Tools for LARGE Businesses

Level 3 Question 2: Have we considered strategic options such as a Merger or acquisition?

Title	M&A Checklist tool
Why	**Here are five reasons why companies decide to Merge or acquire another company:** 1. Economies of Scale: Just like one plus one equals two, so when two companies merge in one, it becomes more potent with abundant resources. The newly formed company will get access to a more competent workforce that will help in increasing its scale of operations. One can avail to the economies of large scale via Merger and Acquisition. Such economies will occur due to efficient utilization of products, optimum distribution of networks, research and development facilities, etc. The economies of scale only work perfectly in the case of horizontal merger (companies dealing in the same line of products). 2. Synergy: It refers to the total higher value of the merged firms in contrast to the sum of their individual units. If two organizations merge to create greater efficiency or scale, then it results in synergy merge. Also, one can drive various benefits from synergies like increased revenues, combined talent, robust technology, cost reduction, and much more. 3. Diversification of products and services: One of the biggest reasons for Merger and Acquisition is that it helps in diversification. For instance, if a clothing company mergers with a technology company, then it helps the former to explore new business operations. Moreover, it facilitates a company to merge with an already established entity, thus reducing the risk of failure. 4. Eliminations of Competition: The Merger or Acquisition of two or more companies eliminates competition in an industry. It not only lessens the level of competition but also saves the advertising expenses of the company. Thus, ultimately enables the merged company to reduce its production costs. It will also benefit the consumers since they will avail goods at lower prices. 5. Better Financial Planning: As the wise saying of the more, the merrier indicates that the things get better when more people come along. Likewise, when one or more companies decide for Merger and Acquisition, they can plan their resources in the best possible way. The collective funds and finances of a merged company will be more and their utilization may relevantly be better than in the separate units.

	It helps to bridge the gap between the companies with a short gestation period and a longer gestation period.
What	A merger or acquisition is an agreement between two separate businesses that combine into one entity. Even though the terms merger and acquisition are often used as synonyms, they have different legal definitions. A **merger** is when two companies of similar sizes join together to form one new entity. **Acquisitions** occur when one business absorbs another and takes control over the acquired company's stocks and assets.
How	Five Key steps in an M&A Process 1. M&A Strategy 2. Target Screening 3. Due Dilligence 4. Transaction execution 5. Integration Ad.1 M&A strategy 1. Define overall Corporate Strategy, including the target state of the corporate business unit portfolio 2. Develop long-term M&A goals and objectives, ensuring alignment with the overall Corporate Strategy 3. Determine and develop internal M&A capability Ad. 2 Target Screening 1. Define Target Screening criteria, ensuring alignment with the M&A Strategy 2. Collect data to undertake a high level assessment of potential targets 3. Short list potential targets 4. Undertake a detailed screening of potential targets on the basis of Desirability (synergy), Feasibility and Viability Ad.3 Due Diligence 1. Determine the key questions the due diligence will have to answer. These questions should help you to assess the desirability (synergy target), feasibility and viability of the deal 2. Conduct due diligence and gather required data to answer the questions listed in step 1 3. Summarize key insights and decide whether or not the company should make an offer to acquire the target company Ad.4 Transaction execution 1. Determine appropriate deal structure based on previous phase insights 2. Conduct M&A negotiations 3. Close deal Ad.5 Integration 1. Develop detailed synergy targets 2. Define integration plan (includes communication plan, workforce transition plan and programs of work required to reach synergy targets and mitigate risks)

	3. Determine day 1 requirements 4. Execute integration plan
Template	See next pages

Company comparison table

	Country	Product/Service	Industry	Deal Size	Target Company Revenue	Target Company PAT Margins (Profit after Tax)
Company A	...	...	...	...	...	...
Company B	...	...	...	...	...	...
Company C	...	...	...	...	...	...
Company D	...	...	...	...	...	...
Company E	...	...	...	...	...	...

Due Diligence Checklist

1. Corporate Records
2. General Financial information
3. Cash Investments
4. Accounts Receivable
5. Accounts Payable and Accrued Liabilities
6. Where is the Revenue coming from?
7. Product expenses and Operating Expenses
8. Taxes
9. Intellectual Property
10. Material Agreements
11. Salaries and People related costs
12. Rights Permits and other Regulatory matters
13. Litigation Investigations and other disputes
14. Property and equipment
15. Purposed and developed software
16. Operational Due diligence
17. HR Due dilligence