

Post-merger analysis critical thinking samples

[Business](#), [Company](#)



Introduction Page

The field of finance and financial management is very broad, and it usually has number of aspects associated with it (Miller, 2008). Organizations have to consider their effectiveness while considering their planning and strategies to have competitiveness in the market. Merger and Acquisition (M&A) is an effective grant and strategies that associated with the financial management lectures, and it will be equally beneficial for the entities in initiate effective M&A strategies for their future benefits and aspects. The core aspect that will be discussed here related to M&A.

Analysis & Findings

- Mergers should be differentiated with the strategic alliance, as most of the mergers have been taken into place when an organization is unable to be in the place from where they can enhance their core financial capability and effectiveness (Miller, 2008). Some of the major financial drivers which are important for the mergers are diminishing economic power and prosperity of the company, along with the diminishing capability for managing their operational assets in a perfect and organized manner. Health care organizations are the one which are highly mobilized and effective as far as managing their asset provisions are concerned (Miller, 2008). Those organizations which are highly effective and powerful in terms of managing their assets are less likely to merge with any company. Return on Assets (ROA), and Cost to sale's proportion of the health care companies are very important ratio analysis tools or financial drivers that will be considered by the organizations while analyzing the merger with some of the different

entities of the world which are operating accordingly in the core market (Miller, 2008). The rationale of choosing the same aspect is clear which is that both of these ratios will be used to examine the profitability and efficacy level of the health care companies regarding their sustainability. The mergers will be considering in the best possible manner for the health care companies as well to reach on a perfect position.

- There are number of health care companies which had merged with each other for different reasons. Most of the times, the reason was financial distress of the companies particularly. One of the most important and big merger was of GlaxoSmithKline (GSK) with Novartis (Letter, 2014). The evaluation criterion which a financial analyst will analyze regarding the post-merger varies from organizations to organizations, and industries to industries (Miller, 2008). First of all the financial analyst will analyze the share power of the company, and their potential of increasing their financial capability particularly. Apart from that, Net Profit Margin (NPM), Market Capitalization, Price to Earnings (P/E), Price to Book Value and Altman Z-Score ratios are some of the major ratios that will be considered by an analyst to analyze the financial power and effectiveness of a company before the merger is made (Letter, 2014). All of these determinants will give a fair idea to the company that whether the merger would be financially powerful and effective (Miller, 2008). Apart from that, intrinsic value of the company's issued shares will also be analyzed accordingly and comprehensively to get an idea about the power of shares and share management of the company in an effective time being. If all of these measures are effective and organized for the companies, it will be considered health and effective for the

companies to initiate a merger with the other party. Health care industries will also add Return on Assets (ROA) ratio and Total Asset Turnover ratios as well during their post merger analysis.

- The greatest things happen with the companies if they are able to plan the things accordingly as far as generating effectiveness in the market is concerned. It is an important thing that found effective and interactive in the managerial functions (Miller, 2008). There are certain kinds of planning are there, and one of the most important types is Financial Planning (Letter, 2014). Theoretically, a type of planning used to manage the financial aspect of a company is referred as financial planning, and it will be quite effective and specifically before the post merger (Miller, 2008). The key factors that will be taken by the companies into consideration lies with the management of debt and equity of the company. Apart from that, the companies would also like to have their capital structure in an effective manner, in which the level of debt should be place on a lower level, while equity should be place on a higher level particularly. All of these factors are essential for the post merger analysis in particular, and it will certainly enhance the core financial effectiveness and expertise of the corporation in a perfect and powerful manner (Miller, 2008). Apart from this, the management of Working Capital is also essential for the companies for the financial planning especially for the health care companies. The impacts of all of these things are to enhance the organizational capability in terms of increasing their financial and strategic capability perfectly (Miller, 2008). The impact will be defined productive for their core future for the companies, and will try to deliver the most important places from which the merger will be analyzed a perfect one

that will not only enhances the productivity of the shareholders, but also bring positivity for the employees. For example, the merger between GSK and Novartis brought the same thing into consideration, and that was the main reason why the employees of Novartis were very happy while merging with GSK, one of the largest healthcare organizations of the world.

- Financial Planning is also a perfect factor that associated with an organization, and the importance is equally effective and measurable for a Healthcare organization as well (Miller, 2008). Financial planning in a healthcare organization gives a perfect idea to the management that where the company is lacking, and how the problem can be resolved. Some of the major examples of financial lacking are the inventory days along with cash conversion cycle of the company (Miller, 2008). All of these determinants are essential for the companies to get all these things effectively in the market. All of these measures are of very high value for this entity in providing the core effectiveness in the market. Novartis for example had planned wonderfully well related to their financials and financial capability before merging with one of the largest organization of the world which was GSK. Though, Novartis showed their decreasing revenue and hardship in gaining effectiveness in the financial capability of the company, but the companies perfectly well as far as showing the tendency and capability of their operational assets for the effectiveness of the selected firms in an organized and perfect manner (Miller, 2008).

- Health care industry in the world is increasing with a robust pace, and when it comes to some developed countries like the United States (US), United Kingdom (UK) and others, then the economic and financial power are very

effective and organized. The current Quick and Current Ratio of the industry is 0.26 and 0.28 particularly, and will be kept in the same place for the next five years as well (Yahoo Finance, 2014). The market of healthcare is expected to grow at a growth rate of more than 25% during the financial periods from 2014-2019 (Csimarket.com, 2014). Increasing technological adoption and centralized healthcare mandates give a strong point of bargain to the companies to get flourish in this industry. The investment stance would be very effective in this particular section, and external investors have to look forward with this particular thing to reach on a certain conclusion particularly in the market.

Conclusion

The decisions of mergers and acquisitions would have been based upon the importance of the companies from different angles. This particular analysis revealed that there are some of the major financial ratios considered by both of the parties intending to initiate a merger. It is also seen that financial planning is very important for these companies to initiate the same aspect as early as possible.

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