Investing in sponsor-backed ipos: the case of hertz

[Business](), [Company]()

Corporate growth occurs through expansion taking place when an organization grows through many economic, managerial and performance based facets. Successful examples of growth and expansion leading to maximization of efficiency and increases in stock prices are a direct result of mergers. The main reasons for corporate mergers by managers, stakeholders and CEOs (Chief Executive Officer) are financially driven. With the aforementioned in mind, the primarymotivationbehind a merger is the provision of opportunity incorporating and increasing the value of united enterprise.

Identifying growth and acquisition opportunities in any organization requires research andhard work. One research tool commonly used and available to any organization is benchmarking. Benchmarking enables an organization to identify, understand, and adapt outstanding practices from similar industries and organizations globally. Many companies look at benchmarking as a highly accepted practice in global business. Benchmarking gives businesses the ability to look externally to incorporate internally the findings and best practices fitting their organization.

The main concepts discussed in this paper relating to the Lester Electronics scenario are as follows: assess organizational performance, cross-border growth strategies and diversification, and analyzing risk associate with investment decisions. The companies being compared and used for benchmarking in this paper relating to the key concepts are Disney Corporation and Pixar, ExxonMobile Corporation, CVS and Caremark Rx. Lester has decided to pursue a merger.

This paper will research and discuss the alternative opportunities available to Lester by recommending a financing mix optimizing the capital structure, analyze the risks associated with decisions, and how to best use the financial statements and ratios to appraise performance. Situation Analysis This paper will analyze the issues facing Lester Electronics Incorporated. Lester Electronics, Inc. needs to evaluate the situation and options regarding the takeover of Shang-Wa and the hostile takeover by Transnational Electronics Corporation (TEC).

Lester Electronics, Inc. and Shang-Wa's issues deal with the financial history of the corporations and John Lin ready to retire. This leads to the current problem of weakness both for LEI and Shang-wa Electronics (SWE), resulting in other corporations wanting to take over the companies. One must understand the importance of situation surrounding these two companies. Issues and Opportunities. Lester Electronics, Inc. (LEI) is entering into a billion dollar deal with SWE to become a manufacturer and distributor of precision capacitors.

Before finalizing the merger, there must be an agreed upon bid price. To obtain a fair and equitable price for the merger, valuation of SWE is necessary, and will be completed prior to the start of negotiations. SWE valuation will include; company assets, earnings before interest, taxes/depreciation, and any shareholder contributions (Ross et al. , 2005). While the accounting team at SWE is initiating the valuation of their company, LEI will be completing a self-analysis of the company to ascertain the allocation of sufficient resources.

Resources will include; financial, time constraints' and personnel. Knowing what both companies have to work with and contribute to the merger is important for optimum success. The merger between the two will be initiated for the following reasons; cutting company cost, avoiding a hostile takeover bid from a competitor and maximizing profits for both LEI and SWE. The business of merging two companies producing a product is cooperative in a vertical merger having advantages during production.

Such company mergers also assist in maintaining the working capital budget, cash flow and other resource allocations (Ross et al. , 2005). The stakeholders in the merger will be Bernard Lester Chief Executive Officer (CEO) and founder of Lester Electronics, Inc. and John Lin CEO and founder for Shang-wa Electronics. Neither men have the resources to take their companies into the future without a merger for continuous for both industries. In addition, LEI is a newly publicly traded company (University of Phoenix, 2005).

The investors will have a significant say in the merger along with any future dividends from the company unless Lester is able to buy back outstanding stock. The opportunities both companies face are increases in company wealth by finalizing the merger in a practical and ethical manner. Using the data produced through internal and external valuation analysis for each company, strategies can be formulated to include most aspects of the combined resources.

The possibility for becoming a global industry is high and favors a merger of companies thereby insuring continued success in the electronics markets.

New product development is also an option for the newly merged companies as well as diversity in products to include more than capacitors. The chance to streamline the company's personnel will be self-evident during and after merger. The parent company will benefit from high market share due to a decrease in manufacturing cost.