



Mergers & Acquisitions

Defining M& A



One plus one makes three: this equation is the special alchemy of a merger or an acquisition. The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies. Two companies together are more valuable than two separate companies - at least, that's the reasoning behind M&A.

4 Types Of Mergers & Acquisitions

Mergers and Acquisitions



Horizontal

Companies with similar Product or service come together with the main goal to **expand their offering or markets.**



Vertical

Companies in the same industry join their force to **improve logistics, consolidate staff or reduce time to market their offerings.**



Conglomerate

Companies in different industries join their forces with a goal to **broaden their range of service and products.**



Concentric

Companies share customer bases but provide **different services** and do have a mutual relationship.

Distinction between Mergers and Acquisition



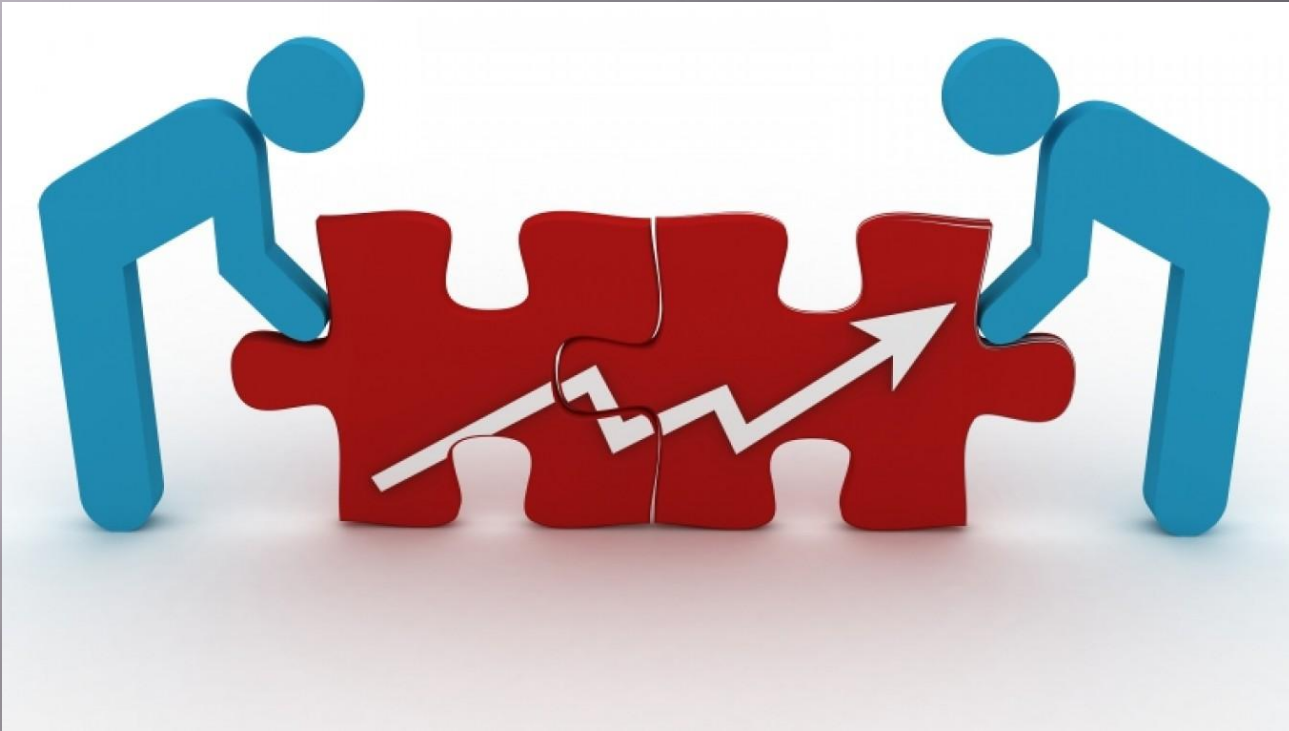
Although they are often uttered in the same breath and used as though they were synonymous, the terms merger and acquisition mean slightly different things. When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition.

Merger “is” and “isn’t

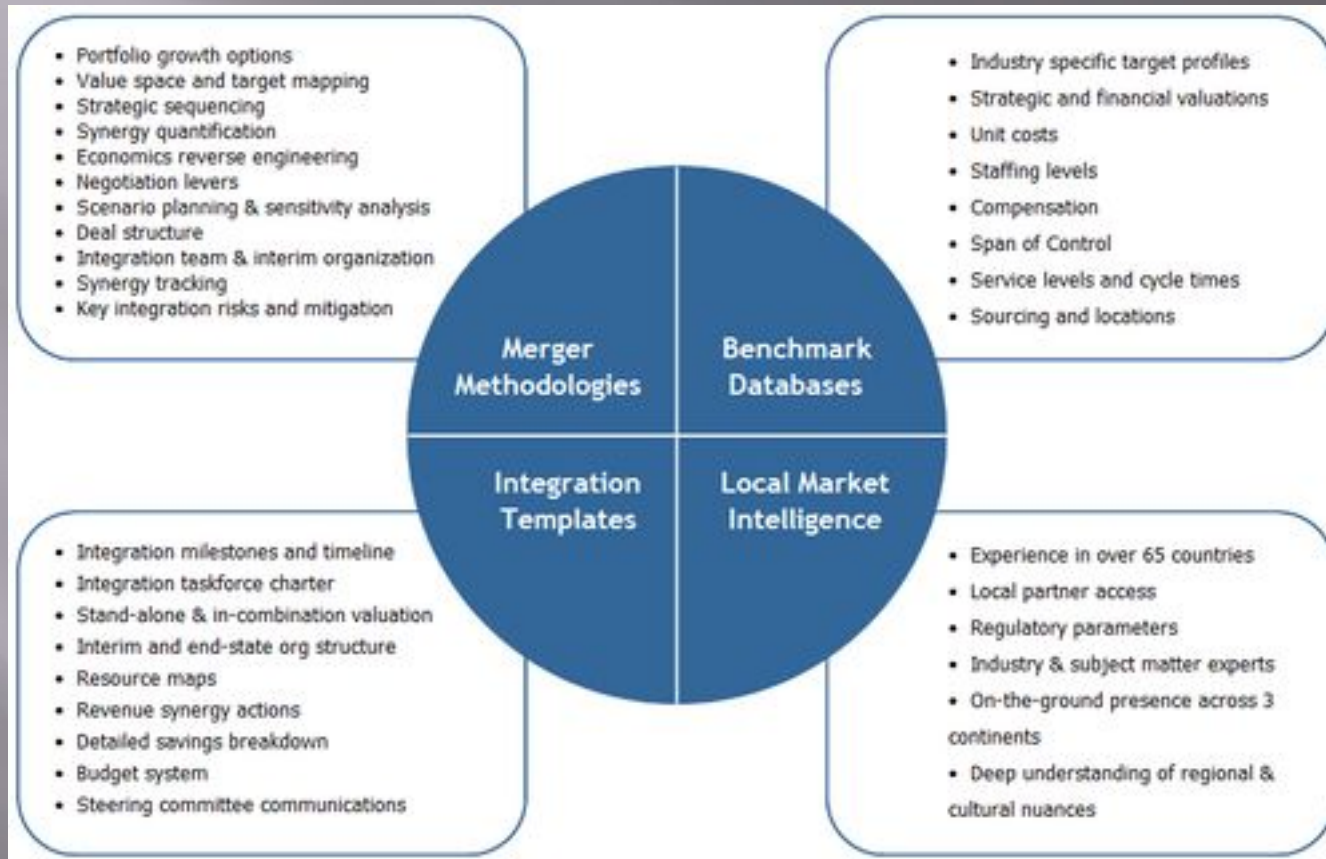


In practice, however, actual mergers of equals don't happen very often. Usually, one company will buy another and, as part of the deal's terms, simply allow the acquired firm to proclaim that the action is a merger of equals, even if it's technically an acquisition. Being bought out often carries negative connotations, therefore, by describing the deal as a merger, deal makers and top managers try to make the takeover more palatable.

Synergy may be in



Staff reductions - Mergers tend to mean job losses. Money is saved from reducing the number of staff members from accounting, marketing and other departments, including former CEO, who leaves with a compensation package



Creating value through M&A

M&A process – Buy-side

