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Concepts: Mergers

1. What is Merger?

Strategic tools in the hands of management to achieve greater efficiency by exploiting synergies.

Arrangement where by two or more existing companies combine in to one company.

Shareholders of the transferor company receive shares in the merged company in exchange for the shares held by them in the transferor company as per the agreed exchange ratio.

2. Different Types of Mergers:

A horizontal merger: This kind of merger exists between two companies who compete in the same industry segment.

A vertical merger: Vertical merger is a kind in which two or more companies in the same industry but in different fields combine together in business.

Co-generic mergers: Co-generic merger is a kind in which two or more companies in association are some way or the other related to the production processes, business markets, or basic required technologies.

Conglomerate Mergers: Conglomerate merger is a kind of venture in which two or more companies belonging to different industrial sectors combine their operations.

3. Advantages of Merger:

- Does not require cash
- Accomplished tax-free for both parties.
- Lets the target realize the appreciation potential of the merged entity, instead of being limited to sales proceeds.
- Allows shareholders of smaller entities to own a smaller piece of a larger pie, increasing their overall net worth.
- Merger of a privately held company into a publicly held company allows the target company shareholders to receive a public company's stock.
- Allows the acquirer to avoid many of the costly and time- consuming aspects of asset purchases, such as the assignment of leases and bulk-sales notification