

Supplementary Exercises for

Chapter 13

M & A: Companies Shopped – Now They've Dropped

I. Questions on the text:

1. Why did those companies that financed mergers and acquisition through borrowed money fare worse than other companies?
2. What impact did the bankruptcy of Eron have on the fate of the companies undertaking M&A?
3. What is the author's attitude towards the spree of M&A in the 1990s?

II. Read the following text and choose the best sentence from 1 to 6 below to fill in each of the gaps in the text.

Why should companies choose to merge? For the first time in history, acquisitions have surpassed IPOs not only in dollar value, but in number completed. For many companies, the erratic nature of the IPO market is far too risky. 1) _____

For the buyer, with the market changing so rapidly, product development has become a luxury that is not always a viable option. 2) _____ Buyers are more than willing to pay premium prices to gain market entry for a product that extends or diversifies their product line. Acquisitions can also expand customer bases, providing a more solid overall corporate business base.

One of the greatest challenges for startup companies is having capital when you need it. While an IPO initially may seem to generate large amounts of cash, the founders, who have often mortgaged all they have to get off the ground, cannot count on an IPO for providing personal capital resources.

3) _____ Of the 724 technology companies that went public in 1992 or later and remained independent, 58 percent were trading at less than their IPO price six years later. With an acquisition, however, part of the negotiation can include at least partial liquidity at the time of transfer.

4) _____ They can consume an incredible amount of time and money, legal and tax complications, and problems with mixing corporate cultures. 5) _____ Interestingly, this percent has remained relatively stable over the past 40 years in spite of the growth of mergers as a viable option for businesses.

For the corporate leadership, the whole process can be so overwhelming that the business deteriorates. Stories abound about founders being dismissed and employees let go after the completion of the deal, corporate cultures failing to mix, and markets not responding as expected.

6) _____

- A. Mergers are not without their downsides.
- B. Being acquired is often a lucrative long-term growth strategy for a small business.
- C. M&A has essentially become an efficient means to enter a new market.
- D. The stress of putting this together in a viable manner can take its toll on everyone from the founder on down.
- E. Not only is there a personal lockup time, but many IPOs experience a drop in price after the early rush.
- F. It has been estimated that fully 50 percent never achieve the initial financial and market goals projected.

III. E-C Translation:

1. During the go-go 1990s, WorldCom's Bernard J. Ebbers and Tyco International's L. Dennis Kozlowski were the heroes of a new breed of growth-driven CEOs. Unlike other chief executives who viewed mergers as a complement to their core businesses, this new generation viewed dealmaking as the cornerstone itself and the basis for maintaining heady growth rates. And while other CEOs might view a rising stock price as a nice reward for their labor, to executives like Ebbers and Kozlowski, keeping the stock price high was critical to their formula because it gave them the currency to keep their spending sprees going.

2. But for many of the go-go dealmakers, the future is more grim. They are facing, at best, slow growth and, at worst, the need to strip away at their empires to service their crushing debt loads. Even in once-hot Silicon Valley, where companies such as Cisco Systems, JDS Uniphase, and Ariba used their stratospheric stock prices as a convenient currency to buy the revenues of other companies, many are finding they can no longer use mergers to fuel easy growth.

IV. Key to Exercises

1. Exercise II

1 B 2 C 3 E 4 A 5 F 6 D

2. Exercise III

1. 在投机盛行的 20 世纪 90 年代，世界通讯公司的伯纳特·J·艾伯和泰科国际公司的 L·丹尼斯·科兹罗夫斯基，成了追求增长的新一代总裁中的英雄。这一新生代不同于其他的首席执行官，仅仅把并购视为公司核心业务的补充，恰恰相反，他们把并购交易本生视为基石，视为维持公司迅猛扩张的基础。股票价格的上涨，在其他总裁看来，只是他们辛苦努力的优厚回报，而对于像艾伯与科兹罗夫斯基这类公司领导者而言，保持公司股票的高价位在他们的经营策略中是至关重要的，因为股票高价位才能使他们获得资金来维持并购狂潮。
2. 但对于很多乐于冒险而作并购交易的公司来说，前景颇为暗淡。他们所面临的最好结局是缓慢增长，最坏的结局则是为了偿还巨大的债务及利息不得不眼巴巴看着自己一手创建的帝国分崩离析。甚至在那一度红火的硅谷，如思科系统公司，光缆公司 JDSU，和软件公司 Ariba 等，曾几何时，它们用自己的高的离谱的股票当作现金购买其他公司的营业额，以扩大规模，现在却发现他们再也不能利用兼并的办法来轻而易举地扩张了。