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Mergers and Acquisitions of 2015-16 in Various Business Models

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Abstract: **2015 has been a record year for mergers and acquisitions (M&A). Globally, with $4.7 trillion in announced mergers and acquisitions—up 42% from 2014, and beating the previous record of $4.4 trillion in 2007.**

Keywords: **Vertical mergers, logistical deal, recession, supply chain model etc.**

1. INTRODUCTION

A merger is the combining of two companies, usually by mutual agreement. Mergers are not the same as acquisitions. In an acquisition, one company buys and subsumes another company, leaving only the buyer in place. In most mergers, both companies merge to form an entirely ***new* company**.

Mergers happen for a number of reasons and in a number of ways. There ***are horizontal mergers*** and ***vertical mergers***. The direction of the merger has a lot to do with the reason behind it.

A horizontal merger usually takes ***place between two equal competitors,*** and serves to reduce costs and maximize synergy between the two companies. In a **vertical merger**, a company merges with a supplier or a customer.

One of the best example of successful merger in 19th century is “ROLLS ROYCE”

2. HOW ROLLS MET ROYCE

Rolls studied mechanical engineering at Trinity College, Cambridge, where he was the first undergraduate to own a motor car.To fund his sporting activities, Rolls set up one of the first car dealerships in Britain with his friend Claude Johnson: CS Rolls & Co. Together they imported and sold Peugeot motor cars from France and Minerva motor cars from Belgium

In contrast to Rolls, who had had a privileged upbringing, **Henry Royce** was working by the age of nine Born in 1863 in Peterborough, England, Royce sold newspapers and worked as a telegram boy before his fortunes changed. By the end of 1903, he had designed and built his first petrol engine – and in April 1904, he drove his first Royce 10hp motor car into town.

Henry Edmunds, a shareholder in Royce’s company and a friend of Rolls, was boasting to him about his new 10hp Royce motor car. At the time, Rolls was frustrated at only being able to sell foreign imports, so Edmunds arranged a meeting with the man behind the 10hp

Rolls and Royce first met on 4 May 1904 in Manchester. Within minutes of seeing Royce’s twin-cylinder 10hp, Rolls knew he had found what he was looking for. After taking the motor car for a drive, Rolls agreed on the spot to sell as many motor cars as Royce could build, under **the brand name Rolls-Royce**.

Pfizer and Allergan: $191 billion:

The American pharmaceutical giant Pfizer and Irish counterpart Allergan announced a plan to merge late in November 2015. The planned merger would be ***the second-largest M&A deal on record*** behind Vodafone AirTouch's $172.0 billion acquisition of Mannesman in 1999.

AB InBev and SABMiller: $120 billion:

The Belgian brewer Anheuser-Busch InBev reached an agreement to buy U.K. rival SABMiller in mid-November2015Combining the world's two biggest brewers will form a company that makes almost a third of the world's beer supply.

Shell and BG Group: $81 billion:

Royal Dutch Shell announced plans to acquire British energy supplier BG in April 2015. The rationale for the merger was to diversify Shell's operations by improving its liquefied gas and deep water exploration capabilities.

Dell and EMC: $66 billion:

Dell signed an agreement to acquire data storage company EMC in October 2015. The deal was described as the ***second-biggest technology merger*** ever by *Fortune*, behind the $106 billion tie-up between AOl and Time Warner in 2000.

EBay shareholders and Paypal: $47billion:

In June2015, e-commerce giant eBay announced it would spin-off online payment providerPaypal, which it had acquired in 2002. As each eBay shareholder received one Paypal stock for each eBay stock, Thomson Reuters have listed the spin-off as ***the 10th biggest M&A deal of the year.***

Tianjin Tianhai and Ingram Micro : : US$ 42.6 billion:

Chinese logistics firm Tianjin Tianhai in one fell swoop has reshaped the technology landscape with plans to acquire Ingram Micro, the No. 1 technology distributor, for $6 billion.Ingram Micro is an American electronics company and world's largest wholesale technology products distributor.Revenue: US$ 42.6 billion (2013) In February 2016, Ingram Micro was acquired by Chinese shipping group Tianjin Tianhai, a subsidiary of Haikou, China-based HNA Group, for $6 Billion. HNA Group is a Haikou, China-based company, focused on transportation, tourism, logistics and financial services.

“***Everybody is becoming more of a global company,”*** said Guy Baroan, president of Elmwood Park, N.J.-based Baroan Technologies. “Maybe this will open the door for Ingram to be even bigger in China.”

Dupont and Dow Chemical Combine in One of Biggest Mergers of 2015:

E. I. du Pont de Nemours and Company, commonly referred to as DuPont, is an American conglomerate that was founded in July 1802 In 2014, DuPont was the ***world's fourth largest chemical*** company based on market capitalization and ***eighth based on revenue***. On December 11, 2015, DuPont announced that it would merge with the Dow Chemical Company, The science and agriculture companies announced a ***"merger of equals"*** in December, aimed at producing a giant with a market capitalization of $130 billion and cost-synergy savings of $3 billion.

3. HIGHJUMP AND WESUPPLY

HighJump, a global provider of supply chain management solutions, in September 01, 2015 announced that it has acquired Wesupply, a United Kingdom-based premier provider of supplier.With this acquisition, HighJump further expands its global footprint and extends its growing leadership position in the market for trading partner connectivity and omni-channel enablement. HighJump offers the broadest set of supply chain solutions available anywhere. From small business to global enterprise, HighJump helps you manage the flow of inventory and information from supplier through manufacturing, distribution and EDI solutions all the way to direct store delivery.

UPS Said to Be in Talks to Buy Coyote Logistics for $1.8 Billion- July 22, 2015

A deal between Coyote and UPS would be the ***third-largest logistics deal this year***, as the industry goes through a wave of consolidation amid rising consumer demand.

In April, FedEx Corp. agreed to buy Dutch parcel-delivery company TNT Express NV for $4.8 billion. Later that month, XPO Logistics Inc. agreed to acquire European counterpart Norbert Dentressangle SA in a deal valued at $3.53 billion including debt.

4. WHEN SUPPLY CHAINS MERGES WHAT ALL NEED TO BE TAKEN CARE

Most mergers and acquisitions fail to live up to expectations. It's mainly because companies focus on quick-fix cost-cutting opportunities and ignore the long-term, strategic supply chain implications. Below are the main things to be followed when supply chain merges:

Everyone agrees that effective manufacturing and logistics practices are crucial for improved financial performance. Yet many of the typical tactics for increasing productivity and reducing costs post-merger—such as closing plants, laying off workers, and reducing wages—end up disrupting the supply chain and result in poor operational performance and reduced revenue. Instead of short-term cost-cutting measures, supply chain rationalization efforts should focus on long-term productivity gains such as eliminating redundancies and creating synergies

- **Choosing the right metrics :**

Choosing the right metrics, however, can be more difficult than it sounds. Even if the two firms use the same metric, they can have very different interpretations. "**On-time orders"** in one firm might mean on-time deliveries to the customer; in another, "**on-time orders**" may mean on time shipments. A key part of defining consistent metrics is clarifying the supply chain definitions used by the merging companies.

- **Should consolidate the ERP Systems immediately.**
- **More focus towards planning process:**

Companies can begin the important step of conducting a **post-merger** supply chain assessment. The goal of the post-merger supply chain assessment is to: Review the existing organizational structure and identify improvement opportunities; Assess each pre-merger entity's competence in five key areas: understanding demand, managing inventories, planning demand, planning production, and scheduling.

- **Evaluate your supply chain scalability**

Companies should take inventory of their supply chains and ensure they have an up-to-date mapping of them, including all lanes, networks, and stocking points around the world. At the end of the day, you want to know what aspects of your supply chain are scalable as well as the specific supply chain adjustments you'll need to make to accommodate changes in product portfolio.

- **Keep your eye on the big picture:**

The six-month timeframe immediately following a merger is a good time for companies to revamp their supply chain strategies and implement network changes. However, high-tech firms should look far beyond the six months when setting supply chain goals. For example, put facilities where you will need them in the future and not just where your customers are today. Allow your company to be more adaptable to market changes and new customer demands by building resilience into the new network.

Worldwide Overview	**Values**
Announced M&A deal value share in North America	42.20%
Number of global mergers and acquisitions in industrials and chemicals	1,777
Percentage of M&A deals that were cash only in 2012	73%
United States	
Number of M&A deals in energy, mining and utilities in the U.S.	115
Number of M&A deals in the U.S.	12,880
Asia & Europe	
M&A aggregate deal value in Asia in June 2015	$96.1b
M&A aggregate deal value in Europe in September 2013	93.3m
M&A deal volume in Europe in September 2013	1,222

5. CONCLUSION

It is largely considered a good sign for the economy and economic growth when mergers and acquisitions activity picks up, and so far 2015 has been the most active year since the Great Recession. This year's deals have been dominated by takeovers in the technology, supply chain and healthcare sectors.

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