

You Decide

FI561 – Mergers & Acquisitions – Week 3

Scenario Summary

This is based on Merck's Acquisition of Medco: Case 5.1, pp. 124-125.

Your Role/Assignment



You are the Chairman and CEO of Merck. Make a recommendation to the Board of Directors of Merck & Co. regarding this acquisition based on the recommendations of the three associates and your own analysis.

You are the Chairman and Chief Executive Officer of Merck & Company, and you will make the final "yes" or "no" recommendation to the Board of Directors of the company. You are listening to the advice of various department heads regarding this acquisition. Based on your evaluations and additional analysis of the recommendations of your three associates, make your recommendation to the Board of Directors. What will you recommend? Yes? No? Yes with some conditions? What are the reasons for your recommendation?


Activity

Write an 8-10 page paper (double-spaced) of written analysis, including tables of financial calculations.

Key Players

Key Players - Image	Title/Role/Character	Script – Text & Audio
	Chief Operating Officer	I'm concerned about synergy and integration issues between our highly research-oriented development of pharmaceuticals here at Merck, and a prescription medicine marketing company like Medco. I am concerned that the cultures and operations of the two companies aren't going to mix well, and that this deal would result in an expensive failure.
	Executive Vice President, Sales & Marketing	I'm all for this acquisition! It will open new marketing leverage opportunities in the Managed Care market. Medco's marketing database will create market expansion opportunities. This is the perfect answer for the current competitive environment, where other pharmaceutical manufacturers are acquiring drug marketing companies.

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	Chief Financial Officer	This is my concern; I want to make sure that Merck pays a premium for Medco at \$6.6 billion dollars. The combination of the two companies will immediately result in increase in Earnings Per Share for the combination vs. Merck as a stand-alone company. Although, I'm still concerned about continuing the growth of the stock price of Merck after the target company is acquired.
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Grading Rubric:

Category	Points	Description
Understanding	55	Demonstrate a strong grasp of the problem at hand. Demonstrate understanding of how the course concepts apply to the problem.
Analysis	55	Apply original thought to solving the business problem. Apply concepts from the course material correctly toward solving the business problem.
Execution	25	Write your answer clearly and succinctly using strong organization and proper grammar. Use citations correctly.
Total	135	A quality paper will meet or exceed all of the above requirements.