

# LESSON 7

## MERGERS AND ACQUISITIONS

### ● KEY POINT BANKING AND FINANCIAL TRANSACTIONS

Have you ever worked for a company that has gone through a merger?

How can we be impacted by these situations?

Who benefits?

What is the best way to deal with these business events?

What can you do to prevent problems in these cases?

**G**lobalization has been having a profound impact on profitability of companies. The logical solution for making companies more profitable is to merge with other organizations and to cut all doubled activities. This can result in a lot of layoffs and these mega mergers can result in a lot of people getting the pink slip. This is threatening many employees. Here is a report.



**Objectives** To communicate in financial terms.

**Time** 60 Minutes

**Vocabulary** Banking and financial vocabulary.

**Key Points** The consequence of mergers and acquisitions.

**Grammar** Although/though/even though/in spite of / despite

**Review** Previous Chapter

### ● VOCABULARY AND EXPRESSION BUILDERS

#### Vocabulary

**Online shopping** To shop on the internet.

She shops online at eBay.

**A case in point** The issue to be discussed.

The case in point at the meeting was the poor performance of the company.

**Caught in the middle** To be between two disputing parties.

The staff working for the company was caught in the middle of the problem.

**Crossfire** To be between two fighting groups.

The crossfire between the team members was awful.

**Online** To be connected to the internet.

The online activities in the office are significant.

**Financial transactions** The activity of moving money.

The company operates all of the financial transaction of the company.

**Mega merger** A large grouping of two companies.

There was a mega merger at the company.

**Helm** To be in control.

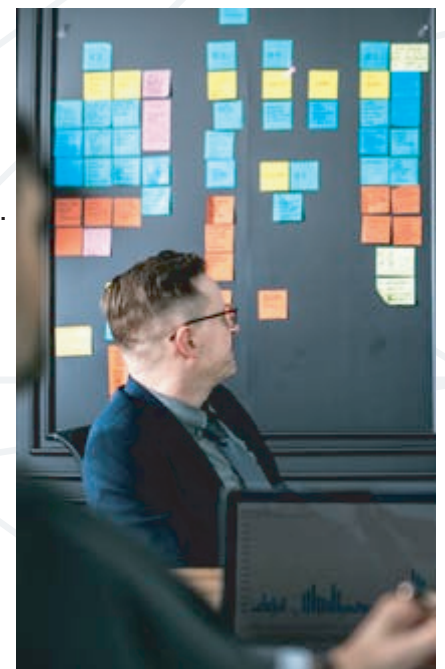
He is at the helm of the group.

**Laid off** To be made redundant from a job.

He got laid off after his lack of his performance.

**Consequence** The result

The consequence of the situation is that he will leave.



## VOCABULARY AND EXPRESSION BUILDERS

**Threatened** To say you will leave.

He threatened to leave after the mismanagement of the situation.

**Strengthening** To make tough.

They strengthened their position by increasing their cash reserves.

**Profound Significant.**

The merger had a profound impact on the company.

**Streamlining** To make more efficient.

They streamlined the process.

**Ebay is an online shopping portal.**

**All financial transactions pass through the net.**

**The mega merger will help in the elimination of the competition.**

**The new CEO at the helm will produce strong results.**

**The employees felt threatened and thought they would get laid off.**



## COMPREHENSION BUILDERS

### An executive group

#### Recent Mega Acquisitions.

In 2007 EBay purchased the communication company Skype for \$2.6 billion and depending on the profitability of the company the transaction could take on a value as much as \$4 billion. During the first weeks of this year Skype was adding 265,000 new users a month. Business seems good. Is it a risk for the online shopping success story to diversify from shopping to communications? Or is it not? Ebay also purchased Paypal. Paypal is an online financial transaction service site. It is kind of like a bank. The objective is to create an e-commerce and communication solution adding up to powerful communication on the net.

What happens during these mega mergers? There are several points of view concerning this subject. First of all the founders of Skype will stay at the helm of the company so there will not be too many changes. Employees at both companies can be confident that things will go well.

On the other hand, this not always the case. A case in point. The Canadian aluminum producer Alcan recently purchased the French equivalent Pechiney for several billion dollars making them the largest aluminum producer in the world.

The acquisition was more painful. The Canadians laid off almost the entire executive and shut down three factories. For many of the execs caught in the middle of the cross fire it meant the pink slip. This was also true for the factory workers. The Pechiney shareholders will benefit in the deal.

## COMPREHENSION BUILDERS

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This brings up the question of the consequences of these situations. Who benefits and who doesn't. The biggest winners are the shareholders. The losers are the employees made redundant. But before passing judgment, consider the impact on the economy and perhaps many jobs of an inefficient industry. Economies change and the efficiency of economies is perhaps the best monitor of changing times.

Frank Jones  
Financial Times

## QUESTIONS

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1. Recently eBay purchased \_\_\_\_\_.
  - a. Skype
  - b. Skype and Paypal
  - c. Pechiney
2. Alcan recently purchased \_\_\_\_\_.
  - a. Pechiney
  - b. Paypal
  - c. eBay
3. Who are the biggest winners in these mergers?
  - a. The employees.
  - b. The company.
  - c. The shareholders.
4. These mergers and acquisitions can make the economy \_\_\_\_\_.
  - a. less robust
  - b. more competitive
  - c. collapse

## PART TWO

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### A consultant's report (From McKinsey Consulting) Consequence of Mergers

The Dixel Company is a computer hardware distribution company based in Portland, Oregon in the USA. They made \$25 million last year distributing computer parts throughout the northwest. They employ 120 people in their offices and distribution warehouse.

## PART TWO

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A day in the life of Margot Rowe

Through their online purchasing activities, Dexel has been experiencing exceptional growth in the last few years but they are now threatened by a competitor in the area.

To outmaneuver the competition, they have decided to expand their activity by merging with a company in the southeast of the United States or more specifically in Jacksonville Florida. This will give them a larger presence and better protection against the threat. This way they will better serve the east coast and the southern states of Texas, Georgia, and North and South Carolina. Another advantage of the merger is the ability to reduce costs by streamlining logistics activities and by giving the group a stronger position in supplier negotiations.

The amalgamation will have a profound effect on the structure of the company. Several of the staff members have been concerned and have approached their managers to find out how this will affect their positions in the company.

It has been a very difficult task to decide on how they are to redistribute the resources and who will be doing what. This has brought up questions from the staff mostly concerning the new structure.

The executive staff has met to decide on this very point. As one might expect, there are several positions that are being made redundant including positions in marketing, purchasing, logistics and HR. Two senior executives will also be asked to leave.

These are difficult decisions to make but it will also protect the other 120 positions and more with the merger.

Peter Longhorn Senior Consultant  
(McKinsey Consulting)

1. The Dexel Company is a \_\_\_\_\_.  
a supplier  
b manufacturer  
c service company
2. The company has decided to \_\_\_\_\_ with another group to develop its market.  
a spin off  
b merge  
c acquire
3. The merger has raised a few questions with staff because \_\_\_\_\_.  
a they want to buy stocks  
b they want to move to the east coast  
c they are concerned with their jobs
4. The executive staff has met to \_\_\_\_\_.  
a evaluate their stock options  
b discuss the new structure  
c fire people

## GRAMMAR ALTHOUGH/THOUGH/EVEN THOUGH/IN SPIE OF /DESPITE

Although/though/even though/in spite of / despite

After although use a subject + verb

Sometimes we use though instead of although

Even though is a stronger form of though

After in spite of or despite use a noun or pronoun.

In spite of and despite are the same.

Examples

Although they were discussing layoffs he knew he would not be fired.

Even though he was caught in the middle he did not care.

In spite of the mega merger he remained at the helm.

Despite his effort, he failed.

Complete the sentences using though, although, even though, in spite, despite

1. \_\_\_\_\_ we left late we arrived on time.

Even though, In spite, Despite

2. \_\_\_\_\_ not getting the raise he stayed at the company.

Although, In spite, Despite

3. \_\_\_\_\_ they went to the meeting they did not understand the issue.

Even though, In spite, Despite

4. \_\_\_\_\_ we need to expand our marketing we do not have the funds.

Though, In spite, Despite

5. We went to the trade show \_\_\_\_\_ the cost.

though, although despite

6. We were having financial problems \_\_\_\_\_ our revenue was increasing.

although in spite, despite

7. \_\_\_\_\_ the weather, our plane took off from Madrid on time.

Even though, In spite, Despite

8. The project failed \_\_\_\_\_ of our great efforts.

although, even though, in spite

9. \_\_\_\_\_ we needed help, we did not ask.

In spite, Despite, Though

10. \_\_\_\_\_ our success, we did not get a raise.

Although, Even though, In spite of