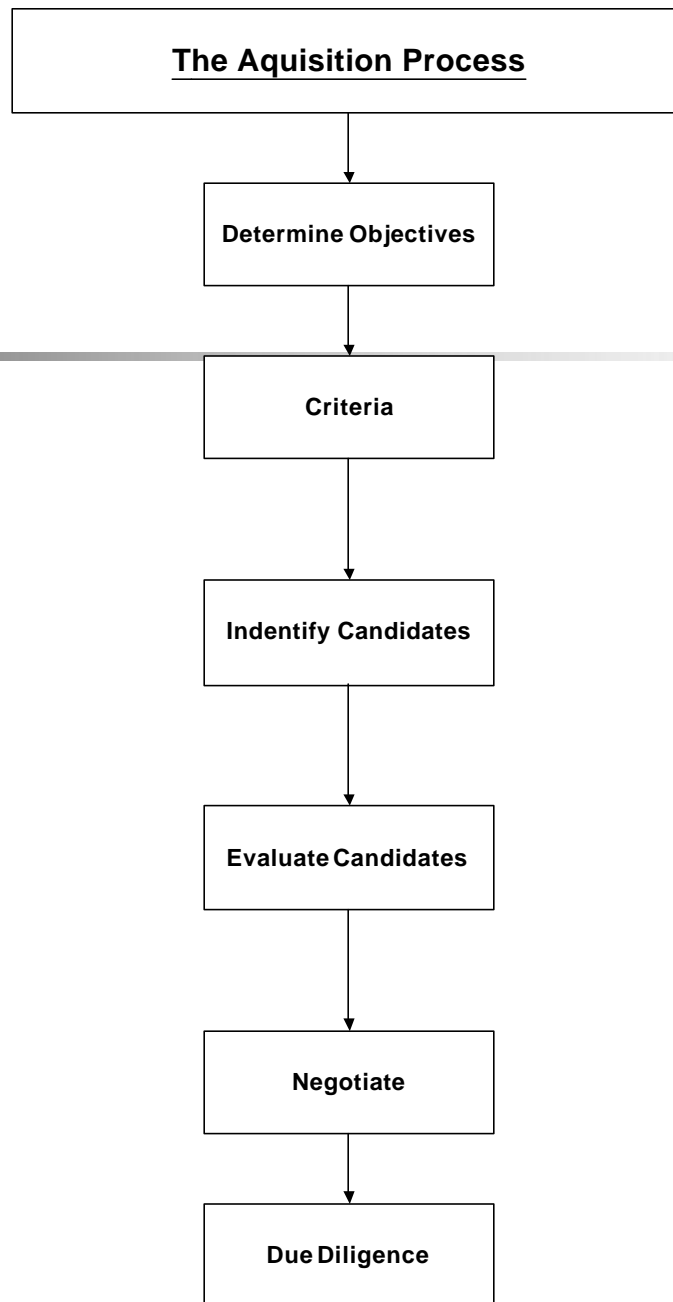


# An Introduction to Mergers & Acquisitions

**Presented by  
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# Merger Objectives

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**Advances the Business Objectives as defined the Strategic Plan which may include:**

- Horizontal Expansion to increase market share and increase returns to scale
- Vertical Expansion to decrease dependence from suppliers and decrease costs
- Product Expansion to increase sales to existing and new customers
- New Technology for New/Improved Products to increase sales and/or lower costs to company and maybe lower prices to customers.

# Steps in a Good Merger Process

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- **Manage Preacquisition Phase**
- **Screen Candidates**
- **Value Remaining Candidates**
- **Negotiate**
- **Manage Post Merger Integration**

# Steps in a Good Merger Process

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- **Manage reacquisition phase**
  - Instruct staff on secrecy requirements
  - Evaluate your own company through a Strategic Planning process to understand the role M&A will play and make sure you are prepared for it by being able to capitalize on economies to scale and exploit technology or skills transfer.

# Steps in a Good Merger Process

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- **Screen Candidates**
  - Look at public companies, divisions of companies and private companies
  - Prioritize opportunities
  - Identify elimination criteria
  - Decide on how to use investment banks = best used for business restructuring for financial engineering opportunities

# Steps in a Good Merger Process

## ■ **Elimination Criteria**

- Size : Too large or too small?
- Location: of Sales, of Operations?
- Business Segments: Are some unattractive? Can they be profitably sold?
- Overall Performance: Is business well run and if not, can you improve it
- Availability: Friendly or Hostile combination

# Steps in a Good Merger Process

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## ■ Merger Criteria

- Industry/Segment
- Distribution Channels
- Size
- Locations
- Historical Performance – Financial, Customer Satisfaction, Reputation
- Existing Management
- Barriers to Acquisition – Political, Governmental, Financing, Legal Issues



# Steps in a Good Merger Process

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- **Identifying Candidates**
  - Horizontal – Competitors
  - Vertical – Suppliers and/or Customers
  - Products and New Technology– New Emerging Companies

# Steps in a Good Merger Process

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- **Value remaining candidates**
  - Know exactly how you will get back takeover premium
  - Identify real synergies
  - Decide on restructuring plan
  - Decide on financial engineering opportunities (investment bankers)

# Steps in a Good Merger Process

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## Valuation: Evaluating Candidates Framework of Analysis of Target Company

### External

- Market/Industry
- Competition
- Environment

### Internal

- Products/Services
- Operations
- Organization
- Resources

# Steps in a Good Merger Process

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## **Valuation: Market / Industry Issues**

- Market Size and Growth
- Market Segmentation
- Company Relative Market share
- Industry Trends and Economic Outlook
- Nature and History of Business
- Company's Position in Industry
- Research and Development
- Relative Leverage of Buyers and Suppliers

# Steps in a Good Merger Process

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## **Valuation:Competitive Issues**

- Who Are Existing and Potential Competitors due to Acquisition
- Competitor's Strengths and Weaknesses
  - Market Share
  - Products/Services
  - Distribution Channels
  - Cost Position
- Counter Strategies for Key Competitors

# Steps in a Good Merger Process

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## **Valuation: Products/Services Issues**

- Match of Products to Market Segments
- Product Profitability
- Customer/Market Segment Profitability
- Relative Quality
- Relative Service Levels

# Steps in a Good Merger Process

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## **Valuation:**

### **Operations/Organization Issues**

- Marketing and Distribution Channels
- Physical Production Resources and Capabilities
- Company's Management
- Company's People Resources and Gaps
- Company's Operational Strengths and Weaknesses

# Steps in a Good Merger Process

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## ■ **Negotiate**

- Decide on maximum price and stick to it
- Understand background and incentives of the other side
- Understand value that might be paid by third party
- Establish negotiation strategy
- Conduct due diligence



# Steps in a Good Merger Process

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- **Manage post merger integration**
  - Move as quickly as possible
  - Carefully manage the process

# M & A Information Resources

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- Ibbotson Associates, Inc. publications
- McKinsey & Company, Inc. publications

# Jeffrey H. Bunin



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- **Adjunct Professor,  
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PLANNING EXPERIENCE  
in chemicals,  
manufacturing and high-  
tech**
- **References available  
upon request**

# End Presentation

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- Please contact me soon to discuss your future needs.

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