

Acquisitions and Mergers of Google incorporation

Mohammed Alghamdi, ID, n10366008
Mohammed Alnahdi, ID, n10374850
Ali Alshehri, ID, n10378456

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Professor, Jodie Zhang

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Part A:**Introduction**

As an employee of Cowen investment group, we assessed various opportunities presented by mergers and Acquisitions as well as ways of making key investment decisions. This was an initiative of Apple incorporation to assist them to decide on the best investment platforms. Assessment of marketing. We analyzed the strategies employed by Google incorporation to achieve great market presence and position.

Strengths, weaknesses, opportunities, and threats of Alphabet Inc.

Alphabet incorporation which comprises many businesses such as Google, Access, Calico, CapitalG, GV, Nest, Verily, Waymo, and X has many several strengths that they capitalize on to grow their businesses (Renneboog, Szilagyi & Vansteenkiste, 2017). In particular, Google incorporation that has invested in areas such as Search, Android, Maps, Chrome, YouTube, Google Play, and Gmail that have billions of users all over the world, has invested on various strategies to ensure that their businesses expand extensively. They have capitalized on performance and brand advertising as well as in the area of artificial intelligence. Their major strength is on the artificial intelligence platform that uses technologies such as voice recognition systems (Renneboog, Szilagyi & Vansteenkiste, 2017). In addition, Google incorporation dominates the online advertising platform, web searches, dominance in Android mobile operating systems. All these are possible since Google has a large base of information that they obtain from Google Search, Google Analytics, YouTube, Android OS, and Chrome. It also has excellent acquisition abilities (Renneboog, Szilagyi & Vansteenkiste, 2017). For example, it acquired over 117 companies from 2012 to 2017 including Alphabet, Microsoft, Facebook, and Apple. (Castellaneta & Conti, 2017). By buying companies, Google

incorporation takes the leading edge in new technologies that come with the employees of these companies.

However, Google incorporation whom the source of revenue come from advertising has a weakness that emanates from the fluctuations of demands from adverts (Castellaneta & Conti, 2017). With the emergence of advertising platforms such as Facebook it is noted that the number of click per advert reduced drastically as compared to that of Facebook. Again, even though Google products dominate most markets, they have not vividly defined their market position making them be vulnerable to their competitors such as Facebook (Renneboog, Szilagyi & Vansteenkiste, 2017). Also, Alphabet incorporation spends a lot in operations that can put it at risk of being by-passed by its competitors. Another major weakness the company faces is the high turnover rate of its employees that comprise of its top executives. This is a serious phenomenon that can make it lose a competitive advantage over companies like Facebook (Renneboog, Szilagyi & Vansteenkiste, 2017). It is estimated that a majority of the employees take a maximum of 2 years then shift to other competing companies.

On the positive side, Google has various opportunities that put it ahead of its competitors. For instance, it has expressed interest and invested in an android technology known as Android M (6.0) that has given it a competitive advantage over Facebook's mobile advance. In addition, it has extensively invested introduced products such as Android for Work and Chrome for Work in the enterprise market to effectively compete with companies such as Microsoft and Apple. It has invested in Google Play music with the aim of getting more profits from adverts and subscriptions. On the darker side, Google faces several threats from its major rivals such as Amazon, Facebook, and Apple. Firstly, Facebook now boasts of many subscribers

than Google. With these great numbers, companies wishing to advertise their products will obviously approach Facebook first to get their adverts too many users.

Merging Google incorporation through horizontal acquisition

Google incorporation should be merged with other companies such as Facebook, Amazon and Apple incorporations as they offer similar services and products. Through acquiring these companies, competition can greatly reduce. For instance, since Facebook has close to one billion users, Google incorporation will benefit from such an acquisition or merger because all adverts meant for Facebook will be channeled Google. This will generate more revenues since the companies advertising through Google as a result of the acquisitions will greatly increase. Another great benefit that Google incorporation is likely to benefit from is the economics of scale and increasing the bargaining power with suppliers. Horizontal mergers with companies like Facebook, Amazon, and Apple is likely to give Google an upper hand in the management of the company. This is because horizontal mergers only join companies in the same business and for that matter, Google's top management cannot have management problems since the mergers were also dealing in the same products. Just like Facebook is an online advertising platform, so is Google incorporation.

The synergy of Google incorporation with its mergers and acquisitions

Through the analysis of the mission, vision, and strategies of various companies it was recommended that Google incorporation could merge with Facebook, Amazon, and Apple since they shared similar development strategies and growth objectives. The three companies share the vision of ensuring that their customer gets the best experience with their products and services. Just the way Google's main vision is organizing the world's information and making it accessible to people, Facebook sees the world as a global village where can have the power

build the community together (McKeon, & Solomon, 2017). In addition, Amazon has the vision of ensuring that their customers get the best experience through its software and hardware services that is also shared by Apple incorporation. Google merging with a company like Facebook and Amazon will give it a monopoly in terms of online advertising as well provision of other products and services (McKeon, & Solomon, 2017). Since Amazon is a leader in online marketing worldwide, it can gain greatly in the selling of products and reaching out to many customers. In addition, the company has post-integration potential advantages since companies such as Facebook and Amazon have services and products that are consistent with Google's vision. Again, Amazon is a leader in marketing products all over the globe and thus can give Google incorporation an advantage in being a monopoly.

Valuation of Facebook incorporation

Using the free cash flow methodology, Facebook has shown great growth rates in the last 5 years with an exception of 2015 when it experienced a drastic drop.

Free Cash Flow

C4 X ✓ fx FCFF(t)				
	A	B	C	D
1	Facebook Incorporation, free cash flow to the firm (FCFF) forecast			
2	USD \$ in millions, except per share data			
3				
4	Year	Value	FCFF(t)	Present value at 9.26%
5	0	FCFF(0)	15,360	
6	1	FCFF(1)	17,858	16,344
7	2	FCFF(2)	20,316	17,017
8	3	FCFF(3)	22,603	17,328
9	4	FCFF(4)	24,581	17,247
10	5	FCFF(5)	26,118	16,772
11	5	TV(5)	921,089	591,489
12	Intrinsic value of Facebook Inc.'s capital			676,197
13	Less: Capital lease obligations (fair value)			—
14	Intrinsic value of Facebook Inc.'s common stock			676,197
15				
16	Intrinsic value of Facebook Inc.'s common stock (per share)			\$236.89
17	Current share price			\$189.77

Cost of Capital

D5	$0.00\% = 0.00\% \times (1 - 26.86\%) -$				
	A	B	C	D	E
1	Facebook Incorporation, cost of capital				
2					
3		Value	Weight	Required rate of return	
4	Equity (fair value)	541,696	1.00	9.26%	
5	Capital lease obligations (fair value)		$0.00\% = 0.00\% \times (1 - 26.86\%) -$		
6					
7					

USD \$ in millions

Equity (fair value):

$= \text{No. shares of common stock outstanding} \times \text{Current share price}$

$$= 2,854,488,736 \times \$189.77 = \$541,696,327,430.72$$

Capital lease obligations (fair value):

The required rate of return on equity is estimated by using Capital Pricing Model(CAPM):

	A	B	C	D	E	F	G	H
	Facebook Incorporation, monthly rates of return							
			Facebook Inc. (FB)			Standard & Poor's 500 (S&P)		
	t	Date	Price(FB, t)	Dividend(FB, t)	R(FB, t)	Price(S&P 500, t)	R(S&P 500, t)	
1.		Jan 31, 2014	62.57			1,782.59		
2.		Feb 28, 2014	68.46		9.41%	1,859.45	4.31%	
3.		Mar 31, 2014	60.24		-12.01%	1,872.34	0.69%	
4.		Apr 30, 2014	59.78		-0.76%	1,883.95	0.62%	
5.		May 31, 2014	63.30		5.89%	1,923.57	2.10%	
6.		Jun 30, 2014	67.29		6.30%	1,960.23	1.91%	
7.		Jul 31, 2014	72.65		7.97%	1,930.67	-1.51%	
8.		Aug 31, 2014	74.82		2.99%	2,003.37	3.77%	
9.		Sep 30, 2014	79.04		5.64%	1,972.29	-1.55%	
10.		Oct 31, 2014	74.99		-5.12%	2,018.05	2.32%	
11.		Nov 30, 2014	77.70		3.61%	2,067.56	2.45%	
12.		Dec 31, 2014	78.02		0.41%	2,058.90	-0.42%	
13.		Jan 31, 2015	75.91		-2.70%	1,994.99	-3.10%	
14.		Feb 28, 2015	78.97		4.03%	2,104.50	5.49%	
15.		Mar 31, 2015	82.22		4.12%	2,067.89	-1.74%	
16.		Apr 30, 2015	78.77		-4.20%	2,085.51	0.85%	
17.		May 31, 2015	79.19		0.53%	2,107.39	1.05%	
18.		Jun 30, 2015	85.77		8.31%	2,063.11	-2.10%	
19.		Jul 31, 2015	94.01		9.61%	2,103.84	1.97%	
20.		Aug 31, 2015	89.43		-4.87%	1,972.18	-6.26%	
21.		Sep 30, 2015	89.90		0.53%	1,920.03	-2.64%	
22.		Oct 31, 2015	101.97		13.43%	2,079.36	8.30%	
		Nov 30, 2015	104.24		2.23%	2,080.41	0.05%	

A1		Facebook Incorporation, monthly rates of return						
	A	B	C	D	E	F	G	H
28	23.	Dec 31, 2015	104.66		0.40%	2,043.94	-1.75%	
29	24.	Jan 31, 2016	112.21		7.21%	1,940.24	-5.07%	
30	25.	Feb 29, 2016	106.92		-4.71%	1,932.23	-0.41%	
31	26.	Mar 31, 2016	114.10		6.72%	2,059.74	6.60%	
32	27.	Apr 30, 2016	117.58		3.05%	2,065.30	0.27%	
33	28.	May 31, 2016	118.81		1.05%	2,096.95	1.53%	
34	29.	Jun 30, 2016	114.28		-3.81%	2,098.86	0.09%	
35	30.	Jul 31, 2016	123.94		8.45%	2,173.60	3.56%	
36	31.	Aug 31, 2016	126.12		1.76%	2,170.95	-0.12%	
37	32.	Sep 30, 2016	128.27		1.70%	2,168.27	-0.12%	
38	33.	Oct 31, 2016	130.99		2.12%	2,126.15	-1.94%	
39	34.	Nov 30, 2016	118.42		-9.60%	2,198.81	3.42%	
40	35.	Dec 31, 2016	115.05		-2.85%	2,238.83	1.82%	
41	36.	Jan 31, 2017	130.32		13.27%	2,278.87	1.79%	
42	37.	Feb 28, 2017	135.54		4.01%	2,363.64	3.72%	
43	38.	Mar 31, 2017	142.05		4.80%	2,362.72	-0.04%	
44	39.	Apr 30, 2017	150.25		5.77%	2,384.20	0.91%	
45	40.	May 31, 2017	151.46		0.81%	2,411.80	1.16%	
46	41.	Jun 30, 2017	150.98		-0.32%	2,423.41	0.48%	
47	42.	Jul 31, 2017	169.25		12.10%	2,470.30	1.93%	
48	43.	Aug 31, 2017	171.97		1.61%	2,471.65	0.05%	
49	44.	Sep 30, 2017	170.87		-0.64%	2,519.36	1.93%	
50	45.	Oct 31, 2017	180.06		5.38%	2,575.26	2.22%	
51	46.	Nov 30, 2017	177.18		-1.60%	2,647.58	2.81%	
52	47.	Dec 31, 2017	176.46		-0.41%	2,673.61	0.98%	
53	48.	Jan 31, 2018	186.89		5.91%	2,823.81	5.62%	
54	49.	Feb 28, 2018	178.32		-4.59%	2,713.83	-3.89%	
55	50.	Mar 31, 2018	159.79		-10.39%	2,640.87	-2.69%	
56	51.	Apr 30, 2018	172.00		7.64%	2,648.05	0.27%	
57	52.	May 31, 2018	191.78		11.50%	2,705.27	2.16%	
58	53.	Jun 30, 2018	194.32		1.32%	2,718.37	0.48%	
59	54.	Jul 31, 2018	172.58		-11.19%	2,816.29	3.60%	
60	55.	Aug 31, 2018	175.73		1.83%	2,901.52	3.03%	
61	56.	Sep 30, 2018	164.46		-6.41%	2,913.98	0.43%	
62	57.	Oct 31, 2018	151.79		-7.70%	2,711.74	-6.94%	
63	58.	Nov 30, 2018	140.61		-7.37%	2,760.17	1.79%	
64	59.	Dec 31, 2018	131.09		-6.77%	2,506.85	-9.18%	
65	Average:				1.45%		0.63%	
66	Standard Deviation:				6.16%		3.13%	

A13			
	A	B	C
	Facebook Incorporation, expected rate of return		
	Assumptions		
	Rate of return on LT Treasury Composite	2.80%	
	Expected rate of return on market portfolio	12.06%	
	Systematic risk (β) of Facebook Inc.'s common stock	0.70	
	Expected rate of return on Facebook Inc.'s common stock	9.27%	

Therefore, Estimated (average) effective income tax rate for the 5 years:

$$= (12.80\% + 22.60\% + 18.40\% + 40.40\% + 40.10\%) \div 5 = 26.86\%$$

Therefore; $WACC = \frac{E}{V} \times Re + \frac{D}{V} \times Rd \times (1 - Tc)$

Where:

Re, equal to, total cost of equity

Rd, equal to, total cost of debt

E, equal to, market value total equity

D, equal to, market value of total debt

V, equal to, total market value of the company's combined debt and equity or E + D

E/V, equal to, equity portion of total financing

D/V, equal to, debt portion of total financing

Tc equal to income tax rate

Therefore:

As at March.2019, Facebook Incorporation latest two-year average Current Portion of Long Term Debt was \$665.5 Million and its latest two-year average Long-Term Debt & Capital Lease Obligation was \$0 Million. The total Book Value of Debt (D) is \$665.5 Mil.

$$\begin{aligned} a) \text{ weight of equity} &= E / (E + D) = 541039.795 / (541039.795 + 665.5) \\ &= 0.9988 \end{aligned}$$

$$\begin{aligned} b) \text{ weight of debt} &= D / (E + D) = 665.5 \div (541039.795 + 665.5) \\ &= 0.0012 \end{aligned}$$

Also, the Cost of Equity = Risk-Free Rate of Return + Beta of Asset $\times$ (Expected Return of the Market - Risk-Free Rate of Return). Again, the current risk-free rate of Facebook is 2.51000000% and beta 1.30 from the data obtained in the Facebook's 10k report. Therefore:

$$c) \text{ Cost of Equity} = 2.51000000\% + 1.30 \times 6\% = 10.31\%$$

In addition, as at December 2018, Facebook's interest expense had reached \$9 Mil. Its total Book Value of Debt (D) is \$665.5 Mil.

$$\text{Cost of Debt} = (9 \div 665.5)100\% = 1.3524\%.$$

Also, the latest Two-year Average Tax Rate is 17.72%.

Therefore, Facebook's WACC

$$\begin{aligned} &= 0.9988 \times 10.31\% + 0.0012 \times 1.3524\% \times (1 - 17.72\%) \\ &= 10.3\% \end{aligned}$$

Present value and terminal value of Facebook:

Facebook free cash flow for the quarter ending March 31, 2019 was 5,471.00, a year-over-year. Again, its annual free cash flow for 2018 was \$15.359B, a 12.15% that indicated a drop decline from 2017. In 2017, it got an annual free cash flow of \$17.483B, a 50.49% increase from

2016. Also, its annual free cash flow for 2016 was \$11.617B, a 48.99% increase from 2015 as shown by the data in the 10k report.

Part B: Member 1, Mohammed Alghamdi, ID, n10366008

Importance of effective teamwork and coordination of activities in future studies and professional practice.

Effective teamwork and coordination of activities are very significant for completion of assignment given to a group. Teamwork makes work to be accomplished at a faster rate as it is done as a team instead of only one individual, facilitates relations amongst team members, and promotes a healthy competition amongst team members, learning opportunities amongst members and ensuring that work is not unattended. Firstly, I learnt that teamwork and coordination of activities made completion of assignments faster (Grover, Porter & Morphet, 2017). This was possible since each and every member was allocated questions to do research on and later submit the results. The solutions were then presented to the team leader for approval. Secondly, I learnt that teamwork was also important as it promoted relations among team members. This is because group members shared so many things thus improving our interpersonal relationship skills. Development of interpersonal skills was done through effective listening, speaking and writing (Grover, Porter & Morphet, 2017). For instance, if I wished to get some information from, I learnt to use courteous words such as “please” and “excuse me” when requesting for some assistance from a group member. Courtesy on my part endeared me to many members as most saw me as an approachable and being ready to come to their assistance at any given time.

Through effective teamwork and communication, members developed a positive competitive spirit beneficial for the group. I learnt that a positive competitive spirit was essential

in helping our group to accomplish its assignment early (Bender, 2016). For instance, we agreed as group that each member would have to beat a set deadline and the first person to complete the task assigned to them would be rewarded. Through that most of the members accomplished their tasks earlier than expected as everybody to the first and also get the reward.

In conclusion, I realized that for effective teamwork and coordination of activities in group work and professional practice members need to properly utilize communication skills such as listening, speaking and writing. Through listening to each other's contribution, we were to accomplish the assignment at the stipulated time. I learned that for one to be an effective leader, they have to inculcate great listening skills. This is because a great listener is also a great thinker. When one gives a speaker a listening ear, the speaker feels valued and will likely give the best to the audience (Grover, Porter & Morphet, 2017). I also learnt that a good speaker should employ the use of facial expressions, gestures and body movements. The use of facial expressions give the listener an easy time in comprehending what the speaker says. For instance, each member ensured that they employed the best ways to make sure that all participants in the groups vividly understand the concepts that they put across (Bender, 2016). In addition, writing is also an important skill that I learnt is useful in group work or teamwork. I learnt that for retention of content and for the purpose of future reference for the group, it was significant that members note down the points.

Part B: Member 2, Mohammed Alnahdi, ID, n10374850**Importance of effective teamwork and coordination of activities in future studies and professional practice.**

As a team leader in our group, I came to learn that effective teamwork and coordination of activities were key to success in professional practice. I learned that communication, commitment a trust, diversity, adaptability and creative freedom.

Majorly, I learned that communication is key for a group to succeed at any work. Through discussions on various aspects of mergers and acquisitions, we were able to share ideas. We employed the use of communication skills such as listening, speaking and writing to ensure that the assignment we were given was successfully completed. Through speaking and listening to each other, we were able to gather a lot of points to help us answering various questions in finance.

I also came to learn that teamwork and coordination of activities were significant in my future studies and professional practice. I learned that teamwork offered differing perspectives and feedback, efficiency and productivity, great learning opportunities, provided synergy to work together. To begin with, differing perspectives and feedback helped us develop critical thinking to enable us to come up with the best conclusion and so far (Salas et al.,2017). The group work enabled us to have a diversity of thought, perspective, and problem-solving approaches. We took different approaches in handling the questions that were provided in the assignment. As team members, we decided to use YouTube videos that provided information on some topics. We also made use of the feedback given to us by various stakeholders from

companies that we visited and interviewed. The feedback that we obtained helped us so much to learn about mergers and acquisition.

Secondly, I learned that teamwork promoted efficiency and productivity. An assignment that I could do the whole day took me only a few hours since we did the work together as a team. As the team leader, I ensured that each member was allocated their part to do to simplify the work for everybody. Each member would then do their own research and after that, we would meet to discuss all the members' work and get the best answers. Through doing this we also learned about turn-taking. In addition, teamwork and collaboration presented us with great learning experiences. I was realized that various members had a grasp of some topics that I did not have much mastery. This gave me the chance to even ask questions from members of our group to learn more. Through teamwork, we realized that we actually needed to learn more from each other.

I also learned that teamwork cultivated the spirit of working in synergy with another. I realized that in a group empowered us to solve problems easily. A problem that could not be solved by a team member could be split into parts to enable the members of the team to come up with a long-lasting solution (Westra et al., 2015). For the purpose of beating deadlines, I came to learn that working in synergy enabled us to finish what was to us in time for submission. Therefore, teamwork and coordination of activities in future studies and professional studies in key to success for every student.

Part B: Member 3, Ali Alshehri, ID, n10378456**Importance of effective teamwork and coordination of activities in future studies and professional practice.**

Effective teamwork and coordination of activities in future studies and professional practice is significant as it enables the team members to have a variety of skills that are beyond the scope of single team member, encourages good interpersonal relations and communication among team members, creates work synergy and commitment, coordinating individual activities towards a common goal and giving group members a sense of belonging.

Firstly, I discovered that effective teamwork and coordination of activities was very important as it enabled team members to have a variety of skills that are beyond the scope of one group member (Grover, Porter & Morphet, 2017). During any teamwork exercise, each individual group member inputs a new idea that can have immense benefits to the whole team. During such an exercise all members accrued a lot of benefits as they learned new skills and techniques from group members (Grover, Porter & Morphet, 2017).

Effective teamwork and coordination of activities enabled us to have great interpersonal relations and communication among team members. Working as a team, we learned how to listen and speak appropriately with different team members (Grover, Porter & Morphet, 2017). Turn-taking took the center stage as we ensured that everyone had a chance of participating in the group. Through this, team members enhanced their oratory skills, an aspect useful in the future endeavors for each individual (Bender, 2016). Again, interpersonal relations among individuals in our group improved greatly. Group members easily interacted with each other ensure that challenges they faced individual were solved collectively. And since collective

problem solving is essential in any organization, we endeared ourselves to always solve problems that each individual team member faced in the task assigned to us.

Teamwork also promoted work synergy and commitment. Since each team member was assigned a role in our group, they learned that commitment is one of the greatest ingredients for the success of any great team. Each member had to accomplish tasks assigned to them at the right time for the good of the whole team (Bender, 2016). Similarly, we learned that the spirit of commitment was an essential aspect that was considered once a person was hired. Therefore, in order to practice for future employability, our team members remained committed to the roles assigned us and ensured that we finished them completely in preparation of the future (Grover, Porter & Morphet, 2017). Since the work is done in a group, tasks become easier to finish enhancing work synergy.

Again, effective teamwork and coordination of activities enabled us to learn how common goals could be achieved through teamwork giving team members a sense of belonging (Bender, 2016). We learned that even though we had different tasks in the group, we had to be sure that each person did their assignments in line with the objectives of the group (Grover, Porter & Morphet, 2017). Tasks were done easily through following the guidelines of the group and no individual could deflect from the group. Besides, team members felt that they were in a group that they identified with since they had participated in it.

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