

Examen Strategic Financial Management Januari 2021

GONCHARENKO

12 vragen elk op 10 punten

1. 4 voordelen van M&A (growth, excess cap, skills tech, synergy,...)
2. 4 voorbeelden van underpricing (asymmetric information,...)
3. 2 nadelen long
4. Strategic 2 redenen (analyst recommendation, broaden ownership)
5. Verschil acquisition and takeover (geen)
6. Verschil stock vs asset acquisition
7. Oefening comparables
8. Facebook case
9. Grossman and hart aanduiden welke juist
10. Managerial incentives (myopic bij neg, work harder management..)
11. Empirical (combinex, mark-up, aantal SH)
12. ?

Roman Goncharenko (12 questions)

1. Difference between acquisition and takeover:
 - a. **No difference**
 - b. Acquisition is special type of takeover where the tender offer is accepted
 - c. Acquisition is special type of takeover where the tender offer is rejected
 - d. Acquisition differs because it becomes a separate entity
2. Explain difference between stock and asset acquisition

3. Give 2 reasons why IPO is not only external financing, but also a strategic decision
4. Give 4 reasons for M&A
5. Give 4 reasons (there are 7 in total) why IPOs are underpriced
6. Give 2 main issues with measuring long term stock performances
7. In Whatsapp acquisition by Facebook, DCF and CCA could be used to price Whatsapp. True or False, and explain. **FALSE**
8. Golden parachute makes acquisition easier, because firms are interested in buying firm with a lot of cash or something like that **TRUE**
9. Hartt Goldman: indicate *all* statements that are correct
 - a. **Blockholder**
 - b. **Dilution**
 - c. **Toehold**
 - d. Free riding problem because *multiple* raiders
10. Empirical evidence: indicate *all* statements that are correct
 - a. **Bidder has more negative return in stock acquisition**
 - b. Bidder has higher return if multiple bidders
 - c. Target has lower return if multiple bidders
 - d. Combined return is positive for target and bidder (not always, e.g. agency costs or managerial hubris)
 - e. **On average, target return is larger than bidder return**
 - f. **For a target, evidence shows a positive run-up**
11. Some more multiple choice statements, indicate *all* that are correct:
 - a. In a stock payment, it is more favourable deal for the bidder if he has lower PE ratio
 - b. **Firms with free cash flow problem is more likely to become target**
 - c. ?
12. CTA numerical question, compute value of firm B and explain the steps

Dewaelheyns

Nico Dewaelheyns

6 True/False statements

1. In the United states takeover defences which focus on protecting board control are the most effective. **TRUE**
2. Voluntary liquidation is more likely when insiders own a large stake in shares. **TRUE**
3. If a parent company has a lot of growth opportunities, it is more likely to do a spin-off than a carve-out. **FALSE**

4. A software development company is more likely to do a highly leveraged strategy than a food manufacturer. **FALSE**
5. Tendering shareholders create most wealth and tendering shareholders get more return. **FALSE**
6. When a golden parachute as takeover defense is announced, this has on average a positive announcement effect. **FALSE**

4 MPC questions

1. What gives the lowest return?
 - a. From x to y
 - b. From debt to common stock**
2. Which company is *less* likely to become a take-over target?
 - a. A firm with low leverage ratio
 - b. A firm with high growth of sales**
 - c. A firm with low valuation
 - d. A small firm
3. What is *not* a potential motive for repurchasing shares
 - a. takeover defence against hostile takeovers
 - b. neutralize dilution effects of employee stock option plans
 - c. reduce the company's leverage ratio**
 - d. signal of undervaluation of stock price
4. ?

2 numerical questions

1. A 100% equity financed firm has an equity cost of 12%. Its current stocks are trading at a 25% discount on the market and the current market price is 19.45EUR. There are 140 MIO shares, insiders (management and family) own about 35% of the shares, the rest is for outsiders (personnel).
 - a. What is the maximum price at which this firm is willing to repurchase its own stock according to the undervaluation model?
The intrinsic value of the stock? = 25.97EUR
 - b. Suppose the firm is willing to repurchase 20MIO by issuing TPR. How many of these rights will the insiders receive and how many will the outsiders receive? What is the percentage of insider ownership after the repurchase if the insiders sell none of their shares?
TPR ratio = $20/140 = 1/7 = 1$ TPR for 7 shares
Insiders receive = 7 TPR and Small shareholders = 13 TPR

	% before	# shares sold	# shares after	% after
Insider	35%	0	49	40.83%
Small	65%	20	71	59.17%
Total	100%	20	120	100%

2. Merger arbitrage

<https://www.reuters.com/article/us-solvay-innogenetics-idUSL2579992720080425>

This article was given.

- a. What strategy would you do?

Long the target

- b. If your own probability of success is 93% would you do the strategy in (a)?
- c. If the deal structure changes to 1.29 EUR cash and 0.05 shares of Solvay, how does that change your strategy? And how will stock prices of both Innogenetics and Solvay move?

Long target and short bidder for 0.05 shares