

NLU DEHLI – HSF INTERNATIONAL NEGOTIATION  
COMPETITION 2018

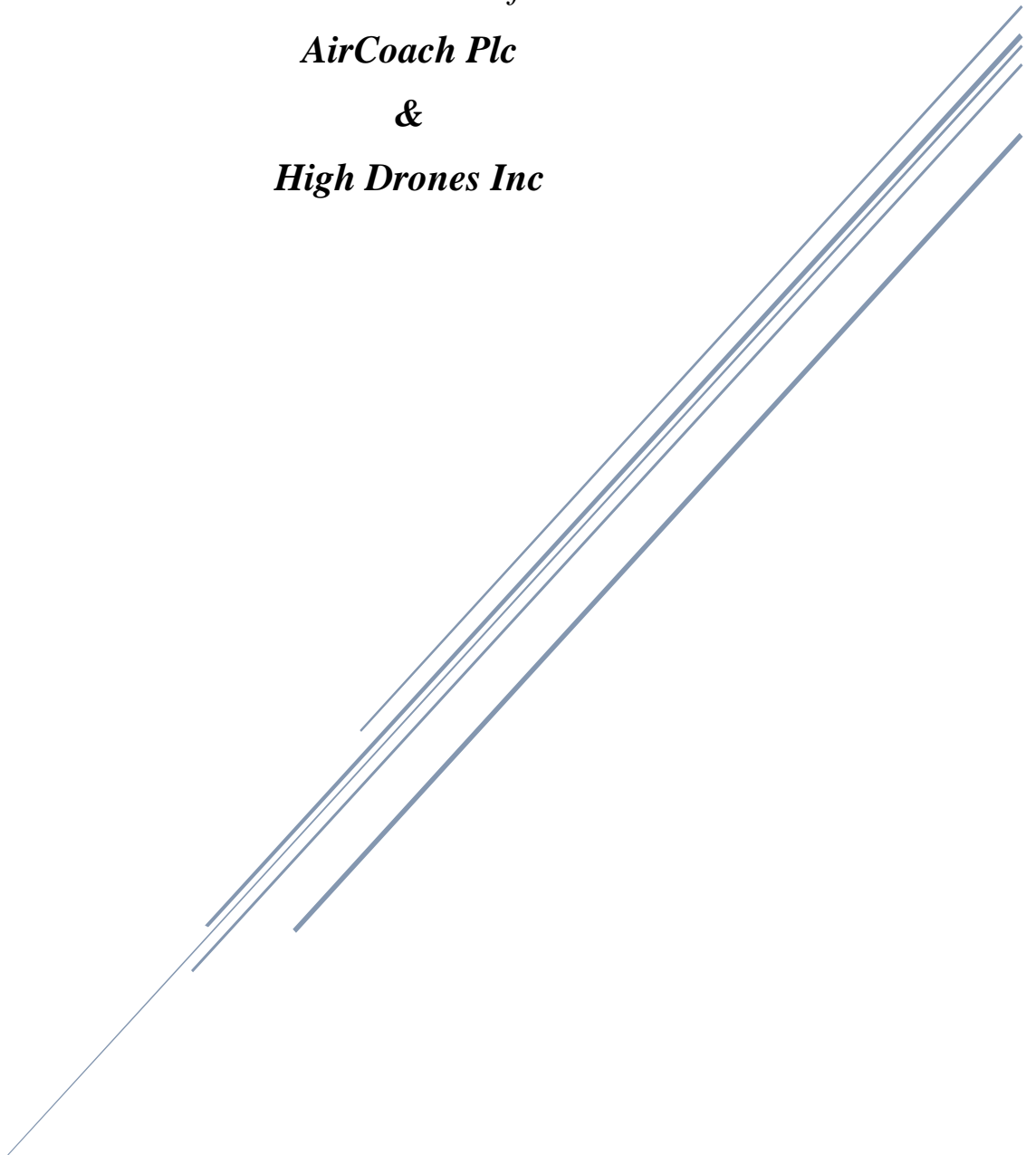
**Negotiation Plan of *AirCoach Plc***

*In the matter of:*

***AirCoach Plc***

**&**

***High Drones Inc***



Team Code: 39

## Outcomes

### *AirCoach Plc (“AC”)*

1. **Board Power:** Increasing AC’s decision-making power on AC Hailicopter (“AHL”); including the ability to resolve any future deadlocks in its favour without having to escalate matters and minimising the shareholder reserved matters to ensure that only AC can veto key matters.
2. **Increased Shares:** Increasing the shareholding to at least 75.1% so as to prevent High Drones Inc (“HD”) from blocking any special resolutions; and at the share price at which the parties subscribed for at the time of AHL’s incorporation.
3. **Intellectual Property Rights and Access:** Retaining of HD’s software development services for as long as possible and blocking any sharing of technological information with Pratt & Martin (“P&M”); including the amending of the IP Agreement to exclude P&M from using technology developed by AHL.
4. **Amendment to the Shareholder Agreement (“SHA”):** Restrictions on the transfer of shares. Restrictions include: competitor sales; sanctioned individuals; countries of concern and certain sovereign wealth funds. Inclusion of: 1) tag/drag-along and pre-emption rights and 2) non-compete and non-solicit provisions of AHL employees.
5. **Auto-piloting Investment:** A way to generate revenue by investing in auto-piloting rather than space mining to guarantee short term returns to AHL shareholders as well as reduce the risk of air crashes, as Airbus/Boeing aircrafts will have only one pilot.
6. **Engine Supplier:** Amendment of the SHA to make Romper the exclusive supplier of engines for the next five years, which will save \$21 million USD.

### *High Drones Inc (“HD”)*

1. **Share Price:** Any future investment in the company should be at a higher price than the share price at which AC and HD subscribed for in AHL at incorporation, if not the same.
2. **Future Investment:** AHL should look to invest in the business of space mining as an area for growth.
3. **Financing:** Potentially that the financing should come from HSBC or another bank rather than the shareholders (AC and HD) – given that the latter does not have adequate funds.

## *Bottom Line*

The parties are interdependent. HD do not have sufficient funds to continue the Interline Limited (“Interline”) venture themselves and AC do not have the technological capabilities. Therefore, it is in the interests of both to reach an agreement.

## Strengths and Weaknesses

### *AirCoach Plc*

#### Strengths

1. **Led by Expertise:** Has CEO Dennis West, a well-regarded expert in the aerospace industry and who has worked for an industry prime for over 20 years.
2. **Market Leader:** Has a Market Capitalisation of US \$700 million, giving it weight in the industry and the capital to hire and second a team of engineers that HD may not otherwise have access to.
3. **Financially Secure:** Is capable of financing the Interline venture without a bank loan and is independent of external sources for funding.
4. **Key Hubs:** Has bases in Europe and Asia, where initial pre-orders have come from, suggesting that these areas will be strong consumer bases in the future.

## Weaknesses

1. **Uncertainty of Leadership:** Dennis West may not be re-appointed at the end of his three-year tenure and if he is not, his departure could impact the relationship between the companies. Therefore, if there is no agreement before the 15<sup>th</sup> of October then this could be detrimental.
2. **Potential Contractual Breach:** AC have potentially already broken the SHA given their agreement with Romper – HD could use this to drive a more favourable negotiation for them.
3. **Lack of IP Rights:** AC are dependent on HD for the software and IP; without these facets they cannot go ahead with the Interline Project.

### *High Drones Inc*

## Strengths

1. **IP Rights:** Owns the IP to all the technology; licensed these rights to AC and can therefore terminate the license.
2. **Expert Support:** Have the support and investment of P&M, a leader in this sector who may rescue the company if it goes through financial or technical difficulties in a way that AC cannot rely on.

## Weaknesses

1. **Lack of Financing:** HD is reliant on AC's financing since it doesn't have the necessary funds nor the engineers (on secondment from AC) itself to contribute to the Interline project.
2. **Tenuous Support:** Although P&M have invested in HD, they did not acquire the company - suggesting the link may not be as strong as initially and, potentially superficially, appears.

## BATNA & WATNA

### *AirCoach Plc*

**BATNA:** AC is able to find a way to acquire the IP and technology currently belonging to HD and subsequently finances the Interline project itself.

**WATNA:** AC may have to abandon AHL and sell its remaining assets. It may lose the \$21m it could have saved with the Romper deal and, with the loss of HD, it will be unable to carry out the Interline project.

### *High Drones Inc*

**BATNA:** Pratt & Martin buy HD out and the information acquired from AHL will allow HD to pursue the Interline venture in the absence of AC – given the additional funding.

**WATNA:** HD would be unable to pursue the Interline venture without AC; they may need to abandon the JVC and sell their assets.

## Negotiation Strategy

The most important objectives for AC are to increase its control of AHL, and to continue to grow the company, yielding high returns for its shareholders. To achieve these goals, AC wishes to increase its shareholding in AHL by investing more capital in the Interline venture than HD, ideally at a discounted share price than the parties invested initially. However, HD is unlikely to accept this lessening of control unless there is some quid pro quo such as a raising of the share price. It is also a priority for AC to better control its intellectual property, ensuring that P&M are not benefitting from their ties to HD in a detrimental way. AC could consider looking to negotiate an acquisition of the software arm or intellectual property rights currently being licensed from HD.