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SZLN: Acquiring PEM

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1-Introduction

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What are mergers and acquisition?

- (M&A) is a term describes the acquiring or merging of two companies into one legal identity(Araci ,F and K: 2002)
- Result in
  - Economics of scale
  - Cost of reduction
  - Expanding operations

- In case of acquisition one party losses control and the other exclusively controls it.
- In case of merger, both managements form a new entity (Ismail, Abdou and Annis: 2011)

Process of Mergers and Acquisition

The 3 stages of mergers and acquisitions:

1- Pre-merger and acquisition: The first stage is where all the screening and selection of candidates takes place.

2- Due diligence: usually involves negotiations and planning for the merger or acquisition.

3- Post merger and acquisition process: is the integration process begins to introduce the newly combined firm (Vazirani, 2013).

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2- Mergers and Acquisitions in Firms

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A) Definition and overview

- In business there is one simple rule: grow or die. Firms or companies who are growing tend to make profits, take away market shares from competitors and deliver returns to shareholders. On the other hand those who do not grow will lose market shares, customers and shareholders
- Mergers and acquisitions play an important role in any economy. When you start a company in the beginning you have two options either to sell it and make wealth or to continue and take the risk in joining the large competition (Ceausescu A. 2008)

Yahoo and Facebook

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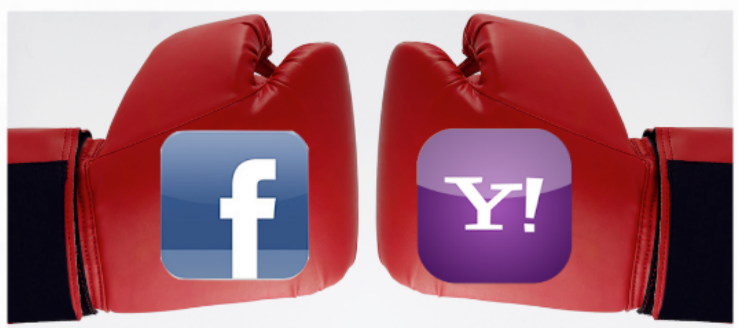
- Like the case of Yahoo and Facebook back in 2006 when Yahoo tried to buy Facebook with an offer around 1 billion $ but Mark Zuckerberg thought that it is worth taking a risk and now Facebook is worth a lot than 1 Billion $.



B) Types

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1-Vertical Merging

Vertical merging or acquisition refers to firms buying their customers or suppliers. Vertical merging means targeting companies that produce other parts of the same product or working on another level of production, that's why it's called vertical (Flynn S. 2014). Example car company and tire Company.