Merger & Acquisitions Glossary of Terms

SMARTEGIES

MARKETING & COMMUNICATION TERMS

Brand Architecture
The structure of a brand, often illustrated with a diagram, that helps to explain the relationships between a company's master brand, sub-brands, products, and service lines.

Brand Awareness
The extent to which consumers are familiar with the distinctive qualities or image of a particular brand of goods or services.

Brand Equity
The commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the product or service itself.

Brand Guidelines/ Brand Style Guide
An instruction manual on how a brand should be communicated. It contains the standards required to represent your brand correctly both internally and externally.

Brand Identity
The visible elements of a brand, such as color, design, and logo that identify and distinguish the brand in consumers' minds.

Brand Positioning
The act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.

Brand Transition
Anything from a company acquisition to a product makeover. When your company goes through any sort of brand transition, search marketers must be ready to make significant changes to avoid depleting their customer bases, hurting their brand reputation, or losing popularity.

Co-Brand/Co-Branding
A marketing strategy that involves strategic alliance of multiple brand names jointly used on a single product or service. Co-branding is frequently used during a brand transition following an M&A transaction.

Company Culture
Beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions.

Confidential Information Memorandum (Cim)
A description of the business including its history, products, markets, management, facilities, competition, financial statements, product literature, and a review of its key investment considerations and growth potential. This document is used to market a business to potential buyers.

Corporate Brand
The practice of promoting the brand name of a corporate entity, as opposed to specific products or services. A corporate brand serves to describe an organization as a whole. Its aim is to create a consistent corporate image through the interplay of corporate strategy, business activity, and brand stylistics.

Cultural Alignment
The process of aligning your organization's culture, values, and goals with its people.

Employee Engagement
Employee engagement is the strength of the mental and emotional connection employees feel toward the work they do, their teams, and their organization.

Employee Brand
The process of getting employees on board with the mission, values, and vision of your organization which motivates them to help convey those messages to customers, stakeholders, prospects, and other employees.

Employer Brand
Banding and marketing that is focused on the entirety of the employment experience.

Letter of Intent (LOI)
Letter signed by both buyer and seller which contains major provisions of a deal. The letter is non-binding upon both parties except for certain provisions.

Share of Voice
Measures the percentage of media spending by a company compared to the total media expenditure for the product, service, or category in the market.

Slogan
A short and striking or memorable phrase commonly used in advertising.

Subsidiary
Acquirer completely takes over the target but preserves the target's brand for the sake of brand reputation or customer base.

Tagline/ Brand Promise
A short, memorable description that succinctly and clearly communicates the brand message. Taglines are often a company's promise to their customers.

Trademark
A symbol, word, or words legally registered or established by use as representing a company or product.

BUSINESS & FINANCE TERMS

Acquirer
The firm which is purchasing a company in the acquisition (the buyer).

Acquisition
The purchase of the controlling interest or ownership of another company.

Amalgamation/Consolidation
The joining of one or more companies into a new entity. None of the combining companies remains; a completely new legal entity is formed.

Angel investor
A wealthy individual(s) (accredited investor) who provides seed or early-stage financing from his or her own funds in return for equity. Angel investors sometimes provide industry knowledge and contacts, and sometimes play a direct role on the board, but infrequently participates in management.

Asset Deal
The acquirer purchases only the assets of the target company (not its shares).

Business Valuation
The process of determining the economic value of a company.

Capitalization
Term used to describe a company's permanent capital, long-term debt and equity.

Capital Structure
The composition of the invested capital of a business enterprise; the mix of debt and equity financing.

Cash Flow
Cash that is generated over a period of time by an asset, group of assets or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows.

Circular Merger
One of the three traditional forms of merger, a circular merger occurs when a company acquires targets in the same or related industries in order to diversify its product offering.

Conglomerate Merger
A merger between two companies in different industries.

Deal Structure
Typical deal structure may include stock, seller debt, earn outs or other valuables besides cash. The complex nature of deal structure is an important reason why middle-market intermediaries are often hired.

Defensive Merger
A corporate strategy involving the acquisition of or merger with other firms to forestall a market downturn or impending takeover.

Divestiture
The sale, for cash or for securities, of a segment of a company to a third party which is an outsider.

Due Diligence
In the process of an acquisition, the acquiring firm is often allowed to see the target firm's internal books, operations and internal procedures. The acquiring firm reviews all areas of the target to satisfy their interests. Offers are made contingent upon the resolution of the due diligence process.

Earn Out
An arrangement in which sellers of a business may receive additional future payments if certain performance metrics are met.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

Enterprise Value (EV)
The value of a company calculated as market capitalization plus long-term debt minus cash and short-term investments. Intended to represent the total cost an acquirer would pay to take over a business.

Friendly Mergers
Mergers and acquisitions resulting from negotiations, with the willing consent of the acquiree company.

Fully Diluted Shares Outstanding
The number of shares a company has outstanding after options, convertible securities, etc. are exercised.

Golden Parachute
An employment contract that guarantees extensive benefits to the executive if the executives are made to leave the company.

Horizontal Integration
Merging of companies in the same lines of business, usually to achieve synergies.

Horizontal Merger
A merger between two companies in the same industry.

Hostile Takeover or Corporate Raid
Any merger or acquisition undertaken without the support of management at the target company.

Identifiable Assets
An asset that can be assigned a fair value and can include both tangible and intangible assets.

Intangibles
All intangible assets like goodwill, patents, trademarks, unamortized debt discounts and deferred charges.
Interlocking Shareholdings or Cross Shareholdings
The mutual exchange of shares between a group of companies—meant to bond the companies together without actually merging them.

Intrinsic value
The estimated value of the business using discounted cash flow analysis (often on a per-share basis).

Joint Venture
A business arrangement in which multiple parties combine resources in the pursuit of a common interest.

Leveraged Buyout
This is the acquisition of a company using significant amounts of debt to increase returns on investment.

Liquidation Value
The amount which is available if the assets of the business are sold off and converted to cash.

Mandatory Bid
Once the acquiror has accumulated a certain percentage of shares, stock exchange regulations may require that the bidder make an offer for the remainder of the shares.

Merger/Statutory
The purchasing company acquires all of the target company's shares/assets when the target company ceases to exist (acquirer survives).

Portfolio Company
A company that has received an investment from a venture capital fund is said to be a portfolio company of that venture capital fund.

Synergies
Cost savings and revenue enhancements that are expected to be achieved in connection with a merger/acquisition.

Vertical Merger
A merger of two companies operating in different stages of the production process in the same industry.