

Cooper industry, h.k.
porter company and
vln corporation



**ASSIGN
BUSTER**

Corporation are entangled in a battle over the takeover of Nicholson File Company. Both H. K. Porter Company and VLN Corporation have already made their offers to the Nicholson File Company shareholders and now the management of Cooper Industry have to decide whether to jump into the fray for the control of Nicholson File Company or not. The major issues faced by the management of Cooper Industry are as following: 1 . Is Nicholson File Company an attractive acquisition target for Cooper Industries?

Specifically, what synergies can be created by merging these firms, and in what other aspects is Nicholson an attractive target? In what respect, if any, is Nicholson not an attractive target? Overall, is there sufficient strategic fit to justify pursuing this acquisition? 2. What sort of integration issues is Cooper Industry likely to face if it is successful in acquiring Nicholson? What should Cooper's management do to facilitate successful integration? 3. What should be the range of prices Cooper Industries should be willing to pay for each share of Nicholson's stock, in case it wants to acquire the firm?

Strategic Analysis – how does Nicholson fit into Cooper's acquisition strategy
Cooper could become a major factor in the hand tools business given its expertise in manufacture of machine tools. Moreover, one of the main problems that Cooper faces currently is a large cyclicality in its business, characteristic of the heavy machine tool industry, but more pronounced because of its dependence on Oil and Gas industries. These industries are heavily correlated with the state of the economy.

So when there is a slowdown, Cooper would be one of the first companies to go down something that they would want to avoid through diversification by way of acquisitions. The hand tools business is a lot less cyclical and cash flows are likely to be less lumpy. This fits in with Cooper's requirement of smoothing its income flows. The hand tools industry has a broad focus ranging from files to saws and hammers – mostly small ticket items. This ensures that Nicholson does not depend on any particular customer/industry for its revenues, as is the case with Cooper.

Nicholson is the market leader in files and rasps and ranks 4th in handsaws and saw blades. Thus it very much fits into Cooper's strategy of acquiring only leading companies. The Nicholson acquisition would come on the heels of 3 previous acquisitions, all in the hand tools business, showing definite intent on the part of Cooper to move into this line. Nicholson would provide a wider range to Cooper's current hand tools portfolio. The idea was to build a comprehensive hand tools company that could share the common distribution channels as the parent company, thus improving returns.

As per its outlined strategic policy Cooper should look at Nicholson as a favorable acquisition target. Improvements in Nicholson's operations as a result of the acquisition Cooper believes that some of Nicholson's product lines are not profitable, a case which is very common in family run businesses. Cooper's view is that if Nicholson focuses on its profitable product lines then it can reduce its inventory distribution network required for selling Nicholson's products are the same as those maintained by Cooper for its acquired hand tools businesses.