

Phlanders flange company

[Finance](#)



Memo on acquisition of Framingham Company of the Phlanders Flange Company
The Chief Executive Officer The Chief Financial Officer

Date: 24th February 2015

Subject: The state of acquiring Framingham Company

In our effort to acquire Framingham Company, the current calculations you have provided me show that Framingham Company has a substantial value that will not be set back by our company. However, I find that the value given to the company is a bit too high with reference to its current performance in the market and the capital market.

The long-term growth forecasted for the firm is likely not to bear the expected fruits. There is a lot of expected competition from the firms being established, and this will reduce the market share. The long-term effect will have an effect on our share value, and it might be on the decline. Our major aim is diversification of the market. Therefore, I feel that we should not pay extra premiums on the shares if we value the firm as a stand-alone entity. To reduce the premium value of the share, it would be advisable if we pay the company by cash.

When we contrast the strength of our company and that Framingham Company, it appears that when we value the company independently, it does not give us the operating synergy we desire. Instead, the company can give us a financial synergy because it will increase our capacity to borrow. Before we acquire this company, I would propose that we take a moment to revisit our goals for acquisition (Bowles, 2012). Although the Framingham may appear as a good target, we should use our initial goals to determine whether it is the right target. Secondly, we need to do a comprehensive valuing of the company. It will help us to determine its future performance in <https://assignbuster.com/phlanders-flange-company/>

the market (Bowles, 2012). Lastly, I propose that we investigate the information further to ascertain if the figures are correct. If the company meets our requirements, then we can go ahead and acquire it.

References

Bowles, J. (2012). Mergers and Acquisitions. *The Encyclopedia of Human Resource Management: Short Entries*, 270-274.