

English in Business communication skills:

Lesson 3

Success and failure

Mergers, takeovers and sell-offs

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- 1. Cash mountains;**
- 2. Debt and debt problems;**
- 3. Turnarounds and bailouts;**
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Cash mountains



Merger And Acquisitions

distribute – when a company **distributes** goods, it supplies them to the shops or businesses that sell them;

earnings – your **earnings** are the sums of money that you earn by working;

retained earning – the part of a company's profits which is re-invested, rather than being paid out as dividend to shareholders;

built up – increased by the addition of parts;

cash pile – a large amount of money that a company has, which it can use to buy other companies, assets, etc...;

make acquisition - if a company or business person makes an **acquisition**, they buy another company or part of a company.

Cash mountains

Microsoft is an extremely profitable company. Over the years, it has paid or **distributed** some of its profits or **earnings** to shareholders, but it has also kept profits in the form of **retained earnings** and **built up** – increased – its **reserves**. Commentators may say that it is sitting on a **cash pile** or **cash mountain**. These reserves can be used for investment or to **make acquisitions** – to buy other companies.

<https://www.shutterstock.com/ru/video/clip-money-million-dollar-cash-mountain>



<https://corporatefinanceinstitute.com/resources/accounting/retained-earnings-guide/>

Retained Earnings

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FINANCIAL STATEMENTS	Historical Results				
	2013	2014	2015	2016	2017
Assets					
Cash	67,971	81,210	83,715	111,069	139,550
Accounts Receivable	5,100	5,904	6,567	7,117	7,539
Inventory	7,805	9,601	9,825	10,531	11,342
Property & Equipment	45,500	42,350	40,145	38,602	37,521
Total Assets	126,376	139,065	140,252	167,319	195,951
Liabilities					
Accounts Payable	3,902	4,800	4,912	5,265	5,671
Debt	50,000	50,000	30,000	30,000	30,000
Total Liabilities	53,902	54,800	34,912	35,265	35,671
Shareholder's Equity					
Equity Capital	70,000	70,000	70,000	70,000	70,000
Retained Earnings	2,474	14,265	35,340	62,053	90,280
Shareholder's Equity	72,474	84,265	105,340	132,053	160,280
Total Liabilities & Shareholder's Equity	126,376	139,065	140,252	167,319	195,951

Debt and debt problems

Debt often occurs in these combinations. These expressions are also used to talk about a country's foreign debts.

	repayment servicing	<i>is when a company repays its debt and/or interest on it. 'Debt repayments' refers to particular amounts repaid.</i>
	burden	<i>is when a company has difficulty repaying its debt.</i>
<i>DEBT</i>	Crisis	<i>is when a company can no longer pay its debt as planned.</i>
	rescheduling restructuring	<i>is when a company arranges with lenders to put its debt into new forms, with new repayment dates, etc.</i>
	default	<i>is when a company cannot make payments on its debt.</i>

Turnarounds and bailouts

troubled – a troubled place, situation, organization, or time has many problems or conflicts;

a company doctor – a businessperson or accountant who specializes in turning ailing companies into profitable enterprises;

turning round – if something such as a business or economy turns around, or if someone turns it around, it becomes successful, after being unsuccessful for a period of time;

rescue – if you rescue someone, you get them out of a dangerous or unpleasant situation;

recover – if something **recovers from** a period of weakness or difficulty, it improves or gets stronger again;

go out of business – if a shop or company goes **out of business** or is put **out of business**, it has to stop trading because it is not making enough money.



<https://www.caycon.com/blog/a-turnaround-might-be-easier-than-bankruptcy>



<https://ru.depositphotos.com/42226557/stock-photo-recovery.html>



<https://nsp.ru/31736-aktualnyi-spisok-inostrannyx-kompanii-priostanovivsix-svoi-biznes-v-rossii>

Turnarounds and bailouts

When the Northern Rock bank was in financial trouble, journalists described it as **sick, ailing** or **troubled**. The UK government called in Ron Sandler, a **company doctor** – an expert in **turning round** companies like this. At first, he looked for another company to buy Northern Rock and **bail it out** so as to **rescue** it.

Eventually, the government itself gave the bank money, hoping it would **recover** – improve its situation. The government said it would not allow the bank to **collapse** completely and to **go out of business**.

<https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=343018>

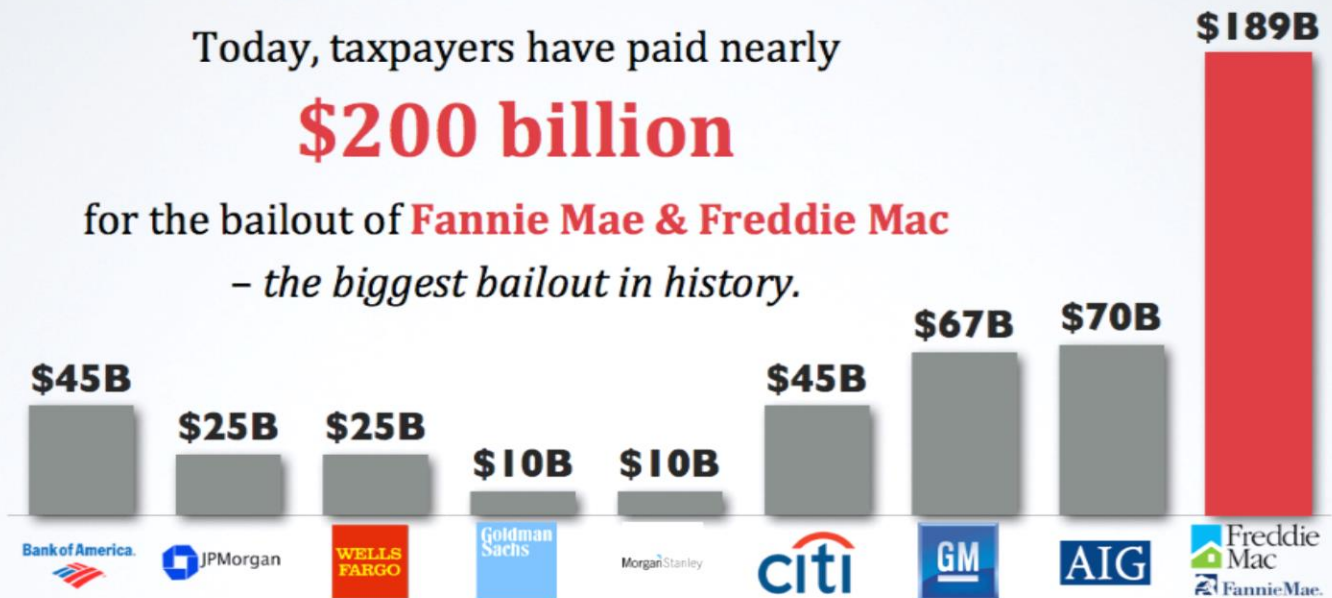
The Biggest Bailout in U.S. History

Today, taxpayers have paid nearly

\$200 billion

for the bailout of **Fannie Mae & Freddie Mac**

– *the biggest bailout in history.*



The PATH Act ends the taxpayer-funded bailout of Fannie Mae & Freddie Mac, phasing them out within five years.

Learn more at financialservices.house.gov/blog | Join the conversation on Twitter with #PATHAct

For decades, the mortgage giants **Fannie Mae and Freddie Mac** were the fat and happy foundation of the U.S. housing market. By buying and packaging home loans into bonds and absorbing much of their risk, they made it easier for homebuyers to get mortgages, and to get them on easier terms than are available in most countries. Created by the government and then spun off as shareholder-owned corporations, Fannie and Freddie churned out steady profits, as investors treated their debt as virtually risk-free. It was the best of both worlds — until the housing market melted down in 2008. The government's bailout of Fannie and Freddie has cost \$191 billion. Since the agencies returned to profitability, they've repaid that amount and almost \$100 billion more — and the housing market is more dependent on them than ever.

<https://fee.org/articles/we-dont-need-fannie-and-freddie-we-need-freedom/>



Bankruptcy

bankruptcy protection – laws that limit the amount of money a bankrupt company (one that owes more money than it can pay) must pay to those it owes money to;

go into administration - When a company goes into administration, they have entered a legal process (under the Insolvency Act 1986) with the aim of achieving one of the statutory objectives of an administration. This may be to rescue a viable business that is insolvent due to cash flow problems;

go into liquidation – to close one's business by collecting assets and settling all debts;

wind up – when someone **winds up** a business or other organization, they stop running it and close it down completely;

ceases trading – Companies can cease trading for various reasons including a director's retirement or ill health, ongoing financial problems, or simply because the company serves no further purpose;

go bust - if a company goes bust, it loses so much money that it is forced to close down.

Bankruptcy

A company in serious financial difficulty has to take some legal steps.

In the US, it may ask a court to give it time to reorganize by **filing for bankruptcy protection** from creditors. This means that the company doesn't have to pay back its debts immediately. In Britain, a company that is **insolvent** and unable to pay its debts may **go into administration** under the management of an outside specialist called an **administrator**. If the company cannot be saved, it **goes into liquidation** or **into receivership**. **Receivers** are specialists who **wind up** the company – they sell the company's assets and pay out what they can to **creditors**. When a company is **wound up** like this and it **ceases trading**, it stops functioning and no longer exists. When a company is in difficulty and cannot be saved, it **goes bankrupt** or (more informally) it **goes bust**.

<https://www.ramseysolutions.com/debt/filing-bankruptcy>



<https://boxas.com.au/small-business-handbook/what-happens-when-a-company-goes-into-liquidation/>



Stakes and joint ventures

a stake an interest a holding	in a company	- the shares that an investor has in a company
a majority	stake interest holding	- when more than half of a company's shares are owned by one investor, giving them control over how the company is run
a minority	stake interest holding	- when fewer than half of a company's shares are owned by one investor

Two companies may work together in a particular area by forming an **alliance** or **joint venture** – they may remain separate companies, or form a new company in which they both have a stake.

Mergers and takeovers

<https://tokyoconsultingfirm.com/turkey/mergers-and-acquisitions/>

merge – join;

merger – combination;

consolidation - reduction in the number of companies;

prey - company that might be bought;

takeover – purchase;

predator - possible buyer;

acquire – buy;

acquisition - taking control by buying most or all of its shares;

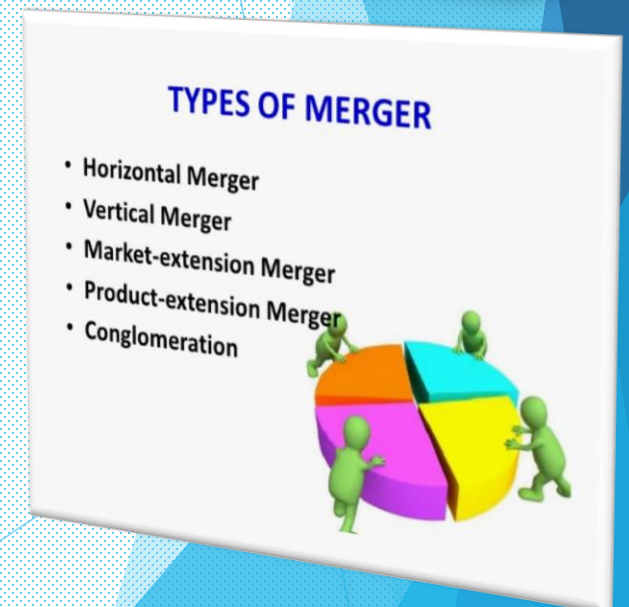
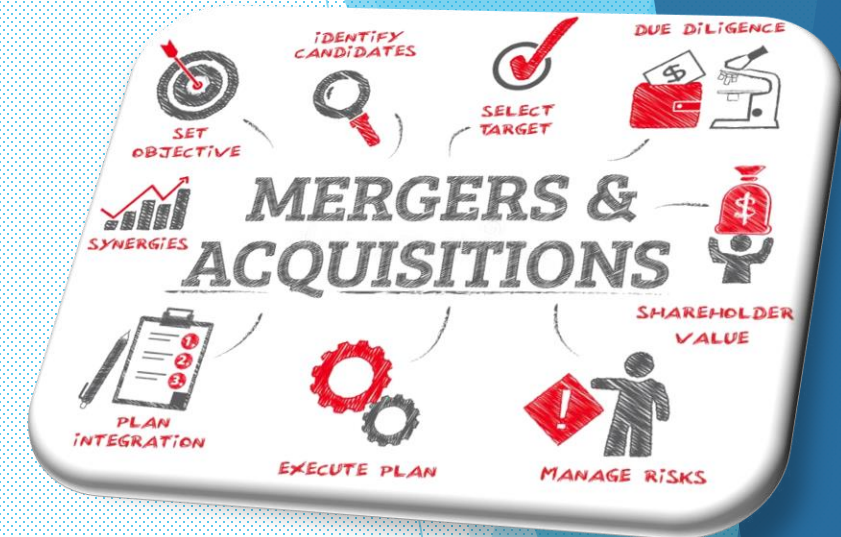
poison pill - something that makes a company less attractive to buy;

white knight - companies which can save another from being bought against their will;

fend off – resist;

hostile bid - unwanted attempt to buy it (opposite = **friendly bid**);

takeover bid - attempt to buy it.



<https://theintactone.com/2018/04/23/macru-1-topic-1-types-of-mergers/>

Delta Air Lines and Northwest Airlines are to **merge** in a deal that will create the world's biggest carrier. The **merger** could well bring about further **consolidation** in the US airline industry.

Commerzbank, until not long ago seen as a poor fourth in German banking – and seemingly inevitable **prey**⁴ for a **takeover**⁵ – has become a **predator**⁶, and is about to **acquire**⁷ its rival, Allianz.

Yahoo on Wednesday rejected allegations by Carl Icahn, the investor, that it had damaged the chances of any **acquisition** by Microsoft with an expensive worker compensation plan. The internet company said Mr Icahn's reference to its employee plan as a **poison pill** 'could not be further from the truth'.

Continental has potential investors which could act as **white knights** as the German motor supplier seeks to **fend off** an €11.3 billion (\$17.6 billion) **hostile bid** from Schaeffler, its privately owned rival. Continental is in talks with five strategic and financial investors that are prepared to pay a higher price than Schaeffler's **takeover bid** launched last week.

Conglomerates

- 1909 - Lonrho began operating in Africa.
- 1961 - Tiny Rowland started to transform the company into a worldwide **conglomerate**.
- 1995 - Lonrho's African non-mining businesses had expanded, with the **parent company** controlling approximately 90 **subsidiaries** that had **diversified into** a wide range of business activities.
- 1995 - Lonrho decided to **restructure** these African non-mining businesses into five **core activities**: motors, agribusiness, distribution, hotels and property, and construction.
- 1998 - These businesses were **demerged** in a process of **divestment** and a new company was created.
- 2000 - Lonrho began to **refocus** and to follow a strategy of **divesting** its **non-core assets** in order to pay off its debt.
- 2005 - Most of Lonrho's assets had been sold and the **disposal** programme completed.
- 2006 - Lonrho starts to rebuild an African conglomerate.



The history of chocolate

historian – a person with an expert knowledge of history;

crush – to squash something and destroy its shape;

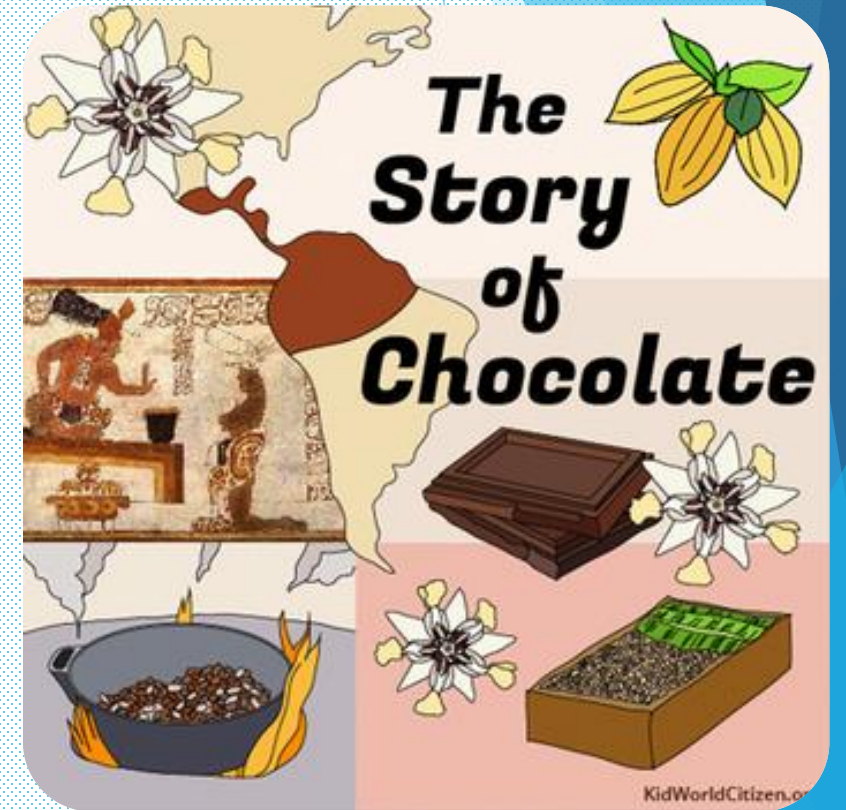
ruler – the person (or group of people) in charge of a country;

ceremony – an event held to mark a special occasion;

trade – to swap money or goods in exchange for other things;

bitter – having a sharp taste;

wealthy – very rich.



The history of chocolate

Historians believe the Maya people of Central America first learned to farm cacao plants around two thousands years ago. The Maya took the Cacao trees from the rainforests and grew them in their gardens. They cooked the cacao seeds, then **crushed** them into a soft paste. They mixed the paste with water and spices to make an unsweetened chocolate drink. The Maya poured the chocolate drink back and forth between two containers so that the liquid had a layer of bubbles, or foam.

Cacao and chocolate were an important part of Maya culture. There are often images of cacao plants on Maya buildings and art objects. **Ruling** families drank chocolate at special **ceremonies**. And, even poorer members of society could enjoy the drink once in a while. **Historians** believe that cacao seeds were also used in marriage ceremonies as a sign of the union between a husband and wife.

<https://mocomi.com/history-of-chocolate/>



<https://eoncechocolate.co.uk/blog/the-history-of-chocolate/>



<https://www.herzindagi.com>



The cacao plant could not grow in the area where the Aztecs lived, so they **traded** to get cacao. Only the very **wealthy** people in Aztec societies could afford to drink chocolate because cacao was so valuable. The Aztec ruler Montezuma was believed to drink fifty cups of chocolate every day.

Some experts believe the word for chocolate came from the Aztec word “xocolatl” which in the Nahuatl language means “bitter water.” Others believe the word “chocolate” was created by combining Mayan and Nahuatl words. →



The explorer Christopher Columbus brought cacao seeds to Spain after his trip to Central America in 1502. The **wealthy** people of Spain first enjoyed a sweetened version of the chocolate drink. Later, the popularity of the drink spread throughout Europe. The English, Dutch and French began to plant cacao trees in their own colonies. Chocolate remained a drink that only wealthy people could afford to drink until the eighteenth century. During the period known as the Industrial revolution, new technologies helped make chocolate less costly to produce.

<https://stock.adobe.com/in/search?k=cocoa+plant>



<https://www.gutekueche.at/xocolatl-das-erste-kakaogetraenk>



<https://gortest.com/sertifikaciya-kakao-produktov/>



Today, chocolate making is a big business. The market value of the yearly cacao crop around the world is more than five billion dollars. Chocolate is especially popular in Europe and the United states. Each year, Americans eat an average of more than five kilos of chocolate per person. Specialty shops that sell costly chocolates are also very popular. Many offer chocolate lovers the chance to taste chocolates grown in different areas of the world.



Reference

1. **Business vocabulary in use, Bill Mascull, Cambridge university press, 2017.(pp. 74-77)**
2. <https://www.investopedia.com>
3. <https://www.accountingtools.com>
4. <https://www.magnumicecream.com/us/en/stories/about-us/the-history-of-chocolate>

Thank you for attention!