

A low-angle photograph of two business professionals in dark suits shaking hands. The background features several tall skyscrapers with glass and brick facades against a bright, slightly hazy sky. The text 'Mergers , Acquisitions & Takeovers' is centered over the image in a bold, black, sans-serif font.

Mergers , Acquisitions & Takeovers

What Does Merger Mean?

The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.



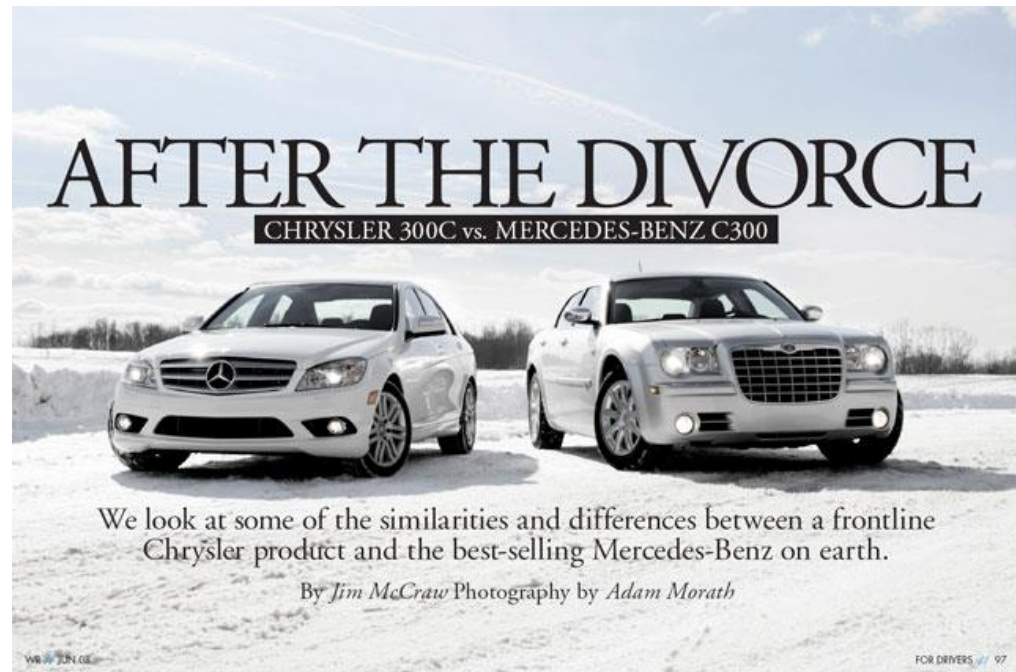
Benefits of merger

- Diversification of product and service offerings
- Increase in plant capacity
- Larger market share
- Utilization of operational expertise and research and development (R&D)
- Reduction of financial risk



Why do mergers fail ?

- Lack of human integration
- Mismanagement of cultural issues
- Lack of communication



Acquisition

- When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition.
- Acquisition is generally considered negative in nature

SYNERGIES RELATED TO ACQUISITION

- Economies of scale
 - Staff reductions
 - Acquiring new technology
 - Improved market reach and industry visibility
 - Taxation
- 

Top Acquisitions

<u>Rank</u>	<u>Year</u>	<u>Purchaser</u>	<u>Purchased</u>	<u>Transaction value (in mil. USD)</u>
1	2000	America Online Inc. (AOL)	Time Warner	164,747
2	2000	Glaxo Wellcome Plc.	SmithKline Beecham Plc.	75,961
3	2004	Royal Dutch Petroleum Co.	Shell Transport & Trading Co	74,559
4	2006	AT&T Inc.	BellSouth Corporation	72,671
5	2001	Comcast Corporation	AT&T Broadband & Internet Svcs	72,041
6	2004	Sanofi-Synthelabo SA	Aventis SA	60,243
7	2000	<i>Spin-off</i> : Nortel Networks Corporation		59,974
8	2002	Pfizer Inc.	Pharmacia Corporation	59,515
9	2004	JP Morgan Chase & Co	Bank One Corp	58,761

Takeovers

- A corporate action where an acquiring company makes a bid for an acquiree. If the target company is publicly traded, the acquiring company will make an offer for the outstanding shares.

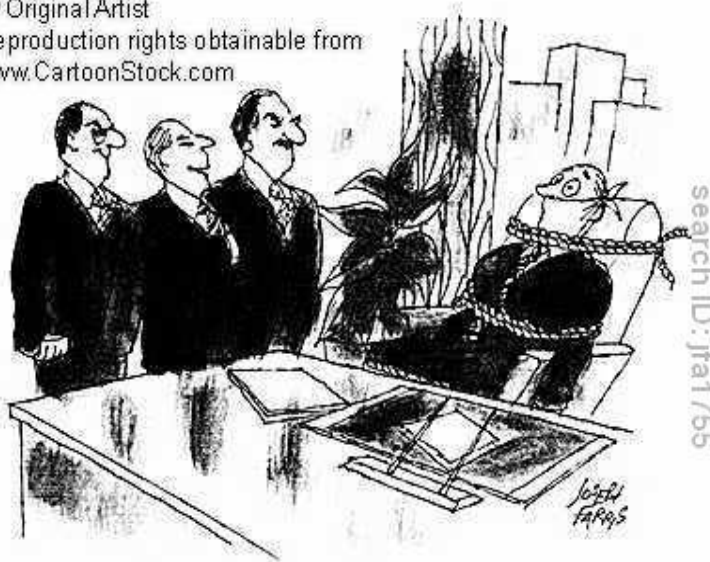


Takeover might be :

Hostile Takeover

A takeover attempt that is strongly resisted by the target firm

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"Consider this an unfriendly takeover, if you wish, but takeover it is!"

Friendly Takeover

Target company's management and board of directors agree to a merger or acquisition by another company.

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WHY SHOULD FIRMS TAKEOVER?

- To gain opportunities of market growth more quickly than through internal means
- To seek to gain benefits from economies of scale
- To seek to gain a more dominant position in a national or global market
- To acquire the skills or strengths of another firm to complement the existing business
- To acquire a speedy access to revenue streams that it would be difficult to build through normal internal growth
- To diversify its product or service range to protect itself against downturns in its core markets

KNIGHTS AND SQUIRES

- In the case of a hostile takeover, the firm making the bid can be referred to as a '**black knight**'.
- '**White knight**' is a firm that may enter the fray as a 'friendly' bidder.
- A '**grey knight**' is a third firm that is not welcomed by the 'victim', seeking to exploit the situation to their own advantage.
- '**Yellow knight**' is a firm who originally seeks to launch a hostile takeover bid but then moderates its stance and negotiates on the basis of a merger.
- '**White squires**' is a firm which may not be big enough to be able to take control of another firm but may well seek to buy into the 'victim' firm to prevent the 'black knight' from being able to achieve its takeover plans.

Types of Merger

1. Horizontal Merger
2. Vertical Merger
3. Conglomerate Merger
4. Concentric Merger

Horizontal Merger

- Horizontal mergers are those mergers where the companies manufacturing similar kinds of commodities or running similar type of businesses merge with each other.

Examples of Horizontal Merger

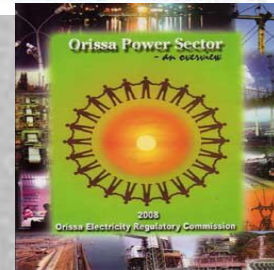
- Lipton India and Brooke Bond.



- Bank of Mathura with ICICI Bank.



- BSES Ltd with Orissa Power Supply Company.



- Associated Cement Companies Ltd Damodar Cement.



Vertical Merger

- A merger between two companies producing different goods or services.

Example of Vertical Merger

- Time Warner Incorporated, a major cable operation, and the Turner Corporation, which produces CNN, TBS, and other programming.



- Pixar-Disney Merger



Conglomerate Merger

A merger between firms that are involved in totally unrelated business activities.

Two types of conglomerate mergers:

1. Pure conglomerate mergers involve firms with nothing in common.
2. Mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.

Example of Conglomerate Merger

- Walt Disney Company and the American Broadcasting Company.



Concentric Merger

A merger of firms which are into similar type of business.

Example of Concentric Merger

- Nextlink is a competitive local exchange carrier offering services in 57 cities and building a nationwide IP network.
- Concentric, a national ISP, offers dedicated and dial-up Internet access, high-speed DSL and VPN services across the U.S. and overseas.



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Pac-Man defense

- Scare off by purchasing large amounts of the acquiring company's stock.
- Resisting company may even sell off non-vital assets to procure enough assets to buy out the acquirer.

Example

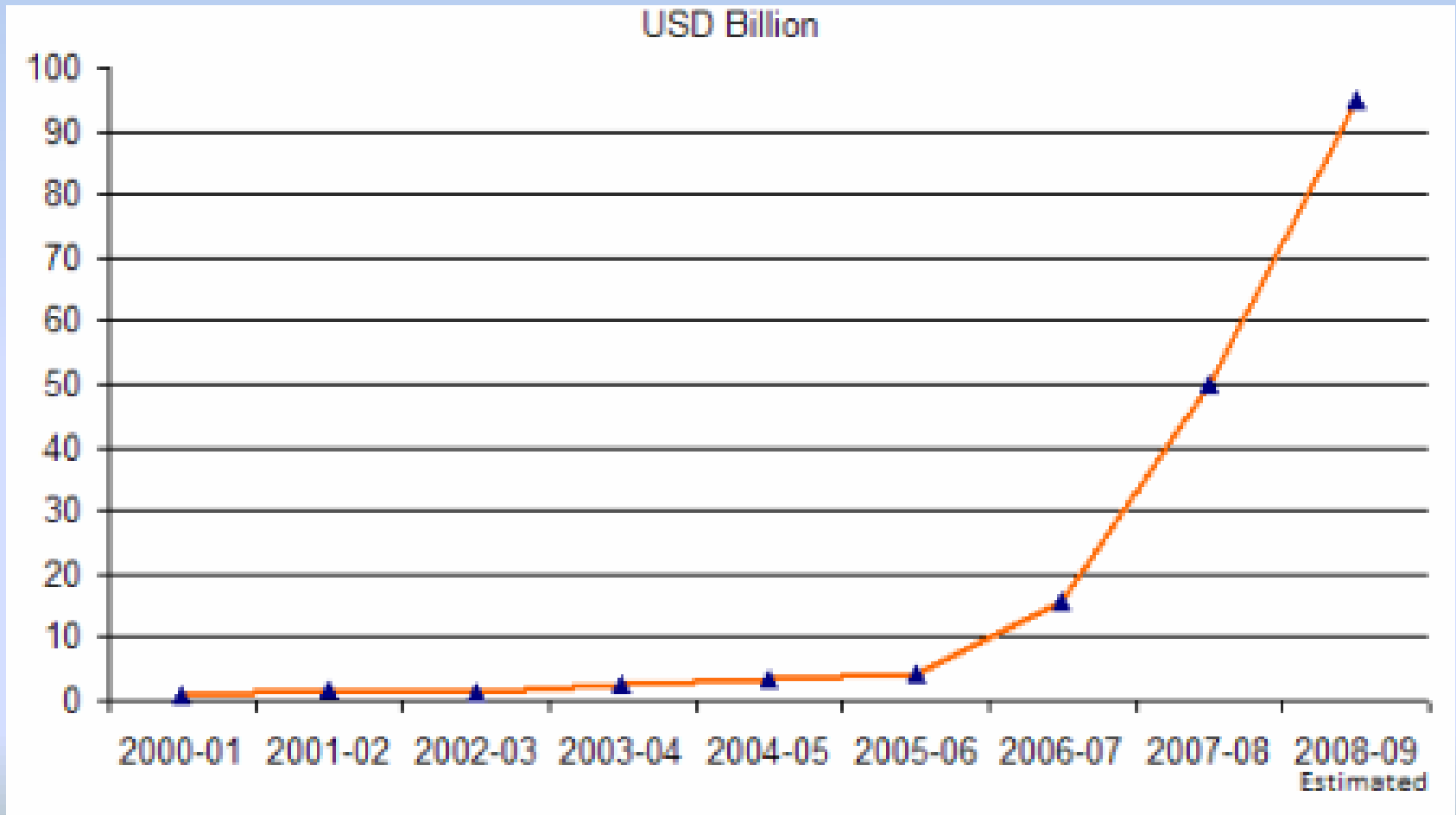
Attempted acquisition of Martin Marietta by Bendix Corporation in 1982 :

- Martin Marietta's management responded to takeover attempt by selling non-core businesses in order to attempt a takeover of its own - of Bendix Corporation. In the end
- Bendix Corporation was bought by Allied Corporation

Top 10 acquisitions made by Indian companies worldwide:

Acquirer	Target Company	Country targeted	Deal value (\$ ml)	Industry
Tata Steel	Corus Group plc	UK	12,000	Steel
Hindalco	Novelis	Canada	5,982	Steel
Videocon	Daewoo Electronics Corp.	Korea	729	Electronics
Dr. Reddy's Labs	Betapharm	Germany	597	Pharmaceutical
Suzlon Energy	Hansen Group	Belgium	565	Energy
HPCL	Kenya Petroleum Refinery Ltd.	Kenya	500	Oil and Gas
Ranbaxy Labs	Terapia SA	Romania	324	Pharmaceutical
Tata Steel	Natsteel	Singapore	293	Steel
Videocon	Thomson SA	France	290	Electronics
VSNL	Teleglobe	Canada	239	Telecom

Indian outbound deals since 2000





William Durant, the founder of General Motors, lost control of his company due to his aggressive expansion plans. Going wholeheartedly from a carriage manufacturer to an automotive force, Durant used debt to finance his takeovers and mergers with other auto startups. The bankers, who helped with refinancing efforts, and the stockholders, to whom Durant had sold and resold shares, finally decided to oust him and consolidate current holdings, rather than to continue the breakneck expansion.

Durant immediately began to look for a way to regain control of his company. He hooked up with a Swiss racer named Louis Chevrolet and the two formed Chevrolet. Although Durant soon disagreed with Chevrolet about the direction of the company and bought him out, the company was highly successful. Durant still held a large amount of GM stock and he used the profits from his new company to buy even more.

Durant eventually owned enough GM stock to bring the company to the table for merger/buyout talks. Durant offered a five-for-one stock swap. GM shareholders jumped at the chance to get another popular brand under their umbrella at a cheap price. GM particularly relished merging with a brand that could help it fight off Ford. As part of the deal, Durant regained control of the company he had founded.

