How did ben and jerry’s become a takeover target?

If the company is not generating value for its shareholders consistently, it might consider the various takeover-offers on the table. To evaluate this we need to consider impacts on the company's ability to operate independently to carry out the threefold corporate mission (Product, Economic and Social). This document will offer both detailed analysis to evaluate this problem and recommendations for moving forward. Current Financial Analysis With the formation of ice-cream joint venture by Pillsbury and Nestle, Pillsbury distribution channel was no longer advantageous for Ben ; Jerry's.

Despite the 45% market share in super premium ice-cream market and the great brand equity, the company has been consistently under-performing and its share price has not seen any changes from its current price of $21. The average shareholder's return on equity is about 7%, far below the industry-required rate of return. The company's extremely generous charitable donations of 7. 5% of pre-tax earnings and other social gains have had serious impacts on its profits. Ben & Jerry's has to find ways to create value for its shareholders. Takeover Offers

The takeover offers that Ben ; Jerry's currently has on the table are above its current share price of $21, indicating that the company is under valued. The various asset control charters, legislatures and other defense mechanisms gives the company authority to accept or reject the takeover offers that have been made so far. Ben & Jerry's net income has been on the rise (from 59% to 93%) but the cost-to-sales ratio has decreased from 65% in 1998 to 61% in 1999, accrediting some of the increase in net income to the reduction in cost.

Although one can argue that if the company is making profits then why sell it but it's worthwhile to notice that the working capital has been declining which means reduction in future sales. Company's total assets have been almost the same ($150M) for the past two years indicating a very slow expansion [See Exhibit 3]. For this reasons it seems to be a good option to sell the company to one of the interested candidates. Getting financing from investors to expand will not be a good move, as this would not change the management priorities and its social interests.

Based on the multiples valuation method, Ben ; Jerry's share price is evaluated to be $33. 04 [See Exhibit 4]. The offer price of Unilever is well above the valued price. Due to the merger announcement of Nestle and Pillsbury and also due to the weak performance of the company, Ben & Jerry's became a takeover target. Ben ; Jerry's should opt for Uniliver's offer of taking over their company as their main proposal is more in line with the Ben ; Jerry's interests and mission. Management should accept the offer presented by Unilever at a price of $36 per share. Exhibit 1 - Pros and Cons of Takeover offers