

Materiál na 12.3.08

11 p. 115/1d

TASK Complete the following sentences with suitable prepositions and definite articles:

1. Pushing the frontiers in Cambridge Instruments brought some problems.
2. late 1970s the company was taken public ownership which means that it was nationalized.
3. When Margaret Thatcher came power, the company came public ownership which means it was privatized. It was acquired an entrepreneur and went a very rapid period growth.

A: Mergers and takeovers:

TASK: Complete the following with these words, you don't have to change their forms in any way:

ownership, merger, hostile bid, friendly bid, takeover, acquisition, poison pill defence, joint venture, white knight, raid

A is when two companies join together to form a new one.

A or : this is when one company buys another one. This can happen in two ways. Firstly, a company can offer to buy all the shareholders' shares at a certain price (higher than the market price) during a limited period of time. This is called a takeover bid. Secondly, a company can buy as many shares as possible on the stock market, hoping to gain a majority. This is called a

Companies can also work together without a change of For example, when two or more companies decide to work together for a specific project or product, this is called a

There are two types of takeover bid. If a company's board of directors agrees to a takeover, it is a (and if the shareholders agree to sell, it becomes a friendly takeover). If the company does not want to be taken over, it is a (and if successful, a hostile takeover). Companies have various ways of defending themselves against a hostile bid. They can try to find a - another company they would prefer to be bought by. Or they can use the ("eat me and you'll die!") which involves issuing new shares at a big discount. This reduces the holding of the company attempting the takeover, and makes the takeover much more expensive.

B: Leveraged buyouts:

TASK Give the terms defined by the following definitions:

1. a company that owns or controls one or more other companies =
2. the main activity of a company =
3. buying a company in order to sell some of its assets =
4. companies partly or wholly owned by another company =
5. having a lot of borrowed money compared to one's own funds =
6. the total value of a company on the stock exchange =
7. two things working together that produce an effect greater than the sum of their individual effects =

TASK Match two parts of the sentences:

1. Large conglomerates formed by takeovers
2. If a conglomerate diversifies and doesn't concentrate on its core business,
3. An inefficient conglomerate's stock market value
4. If a company is worth less than its assets,
5. Raiders do not need to have very much money of their own if

- A can be less than the sale value of all its assets.
- B can become inefficient, especially if they are very diversified.
- C they use leverage, and issue junk bonds.
- D there might not be synergies among all its different activities.
- E you can make a profit by buying it and selling the parts.

TASK Put the sentences in the correct order; the first one has been done for you:

- A Corporate raiders calculate that a large company is undervalued. = 1
- B Investors buy the bonds because they pay a high interest rate.
- C The new owners sell some of the company's subsidiaries.
- D The new owners repay the bondholders.
- E The raiders buy the company.
- F The raiders issue bonds to raise capital to buy the company.

TASK Based on the information in the article on pages 116-117, answer the following questions.

1. Explain the term leveraged buyout by explaining the two elements separately (i.e. *leverage* and *buyout*)
2. What is it a conglomerate?
3. Did conglomerates in the USA in the 1980s display (*vykazovat*) enough synergy? What is synergy?
4. What was the situation with the value of large conglomerates' assets vs. their stock market capitalization in the 1980s? How would you characterize these companies in terms of their value? (*1word*)
5. What did the raiders do to these companies? What is the procedure called?
6. What does the conventional financial theory say about the relation between the share price and the market value of the company?
7. Did undertaking leveraged buyouts present a lot of risk? Why yes, why no.
8. Who were the ideal targets for LBOs?
9. What does MBO stand for?
10. Why did investors put money into LBOs?
11. "*Milken was arrested and charged with 98 different felonies*" (abbreviated)
What do *felony* and *be charged with* mean? What synonymous expressions do you know?
12. Why do supporters of LBOs say that a permanent threat of takeovers is a good thing?

TASK Based on the information in the article on pages 122, answer the following questions.

1. Is it difficult or easy to distinguish between reality and rhetoric when it comes to employment?
2. What impression do media try to give us in terms of employment?
3. What is ILO and what evidence does it provide on the issue of employment?
4. What is it a job tenure?
5. Is there any relation between people's level of education and their ability to keep/retain their jobs?
6. What phenomenon does the issue of employment vs. unemployment seem to be affected by?
7. How is average job tenure behaving in upswings and downswings of the business cycle?
8. What is downsizing and what group of working population does it affect?
9. What does the ILO report say about job retention rates in general, especially after the early 1980s?
10. People of prime age tend to have lower retention rates. T/F
11. So, why do many people believe that we are living through a period of exceptional job instability?