M&A: Schirnding-Optika	
Name: Ian Giddy	
Start Time: Oct 25, 1998 9:02	**Time Allowed:** 120 min
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Question 1 (1 Grade)

The following are the details of two potential merger candidates, Schirnding AG and Optika (DM figures in millions):

	Schirnding AG	**Optika**
Revenues	DM4,400.00	DM3,125.00
Cost of Goods Sold (w/o Depreciation) as % of Revenue	87.50%	89.00%
Depreciation	DM200.00	DM74.00
Tax Rate	35.00%	35.00%
Working Capital	10% of Revenue	10% of Revenue
Market Value of Equity	DM2,000.00	DM1,300.00
Outstanding debt	DM160.00	DM250.00

Both firms are in steady state and are expected to grow 5% a year in the long term. Capital spending is expected to be offset by depreciation. The beta for both firm is 1, and both firms are rated BBB, with an interest rate on their debt of 8.5%. The government bond rate is 7%.

As a result of the merger, the combined firm is expected to have a cost of goods sold of only 86% of total revenues. The combined firm does not plan to borrow additional debt.

Estimate the value of Optika, operating independently.

1. DM1,881
2. DM2,175
3. DM2,681
4. DM3,255
5. None of the above

Save Answer

Question 2 (1 Grade)

In the Schirnding-Optika merger, estimate the value of Schirnding AG, operating independently.

1. DM3,469
2. DM3,199
3. DM2,865
4. DM2,901
5. None of the above

Save Answer

Question 3 (1 Grade)

In the Schirnding-Optika merger, estimate the value of the combined firm, with no synergy.

1. DM5,879
2. DM6,879
3. DM6,138
4. DM5,563
5. None of the above

Save Answer

Question 4 (1 Grade)

In the Schirnding-Optika merger, estimate the value of the combined firm, with synergy.

1. DM6,789
2. DM7,323
3. DM8,179
4. DM7,479
5. None of the above

Save Answer

Question 5 (1 Grade)

In the Schirnding-Optika merger, how much is the operating synergy worth?

1. DM1,500
2. DM900
3. DM1,600
4. DM1,262
5. None of the above

Save Answer

Question 6 (1 Grade)

In the Optika-Schirnding AG case, the combined firm did not take on additional debt after the acquisition. Assume that, as a result of the merger, the firm's optimal debt ratio increases to 20% of total capital from current levels. (At that level of debt, the combined firm will have an A rating, with an interest rate on its debt of 8%.)

If it does not increase debt, the combined firm's rating will be A+ (with an interest rate of 7.75%).

Estimate the value of the combined firm if it stays at its existing debt ratio.

1. DN6,440
2. DM7,842
3. DM6,900
4. DM7,540
5. None of the above

Save Answer

Question 7 (1 Grade)

In the Optika-Schirnding AG case, estimate the value of the combined firm if it moves to its optimal debt ratio.

1. DM7,540
2. DM8,450
3. DM7,897
4. DM6,783
5. None of the above

Save Answer

Question 8 (1 Grade)

In the Optika-Schirnding AG merger case, who gains the additional value if the firm moves to the optimal debt ratio?

1. Bond Investors
2. Equity Investors
3. Both

Save Answer

Finish