

The New Merck: Beating The Odds (B)

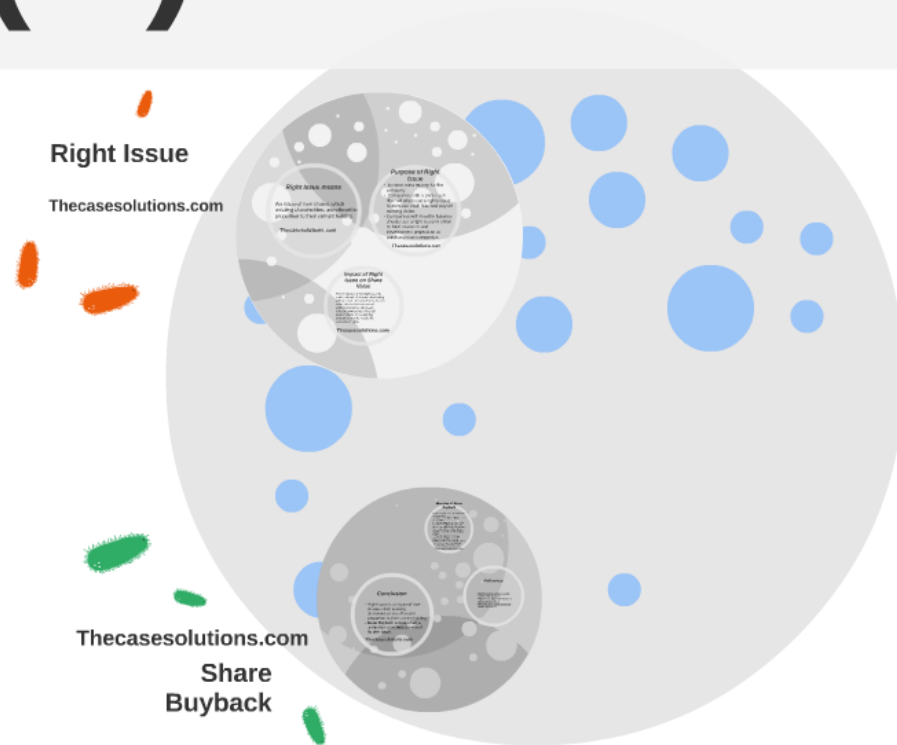
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Right Issue

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Share
Buyback



By :
Steffano Adrian 1701321115
Tika Latifani Mulya 1701326873

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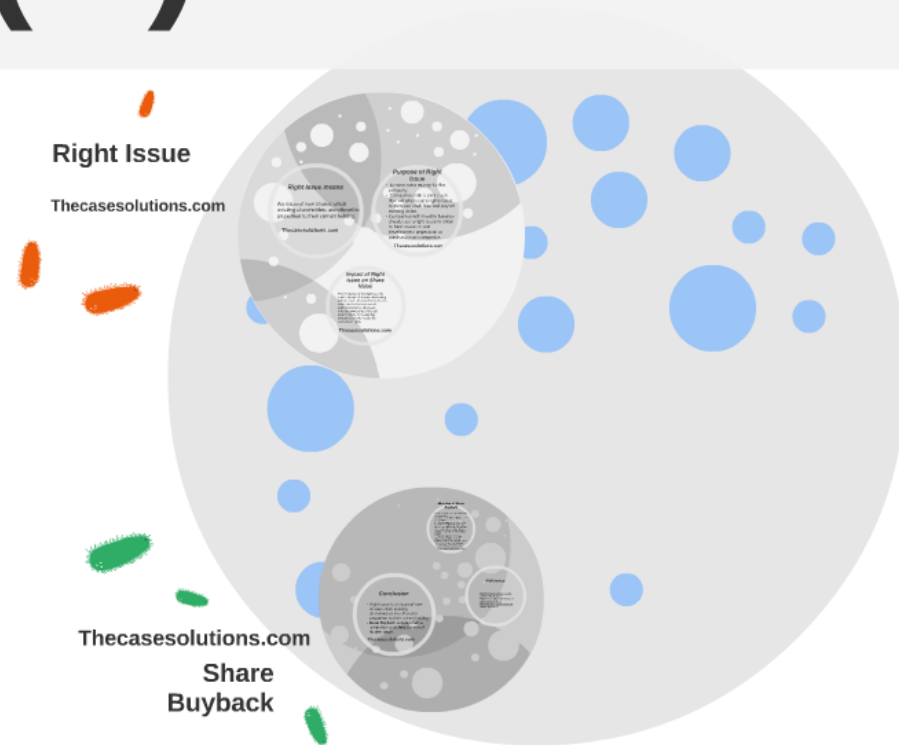
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Right Issue

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Right issue means

An issue of new shares which existing shareholders are offered in proportion to their current holding.

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Purpose of Right Issue

- to raise extra money for the company.
- Companies with a poor cash flow will often use a rights issue to increase cash flow and pay off existing debts.
- Companies with healthy balance sheets use a right issue in order to fund research and development projects or to purchase new companies.

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Impact of Right Issue on Share Value

The existence of the right issue to make number of shares outstanding will increase. the consequences of a policy due to the issuance of additional shares right issue affecting ownership of the old shareholders. If the existing shareholders do not do the conversion rights.

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Share Buyback

Meaning of Share Buyback

When a company repurchases some of its own stock, it can be accomplished through one of two ways:

1. The company can tender an offer to existing stockholders. A tender offer invites shareholders to sell their stock, generally at a price above the market price, within a certain period of time.
2. The company can purchase shares of its stock in the open market, similar to the way individuals would. In this case, the company would simply pay market price.

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Conclusion

- Right issue is an issue of new shares which existing shareholders are offered in proportion to their current holding
- Issue Buyback occurs when a company repurchases some of its own stock.

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Reference

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- <http://www.sharebuyback.com/market-issue-of-shares>
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