THE ACQUISITION DECISION pdf

1: Mergers and acquisitions - Wikipedia

Regardless of what instruments are chosen, the bigger dilemma for many firms is choosing a method of acquisition. The Acquisition Decision This website requires certain cookies to work and uses other cookies to help you have the best experience.

Cash[edit] Payment by cash. They receive stock in the company that is purchasing the smaller subsidiary. Financing options[edit] There are some elements to think about when choosing the form of payment. When submitting an offer, the acquiring firm should consider other potential bidders and think strategically. The form of payment might be decisive for the seller. With pure cash deals, there is no doubt on the real value of the bid without considering an eventual earnout. The contingency of the share payment is indeed removed. Thus, a cash offer preempts competitors better than securities. Taxes are a second element to consider and should be evaluated with the counsel of competent tax and accounting advisers. If the issuance of shares is necessary, shareholders of the acquiring company might prevent such capital increase at the general meeting of shareholders. The risk is removed with a cash transaction. Then, the balance sheet of the buyer will be modified and the decision maker should take into account the effects on the reported financial results. On the other hand, in a pure stock for stock transaction financed from the issuance of new shares , the company might show lower profitability ratios e. However, economic dilution must prevail towards accounting dilution when making the choice. The form of payment and financing options are tightly linked. If the buyer pays cash, there are three main financing options: There are no major transaction costs. It consumes financial slack, may decrease debt rating and increase cost of debt. Transaction costs include fees for preparation of a proxy statement, an extraordinary shareholder meeting and registration. If the buyer pays with stock, the financing possibilities are: Issue of stock same effects and transaction costs as described above. Transaction costs include brokerage fees if shares are repurchased in the market otherwise there are no major costs. In general, stock will create financial flexibility. Transaction costs must also be considered but tend to affect the payment decision more for larger transactions. Finally, paying cash or with shares is a way to signal value to the other party, e. The following motives are considered to improve financial performance or reduce risk: This refers to the fact that the combined company can often reduce its fixed costs by removing duplicate departments or operations, lowering the costs of the company relative to the same revenue stream, thus increasing profit margins. This refers to the efficiencies primarily associated with demand-side changes, such as increasing or decreasing the scope of marketing and distribution, of different types of products. Increased revenue or market share: This assumes that the buyer will be absorbing a major competitor and thus increase its market power by capturing increased market share to set prices. Or, a manufacturer can acquire and sell complementary products. For example, managerial economies such as the increased opportunity of managerial specialization. Another example is purchasing economies due to increased order size and associated bulk-buying discounts. In the United States and many other countries, rules are in place to limit the ability of profitable companies to "shop" for loss making companies, limiting the tax motive of an acquiring company. Geographical or other diversification: This is designed to smooth the earnings results of a company, which over the long term smoothens the stock price of a company, giving conservative investors more confidence in investing in the company. However, this does not always deliver value to shareholders see below. Vertical integration occurs when an upstream and downstream firm merge or one acquires the other. There are several reasons for this to occur. One reason is to internalise an externality problem. A common example of such an externality is double marginalization. Double marginalization occurs when both the upstream and downstream firms have monopoly power and each firm reduces output from the competitive level to the monopoly level, creating two deadweight losses. This increases profits and consumer surplus. A merger that creates a vertically integrated firm can be profitable. This is especially common when the target is a small private company or is in the startup phase. In this case, the acquiring company simply hires "acquhires" the staff of the target private company, thereby acquiring its talent if that is its main asset and appeal. The target private company simply dissolves and few legal issues are involved. Access to hidden or nonperforming assets land, real estate.

Acquire innovative intellectual property. While this may hedge a company against a downturn in an individual industry it fails to deliver value, since it is possible for individual shareholders to achieve the same hedge by diversifying their portfolios at a much lower cost than those associated with a merger. Managers have larger companies to manage and hence more power. In the past, certain executive management teams had their payout based on the total amount of profit of the company, instead of the profit per share, which would give the team a perverse incentive to buy companies to increase the total profit while decreasing the profit per share which hurts the owners of the company, the shareholders. A horizontal merger is usually between two companies in the same business sector. An example of horizontal merger would be if a video game publisher purchases another video game publisher, for instance, Square Enix acquiring Eidos Interactive. A vertical merger represents the buying of supplier of a business. A statutory merger is a merger in which the acquiring company survives and the target company dissolves. The purpose of this merger is to transfer the assets and capital of the target company into the acquiring company without having to maintain the target company as a subsidiary. The purpose of this merger is to create a new legal entity with the capital and assets of the merged acquirer and target company. Both the acquiring and target company are dissolved in the process. The first element is important because the directors have the capability to act as effective and active bargaining agents, which disaggregated stockholders do not. Therefore, when a merger with a controlling stockholder was: In recent years, these types of acquisitions have become common in the technology industry, where major web companies such as Facebook , Twitter , and Yahoo! For the period , consumer products companies turned in an average annual TSR of 7. Organizations should move rapidly to re-recruit key managers. Brand considerations[edit] Mergers and acquisitions often create brand problems, beginning with what to call the company after the transaction and going down into detail about what to do about overlapping and competing product brands. Decisions about what brand equity to write off are not inconsequential. And, given the ability for the right brand choices to drive preference and earn a price premium, the future success of a merger or acquisition depends on making wise brand choices. Brand decision-makers essentially can choose from four different approaches to dealing with naming issues, each with specific pros and cons: The strongest legacy brand with the best prospects for the future lives on. In the merger of United Airlines and Continental Airlines , the United brand will continue forward, while Continental is retired. Keep one name and demote the other. The strongest name becomes the company name and the weaker one is demoted to a divisional brand or product brand. An example is Caterpillar Inc. Some companies try to please everyone and keep the value of both brands by using them together. This can create an unwieldy name, as in the case of PricewaterhouseCoopers , which has since changed its brand name to "PwC". Discard both legacy names and adopt a totally new one. Not every merger with a new name is successful. The factors influencing brand decisions in a merger or acquisition transaction can range from political to tactical. Ego can drive choice just as well as rational factors such as brand value and costs involved with changing brands. The detailed decisions about the brand portfolio are covered under the topic brand architecture. It was possibly in fact the first recorded major consolidation [41] [42] and is generally one of the most successful mergers in particular amalgamations in the history of business. However, mergers coincide historically with the existence of companies. In , for example, the East India Company merged with an erstwhile competitor to restore its monopoly over the Indian trade. The Great Merger Movement: During this time, small firms with little market share consolidated with similar firms to form large, powerful institutions that dominated their markets. It is estimated that more than 1, of these firms disappeared into consolidations, many of which acquired substantial shares of the markets in which they operated. The vehicle used were so-called trusts. Companies such as DuPont , US Steel , and General Electric that merged during the Great Merger Movement were able to keep their dominance in their respective sectors through , and in some cases today, due to growing technological advances of their products, patents , and brand recognition by their customers. There were also other companies that held the greatest market share in but at the same time did not have the competitive advantages of the companies like DuPont and General Electric. These companies such as International Paper and American Chicle saw their market share decrease significantly by as smaller competitors joined forces with each other and provided much more competition. The companies that merged were mass producers of homogeneous goods that could exploit the efficiencies of large volume production. In addition, many of these mergers were capital-intensive. Due to high fixed costs, when demand fell, these newly merged companies had an incentive to maintain output and reduce prices. However more often than not mergers were "quick mergers". These "quick mergers" involved mergers of companies with unrelated technology and different management. As a result, the efficiency gains associated with mergers were not present. The new and bigger company would actually face higher costs than competitors because of these technological and managerial differences. Thus, the mergers were not done to see large efficiency gains, they were in fact done because that was the trend at the time. Companies which had specific fine products, like fine writing paper, earned their profits on high margin rather than volume and took no part in the Great Merger Movement.

2: Moneysupermarket Completes Â£40 Million Acquisition of Decision Tech

The Defense Acquisition Guidebook (DAG) is the main guide that details the overall DoD acquisition process and how it fits into the overall Defense Acquisition System. It provides the detailed guidance for the development, execution and disposal of all DoD acquisition program.

However, there are far more mergers and acquisitions of small to medium-size firms compared to large companies. Why Make an Acquisition? Companies perform acquisitions for various reasons. They may seek to achieve economies of scale , greater market share, increased synergy , cost reductions, or new niche offerings. If they wish to expand their operations to another country, buying an existing company may be the only viable way to enter a foreign market, or at least the easiest way: The purchased business will already have its own personnel both labor and management , a brand name, and other intangible assets , which helps to ensure that the acquiring company will start off with a solid customer base. Sometimes expanding compromises efficiency. Whether because the company is becoming too bureaucratic or it runs into physical or logistical resource constraints, eventually its marginal productivity peaks. To find higher growth and new profits, the large firm may look for promising young companies to acquire and incorporate into its revenue stream. When an industry attracts too many competitor firms or when the supply from existing firms ramps up too much, companies may look to acquisitions to reduce excess capacity, eliminate the competition, or focus on the most productive providers. If a new technology emerges that could increase productivity, a company may decide that it is more cost-efficient to purchase a company that has successfully implemented the technology rather than spending on internal research and development , which can often be too costly and time-consuming. Although there is no technical difference between an acquisition and a takeover and both words are often used interchangeably, they carry slightly different connotations. In contrast, "acquisition" describes a more amicable transaction and is often used in conjunction with " merger ", which occurs when the purchasing company and target company combine to form a new company. Friendly and Hostile Acquisitions Acquisitions can be either friendly or hostile. Friendly acquisitions occur when the target firm expresses its agreement to be acquired. Friendly acquisitions often work towards a mutual benefit for both the acquiring and target companies. The companies develop strategies to ensure that the acquiring company purchases the appropriate assets, including the review of financial statements and other valuations, and that the purchase accounts for any obligations that may come with the assets. Once both parties agree to the terms and meet any legal stipulations, the purchase proceeds. Unfriendly acquisitions, commonly referred to as hostile takeovers, occur when the target company does not consent to the acquisition. In this case, the acquiring company must gather a majority stake to force the acquisition. To acquire the necessary stake, the acquiring company can produce a tender offer designed to encourage current shareholders to sell their holdings in exchange for an above-market-value price. For example, News Corp. When a firm acquires another entity, there usually is a predictable short-term effect on the stock price of both companies. First, as we mentioned above, the acquiring company must pay more than the target company currently is worth. Beyond that, there are often several uncertainties involved with acquisitions. Here are some of the problems the takeover company could face during an acquisition: A turbulent integration process: Since the financial crisis of , raising money to acquire a target company has become more difficult. Lenders have modified their criteria for providing credit by raising down payment requirements and carefully scrutinizing potential cash flow. Private equity financing often takes the form of venture capital â€” a professionally managed pool of funds that invest in high-growth opportunities â€” or private equity firms. Equity financing involves the buyer company selling securities in order to raise money, then using that money for both the acquisition transaction and to provide additional cash for the new company. Bank financing takes a variety of forms. The most common is to receive a cash flow-based loan, in which the bank scrutinizes the cash flow, debt load , and profit margins of the target company. If there is seller financing involved, the target company may take over the actual note after the acquiring company makes the down payment. Asset-based financing is another option. In an asset-based loan, the lender looks at the collateral the inventory, receivables , and fixed assets of the target firm rather than the cash flow and debt loan. Evaluating an Acquisition Candidate Before acquiring, it is imperative for a company to evaluate whether its target is a good candidate. In fact, officers of companies have a fiduciary duty to perform thorough due diligence before making any acquisition. The first step in evaluating an acquisition candidate is determining whether the asking price is reasonable. The metrics investors use to place a value on an acquisition target vary per industry; one of the primary reasons acquisitions fail is that the asking price for the target company exceeds these metrics. A company with reasonable debt at a high-interest rate is a prime acquisition candidate as a larger company could refinance for much less. Unusually high liabilities , however, should alert potential investors to potential dangers. Most businesses have been party to or are aware of the potential of lawsuits; however, huge companies, such as Walmart, get sued several times daily. A good acquisition candidate is one that is not dealing with a level of litigation that exceeds what is reasonable and normal for its industry and size. A good acquisition target has clean and organized financial statements. This makes it easier for the investor to exercise due diligence and execute the takeover with confidence; it also helps prevent unwanted surprises from being unveiled after the acquisition is complete. In the first few weeks of , such acquisitions reached their zenith. AOL and Time Warner AOL, the most publicized online service of its time, built a then-remarkable subscriber base of 30 million people by offering a software suite available on compact discs! Yes, internet usage was once measured in hours! Meanwhile, Time Warner was decried as an "old media" company, despite having tangible businesses publishing, television, et al. A few years later, the companies cited irreconcilable differences and ended their union. A few months earlier, British telecommunications company, Vodafone, completed a rancorous, if not completely, hostile takeover of German wireless provider Mannesmann. Vodafone offered, and Mannesmann ultimately accepted. The deal would have been historic even without the superlative currency figure, as it represented the first foreign takeover in modern German history. Today, Mannesmann survives under the name Vodafone D2, operating exclusively in Germany as the wholly owned subsidiary of its U. Express Scripts and Medco Worldwide acquisitions tailed off considerably in the ensuing decade. The value of all corporate acquisitions in was lower than the corresponding number from 14 years earlier. In fact, the largest proposed acquisition of the period never even got off the ground. Even though the deal was endorsed by many diverse parties, most state attorney generals, multiple labor unions, and the U. Department of Justice cited antitrust violations and sued. The principals pulled out, leaving a far less publicized deal as the biggest buyout of the year. Both companies administer prescription drug programs, process and pay claims, and indirectly act as bulk purchasers for their large customer bases. After the Acquisition Most of the attention during an acquisition goes towards valuation, market shares, and legalities. Little notice is given to what happens in the aftermath, even though the success of an acquisition usually hinges on how the new company handles its many responsibilities. A new, logical corporate structure needs to be established. Resources need to be re-allocated towards their most valuable ends. Accounting processes and information must be combined in a legal, tax-efficient way. Pre-existing business relationships should be re-assessed, including relationships with staff. Except in rare cases, the acquiring company must learn and become acquainted with new operations, customers, and suppliers. The new owners should meet the new employees, who are likely to be anxious about their job status and a changing culture. There are new logistics for the delivery of goods and services and for the integration of technology. When mergers involve large numbers of new employees, a new business command structure needs to be designed, articulated, and executed. Some companies hire third-parties help to smooth this transition. This can be especially helpful for management that has never been involved in an acquisition before. One mark of a successful acquisition: This is considered an accretive acquisition. If EPS is lower following an acquisition, it is considered dilutive.

3: D.C. Circuit Affirms Decision Blocking Anthemâ€™s Acquisition of Cigna | OPA | Department of Justice

The Acquisition Decision Memorandum (ADM) documents the decisions made by the Milestone Decision Authority (MDA) during a Milestone Decision Review.. It's the formal justification that allows a program to proceed into the next acquisition phase.

Perspectives on Acquisition and Program Management Better Acquisition Decisions through Financial Analysis â€” Part 2 October 30, by Sean Williams 0 Comments No matter how products and services are being acquired, financial analysis can help in decision making to acquire the requirements in the best and most cost effective ways. Federal Government acquisition uses frameworks and processes that leverage several financial tools to maximize the value procured from the solution while decreasing the risk of wasted resources. In part 1 of this blog post , we explored the importance of financial analysis as well as some of the major tools available for Federal acquisition professionals. Here in part 2, we will see how these tools are used in three Federal acquisition and acquisition support processes: The ARB monitors the progression of the acquisition through the life cycle and provides clear guidance to the Component or Headquarters HQ contingent that owns the acquisition. All documents previously developed in the preceding phases are updated with actual information to continue the analysis of estimates versus actual costs. Planning, Programming, Budgeting, and Execution â€” PPBE is a calendar driven, federal directive to maximize the value of capital assets and acquisitions to support defense missions while decreasing risk. It is a much higher-level budgetary process than ARP, as it concentrates on Department and Agency level organizations versus the Program and Project level. The financial analysis tools commonly used in the PPBE phases consist of the following: Using multiple tools and Cost Benefits Analysis CBA to drive the planning perspective, the Department forecasts long-range goals superimposed over ever-changing conditions and trends. In this phase, each DOD component develops a Program Objectives Memorandum POM detailing how the component plans to align fiscally constrained and prioritized resources with specific actions into balanced programs to achieve department goals. The programs are the actual activities, supporting equipment, goods and services to be purchased or developed. The BES covers four years: Analysts from the office of the Under Secretary of Defense Comptroller and the Office of Management and Budget OMB review each budget to ensure that programs are funded in accordance with current financial policies, and are accurately and reasonably priced. The execution review occurs at the same time as the program and budget reviews. It provides OSD senior leadership feedback into the measurement of planned performance measures versus actual performance. Adjustments of the budget or program may be conducted to achieve desired performance goals. Capital assets include land, structures, equipment and intellectual property used by the Federal Government. The financial analysis tools commonly used in the CPIC phases are: Some of the activities include:

4: Better Acquisition Decisions through Financial Analysis â€“ Part 2 - Integrity Matters

Specifically, we examine the influence of decision-maker risk perceptions and propensities during the three stages of the acquisition process that have been distin- guished in acquisition process research: the evaluation and selection of potential acquisition candidates, the pre-acquisition scrutiny of, and negotiations with, the chosen target.

5: Decision Making in Information Technology Acquisition

Decision Making Strategy in IT Acquisition The term Ã¢â‚¬ËœacquisitionÃ¢â‚¬â„¢ refers to all the stages from buying, introducing, applying, adopting, adapting, localizing, and developing through to diffusion. [2].

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Navy seal dogs book 21st Century Patent System Improvement Act; Patent and Trademark Office Surcharge Extension Act of 1997; Two hours todarkness Settlement Houses Under Siege The fertilizer encyclopedia The outer dark central series Bombs have no pity Learn Spanish the Fast and Fun Way w/4 CDs The book romeo and juliet Lincoln legacy timpani part Sccm 2012 book Lu xun short stories Home, home on the range Crime in the Kennel The postwar consolidation of the new deal regime Fluids, electrolytes, and acid-base balance Japanese Phrases For Dummies William Lillys history of his life and times from the year 1602 to 1681. Lands effect on the wind 0663535069 (Idea Factory for Teachers Star Walk, Level 13) Turn clutter into cash The maze runner 3 Message in a bottle piano Cyberwar, cyberterror, cybercrime Situation uments of contemporary art Cross-cultural practice with couples and families The beast of Exmoor Tensorflow 1 x deep learning cookbook Uscf rulebook 6th edition Drawing figures in action Accounting and your personal finances. Ch. 10. The identification of somatic mutations in immunoglobulin expression and structure Donald J. Zack Europa and the bull anon. Calculation of homology groups Exploring corporate strategy 7th edition Probiotics and health claims Correspondence Of Lady Burghersh With The Duke Of Wellington Removing Tongue and Brains and Stripping Fat from Offal 103 Developing language skills in the elementary schools Don Quixote (Knowledge Management Edition Volume I