3/2011	22/12/2011	15/1/2016
Next Coupon Date*	28/4/2016	8/5/2016	9/3/2016	22/6/2016	15/7/2016
Last Coupon Date**	29/10/2016	8/5/2019	9/3/2020	22/12/2020	15/7/2020
Bond Feature	-Coupon Step*** -Change of Control Call****	-Callable -Coupon Step*** -Change of Control Call****	Callable	Callable	Callable

Note: *As of February 16, 2016; **Last coupon date refers to the last interest payment date prior to maturity; ***If NOL did not repay the bonds within 60 days of a change in control, the prevailing coupon rate would increase by 1.5%; ****By giving not less than 30 days and not more than 60 days of irrevocable notice to bondholders, NOL might opt for early redemption of bonds at 100 per cent of the final redemption amount (par value) plus interest following the change of control.
Source: FactSet, accessed February 16, 2016.

EXHIBIT 8: PRICES OF THE FOUR NOL BONDS AND ONE CMA CGM BOND (CMA CGM 2021)

Date	NOL 2017	NOL 2019	NOL 2020	NOL 2021	CMA CGM 2021
16/11/2015	98.66	96.62	93.54	92.34	92.50
17/11/2015	98.73	96.40	93.16	92.27	93.00
18/11/2015	99.44	96.28	93.13	92.27	93.01
19/11/2015	99.33	96.27	93.27	92.27	93.20
20/11/2015	99.18	96.23	93.31	92.10	92.95
23/11/2015	99.43	95.20	93.16	92.19	90.95
24/11/2015	99.29	95.05	93.41	92.09	89.97
25/11/2015	99.37	94.94	93.50	92.09	89.97
26/11/2015	98.93	95.31	93.73	92.09	90.97
27/11/2015	98.88	95.35	93.83	92.09	90.97
30/11/2015	98.74	95.17	93.75	92.01	91.69
1/12/2015	98.74	95.12	93.84	92.01	90.45
2/12/2015	98.99	94.63	94.02	91.47	90.45
3/12/2015	99.12	94.52	93.97	92.07	89.25
4/12/2015	99.09	94.56	93.76	92.08	89.00
7/12/2015	98.97	91.99	93.80	84.94	87.98
8/12/2015	99.45	93.94	93.78	78.68	87.70
9/12/2015	94.00	84.94	93.78	78.57	87.98
10/12/2015	97.73	84.50	93.78	78.23	88.15
11/12/2015	94.00	84.50	93.78	77.43	87.08
14/12/2015	95.25	85.47	93.78	76.09	84.01
15/12/2015	95.04	85.47	93.78	75.88	86.95
16/12/2015	95.29	85.70	87.71	74.14	87.45
17/12/2015	95.52	86.28	87.77	74.27	89.25
18/12/2015	95.63	86.43	87.94	74.15	87.03
21/12/2015	95.99	86.44	87.91	74.14	87.00
22/12/2015	96.35	86.50	87.98	74.15	87.01
23/12/2015	96.38	86.49	87.95	74.15	86.83
24/12/2015	96.27	86.64	87.96	74.15	87.42
25/12/2015	96.27	86.64	87.96	74.15	87.42
28/12/2015	96.31	86.60	87.90	74.09	85.50
29/12/2015	95.95	86.60	87.78	74.13	87.50
30/12/2015	95.94	86.59	87.54	74.14	87.50
31/12/2015	95.45	86.54	85.28	74.15	87.50
1/1/2016	95.41	86.53	85.28	74.15	87.50
4/1/2016	95.28	86.54	85.30	73.92	86.08
5/1/2016	95.57	85.82	85.44	73.74	86.50
6/1/2016	96.41	85.92	85.45	73.82	86.00
7/1/2016	97.17	86.35	85.73	74.02	84.45
8/1/2016	97.12	86.08	85.58	74.22	83.70
11/1/2016	97.73	86.04	85.60	74.22	83.25
12/1/2016	97.84	85.33	85.56	74.23	82.42
13/1/2016	97.97	85.21	87.20	74.23	81.08
14/1/2016	97.79	84.14	87.48	74.09	76.18
15/1/2016	97.77	84.00	87.48	73.63	76.50
18/1/2016	98.11	84.27	87.48	73.63	76.50
19/1/2016	98.12	84.32	87.48	73.64	75.43
20/1/2016	98.14	84.32	87.48	73.64	75.00
21/1/2016	97.95	84.31	87.48	73.64	74.50
22/1/2016	97.92	84.26	76.17	72.07	75.00
25/1/2016	97.98	84.01	76.13	72.06	76.00
26/1/2016	98.00	84.15	76.21	72.15	76.00
27/1/2016	97.73	84.17	76.26	72.05	75.58
28/1/2016	97.92	84.18	76.20	72.07	76.22
29/1/2016	98.08	84.18	76.50	72.28	77.22
1/2/2016	98.08	84.20	76.55	72.28	77.47
2/2/2016	98.08	84.20	76.54	72.29	76.47
3/2/2016	97.89	84.20	76.59	72.29	75.72
4/2/2016	98.07	84.00	76.66	72.32	75.72
5/2/2016	98.05	83.95	76.76	72.32	75.72
8/2/2016	98.02	83.95	76.81	72.32	75.22
9/2/2016	98.02	83.95	76.81	72.32	74.72
10/2/2016	98.02	83.88	77.04	72.24	73.96
11/2/2016	98.01	83.44	77.37	72.25	73.20
12/2/2016	97.87	83.46	77.04	71.89	72.72

Source: "Neptune Orient Lines, NOL 2017," Bond Factsheet, accessed February 16 2016, www.bondsupersmart.com/main/bond-info/bond-factsheet/SG6U79981465; "Neptune Orient Lines, NOL 2019," Bond Factsheet, accessed February 16, 2016, www.bondsupersmart.com/main/bond-info/bond-factsheet/SG6Y06987482; "Neptune Orient Lines, NOL 2020," Bond Factsheet, accessed February 17, 2016, www.bondsupersmart.com/main/bond-info/bond-factsheet/SG7X44961531; "Neptune Orient Lines, NOL 2021," Bond Factsheet, accessed February 17, 2016, www.bondsupersmart.com/main/bond-info/bond-factsheet/SG6P73971303; "CMA CGM 2021," FactSet, accessed February 16, 2016.

ENDNOTES

- ¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of CMA CGM, Temasek, NOL, or any of their employees.
- ² SG\$ = Singapore dollar; all currency amounts are in SG\$ unless otherwise stated; US\$1.00 = SG\$1.40 on December 7, 2015.
- ³ P.R. Venkat and Costas Paris, "French Shipping Company CMA CGM to Buy Neptune Orient Lines for \$2.4 Billion," *Wall Street Journal*, December 7, 2015, accessed December 18, 2015, www.wsj.com/articles/french-shipper-cma-cgm-to-make-offer-to-buy-neptune-orient-lines-1449454066.
- ⁴ ST Graphics, "NOL through the Years," *The Straits Times*, December 8, 2015, accessed December 18, 2015, www.straitstimes.com/sites/default/files/attachments/2015/12/08/ST_20151208_ALNOL08NEW_1898700.pdf.
- ⁵ Aaron Low, "Good Ship NOL Deserves Final Berth in Safe Harbour," *The Straits Times*, December 8, 2015, accessed February 28, 2017, www.straitstimes.com/business/companies-markets/good-ship-nol-deserves-final-berth-in-safe-harbour.
- ⁶ Neptune Orient Lines (NOL), "NOL Reports US\$208 Million Year-on-Year Improvement in 4Q Core EBIT," News Release, February 22, 2013, accessed December 18, 2015, https://www.nol.com.sg/wps/wcm/connect/2c62ab86-7d28-453b-bb68-355e30683d60/NOL_FY2012_Results_Press_Release.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-2c62ab86-7d28-453b-bb68-355e30683d60-lhrlGSN.
- ⁷ *Ibid.*
- ⁸ Neptune Orient Lines (NOL), "NOL Narrows Fourth Quarter Core EBIT Loss by 79%," News Release, February 13, 2015, accessed December 18, 2015, https://www.nol.com.sg/wps/wcm/connect/64b9723f-a09b-4b79-9798-7c0ead30437c/NOL_FY2014_Results_Press_Release.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-64b9723f-a09b-4b79-9798-7c0ead30437c-lhrlGSN.
- ⁹ *Ibid.*
- ¹⁰ ST Graphics, *op. cit.*
- ¹¹ Jacqueline Woo, "Countdown Begins for NOL Buyout Offer," *The Straits Times*, December 5, 2015, accessed December 19, 2015, www.straitstimes.com/business/companies-markets/countdown-begins-for-nol-buyout-offer.
- ¹² Jacqueline Woo, "French Carrier Offers \$3.38b to Buy out NOL," *The Straits Times*, December 8, 2015, accessed December 19, 2015, www.straitstimes.com/business/companies-markets/french-carrier-offers-338b-to-buy-out-nol.
- ¹³ *Ibid.*
- ¹⁴ Rachel Boon, "CMA CGM Buys NOL Shares on Open Market," *The Straits Times*, December 15, 2015, accessed December 19, 2015, www.straitstimes.com/business/companies-markets/cma-cgm-buys-nol-shares-on-open-market.
- ¹⁵ Jacqueline Woo, "French Shipping Giant CMA CGM to Reinforce Singapore's Hub Status," *The Straits Times*, December 8, 2015, accessed December 19, 2015, www.straitstimes.com/business/companies-markets/french-shipping-giant-cma-cgm-to-reinforce-singapores-hub-status.
- ¹⁶ Jacqueline Woo, "Analysts Give Thumbs up for NOL Buyout," *The Straits Times*, December 9, 2015, accessed December 18, 2015, www.straitstimes.com/business/companies-markets/analysts-give-thumbs-up-for-nol-buyout.
- ¹⁷ *Ibid.*
- ¹⁸ *Ibid.*
- ¹⁹ Jacqueline Woo, "French Shipping Giant CMA CGM to Reinforce Singapore's Hub Status," *op. cit.*
- ²⁰ Jamie Lee, "Update: Temasek Supports SG\$3.4 Billion CMA CGM Offer for NOL," *The Business Times*, December 7, 2015, accessed December 19, 2015, www.businesstimes.com.sg/companies-markets/update-temasek-supports-s34b-cma-cgm-offer-for-nol.
- ²¹ Jacqueline Woo, "French Shipping Giant CMA CGM to Reinforce Singapore's Hub Status," *op. cit.*
- ²³ Except where indicated, all information in this section is taken from Marissa Lee, "CMA CGM Exec Gives His Take on the NOL Takeover," *The Straits Times*, December 10, 2015, accessed December 19, 2015, www.straitstimes.com/business/cma-cgm-exec-gives-his-take-on-the-nol-takeover.
- ²³ *Ibid.*
- ²⁴ "CMA CGM Favorite to Buy Neptune Orient Lines," *Supply Chains Magazine*, November 20, 2015, accessed December 22, 2015, <http://supplychains.com/cma-cgm-emerging-as-favorite-to-buy-singapores-neptune-orient-lines/>.
- ²⁵ "NOL Bond Holders Hit by Change in Control," *The Straits Times*, January 9, 2016, accessed February 10, 2016, www.straitstimes.com/business/nol-bond-holders-hit-by-change-in-control.
- ²⁶ *Ibid.*