



ARJAN CAPITAL

Arjan Capital's Track Record

Case Studies of assisting European companies dealing with Iran

Case I – Global leader in paint

- Arjan Capital worked with one of the largest global paint manufacturers to advise them on the acquisition of an Iranian market leader
- Arjan assisted the international company on the buy-side throughout the process, providing the following services:
 - Overall coordination of the acquisition process
 - Coordination with the seller and local authorities/regulators
 - Management meetings and site visits
 - Preparation of target report and financials
 - Preparation of LOI, Term sheet and Sales and Purchase Agreement (SPA)

Case II – European chemical manufacturer

- The company has been established in Iran for 70 years
- During the Ahmadinejad Presidency the company reduced its activity to a minimum. Post-sanctions, staff numbers have increased again to about 40 team members
- In 2017 the company built a new production/mixing plant in Iran
 - They import key ingredients from international group companies and mix locally
- The company will purchase or build another manufacturing site in Iran in 2018, thus increasing local production and value, making the product more competitive for the Iranian market
- They have most of their excess cash in Turkey and make payments through Turkish banks
- With the weak Rial/Toman exchange rate local content became a critical factor for competitiveness in Iran and is strongly supported by the Iranian Government
- Results:
 - Arjan supported the client in selecting the plant
 - European technology manufactured in Iran renders the product more competitive in the local market



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Case III – EU based fashion company with its own retail outlets in Iran

- The company opted for a leading 3rd party importer known in its sector in Iran
- The importer buys (no consignment) and pays for the merchandise
- Payments have so far been made by UAE banks to the seller
 - This model could come under threat in the near future as UAE is compliant with US demands, especially after the Qatar incident
 - We no longer recommend UAE banking relations for Iran related business as execution is becoming uncertain
- We like European banks without US business exposure. However, this means dealing with smaller banks and not Tier 1 banks like UBS, HSBC, Commerzbank, etc.

Case IV – Leading EU construction firm, one of the 10 largest firms globally

- We helped the company to establish itself in Iran
- One of the sectors in Iran that the company engages in is the construction of hotels
- The company spent significant amounts in unbillable hours for pre-construction work in order to win the deal
 - A way to recover these investments is for the company to invest its own money into the project company or fund, enabling the project company to have the cash to pay for the work advanced by the construction company
 - In exchange for the investment in the project company/fund, the company receives shares (units) and can sell them over time and recover the initial cost

Case V – EU Industrial device manufacturer

- The company operates in 4 sectors:
 - Stone
 - Construction
 - Industrial Trade
 - Metal/precision
- For the stone and construction sectors, the international manufacturer wanted separate distributors, each the leader in their field
- While this relationship with the distributor in the stone (quarries) sector worked well for many years, the post-sanction selection of the distributor in the construction market failed as the second distributor believed they would advertise the brand by default, thus benefitting the first distributor; such issues are not uncommon in Iran



Case VI – Leading Swiss pharma company

- The company owns the asset of a production line in Iran with annual sales above EUR 50 M
- This line is located with and operated by a third party
- In addition, the pharma company imports certain products from Switzerland through its wholly owned subsidiary in Iran
- Despite being a multinational, the company uses the smaller banks mentioned for its payments, as well as factoring

Case VII – Leading EU industrial tool manufacturer

- The company had a local distributor for 10 years focusing on the Oil and Gas sector only
- Other sectors of relevance for the manufacturer are automatisation and logistics
- After the opening of the Iranian market, the company wanted to boost business, something that was only possible to a limited extent with the existing importer
- We discussed the option to buy/carve-out this particular business unit from the distributor but the seller continued to avoid a final decision
- In the end, the company set up its own small company in Iran to act as its importer
 - Now they can select the 'best in class' distributor per sector
 - We have also arranged the operational banking facilities

Case VIII – Leading dental care manufacturer

- The company has been active in Iran for 20 years and has now opened its own distribution and service company in Tehran
- Premium range products are still imported from Europe
- Lower priced products are manufactured locally in Iran, currently in a planned JV
- Payment via Letter of Credit, small banks or exchange houses
 - The latter one is not an ideal option due to the perceived, or real, counter party risk

Nota bene:

It happens that all cases outlined have a strong US business angle which required additional precaution.



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