Should Charles City Take Over Nany Corporation ?

Financial Information (Rands)

Cash Payment to Nany Corporation	64	Million
Synergistic benefits of take-over	40	Million

Pre-take-over details:

	Number of Shares		Market Value per share		Earning Per Share	
Charles City	6	Million	16	R	600	cents
Nany Corporatiion	4	Million	13	R	500	cents

AC	Acquiring Company
TC	Target Company
MV	Market Value
EPS	Earnings per share
MP	Market price
P/E Ratio	Price earning ratio
DV	Synergy Value
VB	Value of company B

In Rands

1.1 Value of Take-Over= MV of AC + (MV of TC + Synergy)

= (6x16) + (4x13 + 40)

96 + (52 + 40)

96 + 92

= 188 M

1.2 Net present value = (MV of TC + Synergy) - Amount paid

= 92 - 64

= 28 M

1.3 Take over premium = Amount Paid - MV of TC

64 - 52

R 12 M

1.4 Post - take-over share =(Value of take-over - Amount paid)/no. of shares in AC

188 - 64 / 6 m

R 20,66667

1.5 Exchange ratio based on EPS = EPS of TC/ EPS of AC

= 500 / 600

	=	0,8					
1.6 Post take-over EPS:							
No. of shares to issue	=	4	x	0,8			
	=	3,33	M				
Total number of shares	=	6	+	3,33			
	=	9,33	M				
Combined value:							
Charles City	=	6	x	6	=	36	
Nany Corporatiion	=	4	x	5	=	20	
Synergy	=	40	Million				
Total Earning	=	96	Million				
EPS	=	96	/	9,33			
EPS	=	10,29	R				

1.7 Benefits:

Nany Corporatiion	=	10,29	-	6				
	=	R	4,29					
Mini Town	=	(	10,29	x	0,8	) -	5	
	=	8,57	-	5				
	=	R	3,57					

M

M