

# Eskimo pie corporation essay sample

[Finance](#)



**ASSIGN  
BUSTER**

You are responsible for handing in written answers to the following questions drawn from the Eskimo Pie Corporation case. You can work with others on this assignment, but each individual must hand in their own set of answers.

1. Why do the managers of Eskimo Pie want to find an alternative to the Nestle acquisition?

The Managers of Eskimo Pie want to find an alternative to Nestle acquisition because they think the company would lose the independence. Nestle will consolidate its ice cream novelty businesses by eliminating the company's headquarters and management staff. Also Nestle may change their business approach. And the company has 71-year history of operating as a stand-alone company in Richmond, the staff would be unlikely to retain their positions after acquisition. So they want to save the local company and local job.

2. Why would Nestle want to acquire Eskimo Pie? Are there potential synergies such as economies of scale? Is Eskimo Pie worth more to Nestle than it is worth as a stand-alone company?

Nestle want to acquire Eskimo Pie because they have similar type of businesses. Also Eskimo Pie granted exclusive territorial licenses for the manufacture , distribution and sale of Eskimo Pie brand products, it will help the Nestle's business.

There are potential synergies, because they have similar products, so they can combine both production facilities. Nestle has a potential synergy in its Carnation and Drumstick units.

Eskimo Pie may be worth more to Nestle, because they can create and mix their products.

3. What would be the capital structure (i. e., debt ratio) of Eskimo Pie after its IPO if Reynolds Metals accepts the two-step transaction proposed by Wheat First?

Debt in year end 1900 = 744K Asset = 29, 518K

For IPO, need to borrow 2M for paying dividend

So total debt = 2. 744M, Asset = 29. 518M + 2M = 31. 518M

For Total Asset, it need to pay out 14. 991M for div. , so Asset = (31. 518 -

14. 991)M = 16. 527M For IPO = \$16, it can raise 53. 064M, so Total Asset =

(53. 064 + 16. 527)M = 69. 591M Debt ratio = 2. 744 / 69. 591 = 3. 943%

For IPO = \$14, it can raise 46. 431M, so Total Asset = (46. 431 + 16. 527)M

= 62. 958M Debt ratio = 2. 744 / 62. 958 = 4. 358%