

*Kublikova Tatiana,  
Odessa National Economics University  
PhD, Department of Management organizations and foreign economic activity  
Olga Tarasova,  
Lecture, Department of Financial management and stock market  
E-mail: Tarasova2461@rambler.ru*

### **Determination of the M&A market in Ukraine**

**Abstract:** This article is devoted to revealing the essence of mergers and acquisitions, determination of the M&A market in Ukraine.

**Keywords:** Mergers and acquisitions, market, public joint stock companies, the company is the initiator, the target company, Ukraine.

It should be noted that processes of acquiring control of the company and the company's reorganization process is a new phenomenon for Ukraine, Ukrainian business community, as well as considering it from the legal regulation perspective. Throughout the entire period of Ukraine's existence as a state it was observed a series of transactions, which are in accordance with the legal framework can be attributed specifically to the processes of merger-acquisition (conglomerate, horizontal, vertical, both friendly and hostile nature). The history of the largest companies and financial-industrial groups in Ukraine, such as SCM (System Capital Management), Privat and others, is a shining example of mergers and acquisitions.

Modern development of the world economy shows itself in its globalization, diversification, technological progress, liberalization of markets. Each of the factors individually and in combination with others causes need to revise the forecasts of own assets and revaluation of corporations worldwide. Globalization of the world economy confronts corporations around the problem of survival in a tough, heavy competition, forcing them to look for new ways to improve their competitiveness in the global market. A significant number of corporations reach this goal through different kinds of transformations.

Transformation as an organizational-economic transformation of enterprises, which require changes to the membership of legal entities, involved in the transformation, is an integral part of the dynamics of corporations in the external environment. The totality of such types of companies transformation as: merger, connection and acquisitions, is a compound.

It is considered that in the reorganization by merging must be involved the subjects, roughly equal to their economic potential, and for the connection it is common when a more economically, financially weak company joins the stronger one.

Enterprises acquisitions - taking control by one enterprise over another one, its management with the acquisition of absolute or partial ownership of it [1]. Purchase of all company shares on the Stock Exchange is the most often form of the company acquisition.

In practice of the national assessment, the Law of Ukraine "On Joint Stock Companies" the merge of joint stock corporations is recognized "... the emergence of a new joint stock company successor, with passing to it in accordance with the statements on transfer of all rights and obligations of two or more joint stock companies simultaneously with termination of their activities." The joint stock company may participate in a merger only with another joint-stock company. And under connection they mean "... termination of the joint-stock company activity (several companies) with transfer by it (them) in accordance with the statement on transfer of all its (their) rights and obligations to another joint-stock company-successor" [2].

In the modern theory of corporate finance, the terms "merger", "connection" and "acquisitions" do not have clear distinction and are commonly used together. Globally accepted term M & A (Mergers and acquisitions) equal to the definition of companies "mergers and acquisitions".

The global transformation of the world economy and further concentration and centralization of capital in the form of expansion of transnational corporations activity, is influenced by the transnationalization, technological revolution,

proceeding of transnational corporations with creation of unified systems of integrated production leads to increased countries interconnection. The activity of transnational corporations, as the leading form of the concentration of capital, their competition with each other and the different competitive strategies, including merger-acquisitions, is a powerful factor in changing geo-economic situation of the world: the struggle for the redistribution of markets and companies strengthening of their positions; concentration of international competition in the sectors of high-tech products, in turn, leads to increased R&D spending; solves the problem of overproduction and the markets search.

By implementing strategy of merger-acquisition, the company provides, on the one hand, the protection of its interests, on the other - the realization of competitive advantages.

Considering it important to understand that the merger-acquisition is a process of change in ownership or ownership structure, as the final link in the process of restructuring.

Among the leading economists in corporate finance and company valuation has no consensus on the definition of the terms "merger", "acquisitions", therefore, to form a personal attitude to this issue, and further research we analyzed the existing opinions and identified those that meet the objectives of our study.

Thus, analyzing the existing definitions and opinions in the economic literature under the 'M&A' companies it will be understood the process the goal of which is to expand the area of influence and economic power by one company (company-initiator) through taking control of another company (the target company), the acquisition of full or partial ownership of its assets, improving the welfare of shareholders (shareholders) and the protection of their rights, be able to change the riskiness of the cash flows of the combined company and achieve competitive advantage in the market by rationalizing allocation of individual pieces of reproduction processes concentration and centralization of capital and focus on increasing the market value of the company. Such an understanding is the basics of scientific substantiation provisions on valuation of public companies. The

economic essence of the M&A lies in the fact that it is a manifestation of the concentration and centralization of capital and one of the modern, efficient mechanisms of production trans nationalization, which in turn provides interstate, intra-and inter-sectoral mobility of capital, competition for the most profitable investment of capital and streamline placement parts of reproduction processes, not only globally, but also at the regional level [3].

In order to expand their capabilities, companies can create a strategy of diversification and restructuring. The consequence of this is that the transaction concerning corporate control - a natural reaction to the changing corporate world markets necessary for companies to continuously adapt to the changing economy.

Companies that have chosen the expansion and / or diversification as development strategy must decide what specific ways will conquer new markets. The provided alternatives are: to develop its own production or to buy / merge with existing company - many companies in Ukraine chose the second path. An activation of mergers - acquisitions in the post-crisis period in Ukraine is a logical consequence of world situation reform work. Increasing the number of M&A is observed since 2012, so the number has grown from 30 in 2011 to 150 in 2012, and in 2013 reached 160. In monetary terms, the increase in 2013 is approximately \$8 billion, which is several times higher than the result in 2012, which amounted to \$2.81 billion. However, it should be noted that this increase was due to two major transactions: the sale of Inter Media Group to Group DF structures for more than \$2 billion and resale of "Ukrtelecom" to SCM structures for \$1.3 billion [4]. These transactions are accounted for half of the total volume of transactions. Therefore, we can say that there is a growth trend in the number of transactions, with a relative decrease in the size of transactions in monetary terms.

An increase in potential of the market for mergers and acquisitions in Ukraine associated with low consolidation of particular sectors, such as agro-industry, where the one of the growth factors is a further increase in prices for raw materials, as well as the ability of large companies to compete on domestic and foreign markets. Important factors that affect the development of the domestic

market and M&A growth in M&A transactions in Ukraine are also privatization of several state companies; increase in the number of transactions carried out by private equity funds and foreign investors and aimed at attracting investment and improving the investment climate in Ukraine; growth in the number of acquisitions of strategic assets abroad large Ukrainian business groups.

Considering M&A it is necessary to determine the market in which these processes occur.

First of all, the market of M&A - is the economic space, which can be realized on the economic interests of business entities by the consolidation of business, and the object performs a specific product (business, company and its constituent elements, shares and corporate control, which gives one or another package). It is a system of different economic, financial relations between potential sellers and potential buyers about the redistribution of capital movement and ownership of assets / shares, including changes in the composition of subjects (who exercise control over mergers and acquisitions), based on a set of principles, the most important of which the competitive conditions and freedom of economic activity.

Therefore, we propose to understand a M&A market as the totality of economic relations that arise between the company-initiated and company-purpose processes merger-absorption taking into account a number of factors, the main ones are: demand, supply and price competition.

Let's define the structure of the mergers and acquisitions (Fig. 1).

The main subjects of the mergers-acquisitions market are, on the one hand, vendors (companies that are willing to transfer ownership of the object mergers-acquisitions) - the target company, and buyers (companies who are willing to acquire title to the object) on the other hand - Company-initiators. Each of the parties shall act in accordance with certain motifs that are responsible for selecting the object of a future agreement.

Mergers and acquisitions market is closely related to the market services (market purchase and sale of specific goods - various types of services, such as

advertising and information, consulting, conducting Due diligence (comprehensive test), planning, structuring and evaluation of a future agreement merger-absorption) insurance market (services in the insurance industry), financial market (transactions in securities lending, deposits and investments).

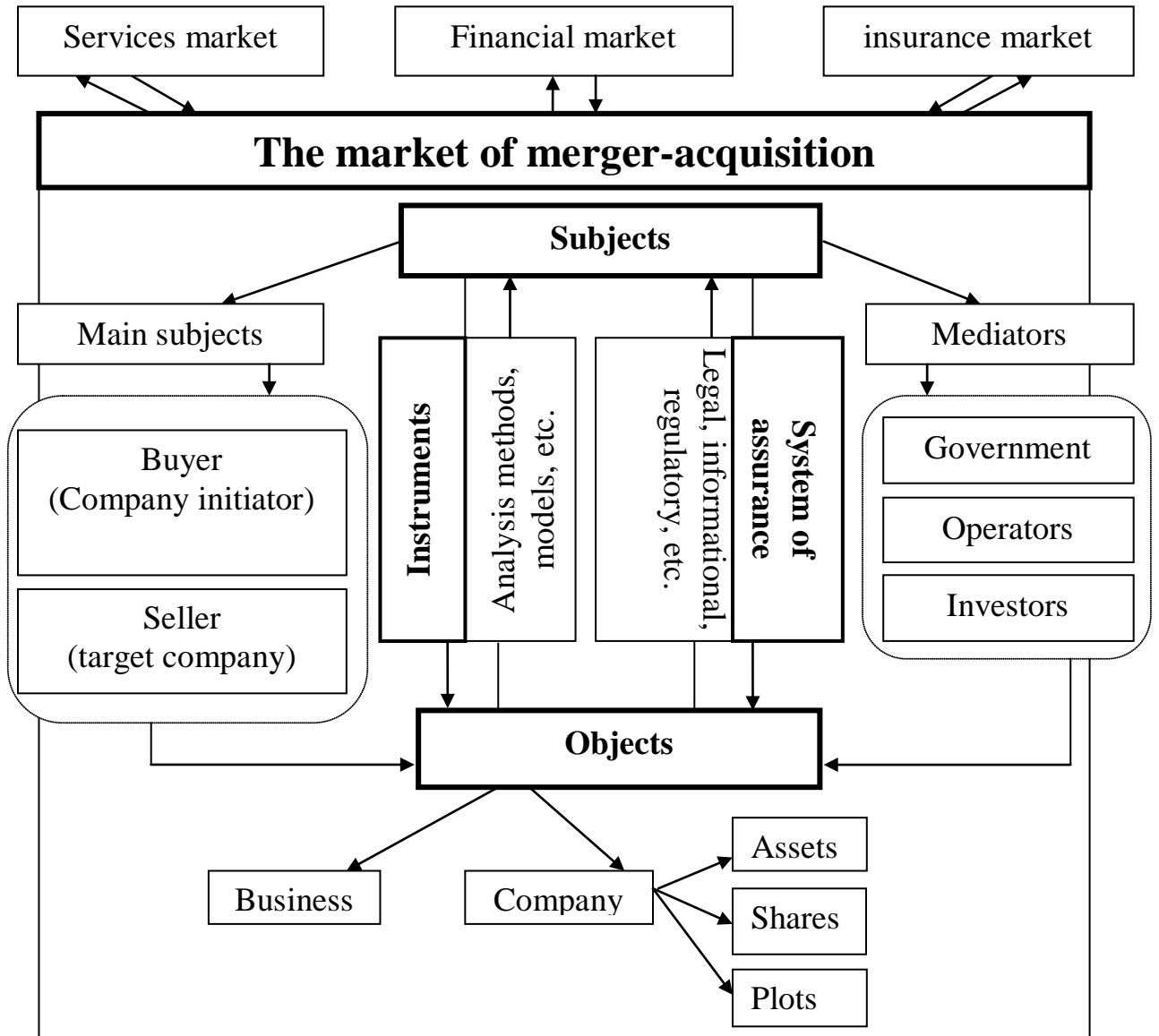


Fig. 1 The structure of the mergers and acquisitions [Created by the author]

In mergers and acquisitions market apart from the main group of subjects there are certain intermediaries. From the state regulation of M&A perspective by using government programs, tax, financial and banking system, labor and antitrust laws.

Activities of professional consultants (operators deals merger-absorption) covers not only strategic consulting (structuring mergers and acquisitions, business valuation, gathering information about the potential investor, negotiations, customer support), but also the technical side of the transaction.

In today's market mergers and acquisitions, as one of the key activities involved in investment companies and banks, as well as consulting companies specialized departments, legal and specialized companies providing consulting and other services in the structuring and financing of the corporate sector. The main function is to represent the interests of the parties and providing support to customers throughout the entire process of M&A. In contrast, the company's brokers are intermediaries between the parties; they are focused on establishing contact between the parties and in most cases limited to operations with little cost.

As a result of legal restrictions on transactions with the use of insider information in the field of merger-absorption was the formation of an independent corporate culture and industry, and intermediaries in the M&A market share activities related to counseling and their own operations in this market.

Relevant to the realities of the domestic practice of transformation is the legality of mergers and acquisitions, respectively, to ensure the availability of such transactions, namely the legislative, regulatory and information base.

The experience of developed countries shows that the shareholders' rights can be adequately protected only in case of the Company transparency and effective disclosure, clarity of statutory procedures and structuring of M&A transactions, as well as the effective operation of the governing bodies.

The public company disclosure in the countries with transitive economy is usually based on a system of formal rules. Companies estimate it as excessive pressure from the public authorities, and transparency is not yet gives significant benefits for the company's image. In developing countries, carried out the search for adequate incentives and measures to increase the desire of companies to operate in an open, ignoring the problem of underdeveloped market that do not show the desire for information openness. Therefore, in this direction in the

countries with transitive economy there is a clear difference of legal requirements (friendly to investors) and actual practice.

Existing imperfection and lack of necessary legislative documents leads to the spread of illegal schemes acquisition of corporate rights and raiding (property grabbing companies or shares, stocks, shares their owners using forged or stolen documents, stamps, seals. According to the scheme prior agreement or a group of persons using threats etc.).

Purpose of the evaluation process of the merger-acquisition is specified only in terms of its motives, and the calculation results should be analyzed according to the mergers and acquisitions model selected and the formation of the factors of economic effects, which in turn provides an incentive to the study of features of the market-merger acquisitions in Ukraine and search solutions to existing problems, including a selection of the necessary tools: approaches, methods and models of analysis and evaluation of operations specific to the financial market of Ukraine.

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