Register No.: .... Name.: ....

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

FOURTH SEMESTER MBA DEGREE EXAMINATION (R), MAY 2024

(2021 Scheme)

Course Code : 21MBA248

Course Name: Corporate Restructuring, Mergers and Acquisitions

Max. Marks : 60 **Duration: 3 Hours**

PART A

(Answer all questions. Each question carries 2 marks)

1. List down the reasons for share buyback
2. Explain any two theories of M&A
3. What is a takeover?
4. How is goodwill treated in the event of a M&A?
5. What is swap ratio?

PART B

(Answer any 3 questions. Each question carries 10 marks)

6. Identify the various takeover defenses available for a given target firm.
7. Examine the various provisions of SEBI Takeover Code 2013 in the context of M&A in India
8. Compare and contrast spin-off, split-offs and split ups with suitable examples.
9. Identify the various techniques used in valuing a company in the event of a M&A.
10. Explain the various steps involved in M&A process.

PART C

(Compulsory question, the question carries 20 marks)

11. The rapid growth in the U.S. market by end of 2015, propelled American companies to ever increasing market share positions. In particular, Medilyf Ltd. moved from 14th in terms of market share in 2010 to the top spot in 2015. With the acquisition of Perfectdose in 2018, Medilyf's global market share increased by three percentage points to 11%. The top ten drug firms controlled more than 50 percent of the global market, up from 22 percent in 2010.

Medilyf is betting that size is what matters in the new millennium. As the market leader, Medilyf was finding it increasingly difficult to sustain the double-digit earnings growth demanded by investors. Such growth meant the firm needed to grow revenue by $3-$5 billion annually while maintaining or improving profit margins. This became more difficult due to the skyrocketing costs of developing and commercializing new drugs. Expiring patents on a number of so-called blockbuster drugs (i.e., those with potential annual sales of more than $1 billion) intensified pressure to bring new drugs to market.

Medilyf and Perfectdose knew each other well. They had been in a partnership since 2008 to market the world's leading arthritis medicine and the 7th largest selling drug globally in terms of annual sales in Celebrex. The companies were continuing the partnership with 2nd generation drugs such as Bextra launched in the spring of 2018. For Perfectdose's management, the potential for combining with Medilyf represented a way for Perfectdose and its shareholders to participate in the biggest and fastest growing company in the industry, a firm more capable of bringing more products to market than any other.

The deal offered substantial cost savings, immediate access to new products and markets, and access to a number of potentially new blockbuster drugs. Projected cost savings are $1.4 billion in 2019, $2.2 billion in 2020, and $2.5 billion in 2021 and thereafter. Moreover, Medilyf gained access to four more drug lines with annual revenue of more than $1 billion each, whose patents extend through 2025. That gives Medilyf, a portfolio, including its own, of 12 blockbuster drugs. The deal also enabled Medilyf to enter three new markets, cancer treatment, ophthalmology, and endocrinology. Medilyf expects to spend $5.3 billion on R&D in 2018. Adding Perfectdose's $2.2 billion brings combined company spending to $7.5 billion annually. With an enlarged research and development budget Medilyf hopes to discover and develop more new drugs faster than its competitors.

On July 15, 2018, the two firms jointly announced they had agreed that Medilyf would exchange 1.4 shares of its stock for each outstanding share of Perfectdose stock or $45 a share based on the announcement date closing price of Medilyf stock. The total value of the transaction on the announcement was $60 billion. The offer price represented a 38% premium over Perfectdose's closing stock price of $32.59 on the announcement date. Medilyf's shareholders would own 77% of the combined firms and Pharmcia's shareholders 23%. The market punished Medilyf, sending its shares down \$3.42 or 11% to \$28.78 on the announcement date. Meanwhile, Perfectdose's shares climbed \$6.66 or 20% to \$39.25.

(a). In your judgment, what were the primary motivations for Medilyf wanting to acquire Perfectdose? (10 marks)

(b). Why do you think Medilyf's stock initially fell and Perfectdose's increased? (4 marks)

(c). In your opinion, is this transaction likely to succeed or fail to meet investor expectations? Explain your answer. (6 marks)

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