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M&A Term	Definition, video and related information
100 day plan	A detailed project plan outlining the integration actions following the first 100 days post closing. The momentum gained or maintained will set the pace and success for the subsequent integration.
A-Shares, B-Shares	In finance an "A-share" is a designation for a 'class' of common or preferred stock that typically has weakened voting rights or other benefits compared to B share or "C-share" that may have been created. The equity structure, or how many types of shares are offered, is determined by the corporate charter.
Above the line cost and revenue	Cost and revenue elements that are included in the calculation of EBITDA
Account earnings	"The amount of money a company has earned during a given period, usually a quarter or year, as reported based on proper accounting standards. Accounting earnings help to measure a company's profitability, but investors should consider not just earnings quantity, but also earnings quality, in evaluating a company's accounting earnings. Earnings quality considers whether earnings are repeatable, controllable and bankable"
Accounting policies	"Accounting policies are the specific policies and procedures used by a company to prepare its financial statements. These include any methods, measurement systems and procedures for presenting disclosures. Accounting policies differ from accounting principles in that the principles are the rules and the policies are a company's way of adhering to the rules."
Accretive	An acquisition is accretive when the combined earnings per share of the combined business is greater than the buyer's standalone earnings per share.
Acquiree or target company	The company which is being merged or taken over by the other company.
Acquirer, predator, offeror	The company which is making a bid for the merger or takeover of another company.
Acquisition	"An acquisition is a corporate action in which a company buys ownership in a target company in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's stock or a combination of both."
Acquisition accounting	"Acquisition accounting is a set of formal guidelines describing how assets, liabilities, non-controlling interest and goodwill of a target company must be reported by a purchasing company on its consolidated statement of financial position. With acquisition accounting, the fair market value of the acquired firm is allocated between the net tangible and intangible assets portion of the balance sheet of the acquiring firm; any difference is regarded as goodwill. Also called "business combination accounting."
Acquisition adjustment	The difference between the price an acquiring company pays to purchase a target company and the net original cost of the target utility company's assets. An acquisition adjustment is the premium paid for acquiring a company more than its tangible assets or book value.
Acquisition financing	"Acquisition financing is the capital that is obtained for the purpose of buying another business. Acquisition financing allows the user to meet their current acquisition aspirations by providing immediate resources that can be applied toward the transaction."
Acquisition of assets	Acquirer may purchase only assets or some specific assets and not all the assets and liabilities of the company.

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Acquisition premium	"An Acquisition premium is the difference between the estimated real value of a company and the actual price paid to obtain it. Acquisition premium represents the increased cost of buying a target company during a merger and acquisition. There is no requirement that a company pay a premium for acquiring another company; depending on the situation, they may even get a discount."
Adjusted book value	An adjusted book value is a measure of a company's valuation after liabilities, including off-balance sheet liabilities, and assets are adjusted to reflect true fair market value. The potential downside of using an adjusted book value is that a business could be worth more than its stated assets and/or liabilities because it fails to value intangible assets, account for discounts or factor in contingent liabilities. It is not often accepted as an accurate picture of a profitable company's operating value, however it can be a way of capturing potential equity available in a firm.
Adjusted earnings	The sum of earnings, increase in loss reserves, increase in new business, increase in deficiency reserves, increase in deferred tax liabilities, and capital gains for an insurance company from the previous time period to the current time period. Adjusted earnings provides a measurement of how current performance compares with performance in previous years.
Adjusted net asset method	"A business valuation procedure used in acquisition accounting that changes the stated values of a company's assets and liabilities to reflect its current fair market values. This accounting technique adjusts asset and liability values either up or down, so they reflect the true values on either an ongoing concern, forced liquidation or orderly liquidation basis."
After-tax real rate of return	"The after-tax real rate of return is the actual financial benefit of an investment after accounting for inflation and taxes. The after-tax real rate of return is an accurate measure of investment earnings and usually differs significantly from an investment's nominal rate of return, or its return before inflation and taxes. However, investments in tax-advantaged securities (such as municipal bonds) and inflation-protected securities (such as TIPS) as well as investments held in tax-advantaged accounts such as Roth IRAs will show less discrepancy between nominal returns and after-tax real rates of return."
All cash, all stock offer	"A proposal by one company to purchase all of another company's outstanding shares from its shareholders for cash. An all cash, all stock offer is one method by which an acquisition can be completed. In this type of offer, one way for the acquiring company to sweeten the deal and try to get uncertain shareholders to agree to a sale is to offer a premium over the price for which the shares are presently trading."
Announcement	The announcement of the acquisition includes notifying the press, and all stakeholders such as employees, customers, suppliers, the Market, ...). The announcement may include elements on the deal rationale and envisaged results and consequences.
Anti-trust filing	notifying the competition authorities of the acquisition.
Asset acquisition strategy	"An asset acquisition strategy is the purchase of a company by buying its assets instead of its stock. An asset acquisition strategy may be used for a takeover or buyout if the target is bankrupt. Market knowledge, research and experience are important to a successful asset acquisition strategy. In some cases, a plan for selling the asset, called asset disposition, is built into the asset acquisition strategy."
Asset deal	"An acquisition where the buyer does not take over shares of the target, but cherry-picks certain assets. The target's operations are continued under the acquirer's legal entity (the buyer creates a new legal entity or uses an existing one). The buyer is exposed to smaller risk as possibilities of adverse effects arising are minimised, since within the asset deal, apart from the assets, only certain liabilities are taken over.

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	The seller will generally prefer a share deal as it offers the complete exit from the business and its related risks."
Bank guarantee	A guarantee covering certain aspects of a deal claim against the seller. It is issued by a bank to compensate the buyer, should the seller not pay certain losses incurred by the buyer. The bank has recourse to the seller in order to recover the guarantee. If the seller does not pay the claim, it will be paid by the bank, instead of the seller, once certain conditions have been met, after which the bank demands repayment of the claim, on top of the fees charged for the guarantee.
(Non) Binding	"deal negotiations typically start with non-binding agreements, such as the Letter Of Intent stating a certain level of intent on both sides. As the talks progress, the more binding agreements are entered into, of which the Sale and Purchase Agreement is the ultimate one."
Bottom line	The net income "line" of the income statement
Bullet loan	"In banking and finance, a bullet loan is a loan where a payment of the entire principal of the loan, and sometimes the principal and interest, is due at the end of the loan term. Likewise for bullet bond. A bullet loan can be a mortgage, bond, note or any other type of credit. The payment that is due at the end of the loan is referred to as the bullet payment or balloon payment."
Business angel	An angel investor or angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors invest online through equity crowdfunding or organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.
Business cycle	A recurring pattern of expansion and contraction in the economy. The average cycle is three to four years.
Buy-out fund	See "private equity"
Capital asset pricing model (CAPM)	A mathematical model showing an "appropriate" price, based on relative risk combined with the return on risk-free assets. It is an approximation of the cost of equity (CoE). An investor will require a return that is higher than the return on a risk-free investment. He will therefore require a premium to compensate for the general risk of his investment, plus a premium for other specific risks associated with the investment. The formula is as follows: CoE = RF + Beta x MRP + Alpha
Capitalization	Term used to describe a company's permanent capital, long-term debt and equity.
Capitalization ratio	Measurement of the company's debt component of the company's capitalization. Measures the extent of debt used in relation to the company's permanent capital. Determined by dividing long-term debt by long-term debt plus equity
Carried interest	"Carried interest or carry, in finance, specifically in alternative investments (i.e., private equity and hedge funds), is a share of the profits of an investment or investment fund that is paid to the investment manager in excess of the amount that the manager contributes to the partnership. As a practical matter, it is a form of performance fee that rewards the manager for enhancing performance. The origin of carried interest can be traced back to the 16th century, when European ships were

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	crossing to Asia and the Americas. The captain of the ship would take a 20% share of the profit from the carried goods, to pay for the transport and the risk of sailing over oceans. In private equity, the distribution of carried interest is directed by a distribution waterfall : in order to receive carried interest, the manager must first return all capital contributed by the investors, and, in certain cases, a previously agreed-upon rate of return (the ""hurdle rate"" or ""preferred return"") to investors. Private equity funds distribute carried interest to the manager only upon a successful exit from an investment, which may take years. The customary hurdle rate in private equity is 7–8% per annum. In a hedge fund environment, carried interest is usually referred to as a ""performance fee"". Hedge funds, because they invest in liquid investments, are often able to pay carried interest annually if the fund has generated a profit for its investors. The manager's carried-interest allocation will vary depending on the type of investment fund and the demand for the fund from investors. In private equity, the standard carried-interest allocation historically has been 20% for funds making buyout and venture investments. Carried-interest rates – performance fees – among hedge funds have historically also centered on 20%, but have had greater variability than those of private equity funds. In extreme cases performance fees reach as high as 50% of a fund's profits, although usually it is between 15% and 20%."
Carve-out	"A divestiture is the partial or full disposal of a business unit through sale, exchange, closure or bankruptcy. Divestiture may result from a management decision to no longer operate a business unit because it is not part of a core competency. It may also occur if a business unit is deemed redundant after a merger or acquisition. If jettisoning, a unit increases the resale value of the firm or if a court requires the sale of a business unit to improve market competition. In some cases crown jewels are sold in order to raise funds."
Carve-out management office (CMO)	A CMO or carve-out management office is the equivalent of a PMO program management office or an IMO integration management office, this time focused exclusively on carve-outs. It's the team that sits across the various functional work streams – finance, HR, IT, legal, etc., that coordinates the activity and interdependencies between those functions and reports up to the carve-out steering committee, normally across the buyer, the seller, and the Target, and coordinates all of that reporting.
Cash	"Cash is legal tender or coins that can be used to exchange goods, debt or services. Sometimes it also includes the value of assets that can be converted into cash immediately, as reported by a company."
Cash hoard	"A large amount of available money held by a company in anticipation of facilitating future projects or meeting future financial obligations. A cash hoard held by a company often makes the company attractive as a target of acquisition because of its sound financial situation."
Change of control clause	Often referring to target contracts. A clause in a contract with the target stipulating that the contract will either no longer be valid if there is a change in control of the company, or that it will trigger certain action or events.
Circular merger	Companies producing distinct products seek amalgamation to share common distribution and research facilities and promoting market enlargement. The acquiring company benefits by economies of resource sharing and diversification.
Clandestine takeover (or) creeping takeover	Gradual accumulation of shares with the intent of acquiring a controlling stake. One can buy up to a 5% stake in a company without any prior permission. After 5%, they should inform the stock exchange.

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Clean team	a team consisting of independent advisors, mandated by both buyer and seller, to review information that is mutually sensitive to buyer and seller. The clean team gathers confidential information, anonymises it, an presents a 'clean' analysis to buyer and seller.
Closed-end fund	"A closed-end fund (CEF) or closed-ended fund is a collective investment model based on issuing a fixed number of shares which are not redeemable from the fund. Unlike open-end funds, new shares in a closed-end fund are not created by managers to meet demand from investors. Instead, the shares can be purchased and sold only in the market. Closed-end funds are usually listed on a recognized stock exchange and can be bought and sold on that exchange. The price per share is determined by the market and is usually different from the underlying value or net asset value (NAV) per share of the investments held by the fund. The price is said to be at a discount or premium to the NAV when it is below or above the NAV, respectively. A premium might be due to the market's confidence in the investment managers' ability or the underlying securities to produce above-market returns. A discount might reflect the charges to be deducted from the fund in future by the managers, uncertainty due to high amounts of leverage, concerns related to liquidity or lack of investor confidence in the underlying securities. In the United States, closed-end funds are referred to under the law as closed-end companies and they form one of three SEC recognized types of investment companies along with mutual funds and unit investment trusts. Examples of closed-ended funds in other countries are investment trusts in the United Kingdom and listed investment companies in Australia."
Closing	The "closing" the final settlement between the contracting parties, triggering the payment in exchange for the change of ownership. The closing follows another pivotal moment in a transation: the "signing".
Closing account	The account balances in the balance sheet as per a day agreed in the Sale and Purchase Agreement (SPA) are called the Closing Accounts. They are used to determine the value of certain elements described in the SPA, such as net debt and working capital, and have an influence on the payment as per closing.
Closing agreement	the agreemen on the final settlement between the contracting parties, which will trigger the payment in exchange for the change of ownership.
Club deal	"A club deal, in finance, refers to a leveraged buyout or other private equity investment that involves two or more private equity firms. It can also be referred as consortium or syndicated investment. In a club deal, the investor group of private equity firms pools its assets together and makes the acquisition collectively. The practice has allowed private equity to purchase larger and more expensive companies than each firm could acquire through its own private equity funds. By syndicating the equity ownership across a group of investment firms, each firm reduces its concentration and is able to maintain the diversification of its portfolio of investments."
Commercial due diligence	a diligent analysis of the target's customer segments and markets, how it operates in it, what its position is, and how its sales channels are organised and remunerated.
Common shares outstanding	The number of common shares of stock outstanding at the end of the year, including stock held by the company in its treasury.
Common stock	A security representing a share of ownership in a corporation.
Competitive bid	A competing offer for a company. This can be made by any person within a certain number of days of public announcement of the offer made by the acquirer. This can be made by public

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	announcement and should be for the equal number of shares or more for which the first offer was made.
Condition precedent	A condition necessary to be fulfilled for concluding the Sale and Purchase agreement. Anti-competition approval is such a condition precedent.
Conglomerate	"A conglomerate is a corporation that is made up of a number of different, seemingly unrelated businesses. In a conglomerate, one company owns a controlling stake in a number of smaller companies, which conduct business separately. Each of a conglomerate's subsidiary businesses runs independently of the other business divisions, but the subsidiaries' management reports to senior management at the parent company."
Conglomerate merger	An amalgamation of companies in two or more different industries.
Consolidation	The fusion of two companies in which both the companies lose their identity and form a new company. Shareholders get the shares of the new company.
Continuing operations	Term used in an income statement to denote recurring income as opposed to income generated by sales of assets or discontinued operations.
Continuity of business enterprise doctrine	"A taxation principle applicable to corporate mergers and acquisitions. The doctrine holds that, in order to qualify as a tax-free reorganization, the acquiring entity must either continue the target company's historic business or should use a substantial portion of the target's business assets in a business."
Continuity of interest doctrine (cid)	A doctrine which stipulates that a corporate acquisition can be done on a tax-free basis if the shareholders of the acquired company hold an equity stake in the acquiring company. The continuity of interest doctrine was intended to ensure that a stockholder in an acquired company, who continued to hold an interest in the successor corporation or continuing entity created after the reorganization, would not be taxed.
Conversion price	The price paid for a common stock that is obtained by converting either convertible bonds or preferred convertible stock.
Cost of equity	An investor will require a return that is higher than the return on a risk-free investment. He will therefore require a premium to compensate for the general risk of his investment plus a premium for other specific risks associated with the investment. The formula is as follows: CoE = RF + Beta x MRP + Alpha.
Covenants	Provisions in the legal agreements on loans, bonds, or lines of credit. Usually written by the lender to protect its position as a creditor of the borrowers.
Crowdfunding	"Crowdfunding is the practice of funding a project or venture by raising monetary contributions from a large number of people, today often performed via internet-mediated registries, but the concept can also be executed through mail-order subscriptions, benefit events, and other methods. Crowdfunding is a form of alternative finance, which has emerged outside of the traditional financial system. The crowdfunding model is based on three types of actors: the project initiator who proposes the idea and/or project to be funded; individuals or groups who support the idea; and a moderating organization (the ""platform"") that brings the parties together to launch the idea. In 2013, the crowdfunding industry raised over $5.1 billion worldwide"

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Crown jewels	Precious assets or business lines in a company. These attract the raider to bid for the company's control, or they may be sold by the parent to raise cash. Instead of selling the assets, the company may also lease them or mortgage them so that the attraction of free assets to the buyer is reduced.
Data room	Can be a physical room or an electronic space. It holds data related to the company being sold. Prospective buyers who received access to the data room have an opportunity to consult documents related to finance, operations, tax, legal and other business matters.
DCF	"DISCOUNTED CASH FLOW (DCF) METHOD a valuation method actualizing the future free cash flows in a forecast financial model. The actualization is based an discount factor known as the WACC(Weighted Average Cost of Capital). The ultimate „benefit“ from an investment comes in the form of positive cash flow. The higher the expected cash flow a company can generate in the future, the higher its current value. To calculate cash flow of a company we need information contained in a projected income statement as well as in the accompanying balance sheet, changes in expected working capital, future capital expenditure and sources of cash. These projections are subject to a host of assumptions related to each and every element in the balance sheet and profit and loss account: growth, margins, days sales outstanding, liabilities, financining sources, interest costs, ... Risk: This implicates that estimating a cash flow is a risky business. The level of assesed risk will influence the investor's demanded return. The higher the risk, the higher the demanded return. The higher the demanded return, the lowerthe amount the investor willing to pay up front for the company. r"
De minimis	A sale and purchase agreement will often include a claims clause. The minimum amount for an individual claims to count toward the claims threshold is referred to as 'de minimis'.
Debt & cash free	A term used to value an acquisiton target. Abstractions is made of any debt or cash in the company. The acquisition value is based on a range of factors, all excluding debt or cash elements. Discussion may arise on debt-like items, and what qualifies as debt or not.
Debt pushdown	A term used for the practice of pushing the acquisition debt down into the acquired entity. Lenders will often take into account the cash flow of the combined entities (acquirer and targets) and check if the combined business model is solid enough to pay back any debt. If the acquirer is a holding company, all debt may be pushed down in the acquired entity.
Defensive merger	The directors of a threatened company may acquire another company for shares as a defensive measure to forestall the unwelcome takeover bid. For this purpose, they may sell a large block of shares of their own company in the hands of shareholders of a "friendly" company to make their own company least attractive for takeover bid.
Defined benefit pension plan	"A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. Traditionally, many governmental and public entities, as well as a large number of corporations, provided defined benefit plans, sometimes as a means of compensating workers in lieu of increased pay. A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. Conversely, for a ""defined contribution retirement saving plan"", the formula for computing the employer's and employee's contributions is defined and known in advance, but the benefit to be paid out is not known in advance.

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	The most common type of formula used is based on the employee's terminal earnings (final salary). Under this formula, benefits are based on a percentage of average earnings during a specified number of years at the end of a worker's career. In the private sector, defined benefit plans are often funded exclusively by employer contributions. For very small companies with one owner and a handful of younger employees, the business owner generally receives a high percentage of the benefits. In the public sector, defined benefit plans usually require employee contributions. Over time, these plans may face deficits or surpluses between the money currently in their plans and the total amount of their pension obligations.[5] Contributions may be made by the employee, the employer, or both. In many defined benefit plans the employer bears the investment risk and can benefit from surpluses.[6]"
Defined contribution plan	"In a defined contribution plan, contributions are paid into an individual account for each member. The contributions are invested, for example in the stock market, and the returns on the investment (which may be positive or negative) are credited to the individual's account. On retirement, the member's account is used to provide retirement benefits, sometimes through the purchase of an annuity which then provides a regular income. Defined contribution plans have become widespread all over the world in recent years, and are now the dominant form of plan in the private sector in many countries. Money contributed can either be from employee salary deferral or from employer contributions. The portability of defined contribution pensions is legally no different from the portability of defined benefit plans. However, because of the cost of administration and ease of determining the plan sponsor's liability for defined contribution plans (you do not need to pay an actuary to calculate the lump sum equivalent that you do for defined benefit plans) in practice, defined contribution plans have become generally portable. In a defined contribution plan, investment risk and investment rewards are assumed by each individual/employee/retiree and not by the sponsor/employer, and these risks may be substantial. In addition, participants do not necessarily purchase annuities with their savings upon retirement, and bear the risk of outliving their assets. (In the United Kingdom, for instance, it is a legal requirement to use the bulk of the fund to purchase an annuity.) The ""cost"" of a defined contribution plan is readily calculated, but the benefit from a defined contribution plan depends upon the account balance at the time an employee is looking to use the assets. So, for this arrangement, the contribution is known but the benefit is unknown (until calculated). Despite the fact that the participant in a defined contribution plan typically has control over investment decisions, the plan sponsor retains a significant degree of fiduciary responsibility over investment of plan assets, including the selection of investment options and administrative providers. A defined contribution plan typically involves a number of service providers, including in many cases: Trustee Custodian Administrator Recordkeeper Auditor Legal counsel[17]"

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Demerger by agreement	In this, the demerger takes place by an agreement with the shareholders and the creditors of the company. All the assets of the old company would be transferred to the new company and henceforth the new company would pay all the creditors.
Demerger or corporate split or division	This takes place when part of a company's undertaking is transferred to a newly formed or an existing company. Some or that part of the shares of the first company are also transferred to the new company. The reminder of the first company's undertaking continues to be vested in it and the share holders of the main company gets reduced by that extent.
Dilution	The reduction of earnings, or the value of a stock, that can occur in a merger when more shares are issued; or with conversion of convertible securities into common stock.
Dilutive	An acquisition is dilutive when the combined earnings per share is less than the buyer's standalone earnings per share
Disclosures	For the sake of explicit clarity, a seller will disclose certain elements related to the business for sale. The purpose is to avoid legal action after deal closing pertaining to whether or not these business elements have been communicated during negotiations. Disclosures relate to such things as claims, soil contamination, production defects, etc.
Discontinued operations	Operations that have been or will be discontinued by the company. These items are reported separately on the income statement
Divestiture	"Also called ""carve-out"". The sale, for cash or for securities, of a segment of a company to a third party which is an outsider. A divestiture is the partial or full disposal of a business unit through sale, exchange, closure or bankruptcy. Divestiture may result from a management decision to no longer operate a business unit because it is not part of a core competency. It may also occur if a business unit is deemed redundant after a merger or acquisition, if jettisoning a unit increases the resale value of the firm or if a court requires the sale of a business unit to improve market competition. "
Due diligence	A due diligence is an investigation into the risks and opportunities of an investment. Its aim is to give the potential buyer an insight into the target, so that he can minimise potential negative effects of the acquisition. The overall due diligence work consist of very distinct sub-processes such as a (a) financial, (b) legal, (c) commercial, (d) operational, (e) environmental, (f) organisational, (g) integration, (h) insurance and (i) pension due diligence.
Fairness opinion	A fairness opinion is a professional evaluation by an investment bank or other third party as to whether the terms of a merger, acquisition, buyback, spin-off, or privatization are fair.[1] It is rendered for a fee.[2][3] They are typically issued when a public company is being sold, merged or divested of all or a substantial division of their business. They can also be required in private transactions not involving a company that is traded on a public exchange,[4] as well as in circumstances other than mergers, such as a corporation exchanging debt for equity.[5]Some of the specific functions of a fairness opinion are to aid in decision-making, mitigate risk, and enhance communication.
Family, friends and fools	Many first-time entrepreneurs find themselves unable to fund their startups at the venture capital level or even with angel investors. Their only recourse is that first tier of investors, fondly called "family, friends and fools". These are the only people likely to believe in newbies, with only minimal product evidence or business experience.
Financial buyer	a company buying for purely financial, as opposed to synergy reasons, typically private equity companies

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Financial due diligence	"A Financial Due Diligence is both a forward looking, and a historical review of the target's figures. Typical areas under review are: - the quality of earnings - the nature and definition of net debt - normalisation of one-time and exceptional items - the elements and seasonality of working capital"
Free cash flow	The EBITDA, excluding cash elements like investments, changes in working capital, and taxes on operating profit
Friendly mergers	Mergers and acquisitions resulting from negotiations, with the willing consent of the acquiree company.
Golden parachutes (or) first class passengers strategy	This envisages a generous termination package for senior executives and is used as a protection tool against a takeover.
Goodwill	the difference between the price paid for the target and its book value
Grace period	the period during which no interest or debt payments payments are due.
Greenmail	A large block of shares is held by an unfriendly company, which forces the target company to repurchase the stock at a substantial premium to prevent the takeover.
Grey knight	A party friendly to the target company who seeks to take over the predator.
Guarantees	"A guarantee provided by the seller, often in the form of a bank guarantee and escrow. The goals is to assure the buyer that the seller will adhere to his contractual obligations, as stipulated in the Sale and Purchase Agreement. These obligations are the so-called ""reps & warranties"": representations by managements, warranties given, indemnities fixed in time and often limited in amount."
Hold harmless letter / approved reader letter	This is in the case where an advisor provides someone with access to sensitive information. The access to this information could potentially result in a claim against the advisor. to hold the advisor 'harmless' to the liability of such a claim, the party given access to the information signs a letter agreeing to indemnify the advisor in the event of such a claim.
Holding company	The holding company would have more than 50% of the total voting power and has the control on the other company.
Horizontal merger	It is a merger of two competing firms, which are at same stage of industrial process.
Hostile take-over	"A ""hostile takeover"" allows a bidder to take over a target company whose management is unwilling to agree to a merger or takeover. A takeover is considered ""hostile"" if the target company's board rejects the offer, and if the bidder continues to pursue it, or the bidder makes the offer directly after having announced its firm intention to make an offer. A hostile takeover can be conducted in several ways. A tender offer can be made where the acquiring company makes a public offer at a fixed price above the current market price. An acquiring company can also engage in a proxy fight, whereby it tries to persuade enough shareholders, usually a simple majority, to replace the management with a new one which will approve the takeover. Another method involves quietly purchasing enough stock on the open market, known as a ""creeping tender offer"", to effect a change in management. In all of these ways, management resists the acquisition, but it is carried out anyway.

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	The main consequence of a bid being considered hostile is practical rather than legal. If the board of the target cooperates, the bidder can conduct extensive due diligence into the affairs of the target company, providing the bidder with a comprehensive analysis of the target company's finances. In contrast, a hostile bidder will only have more limited, publicly available information about the target company available, rendering the bidder vulnerable to hidden risks regarding the target company's finances. An additional problem is that takeovers often require loans provided by banks in order to service the offer, but banks are often less willing to back a hostile bidder because of the relative lack of target information which is available to them."
IFRS	International Financial Reporting Standards
Illiquid	"Illiquid is the state of a security or other asset that cannot easily be sold or exchanged for cash without a substantial loss in value. Illiquid assets also cannot be sold quickly because of a lack of ready and willing investors or speculators to purchase the asset. The lack of ready buyers also leads to larger discrepancies between the asking price (from the seller) and the bidding price (from a buyer) than would be found in an orderly market with daily trading activity."
Information memorandum	A short description of a company, with brief information on the company's products or services, its history, its management, past and projected financials, market position, unique value propositions, etc.
Insider trading	In some countries it is a criminal offence for an individual to trade based upon insider information -- someone who is an insider by virtue of being connected with the company and has access to price sensitive information which other share holders do not have.
Intangibles	All intangible assets like goodwill, patents, trademarks, unamortized debt discounts and deferred charges
Interlocking shareholdings or cross shareholdings	Two or more group companies acquire shares of each other in large quantity or one company may distribute shares to the share holders of its group company to avoid threats of takeover bids. (If the interlocking of shareholdings is accompanied by joint voting agreement then the joint system of defence is termed "Pyramiding".)
Joint holding or joint voting agreement	Two or more major shareholders may enter into agreement to block voting or to block sale of shares or may sell the shares together. This agreement is entered into with the cooperation of Offeree Company's management.
Joint venture	This is an agreement between two or more companies to create a jointly owned company, where there will be an agreed contribution and participation of the respective companies.
Junior debt and senior debt	"Debt which ranks after other debts if a company falls into liquidation or bankruptcy. Such debt is referred to as 'subordinate', because the debt providers (the lenders) have subordinate status in relationship to the normal debt. Subordinated debt has a lower priority than other bonds of the issuer in case of liquidation during bankruptcy, and ranks below: the liquidator, government tax authorities and senior debt holders in the hierarchy of creditors. Debt instruments with the lowest seniority are known as subordinated debt instruments. Because subordinated debts are repayable after other debts have been paid, they are more risky for the lender of the money. The debts may be secured or unsecured. Subordinated loans typically have a lower credit rating, and, therefore, a higher yield than senior debt.

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	A typical example for this would be when a promoter of a company invests money in the form of debt rather than in the form of stock. In the case of liquidation (e.g. the company winds up its affairs and dissolves), the promoter would be paid just before stockholders — assuming there are assets to distribute after all other liabilities and debts have been paid. While subordinated debt may be issued in a public offering, major shareholders and parent companies are more frequent buyers of subordinated loans. These entities may prefer to inject capital in the form of debt, but, due to the close relationship to the issuing company, they may be more willing to accept a lower rate of return on subordinated debt than general investors would."
Junk bond	A bond that is rated "below investment grade," involving greater than usual risk as an investment and pays a relatively high rate of interest, typically issued by a company lacking an established earnings history or having a questionable credit history. Junk bonds are used to help finance the purchase of companies, especially by leveraged buyouts.
LBO - leveraged buy-out	"A leveraged buyout (LBO) is a transaction when a company or single asset (e.g., a real estate property) is purchased with a combination of equity and significant amounts of borrowed money, structured in such a way that the target's cash flows or assets are used as the collateral (or ""leverage"") to secure and repay the borrowed money. Since the debt (be it senior or mezzanine) has a lower cost of capital (until bankruptcy risk reaches a level threatening to the lender[s]) than the equity, the returns on the equity increase as the amount of borrowed money does until the perfect capital structure is reached. As a result, the debt effectively serves as a lever to increase returns-on-investment. The term LBO is usually employed when a financial sponsor acquires a company. However, many corporate transactions are partially funded by bank debt, thus effectively also representing an LBO. LBOs can have many different forms such as management buyout (MBO), management buy-in (MBI), secondary buyout and tertiary buyout, among others, and can occur in growth situations, restructuring situations, and insolvencies. LBOs mostly occur in private companies, but can also be employed with public companies (in a so-called PtP transaction – Public to Private). As financial sponsors increase their returns by employing a very high leverage (i.e., a high ratio of debt to equity), they have an incentive to employ as much debt as possible to finance an acquisition. This has, in many cases, led to situations in which companies were ""over-leveraged"", meaning that they did not generate sufficient cash flows to service their debt, which in turn led to insolvency or to debt-to-equity swaps in which the equity owners lose control over the business to the lenders."
Letter of intent (loi)	A letter signed by the target and potential acquirer, stating the intent to pursue a mutual agreement. The letter binds both parties to exclusivity and secrecy.
Liquid asset	An asset that can be converted into cash quickly and with minimal impact to the price received. Liquid assets are generally regarded in the same light as cash because their prices are relatively stable when they are sold on the open market.
Liquidation value	The amount which is available if the assets of the business are sold off and converted to cash
Lock-up arrangement	An arrangement between the target and potential buyer. When purchase negotiations are in a more advanced stage, the acquirer may require a commitment from the seller that he is not going to sell his shares to a third party. "Locking up" the shares will provide an assurance to the seller that he can continue to invest time and resources into buying the target. There are numerous variations in the extent to which the shares are locked.
Locked box	"A 'locked box' is a deal closing mechanism. The seller and acquirer agree on a price for the target. The target is the proverbial 'box'.

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	The following items are put into the box: - the equity value of the company (a debt- and cash free valuation, based on historical financials) - external debt on the balance sheet - cash on the balance sheet - working capital adjustment in plus or in minus, comparing the average working capital, with that as of the day of locking the box - other items resulting from due diligence and negotiations Buyer and seller agree on the value of the items in the box, and the box is then 'locked'. At this time, the deal has not yet been completed, but there can be no longer any leakage from the box. The economic activities of the target continue, invoices are paid and received, salaries are paid, but no money leaves the box, as it would if dividends were paid, or the current account with owners or managers would be drawn on. Once the deal closes, there is no need for any closing accounts to be made and negotiated upon."
Long list	The full list of potential buyers at the start of a selling process
M&A (mergers and acquisitions)	Mergers and acquisitions (M&A) is a general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.
Management buy-out	"An acquisition of a target by its management, usually together with a PE fund. The target's management has more information about the company's business than any other potential buyer. It typically does not have access to enough funds to purchase the share. Consequently, a key issue is finding the sources to financing the deal. "
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.
material adverse change	"This is a significant negative change in one or more of the elements in the target's business model: customers, production assets, licenses, strategic partnerships, etc. A materially adverse change clause can be found in Letters of Intent and Sale & Purchase Agreements, where they are added as triggers for contract renegotiations."
MBI - management buy-in	"A management buy-in (MBI) occurs when a manager or a management team from outside the company raises the necessary finance, buys it, and becomes the company's new management. A management buy-in team often competes with other purchasers in the search for a suitable business. Usually, the team will be led by a manager with significant experience at managing director level. The difference to a management buy-out is in the position of the purchaser: in the case of a buy-out, they are already working for the company. In the case of a buy-in, however, the manager or management team is from another source."
Megamerger	The joining of two large corporations, typically involving billions of dollars in value. The megamerger creates one corporation that may maintain control over a large percentage of market share within its industry.
Memorandum of understanding (mou)	a written agreement between Seller and Acquirer, describing an intended course of action on how to move forward on a deal.

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Merchant banker	The arranging bank -- middle men in settling negotiations for merger or takeover between the offeree and offeror.
Merger	A merger is a combination of two or more companies into a single company where one survives and the other loses its corporate identity. The survivor acquires the assets and liabilities of the rest.
Mezzanine	"Mezzanine capital is any subordinated debt or preferred equity instrument that represents a claim on a company's assets which is senior only to that of the common shares. Mezzanine financings can be structured either as debt (typically an unsecured and subordinated note) or preferred stock. Mezzanine capital is often a more expensive financing source for a company than secured debt or senior debt. The higher cost of capital associated with mezzanine financings is the result of its being an unsecured, subordinated (or junior) obligation in a company's capital structure (i.e., in the event of default, the mezzanine financing is only repaid after all senior obligations have been satisfied). Additionally, mezzanine financings, which are usually private placements, are often used by smaller companies and may involve greater overall levels of leverage than issues in the high-yield market; they thus involve additional risk. In compensation for the increased risk, mezzanine debt holders require a higher return for their investment than secured or more senior lenders."
Multiple	"A 'multiple' refers to a valuation method. The number of times EBITDA is the most classic multiple. If a target's EBITDA is 1 million, and it is sold for 8 million, then the multiple of the target's valuation is 8. Multilples at which companies are sold vary, and are a function such diverse factors as: - the target industry - the economic climate (low multiples during times of economic crisis) - the number of interested acquirers - quality of management - quality of earnings"
Net debt	"Since companies are often valued 'debt and cash free', it is important to define what the debt is. Often the buyer will eventually take over some debt items, so a clear definition and substantiation of that debt is essential. A financial due diligence typically checks the net debt. Elements of net debt are: in plus: - financial liabilities such as loans - pensions - repayable subsidies - long-term commitments such as commissions - off-balance sheet commitments - leasing debts in minus - cash - cash-like items"
Non disclosure agreement (NDA)	"an agreement where two interested parties pledge to retain secracy around the information they come into contact with. Signatories to NDA's are potential acquirers, consultants, internal management. NDA's may include additional clauses to specifically name areas of risk a leakage of a company's assets, such as intellectual property, or valuable employees."
NOPAT	Normalized Operating Profit After Tax. The 'normalisation' refers to the results of due diligence work, where exceptional items influencing profit are taken into account.

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Normalized working capital	The 'normalisation' refers to the results of due diligence work, where exceptional items influencing working capital are taken into account.
Offer letter	a letter resembling a letter of intent, but non-binding, and signed by the interested acquirer only, stating the intent to pursue the acquisition of the target.
Offeror, acquirer, predator	The company which is making a bid for the merger or takeover of another company
Open-ended fund	"Open-end fund (or open-ended fund) is a collective investment scheme which can issue and redeem shares at any time. An investor will generally purchase shares in the fund directly from the fund itself rather than from the existing shareholders. It contrasts with a closed-end fund, which typically issues all the shares it will issue at the outset, with such shares usually being tradable between investors thereafter. Open-ended funds are available in most developed countries, though terminology and operating rules vary. U.S. mutual funds, UK unit trusts and OEICs, European SICAVs, and hedge funds are all examples of open-ended funds. The price at which shares in an open-ended fund are issued or can be redeemed will vary in proportion to the net asset value of the fund, and therefore directly reflects the fund's performance."
Pac-man strategy	The target company attempts to take over the hostile raider.
Par value	The face value of a bond. Also, the arbitrary value given to the stock by the issuing company. This figure is relatively meaningless since the current value of a stock is its price established in the market, regardless of its stated par value.
Partial bid	When a bid is made for acquiring part of the shares of a class of capital where the offeror intends to obtain effective control. This is made for the equity shares.
Payment in kind	"A PIK (Payment In Kind) loan is a type of loan which typically does not provide for any cash flows from borrower to lender between the drawdown date and the maturity or refinancing date, not even interest or parts thereof, thus making it an expensive, high-risk financing instrument. PIK is to be interpreted as interest accruing until maturity or refinancing. PIK loans are typically unsecured (i.e., not backed by a pledge of assets as collateral) and/or with a deeply subordinated security structure (e.g., third lien). Maturities usually exceed five years and in a standard offer, the loan carries a detachable warrant (the right to purchase a certain number of shares of stock or bonds at a given price for a certain period of time) or a similar mechanism to allow the lender to share in the future success of the business, making it a hybrid security."
Plant/assets ratio	The percentage of total assets that is tied up in land, buildings and equipment.
Playbook	A M&A playbook helps companies facilitate a lean, structured approach and methodology to integrating newly acquired companies. Solutions provide meticulous documentation of how work gets done, ensures consistency and standardization across integration teams, as well as delivering continuous improvement of integration process flow and outcomes.
Poison pill strategy	The target company might issue convertible securities which are converted into equity to deter the efforts of offeror; such conversion dilutes the bidder's shares and discourages acquisition. Or the target company might raise borrowings distorting normal debt: equity ratio.
Poison put	A covenant allowing the bond holder to demand repayment in the event of a hostile takeover.

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Post-money value	"Post-money valuation is the value of a company after an investment has been made. This value is equal to the sum of the pre-money valuation and the amount of new equity. External investors, such as venture capitalists and angel investors, will use a pre-money valuation to determine how much equity to demand in return for their cash injection to a company. The implied post-money valuation is calculated as the dollar amount of investment divided by the equity stake gained in an investment."
Pre-money value	"A pre-money valuation is a term widely used in private equity or venture capital industries, referring to the valuation of a company or asset prior to an investment or financing. If an investment adds cash to a company, the company will have different valuations before and after the investment. The pre-money valuation refers to the company's valuation before the investment. External investors, such as venture capitalists and angel investors will use a pre-money valuation to determine how much equity to ask for in return for their cash injection to an entrepreneur and his or her startup company. This is calculated on a fully diluted basis. Usually, a company receives many rounds of financing (conventionally named Round A, Round B, Round C, etc.) rather than a big lump sum in order to decrease the risk for investors and to motivate entrepreneurs. Pre- and post-money valuation concepts apply to each round."
Predator, offeror, acquirer	The company which is making a bid for the merger or takeover of another company
Private equity	"In finance, private equity is an asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange. A private equity investment will generally be made by a private equity firm, a venture capital firm or an angel investor. Each of these categories of investor has its own set of goals, preferences and investment strategies; however, all provide working capital to a target company to nurture expansion, new-product development, or restructuring of the company's operations, management, or ownership. Private equity is also often grouped into a broader category called private capital, generally used to describe capital supporting any long-term, illiquid investment strategy."
Process letter	"A process letter defines how the seller organizes the sales process. It includes such items as: - by which date a bid is expected - acquirer's requirements - conditions of sales process."
Proxy battles	They take place when the agenda items at the meeting are likely to be opposed by dissident shareholders. Management of the company collect proxies to face these opponents in the meeting of Board of Directors.
Quick (asset) ratio	A liquidity measure: cash plus cash equivalents plus trade receivables divided by total current liabilities. Also known as the acid test ratio. It is a more stringent measure of short-term liquidity than the current ratio because it excludes inventories from current assets (which presumes that current liabilities cannot be paid with inventory).
Reconstruction	In this, a company transfers its undertaking and its assets to a new company in consideration of the issue of the new company's shares to the first company's members. And if the first company members debentures are not paid off, the new company should give the debentures to the respective holders and thus the first company would lose its identity.

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Release/reliance restricted	"This is applicable to due diligence reports prepared by an advisor. The report has a very limited number of recipiants, usually only the management of the potential acquirer. Other advisors of the acquirer however, or banks, have an interest in consulting the due diligence reports. Reports may be shared with such a recipients in two ways: - condition ""reliance restriced"": the recipient is held to the same duty of care as the original signatory of the report - condition of ""release"": the original signatory does not have any accountability at at vis-à-vis the recipient."
Representations	"A statement made by the seller about the target, similar to a 'management representation' in an audit report. The seller is held liable for the veracity ot the statement. Claims against the seller can arise if the statements are incorrect. See also 'reps & warranties'"."
Retainer fee	In some instances, a service is paid partially based on how successful it is, and partially via a fixed amount. The fixed amount can be an hourly, daily or monthly rate and is called the 'retainer'.
RF / Risk Free Rate	In modern portfolio theory, an "appropriate" price is based on relative risk combined with the return on risk-free assets. The return on a risk-free asset is the RF, or risk free rate. An example of a risk free asset is a AAA government bond.
Roll-up strategy	The strategy of buying companies in the same market, and merging them. Often applied by Private Equity funds.
Sale & purchase agreement (SPA)	The SPA is the agreement between seller and acquirer on the sale of the target. It's an obligation for the buyer to buy, and for the seller to sell the target. Some people call it the "Share Purchase Agreement".
Share deal	"A deal where share ownership changes hands at the day of closing. The equity stakes is transferred from the seller to the acquirer. All rights and obligations associated with the existing assets and liabilities transfer to the acquirer as well as all risks associated the target. A seller will generally prefer a share deal, as it entails a complete exit from the business and its associated risks. An acquirer may prefer an asset deal, specifically if there is any doubt regarding potential liabilities. "
Share purchase agreement (spa)	The SPA is the agreement between seller and acquirer on the sale of the target. It's an obligation for the buyer to buy, and for the seller to sell the target. Most people call it the "Sale and Purchase Agreement".
Shark repellent	The companies amend their By-Laws and regulations to be less attractive for the raider company. For example, the company may require that 80-95% of the shareholders should approve for the takeover and 75% of the Board of Directors consent.
Short list	A long list, boiled down to a limited number of potential acquirers. Acquirers on the short list usually get more access rights to the target's information.
SLA	Service Level Agreement: an long term agreement between Seller and the Acquirer's target to deliver certain services, against well defined deliverables and price.
Spin off	It is a kind of a demerger or carve-out where an existing parent company distributes on a pro-rata basis all the shares it owns in a controlled subsidiary to its own shareholders by which it gains effect to

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	make two of the one company or corporation. There is no money transaction, subsidiary's assets are not valued, transaction is not treated as stock dividend and tax free exchange. Both the companies exist and carry on business. It does not alter ownership proportion in any company.
Split off	This occurs when equity shares of a subsidiary company are distributed to some of the parent company's shareholders in exchange for their holdings in parent company.
Split up	It is s diversion of a company into two or more parts through transfer of stock and parent company ceases to exist.
Stapled / debt package	"a combination of loans with varying degrees of seniority, covenants, interest rates, issued by several different lenders."
Strategic buyer	a company intending to buy another company in order to benefit from some sort of synergy
Success fee	The variable part of a fee, depending on the successfull outcome of a transation.
Swap ratio	This is an exchange rate of the shares of the companies that would undergo a merger. This is calculated by the valuation of various assets and liabilities of the merging companies.
Sweat Equity	"Equity allocated by Private Equity to management at advantageous conditions. The goals is to tie the management to the company, and make it share in a successfull exit at a later stage, which is also the goal of the private equity fund that made the acquisition. The extent to which management can enter the share capital at a cheaper level than the PE fund is called the ""envy ratio'."
Synergy	Any value created by the acquisition or merger of two companies. Synergies can be found in all aspects of a company's business plan, such as customer segments, market penetration, unique value proposition, core competencies, access to resources and strategic partners. They can be cost related, revenue related, or can involve more intangible elements.
Synergy due diligence	"A due diligence looking into the quality and quantity of synergies between the Acquirer and the Target. A synergy due diligence is based on the following material : - information made available in the Target's dataroom - question and answer sessions with the Target's management - interviews with the Acquirers management and subject matter experts - external subject matter experts - publicly available information - potentially: information from a 'clean team' For each and every source of synergies and dissynergies, the report assesses the impact on people, processess, systems, assets, legal proces, one-time cost, recurring cost and benefit. It presents recommendations and prioritisations. The results are made visible in various formats, such as a Haspeslagh matrix, a DCF model, and spider web presentation."
Takeover	This is similar to acquisition. Takeover differs with merger in approach to business combinations ie, the process of takeover, transaction involved, determination of share exchange. for ex: process of takeover is unilateral and the offeror company decides about the maximum price. Time taken in completion of the takeover is less than that in the merger.

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Takeover bid	It is the intention of the acquirer reflected in the action of acquiring the shares of the Target company.
Target company or acquiror	The company which is being merged or taken over by the other company.
Teaser	A short description of the target company, made available to the investment community. Its aim is to see if there is appetite in the market for the company, without disclosing its identity.
Tender offer	The acquirer pursues takeover (without consent of the acquiree) by making a tender offer directly to shareholders of the target company to sell their shares. This offer is often made for cash.
Threshold	A 'threshold in a Sales and Purchase Agreement context refers to the total value that claims in the claims basket need to reach before a compensation mechanism, or legal mechanism is triggered.
Tombstone	After the transaction, a tombstone is produced for marketing purposes. As evidence of transaction experience, the tombstone will be displayed in future credentials and pitches.
Trade multipliers	"Acquirers can compare the relative values of the Target's peer companies publicly listed. Examples of multipliers: - Enterprise Value/Income - Enterprise Value/ EBITDA - Enterprise Value/ EBIT - Enterprise Value/ free cash flow - P/E (price to earnings ratio)"
Transition Service Agreement (TSA)	A transition services agreement or a tsa is a common contract sign between the seller and the buyer, covering post-deal support services to the target business to continue operating as it currently does. Until such times as it can be set up independently or integrated fully into the acquirer. It's signed along with the sales a purchase agreement and is normally defined along the level of services and can be exited between 6 and 18 months later.
TUPE	"Transfer of Undertakings (Protection of Employment). Protection of employment law often involves that employee seniority, pay level, acquired benefits transfer to the new owner. In the case of carve-outs, there are legal requirements related to confidentiality and consultation of employees who transfer to the Target. 'TUPE' is the umbrella term to describe all these liabilities, requirements and obligations."
Vendor due diligence	"A due diligence report on the Target, ordered by the Seller. The advantage of using a VDD (Vendor Due Diligence), is that the seller has more ownership over what's being commicated, and how it is communicated. In some cases, sellers will first prepare for an exit, before commissioning such a report. The report is then handed to a shortlist of Acquirers."
Venture capital	"Venture capital (VC) is money that is provided to seed early-stage, emerging and emerging growth companies. Venture capital funds invest in companies in exchange for equity in the companies they invest in, which usually have a novel technology or business model in high technology industries, such as biotechnology and IT. The typical venture capital investment occurs after a seed funding round as the first round of institutional capital to fund growth (also referred to as Series A round) in the interest of generating a return through an eventual exit event, such as an IPO or trade sale of the company. Venture capital is a type of private equity. In addition to angel investing, equity crowdfunding and other seed funding options, venture capital is attractive for new companies with limited operating history that are too small to raise capital in the

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	public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, in addition to a significant portion of the companies' ownership (and consequently value). Venture capital is also a way in which the private and public sectors can construct an institution that systematically creates networks for the new firms and industries, so that they can progress. This institution helps identify and combine business functions such as finance, technical expertise, marketing know-how, and business models. Once integrated, these enterprises succeed by becoming nodes in the search networks for designing and building products in their domain. However, venture capitalists' decisions are often biased, exhibiting for instance overconfidence and illusion of control, much like entrepreneurial decisions in general."
Vertical merger	This would give backward integration to the company to assimilate the sources of supply and forward integration towards the market. ie, the merging undertaking would be a buyer or a supplier using its product as intermediary material for final production.
Voluntary winding up	The original company which has split into several companies after division, could be wound up voluntarily.
Vulture fund	"A vulture fund is a hedge fund or private equity fund that invests in debt considered to be very weak or in imminent default, known as distressed securities.[1] Investors in the fund profit by buying debt at a discounted price on a secondary market and then using numerous methods to gain a larger amount than the purchasing price. Debtors include companies, countries, or individuals. Vulture funds have had success in bringing attachment and recovery actions against sovereign debtor governments, usually settling with them before realizing the attachments in forced sales. Settlements typically are made at a discount in hard or local currency or in the form of new debt issuance. In one instance involving Peru, such a seizure threatened payments to other creditors of the sovereign obliger."
Warranties	A guarantee provided by the Seller in favour of the Acquirer, and included in the Sale and Purchase Agreement. The guarantee is monetary, and backs up the seller's statements.
Weighted Average Cost of Capital (WACC)	"In the Discounted Cash Flow (DCF) method, the actualisation of future free cash flows in a forecast financial model is based an discount factor known as the WACC(Weighted Average Cost of Capital). The ultimate „benefit“ from an investment comes in the form of positive cash flow. The higher the expected cash flow a company can generate in the future, the higher its current value. The higher the WACC, the lower the current value of the Target. To calculate cash flow of a company we need information contained in a projected income statement as well as in the accompanying balance sheet, changes in expected working capital, future capital expenditure and sources of cash. These projections are subject to a host of assumptions related to each and every element in the balance sheet and profit and loss account: growth, margins, days sales outstanding, liabilities, financining sources, interest costs, ... Risk: This implicates that estimating a cash flow is a risky business. The level of assesed risk will influence the investor's demanded return. The higher the risk, the higher the demanded return. The higher the demanded return, the lowerthe amount the investor willing to pay up front for the company. r"
White knight	A white knight is an alternative buyer who enters the fray when the target company is raided by a hostile suitor.

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Working capital	"These are the current elements on the balance sheet: customers, suppliers, inventories and other current assets and liabilities. A positive working capital, means that the company's activities claim cash: the higher the revenue, the more cash is parked on the balance sheet. Working capital can be a positive, or a negative number. Items making up the 'plus' elements are: - inventories - work in progress - accounts receivable - other short term assets - NOT: cash The 'minus' elements are: - short term loans - wages payable - social security payable - accounts payable - other short term payables. A negative working capital means that the company's activities are financed by its short term debtors and suppliers. A positive working capital, is that the company is financing its creditors."