

Студент 2 курсу  
Фінансового факультету ХНЕУ

## M E R G E R S A N D A C Q U I S I T I O N S

*Annotation. The theoretical foundations of mergers and acquisitions, distribution and basic principles of regulation of mergers and acquisitions in Ukraine was considered.*

*Анотація. Розглянуто теоретичні основи злиття та поглинання підприємств, розповсюдження та основні принципи регулювання злиття та поглинання в Україні.*

*Аннотация. Рассмотрены теоретические основы слияния и поглощения предприятий, распространения и основные принципы регулирования слияний и поглощений в Украине.*

*Key words: merger, acquisition, economy, company, shares, assets, purchase.*

The key principle behind buying a company is to create a shareholder value over and above that of the sum of two companies. Two companies together are more valuable than two separate companies – at least, that's the reasoning behind M & A.

The topicality of this work stems from the fact that in the poor economic situation that has been developed now in Ukraine, the national companies more than ever have a problem of overcoming the crisis using concrete and effective measures. There is need in effective search of the technology to overcome the crisis in an enterprise and the need to develop modern methods of restructuring ownership.

The aim of this article is to study the practice of mergers and acquisitions in Ukraine.

There are many economists who work in the same direction such as Shleifer Andrei, Jovanovic Boyan, David T. Robinson, Robert Vishny and others [1; 2].

A merger is combining two or more companies, generally by offering the stockholders of one company's securities in acquiring company in exchange for the surrender of their stock. An acquisition is the corporate action in which a company buys most of the company's ownership stakes in order to assume control of the company.

From the perspective of business structures, there is a whole host of different mergers. Here are a few types, distinguished by the relationship between the two companies that are merging:

Horizontal merger – two companies that are in direct competition and share the same product lines and markets;

Vertical merger – a customer and a company or a supplier and a company;

Conglomeration – two companies that have no common business areas.

There are two types of mergers that are distinguished by the way the merger is financed: Purchase Mergers and Consolidation Mergers. Each one has certain implications for the companies involved and for investors.

-----

As we can see, an acquisition may be only slightly different from a merger. In fact, it may be different in name only. Like mergers, acquisitions are actions through which companies seek economies of scale, efficiencies and enhanced market visibility. Unlike all mergers, all acquisitions involve one firm purchasing another – there is no exchange of stock or consolidation of new companies.

Acquisitions are often congenial, and all parties feel satisfied with the deal. In other words, acquisitions are more hostile.

In an acquisition, as in some of the merger deals we have discussed above, a company can buy another company with cash, stock or a combination of the two. Another possibility, which is common in smaller deals, is for one company to acquire all the assets of another company.

Another type of acquisition is a reverse merger, a deal that enables a private company to get publicly-listed in a relatively short time period. A reverse merger occurs when a private company that has strong prospects and is eager to raise financing buys a publicly-listed shell company, usually one with no business and limited assets. The private company reverse merges into the public company, and together they become an entirely new public corporation with tradable shares.

Regardless of their category or structure, all mergers and acquisitions have one common goal: they are all meant to create synergy that makes the value of the combined companies greater than the sum of the two parts. The success of a merger or an acquisition depends on whether this synergy is achieved.

Under Ukrainian law, mergers may take place in two ways: as a consolidation and as a joining. Both types of merger entail termination of one merging company by transferring all its assets, rights and obligations to its legal successor.

Ukrainian legislation does not provide a definition of "acquisition". In spite of this, in practice, it means one company gains control over the shares or assets of another company. There are three basic types of acquisitions in Ukraine: an acquisition of shares, an acquisition of assets and an acquisition of debts.

Under Ukrainian legislation, mergers and acquisitions are considered a concentration and are subject to the prior approval by the Anti-Monopoly Committee of Ukraine if stipulated thresholds are exceeded.

A merger or an acquisition that is a subject to the approval by the Anti-Monopoly Committee of Ukraine cannot be concluded until such an approval has been granted. In the meantime, participants to mergers or acquisitions must refrain from any action that might restrict competition.

It should be noted that Ukraine's competition legislation applies to any merger or acquisition that affects or could affect competition in Ukraine. Accordingly, M&As involving foreign companies (foreign-to-foreign M&A) will be caught if they meet the stipulated requirements.

In conclusion it must be said that acquisitions and mergers are an important part of the market economy, where similar goods and services exchanged by households and firms are sent to those who value them most highly.

*Наук. керівн. Бойко Ю. І.*

-----

**References:** 1. Shleifer A. Stock Market Driven Acquisitions / A. Shleifer, R. Vishny // Journal of Financial Economics. – 2003. – № 70. – P. 295–312. 2. Jovanovic B. The Q-theory of Mergers / Boyan Jovanovic, Peter Rousseau // American Economic Review. – 2002. – P. 198–204. 3. Damien J. Merger Control in International Markets [Electronic resource] / J. Damien. – Access mode : [www.lp.ua/eng/article\\_5](http://www.lp.ua/eng/article_5).

