

# [Mergers and acquisitions analysis for stanley works, inc](https://assignbuster.com/mergers-and-acquisitions-analysis-for-stanley-works-inc/)

The Stanley Works, Inc, a worldwide supplier of quality tools and engineered solutions for industrial, construction and do-it-yourself use, and security solutions for commercial applications, and The Black & Decker Corporation, a global manufacturer and marketer of quality power tools and accessories, hardware and home improvement products, and technology-based fastening systems On November 2, 2009, the boards of directors of The Stanley Works, Inc. and Black & Decker Corp. agreed to a merger in which The Stanley Works would combine with Black & Decker through an exchange of stock giving Black & Decker’s shareholders a 21. 2 % premium.

Stanley would pay $3. 6 billion in its stock (valued at Stanley’s pre-announcement price of $45. 23/share) for all of Black & Decker’s stock. The merger would leave Stanley shareholders with 50. 5% of the stock in the combined enterprise. Black & Decker shareholders would receive 49. 5% of the stock of the combined enterprise. John F. Lundgren, age 57, the CEO of Stanley since 2004 would become CEO of the combined company while Nolan Archibald, age 66, and CEO of Black & Decker since 1986 would become executive chairman of the combined company. Background

The Stanley Works was a hand tool company founded in 1843 and headquartered in New Britain, Connecticut. Black & Decker was a power tool company established in 1910 and headquartered in Towson, Maryland. Since the companies operated in similar lines of business, they had periodically discussed a strategic combination. Merger discussions had occurred in the early 1980s, the late 1980s and again in the early 1990s. These talks “ typically stalled over who would be in charge. ” The Transaction Economics Cost savings associated with the combination were a strong motivating factor in the proposed merger.

The combined company was expected to save $350 million annually. The transaction was “… expected to result in nearly 4, 000 layoffs from a global workforce of 38, 000. ” 2 This level of savings would be achieved over three years at a cumulative one-time restructuring cost of $400 million (Exhibit 1). Stanley’s GAAP earnings per share (once the full savings were realized at the end of year three) were expected to reach $5. 00, an increase of $1. 00 per share versus the EPS projection of Stanley without the merger.

For other Black & Decker executive they will be insecured for their job. However, they will received the compensation such as 3 years pay of severance, 3 years benefits, gross-up of the income tax with total of $92. 3 million, other long term incentive plan amount to 13. 2 million and stock option with total $41. 7 million and lastly for senior employee will received retirement plan amounted to $22. 7 million. There are two thing will be concern from governor of Maryland, the first one is when Company merger usually they will move headquarter to the place where the major shareholder control that particular Company.

For this cases, headquarter for power tools remain in Towson (Maryland). The other concern is related to cost synergy, for cost synergy the Company will lay off their employee and will lead to increase in the unemployment rate in that state. What issues of corporate governance and social policy are raised by the stanley Black & Decker merger? For merger and acquisition the social issues arise are name of combined entity, the location for its headquarters, composition of board director and who will lead the combined entity.

These social issue already solved by the Company that the name of combine entity will using both of the previous name entity, the location will be the same with previous location and people that lead the Company will be John F. Lundgren (CEO of Stanley) as CEO and Nolan Archibald (CEO of Black & Decker) as executive chairman. The excessive compensation to the ceo of black & decker Archibald in post merger can bring up a question to whether he had negotiated the merger with his own interest in mind or that of black decker’s shareholder.

Lastly, Corporate governance refers to the top management process that manages and mediates value creation for, and value transference among, various corporate. The Black & Decker Company culture may different with Stanley Company culture. If you were a shareholder of Stanley would you vote in favor of this transaction? would you vote in favor of the compensation arrangements? would you vote to re-elect the directors at the next annual meeting? As a shareholder of Stanley, I will vote for this transaction due to the Company will benefit for the merger for the incremental of stock price and the synergy created.

For the compensation it is better to use the stock purchase option. So, the board of Director will received benefit when the stock price increase and causes them to work for the Company interest. For the re-elect of the directors I will reduce the number of redundant level such as CFO (Chief Finance Officer), Legal Director. As a shareholder of Stanley, we will vote for this transaction due to teh Company will benefit for the merger for the incremental of stock price and the synergy created.