**Assignment**

FIN 535: Mergers and Acquisitions

Peking University HSBC Business School

**Due on: May 29**

***Question 1.***

***Answer:*** Assume that the exchange ratio NEF could offer is , i.e., one share of LE stock can be swapped for shares of NEF stock. Then, for NEF to still generate a positive NPV, there must be:

,

.

So, the maximum exchange ratio NEF could offer is **0.89**.

***Question 2.***

***Answer:*** Based on the question title, we can get

* Acquire (Rearden Metal):
* Target (Associated Steel):

Because the offer represents a 20% premium to the price of Associated Steel

.

Then the exchange ratio should be .

Therefore, the total value of the firm available after the merger is

.

And the total shares outstanding is

.

Then, the price per share of Rearden Metal after the announcement should be

.

And the price per share of Associated Steel should be

*.*

So the actual premium Rearden will pay is .

***Question 3.***

***Answer:*** Based on the question title, we can get: for the target (Boogle Inc)

.

The total value of the target before the merger is

.

a) After the 50% control leveraged buyout

.

The cost of this operation is

.

The cost is debt, so the total equity is

.

The price of non-tendered shares will change to be

.

b. After the 100% control leveraged buyout, the cost of this operation is

.

The gain from the transaction will be

.

***Question 4.***

***Answer:*** The most recent twelve months are 4Q, 2013 to 3Q, 2014.

According to the table, the tax rate is about .

4Q, 2013:

First 3Q, 2014: