

3 Mergers and integrations

a Work out what the words are in bold. (Many of them are in the word bank.)

Mergers and integrations

CMPNS wishing to expand can do so by **PLGHNG** back the **PRFTS** into the business. This type of **RGNC GRWTH** tends to be slow. A faster but riskier way to grow is through mergers and **CQSTNS**. In the case of a merger, two companies **CMBN** as **QLS** and by **MTL GRMNT**. The companies lose their **SPRT** identities and form a completely new company. Nowadays, the term refers to any **CMBNTN** where one company is completely **BSRBD** by another.

There are different types of integration depending on where the companies are in the **DSTRBTN CHN**.

- **HRZNTL** integration: Merging of businesses at the same stage of production, e.g. two supermarkets
- **LTRL** integration: Merging of related but different businesses.
- **VRTCL** integration. Merging of businesses at different stages of production. In **FRWRD** integration, a supplier acquires a customer. In **BCKWRD** integration, a customer acquires a supplier.
- **CNGLMRT** integration. Merging of organisations that operate in different industries or lines of business.
- **RVRS** merger: a **PRVT** company becomes a **PBLC** company by being **BSRBD** into a 'shell company', to avoid the time and **XPNS** of an IPO.

In an **CQSTN** (or **TKVR**) one company buys more than 50% of the **SHRS** in another from its existing

SHRHLDRS and thereby gains a **CNTRLLNG NTRST**. This may be an agreed **BD** or it may be a **HSTL TKVR**, involving the company buying the **MJRITY** of the **SHRS** in its **TRGT CQSTN**. **SHRHLDRS** can accept or **RJCT** the **BD**, and the **TRGT** company can also protect itself with a **PSN PLL** – a tactic intended to make a **HSTL TKVR** prohibitively **XPNSV**. The **TRGT** **CMPNY** can also be rescued from a **HSTL TKVR** by a **WHT KNIGHT**, a 'friendly' **PRSN** or company that buys the firm.

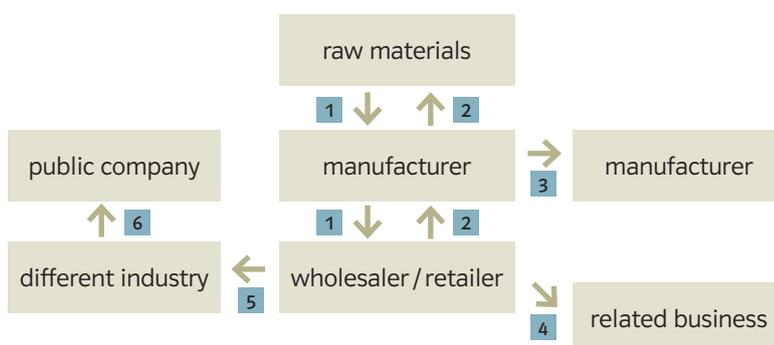
In a **DWN RD**, a firm buys a substantial **MNT** of **SHRS** in the **TRGT CQSTN** first thing in the morning when the **STCK MRKT** opens. This is **CHPR** than if it made a formal **HSTL TKVR**.

In **LVRGD BY-T** (LBO), a company is bought using a loan borrowed against its **SSTS**. A **MNGMNT BY-T** (MBO) happens when a company's top **XCTVS** buy a company they work for. If they buy into the ownership of another company, this is known as a **MNGMNT BY-N** (MBI).

An **LLNC** is simply an **GRMNT** between two companies to work together. If they have **NVSTD** together, this is known as a **JNT VNTR**.

Mergers can result in one company **DMNTNG** the market. Laws against **MNPLS**, (in the US known as **NT-TRST LGSLTN**) restrict activity that would inhibit **CMPTTN**.

b Put in the numbers corresponding to the diagram. Add examples, e.g. 'farm' for raw materials.



- conglomerate
- lateral
- 2 backward vertical
- forward vertical
- reverse merger
- horizontal

c Describe a recent merger or acquisition that has hit the headlines, or the value chain in the automobile industry.