Its is profitable for	Calco (Pty) Ltd	to take - over	Vee Tops

Financial Information (Rands)

Cash Payment to Vee Tops	5 Million
Synergistic benefits of take-over	6 Million

Pre-take-over details:

	Number of Shares		Market Value per share		Earning Per Share	
Calco (Pty) Ltd	3	Million	4	R	315	cents
Vee Tops	1	Million	3	R	252	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)

=(3 x 4) + ((1 x 3) + 6)

12 + (3 + 6)

= 12 + 9

= 21 M

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

= 9 - 5

= 4 M

1.3 Take over premium =	Amount Paid - MV of TC				
	5	-	3		
= R	2	M			

1.4 Post - take-over share price	=(Value of take-over - Amount paid)/no. of shares in AC				
= R(	21	-	5	) /	3 m
= R	5,33				

1.4B Post-Take -Over Increase =	5,33	-	4		
=R	1,33				

1.5 Exchange ratio based on EPS = EPS of TC/ EPS of AC					
=	252	/	315		
=	0,8				
1.6 Post take-over EPS:					
No. of shares to issue =	1	x	0,8		
=	0,80	M			
Total number of shares =	3	+	0,80		
=	3,80	M			

Combined value:						
Calco (Pty) Ltd =	3	x	3,15	=	9,45	M
Vee Tops =	1	x	2,52	=	2,52	M
Synergy =	6	Million				
Total Earning =	17,97	Million				

EPS	=	17,97	/	3,80
EPS	=	4,73	R	

1.7 Benefits:

Calco (Pty) Ltd	=	4,73	-	3,15		
	=	R	1,58			
Vee Tops	=	(	4,73 x	0,8	) -	2,52
	=	3,78	-	2,52		
	=	R	1,26			

Conclution :			
Its is profitable for	Calco (Pty) Ltd	to take - over	Vee Tops