

# Managing acquisitions or mergers



Managing the merger between two companies or the acquisition of another company can possibly create financial and technologic synergy. The synergic companies support each other in general management to obtain better business strategies. This research analysis the strategies employed in the merger/acquisitions. It also analysis the financial outcomes of the examples identified, that is, three recent examples of mergers or acquisitions Sears and Kmart: On November 17, 2004, Kmart Holding Corp. and Sears, Roebuck and Co. , finalized their merger.

The synergic company Sears-Kmart created a third-largest retailer with the annual revenues of approximately \$55 billion (Bender, 2004). Sears-Kmart's strategies are to cut off operation budget meanwhile it expands its market by sharing 3, 500 Sears's retail stores and 1, 500 Kmart retail stores.

Consumers may find cross-merchandising between the retail chains. For example, Craftsman tools could be sold at Kmart locations, and Martha Stewart products may be available at Sears (Bender 2004. Bender mentions that the merger allowed Sears-Kmart to competed better with its retail giants Wal-Mart and Target.

Concerning of financial situation of the both companies, Kmart enabled to restructuring instead of filing for Chapter 11 bankruptcy. In addition, Kmart improved its financial budget to close approximately 600 under-performing stores. Sears' Financial budget was also not improved in the last 10 months, before merger. The YahooFinancereports shows that Sears' net income reduced form \$2. 749 billion in January 2004 to negative \$0. 061 billion in 2004. Sears' cash flow also decreased from \$7. 51 billions in January 2004 to negative \$0. 825 billion in October 2004 (yahoo, 2004).

The new information on financial reports was not available after that. However, the merger enabled both companies to obtain \$11 billions in combined stocks of Kmart and Sears (Bender, 2004). The report revealed that Sears and Kmart definitely needs to joint together to create their financial strength and saving their operational budget. Sears-Kmart also could expend their market with 5, 000 retail stores together. Sears' stock highly increased from \$31 in November 2004 to \$53. 80 in November 17, 2004, and declined to \$49. 47 in January 21, 2005 without any splits (yahoo, 2004).

Sears-Kmart still needs more time to overturn their financial strength. Yahoo and Overture: On July 14, 2003, Yahoo! Global Internet Company and Overture Services announced that their merger is finalized. Terry Semel, Yahoo! 's chairman and chief executive officer said that " Together, the two companies will be able to provide the most compelling and diversified suite of integrated marketing solutions around the globe, including branding, paid placement, graphical ads, text links, multimedia, and contextual advertising. " (Yahoo Media Relation, 2004). Yahoo!

-Overture's strategies were to combine their internet technologies, expend market and eliminate competitors. Overture specialized on class monetization platform and complementary web search assets. Overture is also the leading provider of commercial searches of approximately 88, 000 advertisers globally. Meanwhile, Yahoo! was already robust search business as a provider of internet products and services to consumers and businesses. The combination will enable Yahoo-Overture the highest quality search

experience, enhanced users value, marketers and affiliates to increase Yahoo!

's business (Yahoo Media Relation, 2004). Yahoo! 's finance showed that Yahoo cash flow inclined from negative \$61. 66 million in December 2002 to \$402. 567 million in December 2003. Yahoo! 's net income also had grown highly from \$42. 814 million to \$237. 879 million. Stock value increased from \$16. 18 in December 2002 to \$31. 63 in August 2003 and \$ \$50. 53 in May 2004 without splitting in this period (2004). Yahoo! 's finance: stock, net income, cash flow positively inclined after the merger. Hewlett-Packard and Compaq: On September 10, 2001, there was a biggest merger in the computer industry.

The horizontal merger between Hewlett-Packard and Compaq Computer succeeded. The merger benefited both companies in the combined of their computer technologies. Hewlett-Packard (HP) and Compaq are closely aligned in their technology strategies. They both support multiple server operating systems with Unix platforms, Windows NT and Linux (Spangler, 2001). The merger company became the only big computer suppliers that focus on Intel's new 64-bit Itanium chip. With the combined technologies, HP and Compaq gained great strength in the computer market. The company plan to knock back Dell Computer across the board (Spangler, 2001).

The merger assisted financial situation of the both companies. The stock price in Sep. 10, 2001 is \$18 per share. The company did not issue any split after merger. The stock price went down to \$12 in September 2002, and gradually increased to \$19. 99 in January 21, 2005. After merger, the net

income raise from negative \$0.9 billion in Oct. 2002 to \$3.497 billion in Oct 2004. Even though Cash flow in Oct. 2004 is negative \$1.525 billion; the company invested \$4.159 billion in increasing inventories, capital expenditures, and purchasing stock (yahoo. finance.

com). Hewlett-Packard and Compaq's financial had been improved; the stock price also increased \$2 per share. The joint Venture of HP and Compaq is recommended. However, the company's finance got a little wobble in 2002 and 2002. It has taken more than three years to the company to work together in improving its market. In summary, the model of today's business is to be large, to be renowned, and to have diversified services. I understand that joint ventures between large companies are a good solution to improve a company's financial strength, market and technologies.