

## Article: 'Pigs Will Fly'

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On May 29th 2013 Shuanghui International, a giant Chinese meat company, announced an offer to wholly purchase Smithfield Foods for \$4.7 billion (\$7.2 billion including debt). This deal would mark the biggest Chinese takeover of an American company and further strengthens China's mission to acquire overseas assets. Shuanghui International has agreed to pay \$34 per share to purchase the stock from Smithfield Foods shareholders.



### Types of Mergers

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## Shuanghui Acquisition of Smithfield Foods

An aspect of corporate finance and management dealing with the buying/selling, dividing and combining of different companies or similar entities that can help an enterprise grow rapidly in its sector or location of origin or a new field.

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### Conclusion

With the proposed merger appearing likely Shuanghui International will capture its business and market reach through this acquisition thus hopefully attaining all the synergies it attaches to the project and justifying the acquisition premium paid.



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### Types of Takeovers

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- Reasons for M&A
- Takeover process
- Takeover defenses
- Who benefits from it?

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# Types of Mergers

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-Horizontal Mergers  
Same industries

-Vertical Mergers  
Same industries but make  
products required at different  
stages of the production cycle

-Conglomerate Merger  
Unrelated industries



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Market reaction to takeover



# Market reaction to takeover

## What is an Acquisition Premium?



It is the percentage difference between the acquisition price and the pre-merger price of the target firm.

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Smithfield Foods : stock price increased from \$25.97 to \$33.35  
= Up 28.84%.

### Creating Synergies

#### Reasons to Acquire:

- Economies of scale and scope
- Vertical integration
- Expertise
- Monopoly gains
- Efficiency gains





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Smithfield Foods : stock price  
increased from \$25.97 to \$33.35  
= Up 28.84%.

Shuanghui Internationals stock price:  
increased from \$38.85 to \$39.42  
= Up 1.47%