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Assessing Synergy of Horizontal Merger of Pharmaceutical Companies



Abstract

Over the last decade, the pharmaceutical industry had witnessed several waves of mergers and acquisitions (M&As). The main argument by executive management was to derive synergies for survival and growth. The intent of the master thesis was to qualify and quantify the savings and benefits prior to a potential M&A takeover. Several due diligent steps were required to be conducted. Motivation behind horizontal merger include: identifying target companies and strengthening market power. Acquiring companies were required to be screened by government anti-trust laws regulating oligopoly or monopolistic structure. Acquiring companies would also need to identify what merger strategies to establish, what valuation tools to use for valuing the target company and the resulting synergies. Other considerations include what sort of merger vehicle to prepare for the merger motion, and what premium price to quote and bid. Furthermore, acquiring companies should also map out the integration and restructuring strategies for the combined company, and also how to project positive image to external parties including customers, suppliers and regulatory bodies. The master thesis focus on the valuation methods, quantified the resulting synergies, and provided objective comparative market analysis and financial performance of the target company, and computing an appropriate premium and acquisition price to bid for the merger.