A

Accretion

An increase in the value of the per share post the additional issue of shares.

Acquisition

The process of one company taking control of the management and financial interests of another company.

Amalgamation

The process of two or more separate companies joining together to form one big company to generate more profits by pooling their resources together.

Asset Deal

It is the deal under which the acquiring company purchases only the target company's assets and not its shares.

B

Backward integration

The process of acquiring a company that produces the raw material or the ancillary products for the goods manufactured by the acquirer company. It ensures an uninterrupted supply of raw materials and components at fair prices.

Book value

The value of the assets and liabilities at which they are recorded in the books of accounts.

Bootstrap acquisition

Refers to the strategy in which the target company, to avoid a hostile takeover, exchanges part of its assets for dissident shareholders' shares. Later, the target company gets acquired by a friendly acquirer at a price less than what it would have paid otherwise.

Black knight

A takeover bidder that is not welcomed usually during a hostile takeover.

C

Cash consideration

The portion of the total consideration paid to the target company by the acquirer company in the form of cash.

Conglomerate

The combination of two or more companies that are in totally unrelated businesses.

Creeping takeover

It is a process where a company slowly acquires the controlling interest in another company by buying its shares in small lots over a period of time. Few shares in small quantities make a large number of shares in total.

Crown jewel defense

The target company sells its most precious assets to avoid an unwanted hostile takeover. The company then has sufficient money to prevent the other company from acquiring it.

D

Debt issuance fees

The underwriting commission or the fees charged by banks to grant debt or finance to the company.

Dilution

A decrease in the value of shares after the issue of shares or any other financial transaction.

Dissenting shareholders

A shareholder or a group of shareholders who do not consent to the corporation's acquisition, merger, or recapitalization.

E

Economies of scale

When two or more companies merge, they can remove departments that have similar or repetitive functions. This decreases fixed costs and increases profit.

Economies of scope

The gain in a company's resource in specialization, skill, or technology resulting from a merger.

F

Fair value adjustment

The adjustment made to arrive at the net book value of assets.

Flip in

The target company's shareholders purchase more shares of the company's stock at a discounted price. This whole process dilutes the total number of the stock, thus they become more expensive for the potential acquirer to buy more than 50% of the voting rights in the potential target company, and the company does not gain a controlling interest. Thereby the takeover can be avoided.

Flip over

The target company's shareholders are offered to buy shares of the acquirer company at a discounted price after the merger. Under this strategy, the target company is counterattacking the acquiring company by diluting the acquirer's stock.

Forward integration

A process by which a company acquires another company manufacturing the finished goods for the raw material the former company makes.

Friendly takeover

The takeover plan accepted and approved by the board of directors and the company's management. They recommend the takeover positively to the shareholders.

G

Goodwill

The excess paid over the target company's net share price or the net identifiable assets after the fair value adjustments.

Greenmail

An investor acquires a major percentage of shares of another entity intending to sell them at a higher price to another investor or back to the same company for a similar rate of profit. The acquirer company makes such an offer that the target company's management finds it hard to refuse.

H

Holding company

A company that has more than 50 % shares or voting rights in another company and is practically governing the subsidiary company.

Hostile takeover

A takeover that is unwelcome or is not approved by the board of directors or the target company's management is called the hostile takeover for the target company. It is made at a price that is unfavorable for the target firm. The board of directors and management find it difficult to recommend the takeover to the shareholders.

Horizontal integration

Two or more companies that are in the same industry merging together.

I

Identifiable assets

All tangible and intangible assets that can be recognized and assigned a fair value. The person with overall responsibility for the investment decisions in the fund is the investment manager. They may also be called the portfolio manager or fund manager.

Intrinsic value

The estimation of the business entity's total value based on discounting the cash flow of the entity expected in the future. It is often calculated on a per-share basis.

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L

Lobster trap

The act of restricting individuals who are holding large amounts of convertible securities from converting to shares. This ensures that no single person holds 10% or more of the target company's total shares. There is no threat to the voting rights or the decision-maker power of the management.

M

Minority interest

Refers to the shareholders' ownership or interest rights who have less than 50% of the company's shares and voting rights. They do not have a controlling influence in the company.

Megabid

The very large takeover bid offered to the target company.

Merger

It is the process in which two or more companies join together to form one unit to increase the rate of earning profits.

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O

Offer Price

The acquirer company's price to the target company's shareholder for each share. It is calculated based on the fair value of the shares or intrinsic value or the assets and liabilities' net asset value, usually taking into account the goodwill.

P

Parent company

A company that has or gains controlling interest in another company (known as the subsidiary company). The controlling interest is achieved by acquiring the majority of voting shares in the subsidiary company.

Pac Man defense

This strategy involves the target company in a hostile takeover, making efforts to obtain controlling shares of more than 50% shares of the acquirer company.

Poison Pill

Any measure of defense adopted by the acquirer company to discourage the acquirer company from taking over the target company.

Poison put

The potential target company's strategy to allow bondholders to sell their bonds back at a premium to make the hostile takeover a bit costlier to the potential acquirer company.

Purchase price

The price the investor pays to purchase the investment. The is the cost for the investment.

Purchase price allocation

The breakdown of the total purchase price between the net identified assets and the goodwill to the target company.

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R

Raider

A takeover individual or corporate body buys a controlling interest in a particular target company, runs it by appointing a new management team, and framing new policies.

Restructuring charges

Fees or charges related to early repayment of the debt that is taken for restructuring for the business entity.

Revenue Enhancements

The expected increase in a company's sales revenue due to cross-selling, up-selling, pricing changes, or any other factor.

Reverse takeover

Is a takeover in which a smaller company takes over a larger company, or a private company takes over a public company.

Sandbagging

It is a strategy of the potential target company to avoid a hostile takeover. The target company plays along with the hostile bid and idle away some time waiting for a white knight to appear not to have to undergo the takeover.

Scorched Earth Policy

The potential target company borrows money from a bank and other public financial institutions at a comparatively high interest rate to make the takeover hostile. This strategy works to avoid hostile takeovers but is very risky as the company comes under a considerable amount of debt.

Sensitivity analysis

A method of evaluation adopted to test how sensitive specific outputs of financial models are with respect to the changes in certain estimates in the financial factors.

Share exchange ratio

The ratio at which the shares are exchanged between the acquirer and the target company. It is calculated as Offer Price/Acquirer's share price.

Share issue discount

The amount paid lower than the market price for the issue of shares; this is used to calculate the number of shares the target company will receive.

Share / Stock deal

A deal under which the acquirer purchases all the target company's shares.

Shell company

A company registered established and floated as a front to evade taxes or finance future business operations. This often has no significant assets or financial activities or any business operations.

Show stopper

The potential target company starts litigation to thwart an attempt to stop the takeover.

Stock consideration

The portion of the purchase consideration paid in stock or shares of the acquirer to the target company.

Subsidiary company

A company that is mainly governed by the acquirer or the holding company but has its own brand and customer base.

Supermajority Amendment

This is a way adopted by the target company to fend off the hostile takeover. A requirement that a substantial percentage of shareholders approve all the major financial and non-financial decisions of the company.

T

Takeover

It refers to a company successfully purchasing another company.

Takeover premium

The percentage increase over and above the target company's current share price the offer price of the acquiring company represents.

Target company

The company that is being acquired by the acquiring company.

Tender offer

An acquiring company offers the target company shareholders a very attractive price to make a clean takeover.

Timings of the synergy

The time estimated by the companies to reap the benefits of the merger or any other financial transaction.

Toehold position

Acquiring less than 5% of shares in a company. This strategy allows the share acquiring company to hold a significant amount of equity shares that are small enough not to catch any regulatory processes. The company may gradually opt to purchase more shares to prepare for a possible future merger.

V

Vertical transaction

A company merging with another company that comes either in the backward or forward supply chain of the company.

W

White Knight Defense

A friendly takeover bidder that offers to pay more / higher than the Black Knight.

White squire Defense

This strategy is used to avoid a hostile takeover. An individual or a company acquires less than a controlling interest in the company, but that is sufficient to prevent an unwanted hostile takeover.

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