

# [Example of case study on risks](https://assignbuster.com/example-of-case-study-on-risks/)

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## Introduction and Background

MedImmune is a corporation in Mountain View, California. The firm is a biotechnology company that has five main products in the market namely RespiGam, Ethyol, Synagis, Cytogam and NueTrexin. The company anticipates producing more products for the market . The firm is contemplating on acquiring Aviron, which is a smaller biotechnology firm in its expansion plan. The process of acquisition of Aviron is hectic and a financial analysis has to be done to ascertain the correct price that the firm should propose to the company. Aviron has a single product that it offers to the market, namely FluMist and has two others in the main stream that is offering for research. In order to make a sound decision on the offer, a financial assessment is required.

## Key Issues

The main aim to conduct business is to earn revenue. MedImmune wishes to increase its customer base by acquiring the Aviron and in the return earn more income. The acquisition of the company will assist MedImmune to command a bigger market share where it will have all the avenues necessary to market its new products. The financial strategy of the company is in such a way that the market already commanded by the loss-making enterprise is controlled by MedImmune. There are various principles that the Board of Directors has considered in order to arrive at this proposition . Firstly, MedImmune has numerous other projects to release new products to the market. The release of the new medicine in the market will assist in maintaining the profitability and market of the firm. The biotechnology industry demands innovation for survival. In this regard, if MedImmune acquires Avron, the firm will have a bigger market share that will help it in introducing the new products. Another rationale is that Avron is operating in losses. When a firm is operating in losses but has potential, an acquisition can be used to save the firm. MedImmune can take up the challenge and turn the loss-making enterprise into a profitable firm as it has the ability to turn the fortunes around.

There are various risks that are associated with the acquisition. The reality that Avron may not have a big market share or loyal customers is one such risk. This will mean that the firm will make an investment blindly with a projection of increase in market share but none will come forth. Another risk is that the acquisition may not offer a chance for full exploitation of resources. Since MedImmune wishes to introduce the new products to the market with the aid of infrastructure acquired from Avron, they may not be enough to make the business profitable.

## Recommendations

Having done a critical analysis of all the facts and financial considerations, it is recommended that MedImmune acquires Avron at a net cost of all the assets plus the liabilities. This will mean that the firm will inherit all the creditors and the assets of the company. Through buying off of the assets and settling the liabilities, MedImmune will have offered the directors of Avron a good deal . Any other intangible assets like goodwill may be included in the acquisition price but should not be paid upfront until the sales of the products of the acquired company are assessed. MedImmune should then use the infrastructure of the company to increase its sales and increase its market share. The acquisition should help the company jump back to profitability as MedImmune can now use the acquired Avron to introduce some new products to the market.

## References

Cooper, C. L. (2013). Advances in Mergers and Acquisitions. Bingley: Emarald.
Sullvan, J. D. (2000). MedImmune. Case studies in Mergers and Acquisitions , 1-14.