

EISNERAMPER

IRELAND



Making Trade Happen

Internationalisation: U.S.A. to Europe



December 2015



Making trade happen

Please note – *These slides were presented at an EisnerAmper Ireland “Making Trade Happen” event in Dublin in December 2015. The objective of the event was to inform and update the Dublin international trade ecosystem of the findings that arose from the previous 6 months activities EisnerAmper Ireland had undertaken with our clients and contacts on both sides of the Atlantic, to “take the temperature” of trade between the US and Ireland. To allow those who did not attend the event to understand some of the content and context of the slides, text has been added (in italics and quotations and in a text box similar to this, at the bottom of each slide) to the original presentation.*



Making trade happen

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Introduction – about EisnerAmper Ireland

- **EisnerAmper Ireland** is focused upon delivering services to the following **markets**:

International Trade
<ul style="list-style-type: none"> • Technology • Life sciences & Medtech • Global private equity • Pharma • Manufacturing & distribution • Property • Consumer goods

Financial Services
<ul style="list-style-type: none"> • Global private equity • Domestic & international banks • Aircraft lessors • Credit unions • Sovereign wealth funds

Government
<ul style="list-style-type: none"> • Department of Finance • Department of Jobs, Enterprise & Innovation • Central Bank of Ireland • National Asset Management Agency • Ireland Strategic Investment Fund

- **EisnerAmper Ireland** provides the following services to the above markets:

Advisory
<ul style="list-style-type: none"> • Corporate strategy • Internationalisation advisory • M&A advisory / due diligence • Restructuring • Financial modelling • Stakeholder reporting • Valuations • Transaction management

Tax
<ul style="list-style-type: none"> • International related (FATCA etc) • Tax advisory • Tax due diligence • Corporation tax • Payroll / employment tax • Income tax • Capital gains tax

Outsourcing
<ul style="list-style-type: none"> • Finance function setup • Management accounting & reporting • Payroll & administration services • Year end reporting & compliance services • Outsourced CFO services

Audit
<ul style="list-style-type: none"> • Statutory audit • Corporate reporting • Internal audit • Forensic accounting • Managed secondments

- **EisnerAmper Ireland's** dedicated **International Trade** team advises leading global technology and lifesciences businesses, financial institutions and their advisors in **internationalisation**. The approach of the dedicated **International Trade** team is to provide our U.S. clients with the local knowledge, ideas and support necessary to facilitate their European international trade planning and execution. We do so in a manner which is consistent with our **clients'** vision and business model. This approach is key to our clients' success in **Making trade happen**.
- In June 2015, EAI joined with leading US accountancy firm, **EisnerAmper LLP**, to form a new global network called **EisnerAmper Global**. Through our membership of EisnerAmper Global, we are working closely with over **180 partners** and **1500 professionals** in fellow offices in the **U.S.** (and in **Cayman, India and London**) to share work and intelligence to facilitate international trade and to help our clients understand the necessary steps for success.



Making trade happen – background & context

**Our
experience**

Perception



“Although in mid 2015 the media narrative (perception) was that companies were establishing businesses in Ireland for tax purposes, our experience was that the companies were establishing in Ireland for reasons relating more to the execution of their business plans”

Rationale for internationalisation - for discussion

QUESTION. In your assessment of why US companies internationalise, please rank the following possible motivations in order of importance (1= most important, 10= least important):

Possible Internationalisation Rationale

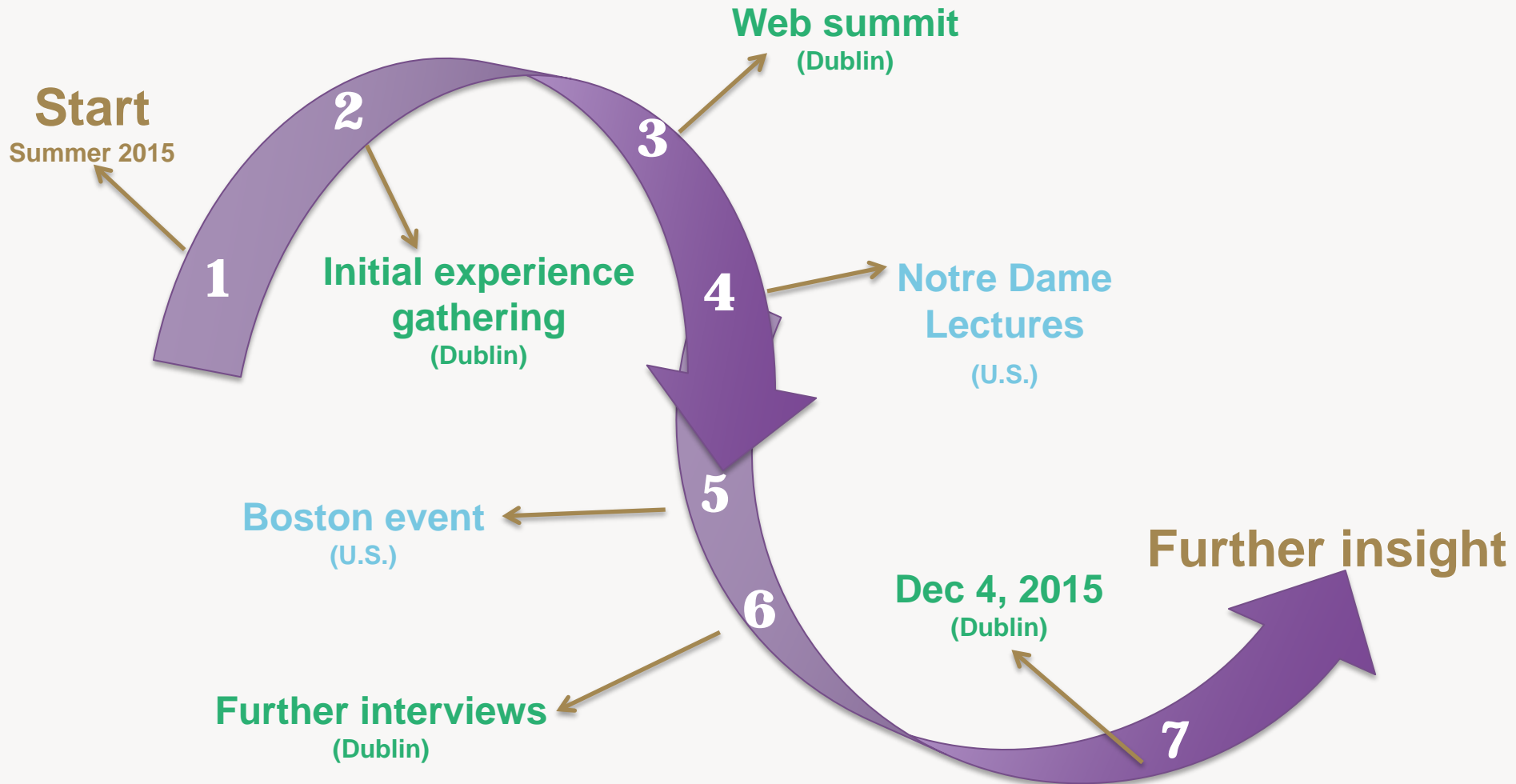
1	Financial (Income statement) – e.g. short term (1-3 year) profit / revenue growth	
2	Financial (Balance sheet) – e.g. I.P. asset protection, become more “investable”, provide liquidity	
3	Customer focus – e.g. be near existing / new customers / markets, have people that understand local customs and practices in Europe	
4	Core competency optimisation – e.g. strengthen core competencies, strengthen the Unique Selling Proposition (“USP”)	
5	Real Intellectual Property (“I.P.”) acquisition – e.g. acquire R&D / I.P., not just improve “know-how”	
6	Business practices / culture development – e.g. join a new ecosystem, learn new ways of doing business (new “know how”)	
7	Human Resources – e.g. recruit new talent (engineers etc.), develop existing HR capabilities	
8	Incentives – e.g. take advantage of tax and / or grants available	
9	Brand promise – e.g. provide customer / technological support on time and locally	
10	Vision – e.g. realise the ambitions of the company’s founder(s) and/or current CEO	

Other Thoughts

“We met over 200 people on both sides of the Atlantic to discuss and discover the initial rationale for internationalisation. The above question and suggested answer categories were used to gather information at meetings and surveys as part of the process of ‘taking the temperature’ from our international business clients, contacts and ecosystem”



Making trade happen – actions so far



“The process of ‘taking the temperature’ of internationalisation began in Summer 2015. EisnerAmper Ireland organised the above program of client and contact meetings and events. The feedback received on both sides of the Atlantic from these activities have facilitated us learning more about the drivers of internationalisation and what makes trade happen and presenting them today”





Findings so far

Contents

1. Rationale for Internationalisation – findings so far
 1. Experiences from interviews
 2. Notre Dame MBA
 3. Notre Dame – Prof. Jeffrey Bergstrand
 4. Boston dinner
 5. Lunch
2. Commentary
3. Final thoughts – the future for internationalisation

“Over the next number of slides we discuss the findings that arose from the events and meetings and the guest lectures in Notre Dame and help try to understand more about the what makes trade happen in 2015 between the US and Ireland”

Rationale for internationalisation – our experience

	Company (by number)															
	1	2	3	4	5	6	7	8	17	10	11	12	13	14	15	16
Financial (Income statement)	3	5	3	10	4		4	5	2	9	4	4	5	2	5	9
Financial (Balance sheet)	5	6	5	5	6		3	6	7	10	1	2		10		10
Customer focus	6	2	1	8	3	2	6	2	1	1	6	8	1	8	1	1
Core competency optimisation	7	9	7	4	8	3	10	3	1	7		1	4	3		2
Real Intellectual Property	2	10	10	3	6		9	9	4	6	2	2		10		
Business practices / culture development	10	1	8	6	10		8	10	1	5		2		1		
Human Resources	4	7	6	1	2		1	1	4	4	3	4	10	4	4	
Incentives	9	3	9	7	4		5	8	9	8	5	1		6		
Brand promise	8	4	4	9	1		7	4	1	3		1	2	9	2	3
Vision	1	8	2	2	7	1	2	7	1	2		1	3	5	3	4



“Our interviews with leading multinationals who internationalised to Ireland demonstrates (in the ‘heatmap’ above) that the different companies (numbered 1 to 16) had varying reasons for internationalisation, with no company noting financial reasons as the primary driver”

Rationale for internationalisation – our experience

Company (by number)

IR = Initial rationale AR = Actual result since internationalisation

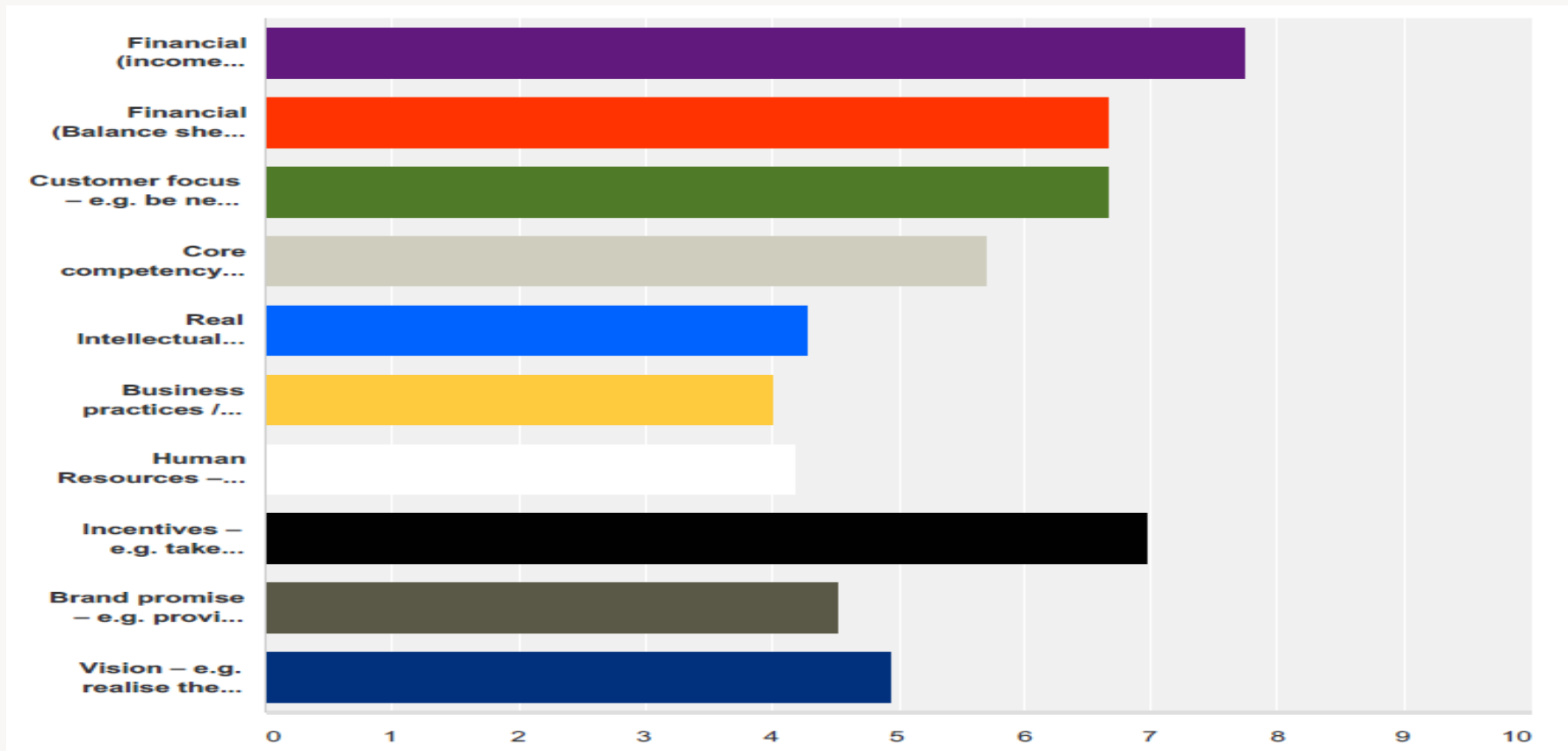
Possible rationale factor (below) and importance ranking in table	1		2		3		4		5		6		7		8		17		10		11		12		13		14		15		16	
	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR	IR	AR
	Financial (Income statement)	3	4	5	5	3		10	10	4	8		3	4	6	5	1	2	2	9		4	1	4	3	5	5	2		5		9
Financial (Balance sheet)	5		6	6	5	2	5	6	6	2			3	4	6	2	7	7	10		1		2	2			10				10	
Customer focus	6	3	2	1	1	1	8	8	3	3	2	2	6	5	2	3	1	1	1		6		8	4	1	1	8		1		1	
Core competency optimisation	7		9	9	7		4	5	8	7	3		10		3		1	1	7				1	1	4	4	3				2	
Real Intellectual Property Business practices / culture development	2	2	10	10	10		3	3	6	9			9		9		4	2	6		2		2	2			10					1
Human Resources	10	1	1	7	8		6	4	10	6		1	8	1	10		1	1	5			2	2	2			1					1
Incentives	4	5	7	3	6		1	1	2	10			1		1		4	4	4		3	2	4	5	10	10	4		4			
Brand promise	9		3	2	9		7	7	4	5			5	2	8		9	9	8		5		1	1			6					
Vision	8		4	8	4		9	9	1	1			7	3	4		1	1	3				1	1	2	2	9		2		3	
	1		8	4	2		2	2	7	4	1		2		7		1	1	2			3	1	1	3	3	5		3		4	



“This chart demonstrates that for the 16 companies interviewed, there are differences between the initial rationale (“IR”) for internationalisation and the actual result (“AR”) accruing from the internationalisation decision.

Rationale for internationalisation – Notre Dame MBA

Q1: In your assessment of why US companies would internationalise, please rank the following possible motivations in order of importance (1= most important, 10= least important):

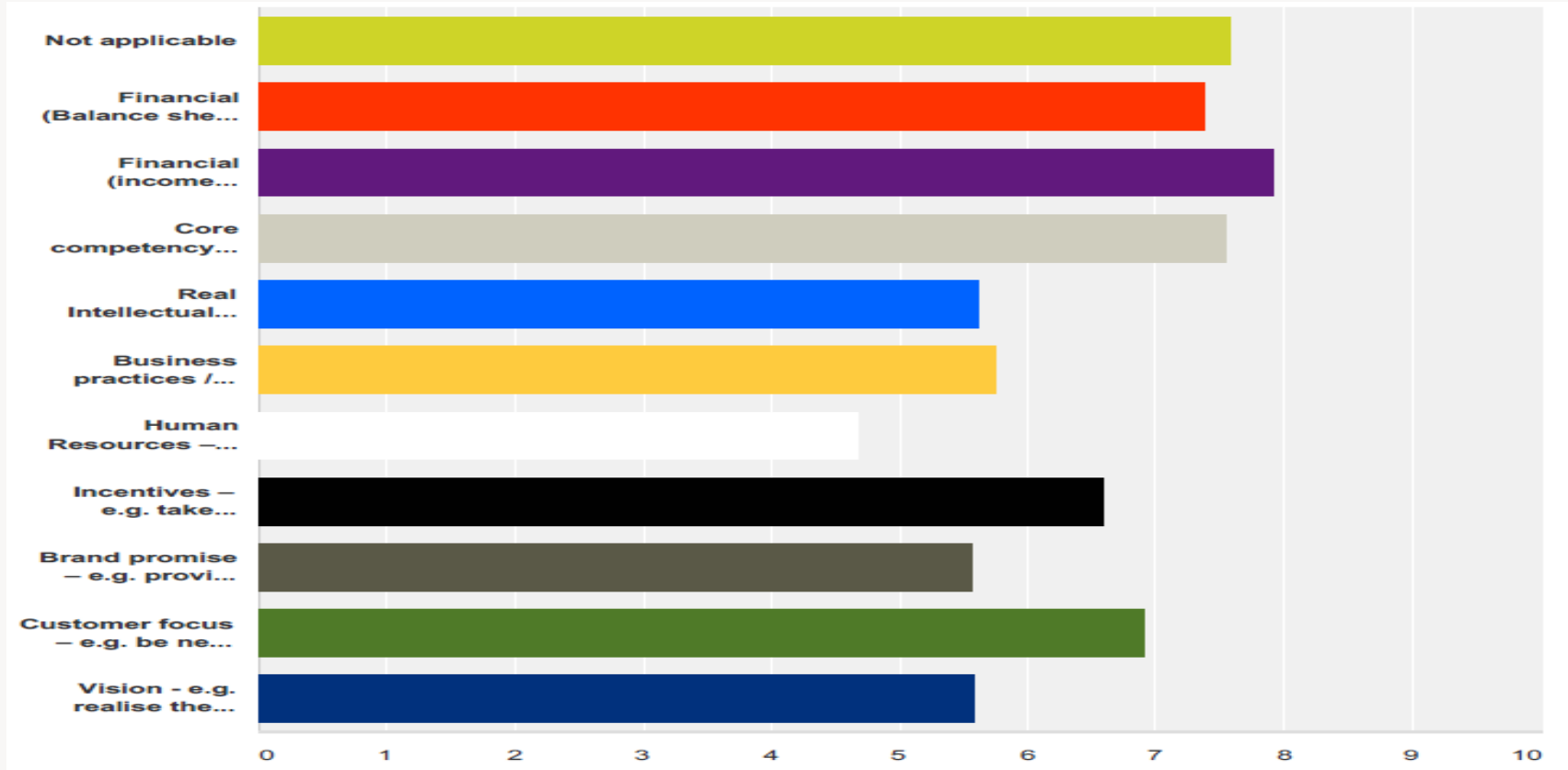


“These are the results of the survey conducted with the Notre Dame MBA class. The top motivating factor for why US companies internationalise was thought to be ‘Financial (income statement)’, with ‘Incentives’ being the second reason. However for the students with experience of actually internationalising the results proved slightly different (See next slide)”



Rationale for internationalisation – Notre Dame MBA

Q2: If applicable, from your personal experience, why did your organisation internationalise into Europe? Please rank the following in order of importance (1= most important, 10= least important):



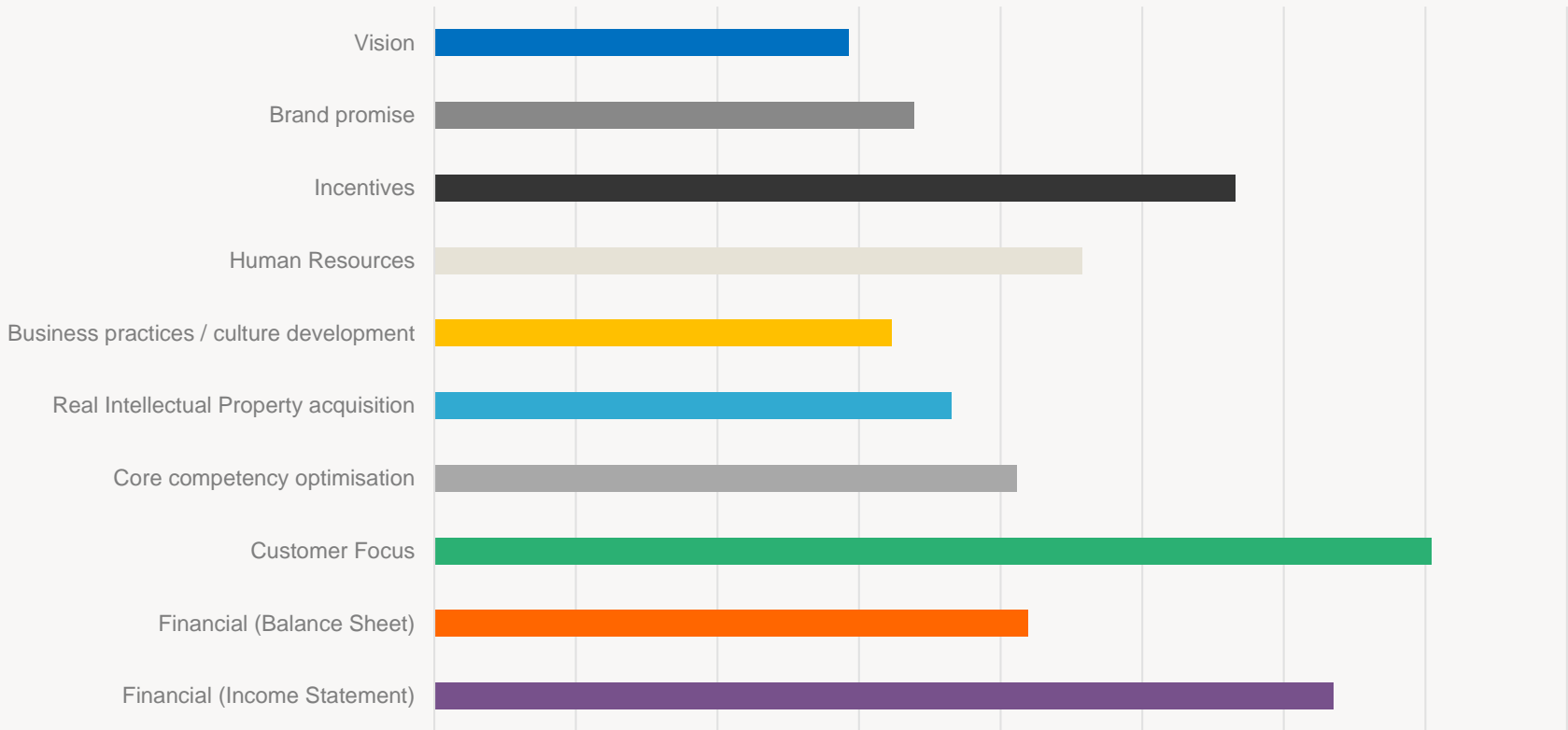
“When asked, if applicable, why their organisation internationalised, the top motivating factor was still ‘Financial (income statement)’, however the results for ‘Customer focus’ and ‘Core competencies’ ranked higher.”



Rationale for internationalisation – Boston dinner – Nov 2015

Q1: In your assessment of why US companies internationalise, please rank the following possible motivations in order of importance (1= most important, 10= least important):

Motivations for Internationalisation

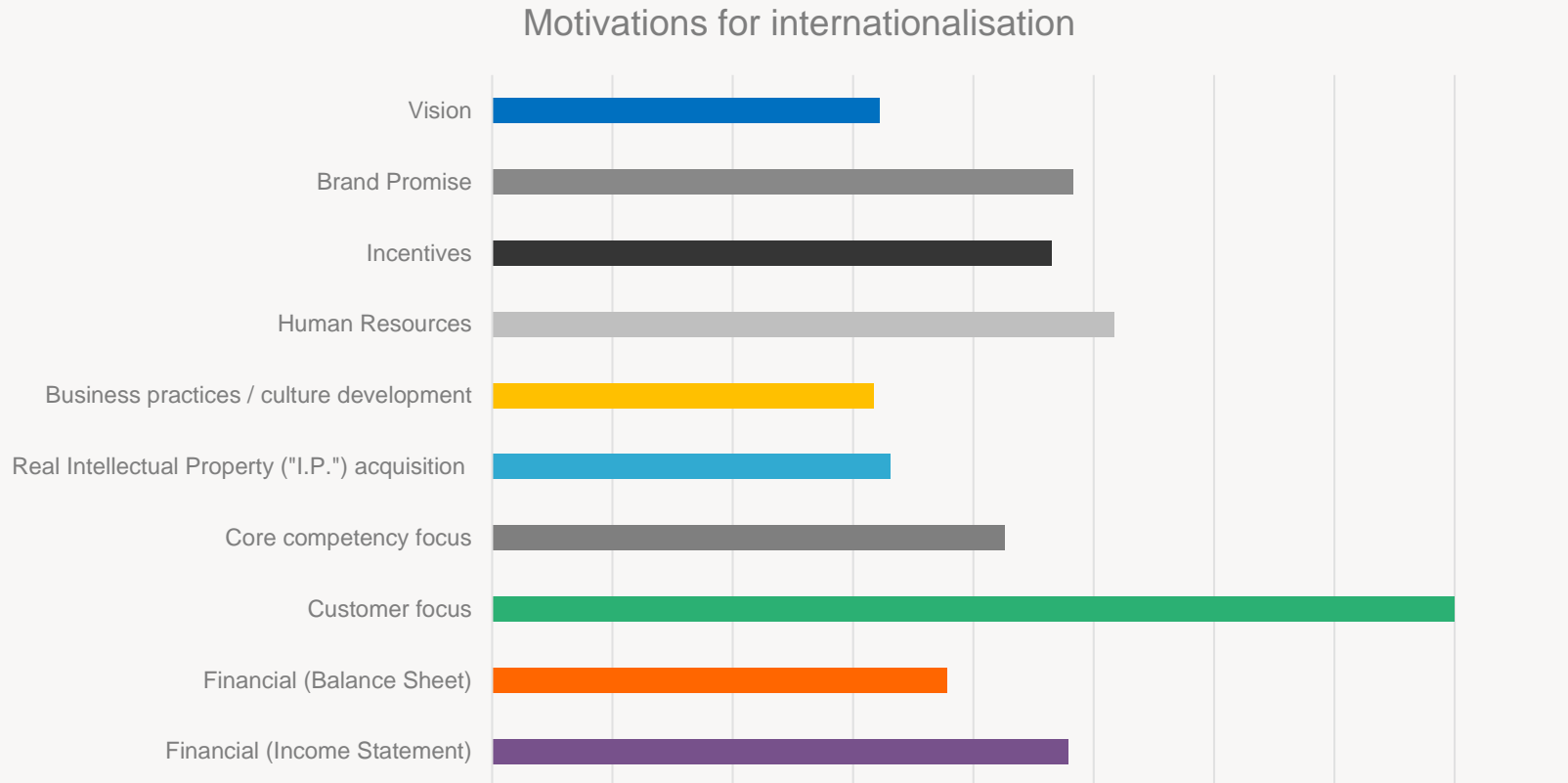


“These are the results of the survey and discussion from a C suite dinner EisnerAmper Ireland organised in Boston which was attended by key members of the technology and lifesciences ecosystem and their advisors. The top motivating factor for why US companies internationalise was thought to be ‘Customer focus’ ”



Rationale for internationalisation – Dublin event – Dec 2015

Q1: In your assessment of why US companies internationalise, please rank the following possible motivations in order of importance (1= most important, 10= least important):



“These are the results of the survey taken at the Making Trade Happen event in Dublin in December 2015. The top motivating factor for why US companies internationalise was also thought to be Customer focus” (This survey was taken on the day and results added thereafter).



Rationale for internationalisation – Prof. Jeffrey Bergstrand



“This is [Professor Jeffrey Bergstrand](#) , Professor of Finance and concurrent Professor in the economics department of Notre Dame. Prof. Bergstrand provided detailed input on some of the traditional models of internationalisation of companies, which contributed to the final commentary”



Rationale for internationalisation – commentary

- It's not always about profit or tax, or if it is then it was either
 - Too obvious to mention; or
 - Too “vulgar” to mention
- Companies internationalise for many different reasons but they are company specific
- Incentives were discussed as part of a decision on where to establish but for the companies we spoke to it was not a reason to internationalise
- There is a consistent message in what we are hearing...



Final thoughts – the future of internationalisation



*“Even in a post BEPS environment, multinationals will internationalise for many reasons. The consistent theme underpinning these reasons relates to getting value from internationalisation. Their choice of which country to be based in, is also key to maximising that value. Our thoughts are that if one can demonstrate that value will arise from internationalisation, internationalisation will take place. EisnerAmper Ireland works with companies to find that value and in a real sense to be a part of ‘**Making Trade Happen**’”*





Thank You.

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