Study of john m case co essay

The company: The company was founded by the grandfather of John M. Case in 1920 and was inherited in 1951. It had experienced profitable operations every year since 1932, and held approximately a 60-65% market share by 1984.

Sales had been increasing annually at about a 7% compound rate, and the return on average invested capital was about 20%. The cost structure of the company was 100% equity, owned solely by Mr. Case. The seasonal accumulation of inventories and receivables were financed internally (although they did hold lines of credit worth $2 million at major banks).

The buyout: CFO Johnson was working on a proposal to purchase John M. Case Company. He and the vice president of finance and administration consider the company excellent acquisition opportunity, since that the price of 20 million asked by the owner was acceptable, and that satisfactory financing for the transaction could be arrange. The product: Commercial desk calendar, disposable page, flip over page, and calendar pads in various size. The strength: The company has strong sales with a market share of 60% to 65%.

Its production process creates great economies of scale and allows extremely efficient and low cost in production. The company focused on high-quality customer service and a high-quality product. The weakness: Seasonal sale took place between June and December with 60% shipments in third quarter and 25% In fourth quarter. High storage cost due to seasonal costThe owner: John take the decision to sell their business, because his physician had been advice him to avoid all stress and strain. He decided to ask $20 million with the minimum of the $16 million immediately payable in cash.

He thought acquisitive corporation should find his price attractive and he believed it easy to dispose of the business. The management: Johnson was quite apprehensive about the prospect of having his career placed in the hands of unknown outsider. He concluded that the sale decision should be viewed as an opportunity to acquire control of a highly profitable enterprise. Purchase of Case Company would not only ensure the career continuity but also provide a chance to run a profitable business. The financing: Johnson required $20 million to acquire the company but first he has to determine whether he could meet the asking price. Management group participates $500, 000 among the asking price but needs $16 million immediately payable cash for the acquisition.

Non-cash component of the purchase price met by issuing notes with a market value of $4 million to john case. Accepting $6 million non-amortizing loan. The $9. 5million left is arranged by the venture capitalist.

The conclusion: The outlook for the company is strong; it holds a majority of the market share for the entire country as well as the economies of scale to keep it. That’s why it is good decision that the Johnson take to acquire the Jone M. Case Co.