

Financing of merger and acquisition

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F-1201

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Introduction

The relevance of studies of any economic phenomenon is largely determined by its role in the economy as a whole, and it is important to objectively assess its significance, not only for today but also in the near future.

At some point, every business entity is faced with the need to reorganize the business in response to changes in the external operating environment. External expansion is now becoming the main way of development of the companies.

In modern conditions become, a feature of M & A is not only companies (firms) from different countries, but also transnational companies (TNCs). Given the number, cost and distribution deals, we can say, according to international experts, the emergence of market firms, where firms are bought and sold. The emergence of new market companies, in addition to regional and global markets of goods and services leads to an international production system.

Currently, the problem of mergers and acquisitions of various companies is still relevant. This is due to the following reasons:

Mergers and acquisitions have a global impact on the world economy and on the economies of individual countries. Consolidation of the business makes it more powerful, less subservient to regulate and control, not only by national governments, but also by international economic organizations. Therefore, the relevance of the trends and dynamics of mergers and acquisitions. This fact testifies to the contradictions of such transactions.

Theoretical aspects in financing of merger and acquisition

Mergers and acquisitions - one of the most common ways of development, which uses now even the most successful companies. This process in modern conditions become usual phenomenon, almost daily. Since "M & A" - a relatively new separate economic concept, the disclosure of it in the modern economic literature is not widely and thoroughly researched, the more that there are certain differences in the interpretation of the concept of "merger" in foreign and domestic theory and practice. In accordance with generally accepted abroad fits the merger means any association of business entities, which resulted in a single economic unit formed from two or more pre-existing structures. In foreign practice can be understood by the merger of several companies association in which one of them survives, while the rest are losing their independence and cease to exist.

Essence and instruments in merger and acquisition

Mergers and acquisitions-well conceived and properly executed-can deliver greater value than ever right now. One reason is the effect that a downturn has on asset values: Other things being equal, it is a good time to buy. Bain analysis of more than 24,000 transactions between 1996 and 2006 shows that acquisitions completed during or just after the 2001-2002 recession generated almost triple the excess returns of acquisitions made during the preceding boom years. ("Excess returns" refers to shareholder returns from four weeks before to four weeks after the deal, compared with peers.) This finding held true regardless of industry or the size of the deal. Given today's relatively low equity values, acquirers with cash to invest are likely to find deals that produce similar returns.

Financial analysis of m&a transaction of shell and royal dutch petroleum

The Royal Dutch Shell Group was created in February 1907 when the Royal Dutch Petroleum Company (legal name in Dutch, N.V. Koninklijke Nederlandsche Petroleum Maatschappij) and the "Shell" Transport and Trading Company Ltd of the [United Kingdom](#) merged their operations - a move largely driven by the need to compete globally with the then predominant US petroleum company, John D. Rockefeller's Standard Oil. The terms of the merger gave 60% of the new Group to the Dutch arm and 40% to the British.

Royal Dutch Petroleum Company was a [Dutch](#) company founded in 1890 by Jean Baptiste August Kessler, along with Henri Deterding, when a Royal charter was granted by King William III of the Netherlands to a small oil exploration and production company known as "Royal Dutch Company for the Working of Petroleum Wells in the Dutch Indies".

The "Shell" Transport and Trading Company (the quotation marks were part of the legal name) was a [British](#) company, founded in 1897 by Marcus Samuel and his brother Samuel Samuel. Initially the Company commissioned eight oil tankers for the purposes of transporting oil.

In 1919, Shell took control of the Mexican Eagle Petroleum Company and in 1921 formed Shell-Mex Limited which marketed products under the "Shell" and "Eagle" brands in the [United Kingdom](#). In 1932, partly in response to the difficult economic conditions of the times, Shell-Mex merged its UK marketing operations with those of [British Petroleum](#) to create Shell-Mex and BP Ltd, a company that traded until the brands separated in 1975.

Ways of improvement in financing of merger and acquisition

There is no magic formula to make acquisitions successful. Like any other business process, they are not inherently good or bad, just as marketing and R&D are not. Each deal must have its own strategic logic. In our experience, acquirers in the most successful deals have specific, well-articulated value creation ideas going in. For less successful deals, the strategic rationales—such as pursuing international scale, filling portfolio gaps, or building a third leg of the portfolio—tend to be vague.

Empirical analysis of specific acquisition strategies offers limited insight, largely because of the wide variety of types and sizes of acquisitions and the lack of an objective way to classify them by strategy. What's more, the stated strategy may not even be the real one: companies typically talk up all kinds of strategic benefits from acquisitions that are really entirely about cost cutting. In the absence of empirical research, our suggestions for strategies that create value reflect our acquisitions work with companies.

CONCLUSION

Mergers and acquisitions - is the common name for transactions as a result of which acquired control of another company, or by combining approximately equal business when formed a new company (fusion) or when a larger company integrates in its structure of the business at the company (connection / absorption). Having considered the various options for the typology of M & A transactions, it concluded that the most frequently encountered in the literature division of transactions by the nature of the integration of the companies, namely vertical, horizontal, conglomerate and childbirth.

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