Topic of the week for discussion: 27th Oct. to 2nd Nov. 2016

Topic: Top Mergers and Acquisitions 2016

Topic Introduction

In a move that no one saw coming, Microsoft announced it would acquire social network, LinkedIn, in what is **the largest tech deal of 2016** .So where does it stand on the board among all sectors? Many market watchers have predicted that 2016 will still be a robust year for mergers and acquisitions, largely boosted by a series of smaller deals. It's not expected to beat 2015's figures, when deal volume skyrocketed above **$5 trillion**, buoyed by several mega-deals—some of which have since fallen through. So far, numbers suggest the predictions are on track. In 2016, **U.S. mergers and acquisitions** value total about **$642 billion**, **18% lower** from the same period in **2015—$786 billion**, according to Dealogic, an analytics firm tracking mergers and acquisitions.

1. The $32 billion deal between Shire and Baxalta; Industry: Pharmaceuticals

After a lengthy six month courtship, **London-based drug maker Shire announced plans to buy Baxalta in a $32 billion cash and stock offer**, giving Shire a better foothold in treating rare diseases. The year though, is just halfway through. One major deal that could supplant the crown is the back-and-forth between German pharmaceutical giant, Bayer, and its intended target, Monsanto. Bayer offered a whopping **$62 billion** to the latter in May. Monsanto then rejected the offer, calling the proposal "incomplete and financially inadequate." Discussions for that deal are still ongoing.

2. The $30.6 billion bid for St Jude Medical by Abbott Laboratories; Industry: Medical Appliances and Equipment

In April, **Abbot Labs** announced plans to buy **St. Jude Medical for $25 billion** in a cash and stock deal, and assume or refinance St. Jude's net debt of about $5.7 billion. One of the flurries of mergers and acquisitions in the healthcare space this year, the combined company will have a stronger medical-devices business in an increasingly competitive market. **Increased scale** will also give Abbot Labs **more pricing power** in the market.

3. The $28.1 billion acquisition of LinkedIn by Microsoft; Sector**:** Tech

Microsoft announced it would buy social networking company, **LinkedIn for a smooth $26.2 billion** in an all-cash deal. That took LinkedIn's stock up **47% in trading**. The deal, Microsoft's' largest ever by a $20 billion long shot, will "**accelerate the growth of LinkedIn**, as well as Microsoft Office 365 and Dynamics," according to Microsoft CEO Satya Nadella. The deal is also **sixth largest tech merger** and acquisition on record, according to Dealogic.

4. The $16.6 billion deal for Tyco International by Johnson Controls; **Sector:** Auto Parts

In January, car parks manufacturer, **Johnson Controls and Ireland-based security systems maker, Tyco International** agreed to merge in a deal that would help Johnson Controls dodge the high, about 35%, corporate tax rate in the U.S. by moving headquarters to Ireland. The deal will lead to at least **$500 million in savings** in the first three years, and at least **$150 million** in **annual tax savings**, the companies said.

5. The $13.6 billion bid to buy Starwood by Marriott International; **Sector:** Service

Perhaps one of the most tense mergers and acquisitions of 2016 that ended with Starwood's top bidder, **Anbang Insurance**, calling it quits, the acquisition, of Starwood by Marriott International takes **number four on the list**. After several months of bidding, the two companies agreed to merge in March, becoming the **world's largest hotel chain** in a cash and stock deal. The merger would give the combined company scale to combat smaller and rapidly growing competitors such as **Airbnb**. Its new size would also allow the company to negotiate better fees with online booking sites including Expedia.

Impacts of Mergers and Acquisitions on Indian Economy:

- **Impact on Employees:** Mergers and acquisitions may have great economic impact on the employees of the organization. In fact, mergers and acquisitions could be **pretty difficult for the employees** as there could always be the possibility of layoffs after any merger or acquisition. If the merged company is pretty sufficient in terms of business capabilities, it doesn't need the same amount of employees that it previously had to do the same amount of business. As a result, **layoffs are quite inevitable**.

- **Impact on Management**: The **percentage of job loss may be higher** in the management level than the general employees. The reason behind this is the **corporate culture clash**. Due to change in corporate culture of the organization, many managerial level professionals, on behalf of their superiors, need to implement the corporate policies that they might not agree with. It involves high level of stress.

- **Impact on Shareholders**: Impact of mergers and acquisitions also include some economic impact on the shareholders. If it is a **purchase**, the **shareholders** of the acquired company get **highly benefited** from the acquisition as the acquiring company pays a hefty amount for the acquisition. On the other hand, the **shareholders of the acquiring company suffer some losses** after the acquisition due to the acquisition premium and augmented debt load.

Read further:

http://fortune.com/2016/06/13/12-biggest-mergers-and-acquisitions-of-2016/

https://en.wikipedia.org/wiki/List_of_largest_mergers_and_acquisitions

https://www.linkedin.com/pulse/12-biggest-mergers-acquisitions-2016-akshay-kenia

https://www.thestreet.com/story/13514314/1/here-are-6-mega-m-amp-a-deals-from-2016-are-there-more-to-come.html