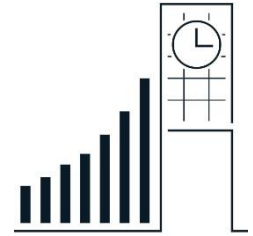


QUALITATIVE ANALYSIS OF A MERGER

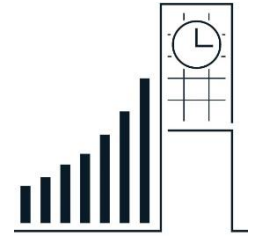
FALL 2023

AGENDA



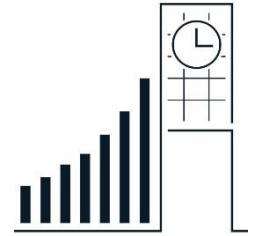
- ▶ M&A terminology
- ▶ Reasons for acquisitions
- ▶ Revenue growth
- ▶ Barriers to mergers and acquisitions
- ▶ Main acquisition types
- ▶ Hostile takeovers
- ▶ Hostile takeover defenses
- ▶ Other takeover types
- ▶ Deliverable
- ▶ Questions

KEY M&A TERMINOLOGY



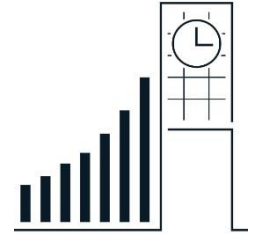
- ▶ **Merger:** A strategy through which two firms agree to integrate their operations on a relatively coequal basis
- ▶ **Acquisition:** A strategy through which one firm buys a controlling interest in another firm with the intent of making the acquired firm a subsidiary business within its portfolio
- ▶ **Takeover:** A special type of acquisition wherein the target firm does not solicit the acquiring firm's bid; thus, takeovers are unfriendly acquisitions

REASONS FOR M&A



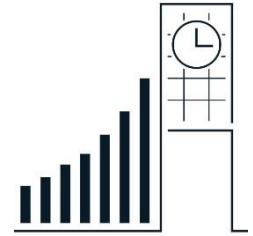
- ▶ Increased market power
 - Vertical acquisition
 - Acquiring another company at a different point in the supply chain
 - Horizontal acquisition
 - Acquiring another company in the same industry to expand market share
- ▶ Break into new industries while avoiding barriers to entry
- ▶ Increase efficiency of supply chain
- ▶ Acquiring new capabilities and specializations
- ▶ Diversification of business lines

REVENUE GROWTH



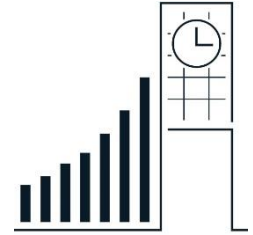
- ▶ Firms can grow two ways
 - Organic growth
 - Represents true growth for the core of the company
 - Driven by internal resources and research and development (R&D)
 - Example: Google created Gmail
 - M&A activity
 - Purchasing companies to grow your business
 - Example: Burger King buying Tim Hortons

BARRIERS TO ACQUISITIONS



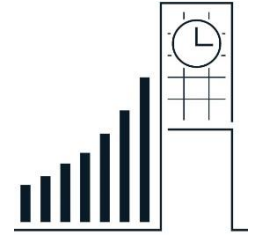
- ▶ Integration difficulties
 - Poor supply chain integration, clashing employee cultures, information technology integration challenges
- ▶ Lack of sufficient financing options
- ▶ Unreliable synergies and projections
- ▶ Companies become too large to effectively manage

MAIN ACQUISITION TYPES



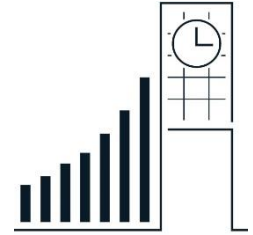
- ▶ Friendly acquisition
 - Occurs when the target company's management and board of directors agree to the deal
- ▶ Hostile acquisition
 - Occurs when the target company's management or most of the board of directors do not want to be acquired, but the acquisition is pushed through anyways
 - Tender offer – proposal to buy shares from every shareholder
 - Proxy fight – acquirer will persuade existing target shareholders to vote out board of directors

ALTERNATIVE TAKEOVERS



- ▶ Reverse takeover
 - A private company acquiring a publicly traded company in order to go public, without resorting to an IPO
- ▶ Backflip takeover
 - An acquiring company becomes a subsidiary of the target company
- ▶ Squeeze out
 - A firm's majority shareholder pressures minority shareholders to sell their stakes in the company

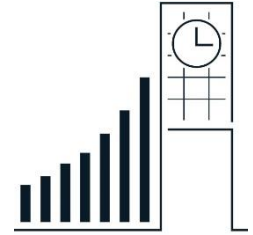
PREVENTIVE DEFENSE



▶ Preventive measures

- Poison pill
 - Flip in – permits shareholders, with the exception of the acquirer, to purchase additional shares at a discount
 - Flip over – enables stockholders to purchase the acquirer's shares after the merger at a discounted rate
- Golden parachute
 - Sustainable benefits given to terminated executives as a result of a takeover by another firm
- Differential voting rights
 - Different classes of common stock carry more votes than others
 - Ex: Hershey Class A shares hold 1 vote per share vs 10 for Class B

ACTIVE DEFENSE



▶ Active measures

◦ White knight

- A company that acquires a corporation on the verge of being taken over by a company deemed undesirable by target company officials

◦ Greenmail

- The practice of buying a voting stake in a company with the threat of a hostile takeover to force the target company to buy back the stake at a premium

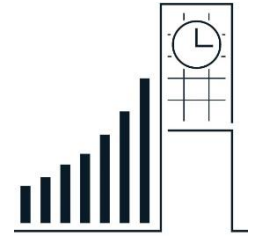
◦ Making an acquisition

- Buying another company using leverage to make your BS unattractive

◦ Litigation

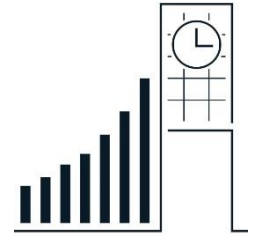
- Possibility of the unusual risk of litigation

INTEGRATION



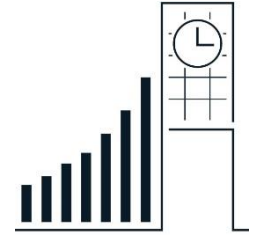
- ▶ How will the companies be integrated?
 - Subsidiary – more than 50% of the company is owned by the parent company (acquirer), but would operate fairly independently
 - Full integration – the two companies would combine all of their operations and act as one company
- ▶ Other important questions:
 - How will the c-suite be divided?
 - Will there be an elimination of positions in the combined firm?

ADDITION TO DELIVERABLE 1



- ▶ Due: Sunday, September 24th at 11:59 PM via email
- ▶ Add these sections to the prior deliverable:
 - Potential barriers to this acquisition
 - The pros and cons of the various acquisition strategies as they relate to the potential Intuit and PayPal deal
 - What measures could the target enact to block the transaction
 - How would the target be integrated into the pro forma company
- ▶ Double spaced, times new roman, font size – 12
- ▶ Email Deliverable 1 in one PDF to bingfinancesociety@gmail.com with the subject as follows
 - Ex: “Team 1 Deliverable 1”

QUESTIONS?



- ▶ Check out our website: **bingfinance.org**
- ▶ Email us at:
 - **bingfinancesociety@gmail.com**
- ▶ **President:** Adam Kawalek
 - akawale1@binghamton.edu
- ▶ **Executive Vice President:** Kaily Ishikawa
 - kishika1@binghamton.edu
- ▶ **VP of Alumni Relations:** Yehuda Silverman
 - ysilver2@binghamton.edu
- ▶ **VP of IB Recruiting:** Jack Schaffer
 - jschaff4@binghamton.edu
- ▶ **VP of Markets Recruiting:** Jacy Schneider
 - jschnei9@binghamton.edu
- ▶ **VP of Education:** James Davide
 - jdavide1@binghamton.edu
- ▶ **VP of Internal Development:** Caitlin McMahon
 - cmcmaho6@binghamton.edu
- ▶ **VP of Student Affairs:** Emily Milone
 - emilone1@binghamton.edu