ISTANBUL COMMERCE UNIVERSITY
GRADUATE SCHOOL OF FOREIGN TRADE
DEPARTMENT OF INTERNATIONAL TRADE
INTERNATIONAL TRADE M.A. PROGRAM

THE EFFECT OF MERGERS AND ACQUISITIONS ON THE PERFORMANCE OF COMPANIES

M.A. Thesis

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İstanbul, 2022

ABSTRACT

In recent years, the importance of mergers and acquisitions transactions has increased nationally and internationally as a result of globalization and developing technology. As a growth strategy, companies prefer mergers and acquisitions transactions because in this way; they have opportunities to combine their powers mutually and keep on taking place in a competitive area. This study aims to investigate which reasons encourage businesses for mergers and acquisitions, failure and success elements, and the process of mergers and acquisitions. In this study, the method used for the case study is Ratio Analysis which provides to compare the information concerning profitability, efficiency, and the financial structure of the companies before and after mergers and acquisitions. Thus, as a result of the financial status acquired after the merger, it can be revealed which factors can affect the performance of the companies. In this research, the merger activity between the companies Akis Real Estate Investment Trust and Saf Real Estate Investment Trust which are the pioneer company in their sector analyzed using financial tables with ratio analysis. With this analysis method, liquidity rate analysis, leverage ratio analysis, activity rate analysis, and profitability ratio analysis were determined and the performance of the company after merger deals was indicated. Lack of cultural differences between the companies eased the process of combination and affected the performance of the companies positively.

Key Words: Performance, Mergers and Acquisitions, Success, Failure, Ratio Analysis

ÖZET

Son yıllarda küreselleşme ve gelişen teknoloji sonucunda birleşme ve satın alma işlemlerinin önemi ulusal ve uluslararası alanda artmıştır. Şirketler, sahip oldukları gücü arttırarak, rekabetçi bir ortamda sinerji oluşturabilmek ve faaliyetlerine daha güçlü bir şekilde devam edebilmeleri için, büyüme stratejisi olarak birleşme ve devralma işlemlerini tercih etmektedir. Bu çalışmada, işletmeleri birleşme ve devralmaya yönelten sebepler, başarıyı sağlayan ve başarısızlığa sebep olan unsurlar incelenmiş ve bu süreçte şirket performanslarının nasıl arttırılabileceği konusuna değinilmiştir. Vaka çalışması olarak, Akis Gayrimenkul Yatırım Ortaklığı ve Saf Gayrimenkul Yatırım Ortaklığının 2016 yılında gerçekleştirdiği devralma şeklinde birleşme performansı, birleşme öncesi ve sonrası finansal tablo bilgileri kullanılarak, şirketlerin birleşme ve devralmalardan önceki ve sonraki karlılık, verimlilik ve finansal yapısı ile ilgili bilgileri karşılaştırmayı sağlayan oran analizi yöntemi ile ölçülmeye çalışılmış ve şirketler arasındaki güçlü iletişimin olması ve kültürel farklılıkların olmaması devralma sürecini kolaylaştırarak şirketlerin performansını olumlu yönde etkilediği sonucuna ulaşılmıştır.

Anahtar Kelimeler: Performans, Birleşme ve Satın Almalar, Başarı, Başarısızlık, Oran Analizi

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LIST OF ABBREVIATIONS

ANCOM : Andean Common Market
ASEAN : Association of Southeast Asian Nations
A.Ş. : Joint-Stock Company
CEO : Chief Executive Officer
DEA : Data Envelopment Analysis
EU : European Union
etc. : Et cetera
FDH : Free Disposal Hull
FTC : Federal Trade Commission
GAAP : Generally Accepted Accounting Principles
GATT : General Agreement on Tariff and Trade
HCA : Hospital Corporation of America
HRM : Human Resources Management
i.e. : id est
KAP : Public Disclosure Platform
LBO : Leveraged Buyouts
LOI : Letter of Intent
M&A : Mergers and Acquisitions
NAFTA : North American Free Trade Agreement
OFDI : Outward Foreign Direct Investments
P&G : Procter & Gamble
p. : page
ROA : Return On Assets
ROE : Return on Equity
SEC : Securities and Exchange Commission
TL : Turkish Lira
UNCTAD : United Nations Conference on Trade and Development
USA : United States of America
USD : United States Dollar
UK : United Kingdom

INTRODUCTION

In the latest years, especially in the 20th century, Globalization and developing technology allow the companies to reach each other easily and make the connection to combine their synergy in terms of product line, fund, personal either nationally or internationally. To be able to compete and obtain a low cost on account of low price and reach the necessary scale of economy, the firms consider mergers and acquisitions deals to keep on companies' existence. Thus, the companies had opportunities to combine their power sides in the sector, and this situation led to an increase the M&A transactions throughout the world. Through merger and acquisition transactions, the enterprises can appeal to wider customers and market segments, as well as gain power both in production and service delivery, and thus M&A transactions among either national or international companies have been increasing day by day. Therefore, the companies wish to do business as enlarging their sector to keep up their entity and remain to stand. Continuously growth of the company means to have a chance to take advantage of experience curve related to increasing the sales, to decrease the unit expenses of the products and consequently to go up profit.

The importance of M&A is increasing with globalization and the developing technology. So, all transactions concerning M&A are so fundamental for the development of the companies and to be able to fulfill their existing or outstanding plans domestically or internationally. So profoundly significant and inevitable for the companies to know the positive or negative sides of M&A and make decisions accordingly. All merger and acquisition transactions can't always be resulted in prosperity. Mergers that are not convenient for legislation can cause serious and irreparable consequences. So, at first, the legal frame related to M&A transactions should be analyzed in detail and understood by the parties and then M&A transactions should be started.

In this study, the main subjects about M&A deals for the companies that endeavor to keep on their entity in a growing globalization world are emphasized. The thesis consists of three parts and the first part of the thesis is addressed the growth strategies of the companies, the historical development of M&A as waves, and the latest status of M&A in Turkey and with given examples are tried to inspect the essence of the subjects.

The second part of the thesis is emphasized the theoretical approach of M&A, reasons that encourage companies to M&A, success, failure elements, and the process of mergers and acquisitions comprehensively.

The third part of the thesis is highlighted the explanations of performance evaluation methods concerning mergers and acquisitions. And as a case study, the merger activity between the companies AKIS Real Estate Investment Trust and SAF Real Estate Investment Trust which are the pioneer company in their sector analyzed using financial tables with ratio analysis. With this analysis method, liquidity rate analysis, leverage ratio analysis, activity rate analysis, and profitability ratio analysis were determined and the performance of the company after merger deals was indicated.

In conclusion, evaluations are made within the framework of various acquired information and findings.

CHAPTER I

GROWTH IN COMPANIES AS A RESULT OF GLOBALIZATION AND CROSS BORDER MERGERS AND ACQUISITIONS

1.1. THE GROWTH REASON OF THE COMPANIES

The firms want to improve and grow more by trusting their current entities and qualifications to develop the status in their sectors and obtain more profit. That is, a growth strategy is a strategy that would increase the welfare and always desire and aims to increase the market share and profitability of the firms.

In literature, growth expresses numeric and quality development in business. Numeric growth and development state quantitative increment in sales revenues, diversities of the products, size of the resources (the number of employees, size of capital), size of the asset (increment in investment), and utilizing capacity elements.

On the other hand, growth in quality is concerning to rising the quality of the elements. This type of growth can be realized in companies but expressing them in numeric is too hard. However, the company which grows in quality can develop at the same time numerically so It can be found out that the source of quantitative increment is a quality development. (Ülgen & Mirze, 2018, p. 190- 191) So In this study, we would be studied on the rising quality performance of the companies.

1.2. TYPES OF GROWTH STRATEGIES OF THE COMPANIES

In globalization world, companies have to indicate growth strategies to be able to preserve the presence of their company and provide the competitive advantage in changing economic conditions. The preferred growth strategy should be convenient to the firm structure and have a view that raises the value of the firm. (Şahin, 2020, p. 5)

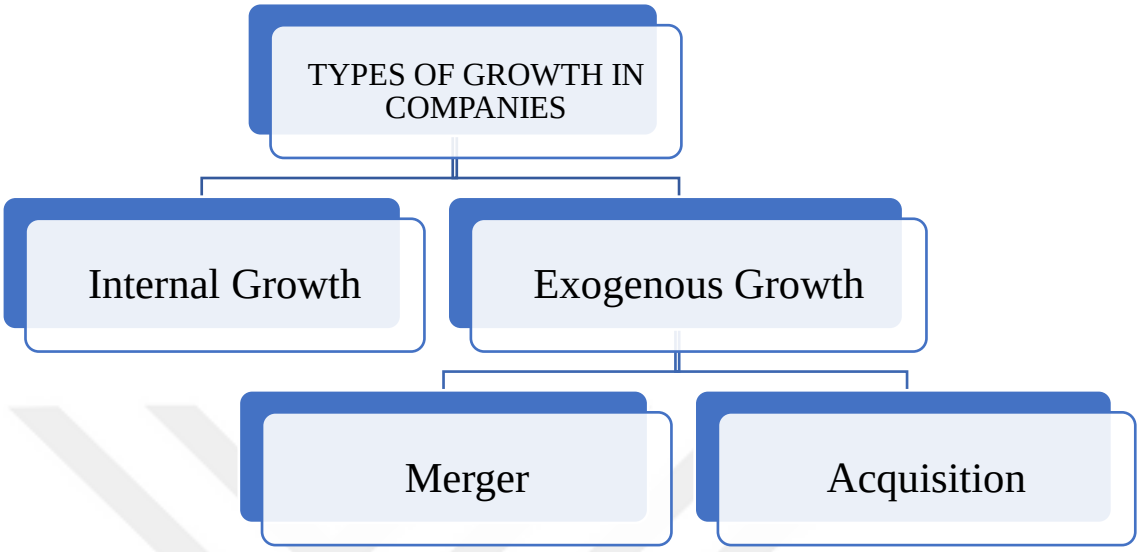


Figure 1.1 The Types of Growth

Source: (Şahin, İ.Erem , 2020:5)

1.2.1. Organic Growth

Growth of the companies enhances the production and sales internally. The growth occurs with the own resources of the company. (Chen, Investopedia, 2021) With organic growth, the firms use their opportunities to enhance their market share and grow in a period slowly.

Unsuccessful situations in organic growth cause huge financial problems so the companies should not ignore to grow also in an inorganic way. Especially the small-scale companies prefer to grow via organic way because of introverted attitudes and lack of M&A information and psychological reasons.

Table 1.1 Advantages and Disadvantages of Organic Growth

Organic Growth	
Advantages of organic growth	Disadvantages of organic growth
- Less expensive than inorganic growth - Less risky than inorganic growth - Can be better planed for - Easier to control - Maintains existing culture and management styles	- Can be very slow - Growth may be limited

Source: https://slidetodoc.com/organisational-growth-business-objectives-businesses-have-many-and/

1.2.2. Inorganic Growth

There are so many reasons for the increasing popularity of international strategies. Especially the scale of the economy which can be provided through international companies. Also, the various changes in the organization of the international economy made it easier to increase the frequency of international strategies. As an example; GATT (General Agreement on Tariff and Trade) and ANCOM (Andean Common Market), ASEAN (Association of Southeast Asian Nations), NAFTA (North American Free Trade Agreement), and the other free trade zones decreased the obstacles of trade with tariff and non-tariff, thus these mentioned contracts made easier trade between the countries which are in the same frame of contracts and helpful for the businesses which wish to spread their operations to foreign countries. Also, with developing technology communication between the countries becomes easier and this infrastructure provides to reduce international strategies implementation costs. (B.Barney & S.Hesterly, 2015, p. 329-330)

Today, inorganic growth is wide-spreading as a strategic alternative growth model. The companies prefer to expand to reach the new markets through successful merger and acquisition deals instead of their inner trade activities. (Chen, 2020) To strengthen the economy and utilize the resources efficiently inorganic growth should be encouraged amongst the small companies. And these companies should be illuminated regarding inorganic growth. In Inorganic growth, two or more companies that operated

as independent from each other before, come together losing their independence partially or completely. (Şahin, 2020, p. 7)

This growth method gained importance since the beginning of 20. century and has been widely applied in western countries with expanding economic structure, altering the production method and implementing the new production methods.

Table 1.2. Advantages and Disadvantages of Inorganic Growth

Inorganic Growth	
Advantages of inorganic growth	Disadvantages of inorganic growth
- Can occur more quickly than organic growth - Firms can benefit from a greater pool of skills and experince - Customers, sales, assets and market position are acquired immediately - Reduces competition	- More expensive than organic growth - Difficult to combine different organisational cultures and management styles - Possibilities of diseconomies of scale - Greater risk - Difficult to control

Source: https://slidetodoc.com/organisational-growth-business-objectives-businesses-have-many-and/

Inorganic Growth can be inspected as three main categories; Merger and Acquisition.

1.3. CROSS-BORDER M&A

For the last three decades, outward foreign direct investments (OFDI) have increased exponentially and accepted a significant element of economic growth. It is declared that an important part of outward foreign direct investment has been created through Cross-Border M&A transactions according to United Nations Conference on Trade and Development 2018 (UNCTAD 2018). (Bc.Luis E.Marquez Balderas, 2019) Cross Border Mergers and acquisitions is a fundamental strategy to be able to expand a company and acquire new markets and customers globally. (Forslund & Sommar, Spring,201 cited by Ülgen & Mirze, 2018). Besides, with improvements in communication, transportation, and the logistic sector, the global competition between the companies has become more important than national rivalry. Simply, a merger and acquisition are a corporation of at least two companies from different two countries. In general meaning, cross-border merger and acquisition is to combine the power of the

companies located in different countries horizontally and vertically. The detailed explanations of merger and acquisition will be adverted in the following parts.

Cross-border mergers and acquisitions are more difficult than domestic mergers and acquisitions. For instance; cultural differences, diversity of law and regulations, and socioeconomic situations are some impediments of Cross-Border M&A. Besides, cross border merger and acquisition process has a complex structure because of the diversities regarding different legislation of diverse countries. So, in this regard, the differences between the legislations, protection of the competition in the domestic market, and protection of the values that the companies have as a result of merging are in the foreground. Accordingly, cross-border M&A transactions have to be understood and analyzed comprehensively to be able to be useful either for the acquirer or acquired company and capital markets. (Serdaroğlu, 2018)

Before, some experts, strategic decision-makers claimed that the M&A was not so voluminous but later the decision of experts altered their opinion at the time of 21. century as so many cross-border M&A transactions dealt. Even, above 40 % of the merger and acquisitions occurred in the millennium (1999-2000) in different geographic locations. (Forslund & Sommar, Spring,2018) Merger and Acquisition is the most prominent and preferred growth strategy in the developing globalization world. At first sight, it seems that they are the same meanings however there are some differences between them. So, the definition of Merger and Acquisition and the differences between them will be analyzed in the following.

1.4. DEFINITION OF MERGERS AND ACQUISITIONS AND HISTORICAL WAVES

1.4.1. Acquisition

Acquisition is purchasing a company by including it as an operating subsidiary or part of the purchasing institution. (Bedier, 2018, p. 73) For example; Procter & Gamble (P&G) bought Gillette. Acquisitions are generally between different size companies and they can be friendly or hostile. (L.Wheelen & Hunger, 2015, p. 207)

In other words; acquisition is a purchase of all or majority shares of another business and taking it under its control. Thus the purchased company becomes dependent on the acquired business.

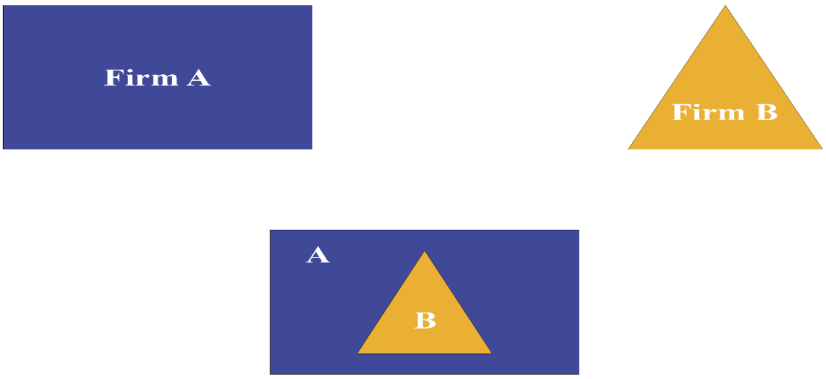


Figure 1.2 Acquisitions

Source: Hayri Ülgen, S. Kadri Mirze, 2013 cited by Ekrem Ayan ,2015:24)

1.4.2. Merger

"Merger is simply defined as the process of combining two or more corporations to become only one Corporation; one of these corporations will survive but all the others will cease to exist." (Bedier, 2018, p.73) Differences can be seen clearly in Figure 1.2 and Figure1.3

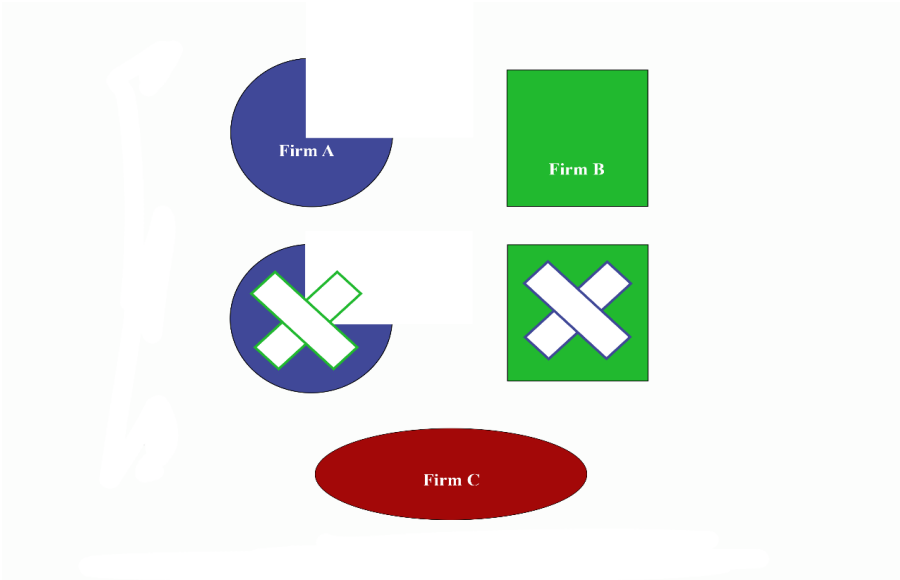


Figure 1.3. Merger

Source: (Hayri Ülgen, S. Kadri Mirze, 2013 cited by Şirketlerde Birleşme ve Satın Alma Kararlarının İşletme Performansına Etkisi ,Ekrem Ayan ,2015:23)

In a merger, the companies are combined as one company. and the only acquiring company keeps its identity. Mostly, the larger company continues its presence and absorbs the second company, and remains in business. Generally, company mergers are carried out between similar size companies and it is friendly. The new company may have a name derived from merged companies. For instance; Allied Corporation has merged with Signal Companies and the name became Allied Signal as a result of a merger. (L.Wheelen & Hunger, 2015, p. 207-208)

1.4.3. Differences Between Mergers and Acquisitions

At first sight, although it seems that they're the same concept and create confusion in the business world, there are diversities in detail between them. The merger can be identified as two or more companies that have similar magnitude combining their assets. Normally, the merger is not hostile. In a merger, while one company buys part of the assets of one company, and also the other company acquires the part of the assets of another company. For example; DaimlerChrysler consists of combining two companies named Daimler Benz (The producer of Mercedes-Benz) and Chrysler. They invested capital money in each other for merger transactions. The companies have entities separate from each other and combine forces to create a new company with new management, ownership, and organization. In this status, generally, the larger company continues its existence.

However, with an acquisition, the company takes control of the other company, and the big company purchases the small one. An acquisition is when one company buys another company, a division of another company, or a product line, or certain assets from another company. (Snow, Bill, Merger & Acquisition p. 12). The type of acquisition can be varied. For instance; the acquirer company can buy the target company with its cash obtained from ongoing works, to get into debt, use its capital, or the company use one of these methods to get the target company. Also, the acquirer company can aim at buying all assets or the greater part of (more than %51) the target company or can buy a controlling share which provides companies to have a part in to get strategic and administrative decisions related to the target company. The offers made by support of the target company's administration can be friendly but without the support of target company administration, the offers can be normally hostile. (B.Barney & S.Hesterly,

2015) In other words, the acquisition is also a merger between the different size companies. The company which is powerful in its sector wants to grow by buying a company that is smaller and operating unsuccessfully to increase the market share and profit, providing a competitive advantage. (Ayan, 2015,p.24-25)

The aim of both is to merge the powers of the companies to create synergy and expand their market share. For instance, An acquisition allows a company to bypass the growth stage by simply buying existing sales and profits. Starting up a new product line may be less expensive than buying an existing one, but the market may take a while to adapt to the new product, if it does at all. For this reason, buying other companies rather than relying on organic growth may make sense for a particular company (Snow, 2018, p. 12)

1.4.4. The Types of Mergers and Acquisitions

Mergers and Acquisitions can be categorized into three types as Vertical, Horizontal, and Conglomerate.

1.4.4.1. Vertical Mergers and Acquisitions

The mergers and transactions between the parties which are in the same industry, market, and supply chain are called "vertical mergers and acquisitions". This type of M&A can be applied to forward or backward. (Ülgen & Mirze, 2018, p. 324) A vertical merger is the merger of a company with companies that sell a product or have customers, i.e. buyers, to buy them, to acquire them, or to create holdings to gain more effective power over the supply and distribution channels of the company. (Okka,2009:85 cited by Şahin İ. E., 2020, p. 29)

If the company merges with the firms which provide input to them towards backward, it is called mergers and acquisition towards backward, if the company merged with the companies which buy their products, it is called mergers and acquisition towards forward. (Green, 1990 cited by Aslan, 2018, p. 22) A vertical merger is a logical, reasonable choice for the companies which has high competition in an attractive sector (especially if technology is foreseen and markets are growing).

- **Backward Merger and Acquisition**

Backward M&A provides cost advantages in the supply of raw materials or services to the company, reduces raw material supply and storage costs as a result of controlling raw material sources, decreases the product cost and improvements on the product quality occurs as a result of providing raw material quality standard. (Sarıkamış, 2003 cited by Yücebaş, 2005, p. 23)

Purchasing Skype of eBAY is a backward vertical merger example as eBAY tried to merge whole sources had in order to be able to compete in the internet phone sector. (B.Barney & S.Hesterly, 2015, p. 280)

- **Forward Mergers and Acquisitions**

As a result of the forward merger, the company increases its effectiveness in marketing activities, has control of distribution channels, and has the opportunity to save money in marketing activities. (Sarıkamış, 2003 cited by Yücebaş, 2005, p. 23) Disney took over Capital Cities/ ABC that is an example of a forward vertical merger in the entertainment sector. (B.Barney & S.Hesterly, 2015, p. 281)

1.4.4.2. Horizontal Mergers and Acquisitions

The merger or acquisition operations of two or more companies operating in the same business are called horizontal mergers. The main theme of such mergers is to bring together existing experiences and expertise to gain a strong position in the sector (Penrose, 1959 cited by Ayan, 2015, p. 31) By expanding the old market share, because of having more consumers, more products are sold according to before. The companies which united as a result of horizontal growth benefit from being a bigger company and acquiring a competitive advantage. Purchasing Reebok, Adidas succeed to merge the first and second shoe producers so this is a significant example of a horizontal merger. FTC (Federal Trade Commission) is closely interested in the effects of the competition because with this type of merger strategies the effects occur against competition directly on the sector. For example, FTC was anxious about the merger of Oracle and PeopleSoft which were 10 billion in value. Because through the merger deal, they would take control of the

trade software market and this situation would cause monopoly. (B.Barney & S.Hesterly, 2015, p. 281)

Horizontal mergers can be built through business partnerships in an organic or inorganic way or purchasing the firms which are in the same sector. Research shows that the survival rate is more than the companies which expanding their product lines.

Today, Horizontal mergers are usually carried out via international expansion. For instance; Wal-Mart in the USA, Carrefour in France, and Tesco in England are an example of national discount supermarkets which are expanding as horizontal. (L.Wheelen & Hunger, 2015, p. 211)

The quick way of doing business internationally is to take over a company that is in the same sector. If the firm buys a company that has powerful product lines and an excellent distribution network, synergic benefits occur in the end. (L.Wheelen & Hunger, 2015, p. 213)

The reasons that direct companies to merge horizontally are as follows;

- Increasing the market share
- Being a monopoly in the market and increasing the level of integration
- Utilize the advantages of economy of scale.
- Decreasing the competition. While struggles to be more powerful against each other cause extra costs before, with horizontal merger and acquisition, whole energy begins to spend on new investments and powerful cooperation

1.4.4.3. Conglomerate Merger and Acquisition

Simply, conglomerate mergers are the cooperation of two or more company that operates in different and unrelated sectors partially or completely. In other words, it is not like neither vertical nor horizontal mergers. The merger of Phillip Morris and Kraft General Foods is a good example of a conglomerate Merger. Each of them is from diverse sectors. While Phillip Morris is at the level of tobacco manufacturer, Kraft General Foods

operates at the level of food production and processing. (Bedier, 2018, s. 78) The enterprises prefer this type of merger to get profits above average in the new markets.

The companies are not a competitor with each other and there is no relationship between them as buyer and seller. (A.Gaughan, 2007, p. 13)

According to some research, it is asserted that merger and acquisition transactions made between the unrelated parties as strategically could not get profit in respect of either for the target company or acquirer company. Despite not having so many examples of conglomerate mergers and transactions, in certain times in history, this sort of merger is more widespread in the 1960s. However, most of the mentioned mergers were resulted unsuccessfully and %50 of the deal resulted in dissociation. (B.Barney & S.Hesterly, 2015, p. 281) Mergers and Acquisitions between unrelated companies are only expected to create competition equivalence either for the acquirer or target company. So the companies which plan to implement purchase strategy do not search for associated targets to merge. (B.Barney & S.Hesterly, 2015, p. 303)

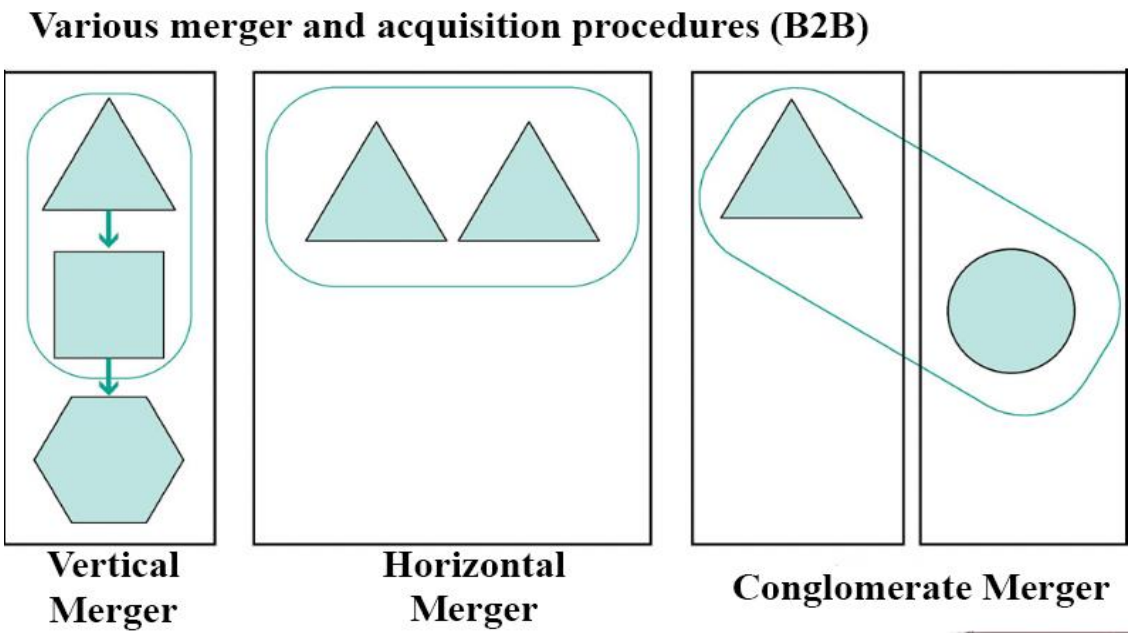


Figure 1.4 Mergers and Acquisitions Types

Source: (Ülgen,H. & Mirze, Kadri, 2018: 325)

1.5. PURCHASING METHODS OF MERGERS AND ACQUISITIONS

Generally, Mergers are based on agreements and willingness of the buyer and seller. The top management decides as a result of some calculations and mutual meetings. In purchasing operations, reconciliation and willingness of two parties are so fundamental elements to reach success. However, in most purchasing operations, so many hostile behaviors are adopted with the desire of purchasing side ignoring the will of the seller. (Ülgen & Mirze, 2018, p. 330)

The merger and acquisitions must be carried out according to current laws. Not damaging the competition environment constraining the competition is an important point that should be paid attention to in M&A deals.

Therefore, the purchasing can be done as three types by agreement, by one-side desire, and Leveraged buy-out.

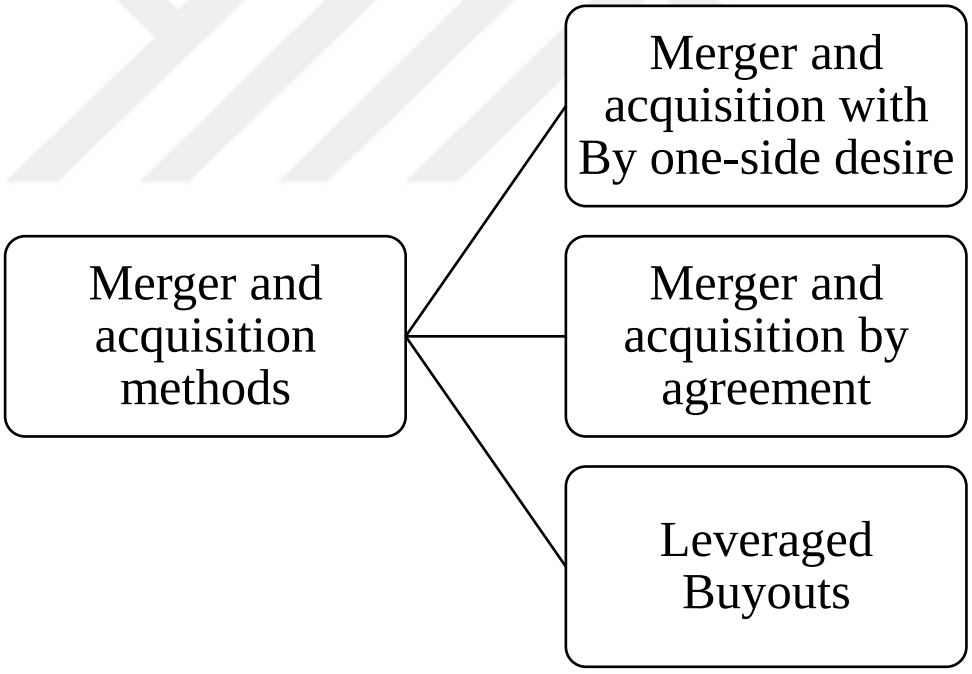


Figure 1.5 Purchasing Methods for M&A

Source : (Şahin, İ.E, 2020: 42)

1.5.1. Merger and Acquisition By Agreement

The top management of the parties seller and buyer start negotiations when they believe that they would provide benefits mutually. The legal and financial representatives of the companies agree and complete the merger and acquisition transactions according to law. It is of the target observed that through this type of merger and acquisitions, the corporations obtain more success. (Ülgen & Mirze, 2018, p. 330)

1.5.2. Merger and Acquisition By one-side Desire

With this type of merger and acquisition, the buyer decides to acquire the target company and plans to complete the transactions without agreeing with the management of the target company. (Şahin İ. E.,2020, p. 43)In this situation, the target company endeavors to protect itself against this hostile attitude.

Three important elements are taken into consideration by the buyer while determining the target company.

- The stock of the target company preferred to be processed at a lower price than the capital market.

- The target company should have the ability to create cash and would be able to create.

- Despite the bad financial situation of the target company, having high abilities is wanted and it should be convenient for re-build.

The buyer can carry out purchasing without asking the target company as follows;

- Buyers can collect the whole stock share of the target company with planned behavior which processes in the capital market.

- Buyer offers the game players of the capital market to buy all or some stock share of the target company (tender offer). And the offered price is generally higher than the price of the current market. (Ülgen & Mirze, 2018, p. 331)

1.5.3. Leveraged Buy-out

In Leveraged BuyOut, one buyer uses debt to finance the acquisition through buying the shares of the target companies and the aim is usually to convert the public

company to a private company. As an example, Ford Motor Company LBO. In 1919 (A.Gaughan, 2007, p. 285). Most LBOs are purchasing of small and medium scale firms or purchasing of parts of huge companies. LBO uses an important amount of debt with equity investment. The mentioned equity investment usually comes from investment pools that were occurred by private sector companies. The transactions made via LBO regressed after the wave fourth; however, at the time of the fifth wave recovered dramatically and go up in the mid-2000. There are numerous reasons for this including the collapse of the junk bond market. (A. Gaughan, 2007, p. 17)

Mostly, in small-scale companies, purchasing transactions can be done as cash however because of the remarkably high prices while buying big scale companies, the financial status of the buyer can not enough to buy. The calculations, investment analysis, the synergy that can be created, increment of sales and marketing share, obtaining the control of price, and high-income expectations in the new market which is suitable for development makes its attractive to buy a target company and the enterprises tend to search new financial quest which is over their opportunities. (Ülgen & Mirze, 2018, p. 332) At this time LBO is a saver for the companies which want to carry out acquisition deals.

"The acquisition of Hospital Corporation of America (HCA) by Kohlberg Kravis Roberts & Co.(KKR), Bain&Co., and Merrill Lynch in 2006" was a good example for LBO. HCA was valued by three companies at $33 billion. With "the 2008 financial crisis" the important amount of LBO started to regress, however, "large scale LBOs began to rise during Covid-19 pandemic." Financiers which was led by Blackstone Group announced a "leveraged buyout of Medline Inc. and valued the medical equipment manufacturer at $34 billion. So ıt can be considered that megadeals concerning LBO increasing and " Private equity " companies desire to distribute cash. ((Kenton, 2021))

LBO is expressed usually with a ratio of 90% debt to 10% equity. If the debt/Equity ratio is high in the purchase, this rate is referred to as junk bonds, not investment grade.

LBO had a bad past especially in 1980 that caused some acquired companies to bankrupt in several fundamental buyout deals. The initial reason for this bankruptcy is

the high leverage ratio of approximately 100% and also interest payments were so large that the firms had difficulty in meeting operating cash flows.

Today, there are so many effects of LBO operations either for companies or markets. The most significant point in LBO is to plan the structure of the debt plan professionally. LBO provides the company to work more efficiently and takes logical decisions regarding underutilized operations. Briefly, LBO gets a company to alter its management structure and cause leading efficiency and also cause to gain tax advantages via LBO.

1.6. THE HISTORY OF MERGER AND ACQUISITION

The Merger was not completely known during the Middle Ages. While some scholars state that, corporations were not allowed at that time, some claimed that it was permissible and as an example, the authorities of the king can be thought of as a corporation, he can own and create new corporations. In the same context, many Americans Colonies occurred as a corporation, and other corporations were created by them. (Bedier, 2018, p. 43)

As it can be understood that merger transactions were so restricted in ancient times and there are only a handful of sources and reports related to merger instances. For example, Dutch East India (Vereenigde Oost-Indische Compagnie) company was the first report of a merger which was created on March 20,1602 and which was combined with several companies. (Bedier, 2018, p. 43) The report shows us that in 1702 the Queen and two corporations occurred with the contract named ‘ indenture tripartite’ to unite and then “ that turned into a complete merger Corporation by an Act of the British Parliament in 1708 “ and thus the new Corporation consisted under the name of ‘ The United Company of Merchants Trading to the East Indies.” That is the only Corporation until the second half of the 19th century. (Bedier, 2018, p.43)

Starting from the second half of the 19th century, mergers began to gain importance and they were so fundamental for economic life and at that time the trusts were the typical corporations that were sampled for mergers. The Standard Oil Corporation was a trust and in 1890 James Buchanan Duke owned a Tobacco Corporation and combined with more other four corporations to be able to form the American Tobacco Company. And similar trends came into existence in other sectors like cotton and steel

(Bedier, 2018, p. 44) However, because of some financial reasons, the existence of the companies was ended.

At that time, Germany was also in economic depression and the corporation was so important for the companies to be able to sustain their existence but they preferred another way to unit companies. So many companies entered into 'cartels' which means to come together of the companies which facilities in the same sector, they act as a group and not advisable because of restraining competition among the companies. Generally, the high prices cause consist cartels, and in this way, the companies do not compete with each other because of the high prices, and they prefer to increase their profit with corporations as a group and the companies which control the prices. According to reports, 4 cartels occurred in 1875 and later the numbers went up to 385 by 1905. (Bedier, 2018, p. 44)

According to the reports throughout the history of mergers, it is observed that this phenomenon is revealed in the US commonly which is important for both nationally and internationally. It can be seen that many available resources were restrained concerning to merger. For instance; some limitations concerning specific industries as the mining industry and on transactions with certain values and some other limitations about specific periods. The developments on the merger in the US show us that the mergers arose as waves in periodic times.

It can be clarified that the types of mergers emerged in waves at different times in the world and in Turkey. To be able to determine the elements which affect the performance of the merged companies, it is fundamental to inspect the mergers and acquisition transaction in respect of historical perspective. Mergers operations carried out as waves tend to economic changes, technological improvements and globalization, and the regulations concerning competition. (Mariana, 2012, p. 390-397)

Although the merger and acquisition waves were generally ended with economic recessions and economic crises, the duration and the starting times of the waves are not certain. While the first and second waves were observed especially in America, the other waves revealed out in Europe and the other continents of the World. (Goal and Thakor,2009 cited by Konak, Çıtak. 2018-p.194)

Table 1.3 Merger Waves

	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5
Period	1897-1907	1916-1929	1965-1969	1981-1989	1992-2000
Preffered Payment Method	Cash	Equity	Cash/Loan	Equity	Euqity
Results of the Period	Formation of Monopoles	Formation of Oligopoles	Diversification and Formation of Conglomerate Mergers	Hostile Takeover Leveraged Buyout	Globalization
Merger and Acquisition Approach	Friendly	Friendly	Friendly	Unfriendly	Friendly
Beginning of the Period	Economic Expansion, New Institutional Laws, Technological Innovations	Economic Recovery Period, Antitrust Laws	Strengthening merger and acquisition laws that are not competitively compliant, Economic recovery after the Second World War	Financial Liberalization Process, Economic Recovery	Strong Economic Growth, Deregulation and Privatisation
End of the Period	Capital-Market Crisis, World War I	1929 Big Depression	1970 Oil Crisis	Capital-Market Crisis	Overexpension in Markets, 9/11 Terorrist Attacks

Source: (Gönüllü, O., 2017: 318)

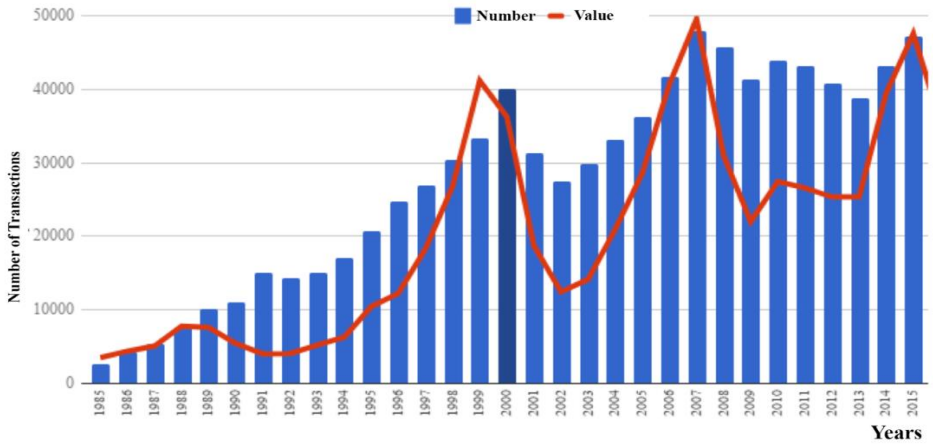


Figure 1.6 The Number and Value of M&A in the world between the years 1985-2015

Source: (Gönüllü,O., 2017:319)

1.6.1. First Merger Wave (1890-1907)

Most of the mergers consisted of horizontal mergers. The structure of the horizontal mergers was close to the monopoly and this causes to appear the big companies which market share increased day by day in the American economy instead of small companies. At this period, the target of the companies is to acquire the market and work as a monopoly in the place of providing synergy and increasing the economy of scale. (Scherer and Ross, 1990; Gaughan, 1994; Shepherd,1990; Kleinert and Klodt,2002; Martin 1994 cited by Sarıca,2008.)

The major characteristics of the first wave are as follows; (Gönüllü, 2017)

- The first wave appeared after the 1883 depression. About two-thirds of the merger operations consisted of petroleum, products, mining, metals, food, and transportation fields in this span of time.

- The first wave occurred from many horizontal mergers and the affected sectors launched the monopoly process. For instance; J.P. Morgan merged with small-scale steel companies more than 700, in addition to US Steel and Carnegie Steel in this period. The enormous steel company occurred after the merger transactions, succeed to control of 80% the steel production of the USA.

- After market reaction against monopolies created at the time of the first wave, the Justice Department accused some big monopolies of infringing the Sherman Antitrust Act (1890).

1.6.2. Second Wave (1916-1929)

% 70 of mergers at that time consisted of horizontal mergers and the rest of them were mostly vertical. As Stigler (is an American economist) stated, while the second wave mergers involve oligopoly mergers which means that the market is dominated by some corporations, not only one (Bedier, 2018, p. 49) the first wave covers monopoly mergers. After the 1920s, the companies tended to vertical mergers. (Scherer and Ross, 1990; Gaughan, 1994; Shepherd,1990; Stigler 1950 ; Martin 1994 cited by Sarıca,2008. p.53-54.)

The characteristics of the second wave are as follows; (Gönüllü, 2017, p.316-324)

- The second wave started at the time of the First World War and kept on till the collapse of the stock market on the 29th of 1929.

- Towards to end of the first wave, the precautions to protect competition had been increased by the government and this situation also affected the second wave, and the merger transactions exposed government inspection more in this period. Clayton Law (1914) enacted against competitive mergers as an additional instrument.

- Generally, the mergers carried out in the second wave are identified with the oligopolies created instead of monopolies. In this period, vertical merger and acquisition transactions appeared more than horizontal mergers.

1.6.3. Third wave (1965-1972)

The mergers commonly occurred crosswise. The conglomerate transactions take the place of traditional vertical and horizontal mergers and corporations from different unrelated industries started to go through. The companies tended to merge strategies with other companies to spread their risks. (Scherer and Ross, 1990; Gaughan, 1994; Shepherd,1990; Martin 1994 cited by Sarıca,2008, p.53-54)

"During the third merger wave, it is reported that EU countries woke up to a nightmare, most of the giant American corporations such as IBM, Heinz, Kellog, Ford, and P&G invaded the EU markets and many American corporations experienced hostile and unfriendly takeovers toward European corporations." (Bedier,2018, p. 55)

The characteristics of the third wave can be summarized as follows; (Gönüllü, 2017. p.316-324)

- The third wave overlapped with the welfare of many countries. Powerful companies ease to provide necessary sources to be able to take over other target companies.

- The third wave was identified with unrelated industrial mergers which are also known as conglomerate mergers.

- At the time of the third wave, horizontal mergers which wanted to be carried out were subjected to strict anti-trust control. During this period, there was another legislation named 1950 Celler-Kefauver law. This law was also strengthening the previous laws Clayton and Sherman.

1.6.4. Fourth Wave (1981-1990)

Starting off the fraudulent mergers and spreading of them rapidly are the fundamental characteristics of this period. From the 1980s, the companies began to approach merger strategies positively because of many reasons such as increasing foreign competition, expeditious technological improvements, and increasing Research and Development costs. At this period the used method of the merger and acquisition is so different from the other past periods and the business offers were made very hostile and unfriendly way without taking the approval of the other side, without the consent of one party or more. (Bedier,2018, p.50) The dimension of the merger is huge according to the others and the common financial source was owing. The advanced financial engineering trend played a greater role especially by making use of new financing tools such as "Junk Bonds (financial liability bill arranged by the company who is in unstable financial status)" and "Leveraged Buyouts(LBO)". While the holdings, which was occurred in the previous one, bankrupted because of ineffectiveness in this period, the sources of the holdings were also limited because of the downfall of stock prices. The mentioned situation was concluded with tending to extremely lowest purchasing prices called "bargain hunting". (Çıtak and Konak, 2018, p. 195)

Most of the merger and acquisition transactions were carried out with the ending of the restrictions, increasing international competition and unexpected petroleum prices, and the triggering of the sectors which reacted against these shock petroleum prices. (Mitchell and Mulherin, 1996 cited by Çıtak and Konak, 2018, p. 195;) After the year 1989, with the waves that occurred in debenture bond and the crisis in the banking sector, the merger and acquisition waves decelerated and finished.

The characteristics of the fourth wave can be summarized as follows;

- At the time of this period ,there was economic welfare and financial liberalization which started in the middle of the 1980s and was going on towards the end of that year.

- Even though most of the mergers were carried out as friendly, it was including more hostile acquisitions than the previous merger waves. In that period, the concept " Corporate Raider" appeared in the American lexicon.

- Mergers of the fourth wave were bigger than the mergers of previous merger waves. The billion-dollar mergers were ordinary.

- Debt was used more commonly in the financing of mergers.

1.6.5. Fifth Wave (1993-2000)

In the 1990s, the economic welfare increased with the development of markets in most of the countries in the World, and thanks to globalization international and big companies' merger and acquisition transactions went up and not only in America but also in Europe. Starting from the fifth wave, mergers were expanding That period was known as " the age of the Strategic Mega-Merger "(Bedier,2018,p.51) In this wave period, the first group that emerged consisted of air and railway transportation, the banking sector, and telecommunication and the second group was chemistry, medicine, automotive and the electrical or nonelectrical machine production. (Kleinert and Klodt,2002; Ekelund and the others, 2001; Pryor,2001; Drucker,1999 cited by Sarıca, 2008, p. 55)

To be able to take advantage of the opportunities of globalization and chase economic growth closely, the companies started to exceed their domestic market.

The M&A purposes of most companies in this period are to preserve themselves and to be able to stand in the market and compete with the international markets, especially in the US. It can be observed that in the 1990s, US companies were preferred by foreign countries' companies for M&A. The basic reason for this is to lose the value of the US dollar from 1986. On the other hand, the highest US stock exchange encouraged the foreign companies concerning to M&A. (Drucker, 1999; Mishra and the others, 1998; Scherer and Ross,1990cited by Sarıca,2008, p. 55)

Starting of the new century and the new concept "internet balloon" caused a crisis on the stock market and it is accepted as an end of the fifth wave.

1.6.6. The Sixth Wave (2002-2007)

The sixth wave started with the 'rebirth' of the LBO, the widespread use of financial tools and complicated debit transactions, and the World financial crisis cause the sixth wave to end in 2007 and the merger transaction was more complicated. (Bedier,2018, p. 54) Especially between the years 2005 and 2007, the takeover via LBO and augmentations on capital investments occurred profoundly. The investments made on the high-risk securities to be able to profit margin cause companies to have more risk. Although the short period of the sixth wave, this sort of facilities took place.

It is also reported that the estimated number of multinational corporations around the World was 65.000, and even small corporations had an opportunity to finance their deals as well as giant corporations and the expansion was not restricted. (Bedier,2018, p.55)

1.6.7. The Seventh Wave (2011-……)

After the year 2011, the negative atmosphere caused by the 2008 economic crisis started to disappear and the positive atmosphere started to take place of it. The total number of M&A across the World in the first six months of 2014, reached 1.75 trillion USD. Even though the fragile markets that occurred after the crisis cause the market participants to treat as imperturbable, the rules of the new period began to accept and the facilities performed in that frame.

Table 1.4 The 10 Largest Mergers and Takeovers in the World

Rank	Year	The Acquiring Compant	Target Company	Value (Billion $)	Value (Billion $)
1	1999	Vodafone AirTouch PLC	Mannesmann AG	202,79	204,79
2	2000	American Online Inc.	Time Warner	164,75	160,71
3	2013	Verizon Communications Inc.	Verizon Wireless Inc.	130,30	100,46
4	2015	Anheuser-Busch Inbev	SABMiller PLC	101,48	92,27
5	2007	Spin-off	Philip Morris Intl Inc.	107,65	68,08
6	2015	Anheuser-Busch Inbev	SABMiller PLC	101,10	91,93
7	2007	RFS Holdings BV	ABN-AMRO Holding	98,19	71,30
8	1999	Pfizer Inc	Warner-Lambert Co	89,17	84,94
9	2016	AT&T Inc.	Time Warner Inc	85,41	78,46
10	1998	Exxon Corp.	Mobil Corp	78,95	68,36

Source: (Gönüllü, 2017: 316-324)

1.7. COMPETITION AUTHORITY AND THE LATEST STATUS MERGERS AND ACQUISITIONS IN TURKEY

As is explained in the previous chapter that mergers and acquisitions transactions provide to expand product diversities, increasing the quality and presenting the products at reasonable prices. On the other hand, M&A can cause to decrease the effective competition by dominant companies in the market. So, M&A deals that have possibilities to increase the prices, decrease the product variety, and weaken innovation are forbidden with the Protection of Competition Law by 7. article.

To be able to implement the planned inspection indicated in the 4054 numbered law of the 7th article, all M&A transactions have to be informed to Competition Authority to gain legal validity. In this frame, the situations considered as M&A and the procedures and the principles were arranged with notification numbered 2010/4 Mergers and Acquisition Transactions which have to be taken Permission from Competition Authority. (Üstündağ Demir & Pişmaf, 2021, p.3-4)

COVID 19 globally pandemic which appeared in China in January 2019 firstly and then has affected the economy negatively in the whole World including Europe and America which was not seen a similar situation throughout the history. COVID 19 primarily affected the aviation, tourism, and service sector, but also the rest of the real sector, including production along with the entire supply chain, and it was observed that economic activity came to a standstill in many countries with mandatory quarantines. So It was seen that most of the companies preferred to stop their facilities temporarily or slow down their activities to minimize their costs. As a result of this pandemic situation, the global economy has been in recession inevitably. So the companies did not prefer to realize their growth plans and consequently, the mergers and acquisition transactions have declined significantly and even come to a standstill. (Kaçmaz , 2021)

The merger and acquisition deals slowed down in the first half period of 2020 because of quarantines, forbidden travels, and canceled or postponed huge contracts. Although the mobilities regarding the contracts have begun to increase in the second half of the year 2020, ambiguities on globally economic situations continue. After a stable year, the activities concerning M&A transactions in 2020 have re-gained trust with increasing transaction volume and number. (Deloitte, 2020)

In 2020, a total of 220 M&A deals were inspected by Competition Authority and on the other hand, in 2019, 208 M&A transactions were inspected. (Üstündağ Demir & Pişmaf, 2021, p. 6) It is clearly understood that in 2020, the volume and number of M&A transactions.

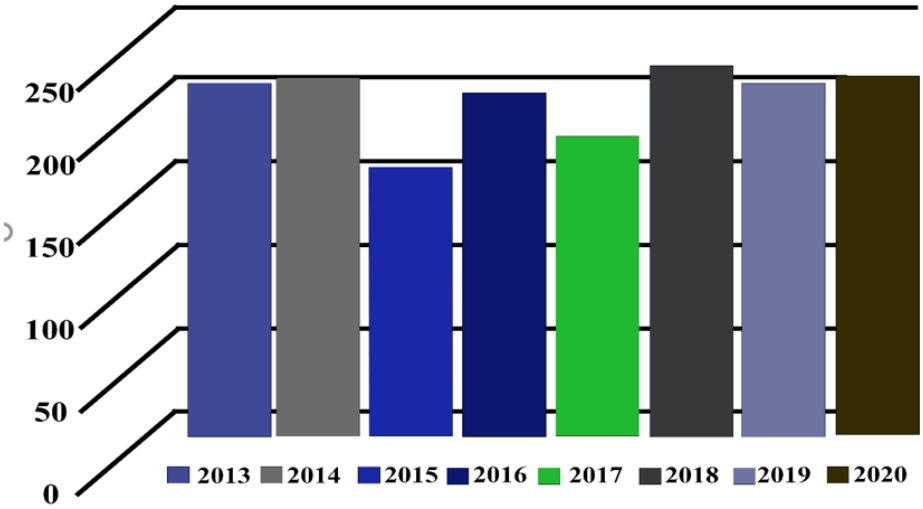


Figure 1.7 M&A Transactions Inspected Yearly (All Operations, 2013-2020)

Source: (Competition Authority Statistics of Decisions Department Report,2020:6)

The average quantity of M&A transactions examined in the latest eight years which includes the years between 2013 and 2020 is 204. The total deals reviewed in 2020 are above the average quantity of the latest eight years. If it is compared with the previous year 2009, it is seen 6% increment in 2020.

By grouping in terms of the origin of the transaction parties, while the source of 30 companies of the 220 total deals in Turkey and 139 deals consists of the companies that established according to the laws of foreign countries. 38 operations consist of at least one of the parties is Turkey source and foreign companies. (Üstündağ Demir & Pişmaf, 2021, p. 9)

Foreign investors invested in Turkish companies in 34 separate operations in 2020. In grouping for Turkey sourced target companies, with 5 deals German sourced companies take part in the first line. In the second line, the United Arab Emirates and Luxemburg sourced firms take part in 4 transactions each. On the other hand, in 2019 by

grouping for Turkey sourced target companies, Japan with 7 deals take part in at the first line and French with 5 deals is at the second line. (Üstündağ Demir & Pişmaf, 2021, p. 11)

Table1.5 Distribution of Foreign Investors by Country In Turkish Transactions

Country of Investors	Turkey Transactions 2019	Turkey Transactions 2020
GERMANY	4	5
LUXEMBURG	2	4
UNITED ARAB EMIRATES	2	4
U.S.A	2	3
AUSTRIA	1	2
BELGIUM	1	1
AZERBAIJAN	-	1
UNITED KINGDOM	2	-
BERMUDA	1	-
CZECH REPUBLIC	-	1
CHINA	1	-
FRANCE	5	-
SOUTH KOREA	1	1
NETHERLANDS	4	1
ENGLAND	4	2
IRELAND	1	1
SPAIN	3	-
SWEDEN	1	1
SWITZERLAND	2	2
ITALY	-	1
JAPAN	7	1
QATAR	1	2
NORWAY	1	-
POLAND	-	1

Source: (Competition Authority**,** Calculations of Economic Analyze and Research Department,2019-2020:11)

M&A transactions come to the foreground one more time with small and medium scale operations. On the other hand, 40 percent of total contract volume occurred from

only two big-ticket transactions. Zynga -game developer centered the USA purchased Peak Games for 1.8 billion US dollars and it becomes the first "unicorn" contract in Turkey. While Zynga was carrying out the biggest deals in history, the contract was considered as the biggest transaction which includes a Turk enterprise. (Deloitte, 2020, p. 4)

Under the effect of pandemic status, although uncertain globally, the foreign investors keep on their confidence against Turkish investors. Even though the total deal volume of foreign investors is under the latest 10-year average, it increased by %35 yearly in 2020. (2019- USD 3,4 billion). Similarly, while the total value of the deals which includes Turkish investors increased more than twice (2019- USD 1,9 billion)

According to Deloitte which is one of the prominent professional consultancy companies in the world served in the field of audit, consultancy, financial and risk consultancy, tax and related field services, analyzed and indicated Annual Turkish M&A Review 2020 as follows;

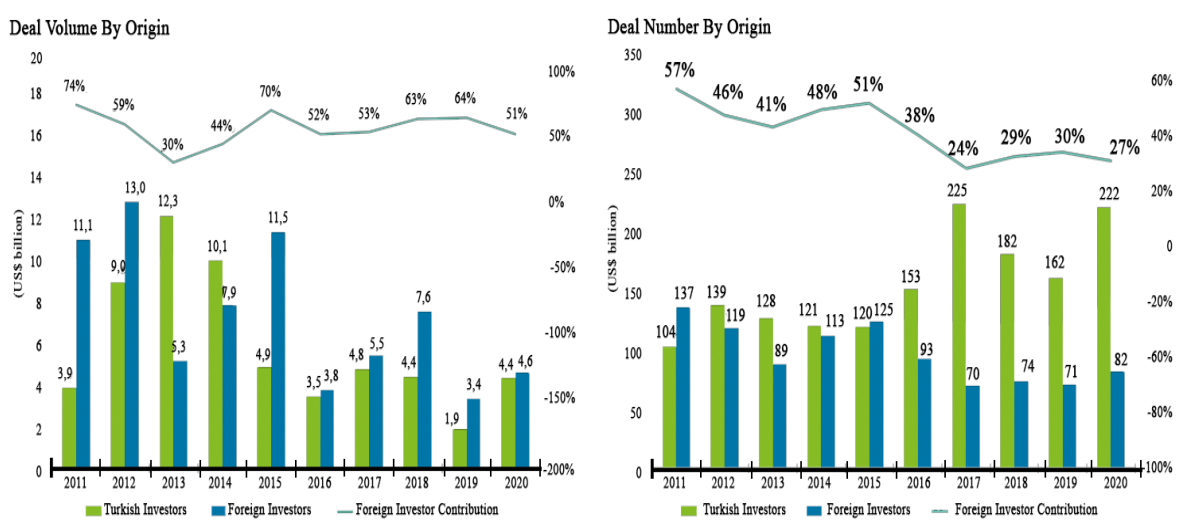


Figure 1.8 Annual Turkish M&A Review 2020

Source: (Deloitte, 2020: 9)

"Venture capital and angel investors" carried out at the value approximately USD 200 billion in 134 deals." It is indicated a three-fold increase in deal value and %94 increase in the number of deals"

"On a sectoral basis" the contracts of venture capital and angel investors were approximately %51 internet and mobile services sector and %28 of startups were regarding technology industries. Health tech-Fin-tech and game sectors were the most active sectors amongst the venture capital activity. The games have been on the rise in the last several years in Turkey.

"Turkish startup ecosystem showcased a significant boost in the last decade as entrepreneurs who successfully exited from their startup investment pour the cashback into the startup ecosystem."

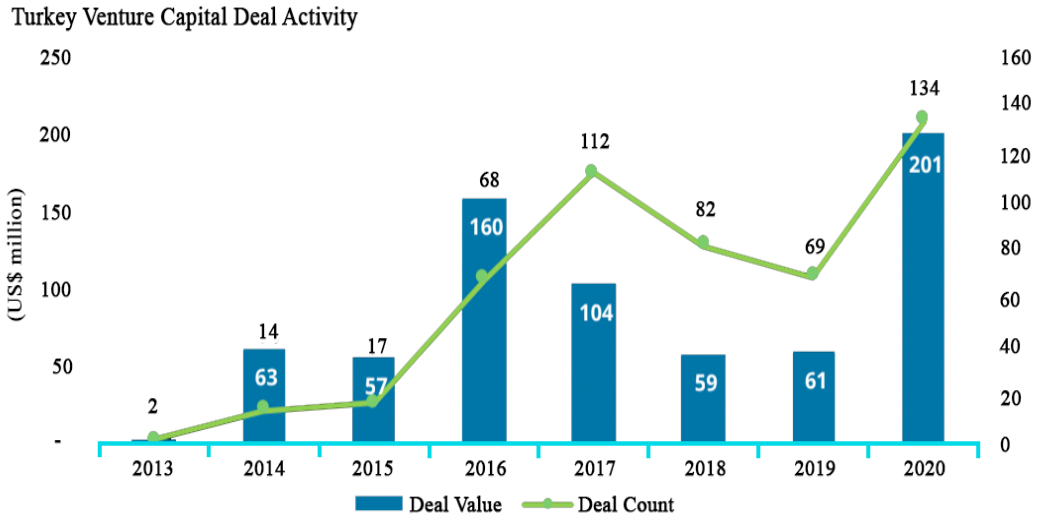


Figure 1.9 Turkey Venture Capital Deal Activity Between the Years 2013-2020

Source: (Deloitte, 2020: 12)

Internet, mobile, and technology made huge contributions to the M&A transactions in 2020. Like the previous year, with the existence of Venture Capital and angel investors and the investment-backed agreements, Internet, mobile services and technology were the trendiest sector with 97 and 52 contracts.

While the interests in the health, chemicals, and pharmaceutical sectors increased because of the effect of the Covid-19 pandemic in 2020, Tourism and retail sectors lost their allure according to previous years.

The below graph shows the percentages of the popular sectors in 2020.

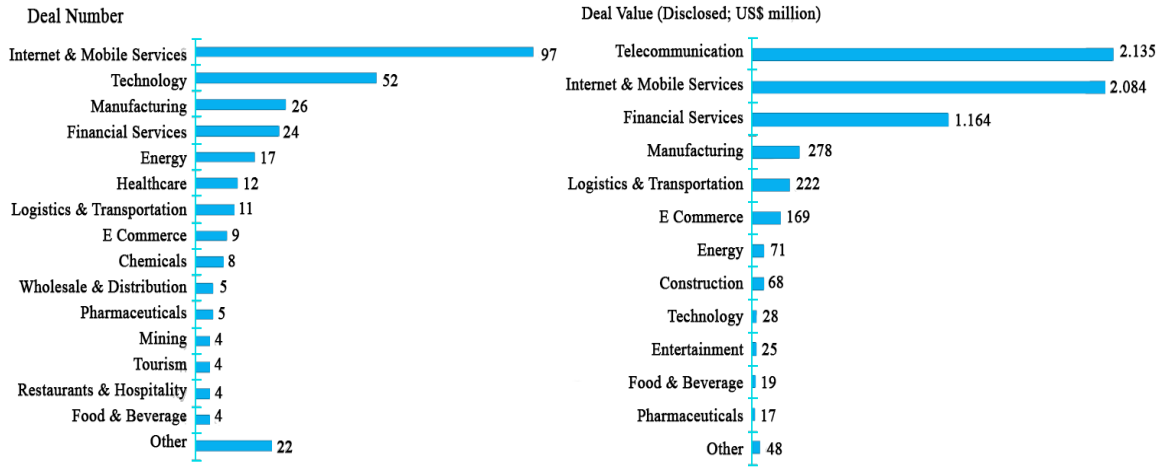


Figure 1.10 Percentage Of The Popular Sectors In 2020

Source: (Deloitte,2020:17)

CHAPTER II

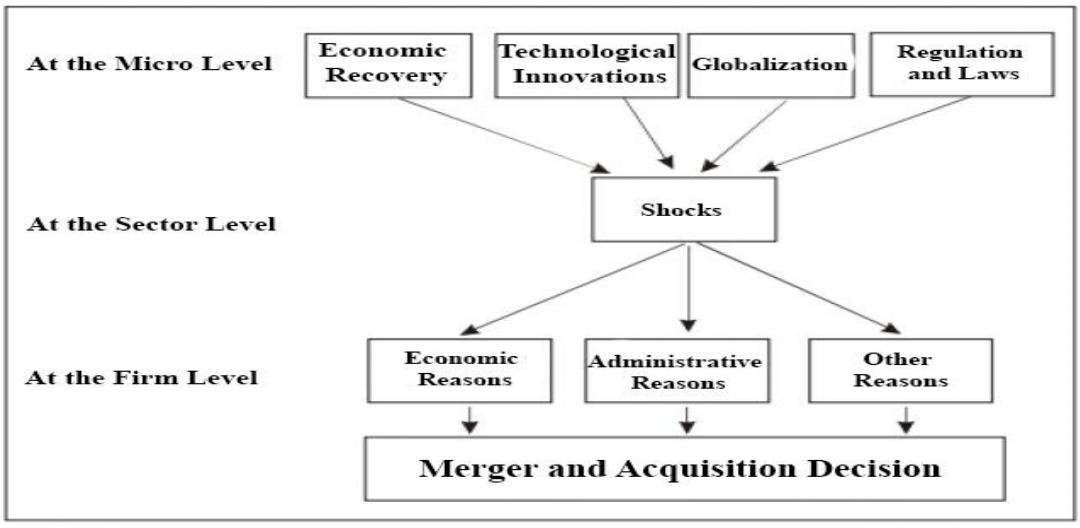
THEORETICAL APPROACH TO MERGERS AND ACQUISITIONS

2.1. THE REASONS THAT ENCOURAGE COMPANIES TO MERGERS AND ACQUISITIONS TRANSACTIONS

The companies tend to corporate with each other nationally and internationally as a strategic method because of so many reasons. There are so many diverse reasons such as social-economic situation and political that cause Corporation of companies and the causes differ from company to company. (Aydın,1990 cited by Aslan, 2018, p.6-19)

The merger and acquisition transactions are not unplanned processes and deciding to enter into M&A transactions is not a spontaneous decision and some incentives motivate companies to drive them to be involved in such a complicated transaction. Those incentives are identified by many scholars and professions and the incentives list varies promptly. However, the basic factors to drive companies to decide on M&A can be classified as Macro, Sector, and Company level. (Yrkkö,2002 cited by Aslan,2018, p.8)

Table 2.1 The Reasons of Mergers and Acquisitions



Source: (Aslan; M. Ümit,2018: 8)

With Mergers and Acquisitions transactions, the companies benefit from current sources, business relations, organization, and information concerning to market of the

target companies and via this way, the obstacles occurred by legislative regulations and the governmental process can be coped with more easily. (Sumer &Pernsteiner, 2004 cited by Aslan,2018, p.6-19)

It can be easily observed that cross border M&A has so many incentives for the companies as classified below;

2.1.1 Synergy

Synergy is always classified as the basic incentive that provides to decide on M&A, it also could be explained more simply as creating value or adding value to the parties through M&A transactions. In other words, the total value which would realize after M&A transactions must be more than the values of the parties had before separately. According to this definition, it could be possible to express synergy as below formula. (Sümer, H.,2000. p. 1-6)

Synergy =V_{ab} –(V_a+V_b) that is "2+2 = 5"

The companies that occurred at the end of the M&A transactions have more financial, administrational activities than before they cooperated and they add value to their structure.

Synergy can be classified into two main categories. One of them is concerned with expected operational synergies and the other second category is related to financial synergies.

2.1.1.1 Operational Synergy

Operational synergy can be expected in most collaborations not all of them and it can be observed as two categories. The first category is an operational synergy that can be realized on the vertical level. For instance; In the case of a corporation between producer and supplier, the reduction of the cost of production input, sales, and marketing of the final product is inevitable.

The second category is the corporations which can be carried out as horizontally. For example, utilizing and sharing the common sources between the merged corporations related to the products provides companies to reduce the costs appreciably. Reducing fixed costs such as facilities, employees, and variable costs by sharing inventory costs of

spare parts or any other resources which could be shared on the horizontal level. (Bedier, 2018, p.117)

2.1.1.2 Financial Synergy

Financial Synergies is the second category of the synergies which encourage people to make corporations. Financial synergies refer to the expected synergies which provide to decrease the cost of capital after merger transactions and most of the time it is asserted that the capital cost would be decreased. One of the merging parties has more cash flow than the other side which does not have financial resources created internally makes collaboration and thus the parties in absence of cash flow, have the opportunity to finance their debts at a low cost. (Bedier, 2018, p.119)

Financial synergy can be seen mainly in conglomerate corporations in which the merged parties come from a different branch of industry and so the possibility of diversity low cash flows is more than the horizontal and vertical mergers because of the absence of correlation or low correlation. Reduced financial risk means covering the financial structure of the company.

Different interpretations can appear whether financial synergy occurred when the companies are in liquidity difficulties, high risk of bankruptcy merged with the companies which have high liquidities. It is argued that this sort of corporation would only alter the income distribution between the companies supplied fund and this situation can be changed if the party which is occurred after merging provides tax efficiency to its shareholders because of the increasing interest expenditure consisted by company's debts.

Through financial synergy, the debt necessary of the companies decreases. On the other hand, In the case of not carrying out financing with cash flow, It can also be get rid of costs caused by capital increment which is vital for the existence of the companies. (Arı, 2010)

2.1.2 Tax Efficiencies

Taxes play a fundamental and vital role to drive corporations to enter into M&A transactions. In most cases, it can be observed that the financial status of the merged parties recovers as a result of M&A transactions. Combined companies can have a chance to go into debt and increase the capacity of borrowing. In that context, with M&A the

parties could increase profitability ratio and thus the risk of bankruptcy of the parties decreases and also the companies which cannot be benefited from the stock market transactions before M&A, can utilize the opportunities of the stock market after M&A. (Kavlak, 2019, p. 23)

The companies growing fast can have difficulties in finding necessary financial sources while carrying out mentioned expansion. Consequently, instead of decreasing the growth rate, merging with the companies which have high liquidity, supply them the financing necessary to grow. (Kavlak, 2019, p. 23)

Tax efficiencies are the fundamental element that encourages companies to corporate, in case of decreasing the losses of the companies from taxable income arranged by Tax Procedure Law.

Tax Gain can be as different types in the transactions of M&A such as combining with a company which has net facilities lose, utilizing the capacity of debt that not used, tax gains based on depreciation, and using free cash flow. (Kavlak, 2019)

2.1.3 Economy of Scale

To be able to produce a commodity or service, capital and workforce have to be used at a certain rate. When the company increases the production scale and utilized the amount of input, if the average costs decrease, the economy of scale on the production can be observed. If increasing the inputs at a certain rate provides the company to increase the amount of output on total production than the increased amount. That is, through increasing production scale the average costs decrease and thus efficiencies go up.

The economy of scale gains importance especially for the sectors such as automotive, airplane, and iron-steel capital incentive industries where the static costs are high.

Three advantages can be observed in economy of scale:

1- Increasing the production, the static costs are distributed on the increased production amount and consequently, unit average costs decrease.

2- With the help of specializing, it is possible to produce more than one person can do.

3- Wishing to benefit from the production elements at the top-level ad try to do best. (Aslan, 2018, p.12)

The companies can combine the facilities such as Production, Purchasing and Research & Development buying one company which is the same position with itself. Through the scale of the economy, the fixed costs and administrative costs decrease because of the necessity of fewer executives. With fewer executives, it is possible to deal with more transactions. Mostly the success of scale of the economy can be observed in horizontal corporations. (Aslan, 2018, p. 12)

2.1.4 Increasing the Competitive Power

Increasing the competitive Power of the company can actualize through decreasing the competition as combining the power of especially the similar industrial sectors' companies. In that way, the control of the companies regarding the market and prices would be easier and faster. (Kılıçaslan, 2010, p.13)

As a result of corporations, the marketing share of the companies goes up naturally even the marketing share of two merged companies would be more totally than the total amount of marketing share of two companies separately. With increased marketing share, the combined parties have a chance to acquire competition in their sector because of the decreasing competition among the companies and maximum using the current resources. With the help of rising market share, the profits of the parties increase accordingly. (Siddaiah, 2011cited by Aslan, 2018, p.13) The effective and dominant thought is to have monopolized power with decreasing or removing the competition in the period of first-wave corporations which started in the 1890s.(Martynova & Renneboog, 2008 cited by Aslan, 2018). The merger and acquisition transactions which would block competition was forbidden with antitrust law and the M&A transactions were dependent on formal authorities, without their permission the companies could not do anything concerning to M&A. As the dominant and monopoly companies in the market occurred through merger and acquisition had control completely on the prices and increased the prices of products.

2.1.5 Financial Reasons

Fast Growing companies can face a variety of difficulties in respect of financing their growing structure. These enterprises can obtain the necessary resources to finance the expected growth more easily by cooperating with other companies which have necessary resources instead of stopping or postponing their growth.

The most fundamental issue of the financial problems that the companies face is the insufficiency of working capital. If a company is growing fastly, it needs to invest more in some values such as stocks, credit, and cash. The cash requirements would be provided with foreign funds or undistributed profits. For all that, most likely, the profitability in the beginning years of the companies would be less, the company would need growing financing. Meeting financing the mentioned need, despite borrowing is adopted by most companies, the debt over optimal limits is not preferred because of more risk that the companies would face. The enterprises which have difficulty in financing search for a variety of solutions to deal with these financial problems. Association of the companies is a significant solution way to cope with financial matters. Because of inner and outer elements, facing with going into liquidation of the companies would be inevitable. Merger transactions are extremely important for the companies to be able to prevent liquidation, unemployment, not to leave resources inactive, and some macroeconomic benefits.

Taking advantage of financial leverage is another fundamental financial reason which is generating synergy occurred from merger transactions. Especially small companies have some difficulties in obtaining financing via debt. So, the rate of debt/capital stock of these small companies is low. Enterprises, which wish to utilize financial leverage by borrowing more, combine a company of which rate of debt/capital is low and can increase the capacity of debt.

The companies, which facilities separately before and do not have opportunities to take advantage of stock market transactions, can utilize after the merger. Strengthening of the capital structure of the companies is also possible with an intense interest in the share certificates of the newly occurred company. (Kara, 1995 cited by Sakarya, 2002)

Mostly, it can be observed generally that the mergers cause to decrease the capital cost. For instance, if a company has unused debt capacity and uses the mentioned capacity

at the end of the merger, as a matter of course the capital cost would be lower. In the same way, if providing financing via share certificate, the capital cost would be low normally because of the low export cost.

If it is considered from the financial point of view, two main purposes are extremely important for M&A transactions of the enterprise. (Foster,1986 cited by Sakarya, 2002)

a) To rise the value of share certificates of the share certificate owner.

b) To rise the welfare level of the current administration

Unification of the companies are more appealing than inner growth in respect of the costs, it is prominent exclusively when the company would be bought or merged has strong research and development capacity or valuable industrial rights (patent, trade name etc.) (Arı, 2010)

2.1.6 Exchange Rates

Simply, the exchange rate is the rate at which one currency is exchanged for another and merged parties cannot use the same currency. It has been claimed that exchange rates play an important role in inducing cross-border merger transactions. It can be explained with the below example how the exchange rate is considered as a cross-border incentive.

When the currency of A country is lower than B country, the companies in A country would be attractive for B country as an expected target because of the low currency. It is also clearly claimed that whenever the exchange rate of the US dollar is higher than the other foreign currencies, it is inevitable to see the activities concerning to USA corporations and USA corporations would have a good chance to acquire target companies from foreign various countries. In the same way, the US companies also would be a good opportunity for acquirers from other foreign countries which have better exchange rates relative to the US dollar. (Bedier, 2018, p. 127,128) So the exchange rate differences between the countries can be considered as an incentive element for M&A.

To elaborate more, an acquirer company that has strong purchasing power because of its currency expects to gain profit through the differences between the purchasing

power of both currencies. Due to the differences in purchasing power of the parties, the earnings of the target company are remitted to the acquirer company to be able to balance that is the purchasing power of the currency of the target company would be weak if we compare to the currency of the acquirer. And balance is provided with this way.

2.1.7 Psychological Reasons

The psychological reasons are also as fundamental as economic causes at the time of taking decisions related to M&A transactions. Desiring to show the abilities regarding the administrative and financial area, passion for managing bigger company, to have a sense of security related to continuity of the company and the fear and fear of being obsolete are effective on the decision of M&A. As the company becomes obsolete, the bureaucratic traditions are settled, rigidity in the systems increases and there is less room for personal skills and initiative. Consequently, the ability of flexibility of enterprises to adapt to changing conditions is diminishing. Some executives think it necessary to buy or merge a new company to modernize the businesses, inoculate new blood, and get rid of them from obsolete. (Akgüç,1994 cited by Sakarya, 2002)

2.1.8 Technological Alignment

The enterprises have to follow technological innovation closely to be able to increase their competition powers and to be permanent in the market. However, most companies cannot assure some technological enhancements which require, huge financial resources on their own and cannot keep on their entity. Taking advantage of technological advancements, transferring technology, having valuable industrial rights, using technological production, and using communication technology play an important role. (Kavlak, 2019, p. 22) So owning technological advancement is one of the most important tools for the corporation to compete efficiently with other corporations in the same industry especially when there are huge technological gaps between various jurisdictions. (Bedier, 2018, p. 126)

It is not possible to incerase their competition power and to be able to play an active role in their own industrial area without using technological innovations. The companies can reach technological developments easily through merger and acquisition transactions especially via cross-border M&A. It is not easy to enhance such

technological improvements as internally that are gained through cross-border M&A transactions.

Accordingly, using technological innovations is one of the best merger incentives. For instance; "73 billion US dollars merger transaction between GlaxoWellcome and SmithKline Beecham in 1999 to form GlaxoSmithKline is a very good example to prove that the gains from mergers, especially in the technological advancements field, could be the main incentive for a corporation to enter into a merger transaction." (Bedier, 2018, p. 126)

It is absolutely not limited only pharmaceutical industry and in some industries, technological innovations are necessary not only inevitable to the growth of the companies, it is also surviving precondition which could also be identified in the "telecommunications industry and all other technology-based industries, for example; the consumer electronics industry, internet-based services, internet providing services, etc. " (Bedier, 2018, p. 126)

2.1.9 Managerial Purposes

The enterprises can solve managerial issues through merging with another company which they have a better administrative structure when they are lack of qualified administration. (Kılıçaslan, 2010, p. 16) Particularly, the parties which lost market share because of bad management and cannot utilize enough potential facilities and tend to lose their value can gain their value with merger and acquisition transactions (Ülgen ve Mirze, 2006 cited by Aslan, 2018, p. 18-19)

2.2. SUCCESS AND FAILURE ELEMENTS IN MERGER & ACQUISITIONS

Knowing the success and failure elements for mergers and acquisitions provides the sides to get more success and assist them to manage the process of M&A easily without so much problem so the companies should learn these elements in detail.

2.2.1 The Reason of Failure

Through M&A, is expected to create value increasing to utilize the material or non-material entities of the firm and reducing the cost, increasing market share. It is

indicated by most scholarships that the failure of the success of the firm is determined by the share value of the firm. So while the rising price of share indicates the positive performance, a downturn on the share implies failure. Accounting and financing parameters which consist of profits, return on investments, share price, return on equity, earning per share, losses, and return on assets are the most common indications of failure of the firms. (Bc.Luis E.Marquez Balderas, 2019, p. 22)

The success of the M&As is linked to the scope of a plan made in the pre-merger stage and to be able to determine the right strategy. The market analyzes of the post-merger targets of the company, the necessity of merger transaction, and the self-evaluation of the company of power and weak sides in a concrete way is fundamental for the successful results of the companies. (Şahin İ. E., 2020, p. 100)

Empirical researches made through the years have shown that the bidder firms could not make as excess profits as target companies as an average amount. In some cases, M&A can cause decreasing the entities “destroy the shareholders of the bidder companies’ wealth “ Servae (1991) indicated that while the bidder firms can get the return as 1.07, the target company obtains return as % 23,64 ”.

The reason factors can be considered such as Hubris Effect, Overpaying, Integration Process, Management Error, Some Psychological Factors, and the most important is cultural differences.

2.2.1.1 Management Errors

Management errors which are welded from personal purposes occurred generally by hubris or other psychological elements. Especially the top management of the companies are so important as they make significant decisions regarding firms which can affect the success or failure of the enterprises before and after mergers and acquisitions.

Therefore, the faulty made by the management of the businesses can cause bad results so the management has to manage the process of M&A professionally.

2.2.1.2 Hubris Effect

From time to time, the success factor can be thought of as a failure element if not used efficiently. For example; concentrating on integration between teams leading low

performance and can cause the failure of the firms. Van de Waal (2013) has connected the bad performances of bidder firms to **"Hubris Hypothesis"** which was revealed out by Roll in 1986, and he also indicated that the indication of the capacity of M&A potential is exaggerated by administrative. Thus, in the light of unreal information and estimations, the bidding firm opposed to paying more than the real value of the target firm." Hubris Hypothesis" is interested in insufficient situations regarding managerial behavior. "According to Brown and Sarma, Doukas and Petzemas, and Malmendier and Tate, the hubris effect is greater in larger firms. " (Bc.Luis E.Marquez Balderas, 2019)

That is, Hubris Effect means although the leaders don't gain any profit averagely, they continue to invest in merger and acquisition deals, because of Hubris effect that expresses the unreal belief of acquirer companies' leaders in respect of their thoughts that they have more qualified than the leaders of the target company and there is a belief that they would manage to execute the company better. This thought tends the acquirer companies to be interested in buying a target company despite not having positive economic profit and this type of delusion faces unsuccessful economic results of the companies.

2.2.1.3 Psychological Factors

Some empirical findings have declared that, some psychological factors affect to make decision related to merging and these mentioned factors can affect the performance of the unified companies even after merging transactions.

Those psychological factors are;

Myopia; under this type of factor, the decision maker is directed by thoughtless behaviors because of lack of seeing the problems that would occur in the future.

Status Quo; under this bias, the fear of losing the current market power and location directs the decisions and the current situation endeavor to preserve and prevent new developments.

Extremeness Aversion; Under this factor, the decision maker works for average strategy and consequences and avoid from extremes although "if it could lead to gains or avoid losses."

Over optimism; under this factor, even if it contradicts with empirical statistics, “decisions are based on unrealistic expectations.” (Bedier, 2018, p. 140)

2.2.1.4 Overpaying

Paying too much as a premium leads to failure. An acquirer company is to buy a target company which leads to a rise in its profit to a high point, and carry out its vision at a low price. With the lowest payment for target, companies would be possible for the acquirer company to go up the highest point in respect of investment profit. However, the difficulty is not to be determined intrinsic and the real value of the target companies. At this point, the best way to make correct valuation is to observe the value at different points and methods and choose the most suitable value methods**.** (Advisors, 2017)

2.2.1.5 Integration Process

Unsuccessful, cost, or slow integration process that is, diverse management policies, teams, operations, and integration among the financial systems and company culture etc. are considered as the second factor of failure.

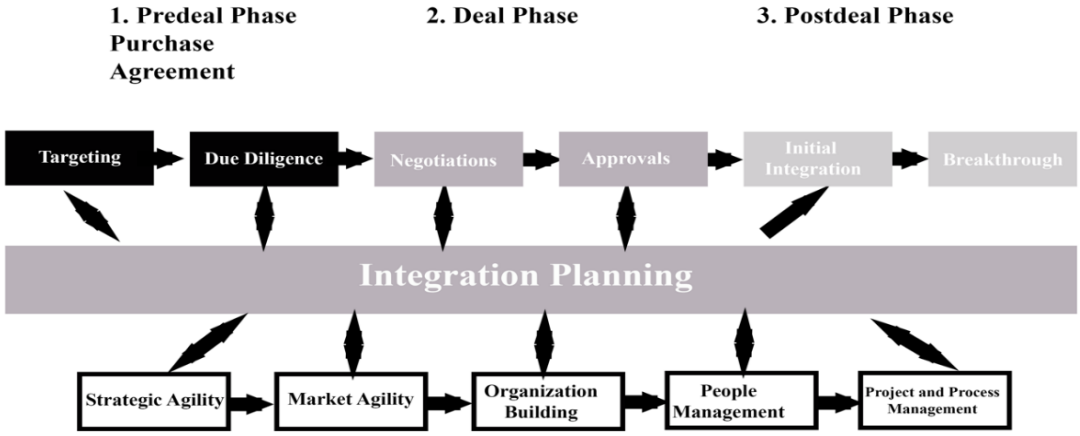


Figure 2.1 Integration Planning: A Developing and Interactive Process across All Preacquisition Phases and Core Capabilities

Source: (Hubert Saint-Onge, Jay Chatzke ,2008:149)

2.2.1.6 Cultural Differences

Cultural differences are also another important factor that affects the performance of the company substantially. As organizational culture reflects the values and mission of the company. It gives an identity to a business." that is what we are doing, we are defending" Culture includes dominant orientation such as Research and Development for HP, high efficiency for Nucor, Customer Relations for Nordstrom, innovation for Google, or Product Quality for BMW. Generally, they consist of numerous informal business rules that the employees obey without inquiring. These studying practice becomes traditions not queried of the company over time. (L. Wheelen & Hunger, 2015, p. 149)

The most difficulty in merging the enterprises' acquirer and the target are cultural differences. Changing the organizational culture of a company is extremely difficult. Purchasing one company does not mean that the target company would alter quickly and start to resemble the culture of the acquirer company immediately, cultural conflicts can go on long years. For instance; Renault took over Nissan and Daimler Chrysler took over Mitsubishi but it can be observed that Renault became more successful than Daimler Chrysler. This situation can be connected that Mitsubishi had difficulties in changing cultural identity for so long years. (B.Barney & S.Hesterly, 2015, p. 302)

Having success in the technology, personal, the financial field of the M&A process, the integration team should be aware of the different cultures of the firms and endeavor the keep on the process accordingly. If the institution's culture is compatible with a new strategy, it would be an inner power. On the other hand, if the institution's culture is not harmonious with the suggested strategy, this is a serious weakness. The institution's culture is so fundamental at the time of purchasing one company. When merger transactions of the different two cultures are not managed properly, very serious inner disputes can occur. For example; the administrative of Procter &Gamble would know that buying Gillette would cause some cultural issues. Though both companies are strong consumer products marketing, there are basic differences that cause little diversity between the cultures. While Gillette is selling shavers, toothbrushes, and batteries to men, P&G would sell health and beauty products to women. One year after merging, The CEO of P&G Art Lafley indicated that the harmony of the two companies would take 12 or 15 months more. (L. Wheelen & Hunger, 2015, p. 151)

Managing cultural differences is extremely important for the merged companies. If the companies can deal with this troubling situation, getting more performance would be inevitable for both parties

Consequently, every M&A transaction is unique and have different characteristics and conditions that is, they do not resemble each other every time. Properly using these factors at the time of the M&A process can provide success. On the contrary, the M&A can also be ended unsuccessfully, if the factors and conditions cannot be used efficiently. According to empirical findings, there is no solid evidence concerning to efficiency and value of merger operations and the impacts on others in society.

2.2.2 Success Factors

To be able to fasten down if the M&A has reached success, primarily it is to be examined the meaning of "success". What it is understood from success. The success for the acquired or acquiring company. In respect of two sides, success means not only doing lucrative business. (Şahin İ. E., 2020, p. 102)

According to shareholder value theory, the initial aim of the company is to create shareholder value and by generating financing to obtain long-term shareholder value and to provide survival of the company. Mergers and acquisitions are generally measured in similar ways such as financial returns. "Some analyses compare the shareholder value before and after a deal" however this is the short-term point of view. Instead of a short-term view, the effects of the acquisitions and utilizing the new possibilities should be measured. (Södersström & Olsson, 2019, p. 26) So analyses should include the value which is generated over time in order to evaluate the success of M&A. So a prosperous M&A means either a successful deal or a successful integration process. (Şahin İ. E., 2020, p. 103)

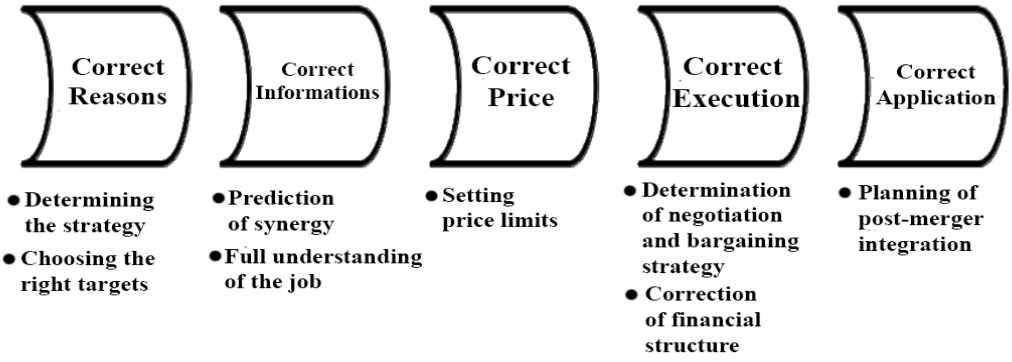


Figure 2.2. The Process Of Success In M&As

Source: (Şahin,İ.E.,2020:103)

As it can be observed in the figure, the process is to be able to reach the right elements which are common concepts for the right factors. In the process of M&A, every phase is connected to each other so the strategies of each phase have to be determined true and the decisions should be consistent with each other. (Şahin İ. E., 2020, p. 103)

2.2.2.1 Speed of Integration

Traditionally, In the context of business, time is accepted as an important dimension of competitive strategy. Concerning the success of mergers and acquisitions, integration has become one of the most significant elements. Speed refers to the time needed to complete the integration. However, identifying an exact time is so difficult that some diverse frames occurred called as first 100 days model. (Jaakola, 2020, p. 8) "According to Citicorp's David Franzen (1987)" the concept of "a window of opportunity" of 100 days which the people expect some changes occur after the acquisition transactions so the integration and " change measures" should be completed during these 100 days. So many prosperous companies such as GE Capital considered the first 100 days after agreement as critical for the success of the acquisition. During the integration period, the changes would be inevitable, and to have an integration plan for 100 days is fundamental, and would be better to make amendments speedily within this period. (Jaakola, 2020, p. 9-10)

During the integration time, the parties have to manage and implement the formal and informal processes in respect of two diverse organizations. As an example, it is advised to pay attention to the cultural differences internationally more instead of domestic mergers and acquisitions. Heterogeneity in networks, structure, new or unfamiliar customers, and technologies emphasize three different ideas in theory. (Forslund & Sommar, Spring,2018, p. 26)

1) Cultural differences between the acquirer and acquired companies cause additional hardships for integration after M&A transactions.

2) The performance is linked to the integration process and adopted control systems.

3) The preferences of the integration process and control system types are different according to the acquirer company's nationality. It is asserted by some scholars that evaluation and control systems affect the performance after the stage M&A negatively.

In order to get success in M&A internationally, different entry modes should be considered- finding a suitable target firm in a new market consists of many processes. It is asserted that different integration processes are dynamic and focusing on learning needs to be fixed. It is paid attention to how the different aspects of knowledge should be developed. For instance; by applying the information of previous M&A integration processes and utilizing the former experiences, it would be possible to avoid mistakes and accordingly failures. (Forslund & Sommar, Spring,2018, p. 26-27)

Table 2.2 Speed of Integration

Speed of Integration
Implementing changes early is easier (Angwin 2004). When integrating the acquisition within 100 days, employee enthusiasm can be leveraged to improve effectiveness of change measures (Feldman & Spratt 1999, pp. 31-34).
Ingtegrating faster reduces the time of uncertainty and the effect of rumour mills (Angwin 2004).
Fast integration enables to better respond to the dynamic competitive environment (Stalk 1988)
Fast integration reduces the time of sub-optimal operations and shortens the revenue dip time (Angwin 2004)
Benefits of the investment can be realized faster. Positively contributes to company valuation. (Bauman 19979
Integrate fast to not give competitors a chance to poach your clients or get ahead (Homburg & Bucerius 2005; Homburg & Bucerius 2006).
Higher integration speed can reduce employee retenation (Angwin 2004)
Faster integration improves client relationships and marketing function hence improving client satisfaction (Homburg & Bucerius 2005; Homburg & Bucerius 2006)
Take a look at LBO practices: Tie the net worth of managers to the success of integration (Bruner 2002), give the employees a challange, sharpen the priorities and increase the pace of change (Anslinger & Copeland 1996) in order Access the benefits of integration speed.
Balance between fast integration and the increased risk of conflicts and discomfort among the employees (Olie 1994)
Acknowledge, that slower integration improves trust building (Ranft & Lord 2002)
Low internal relatedness and high external relatedness between the acquirer and acquired companies requires slower integration speed (Homburg & Bucerius 2006)

Source: (Jaakola, H.,2020: 20)

2.2.2.2 Leadership

One of the most basic and significant factors which are accepted as a success key of the M&A period is leadership. “According to Kitching (1967), the quality of management determines the success or unsuccess of the enterprises after the short time of unification. “Do not do the deal if you cannot find the leader.” This expression shows the necessity of leadership. This view is also matched with the thoughts of Pritchett and his friends stating that the high percentage of failures are welded from flawed management at the time of implementation of M&A transactions. (Jaakola, 2020, p. 25)

Table. 2.3 Leadership

Leadership
"Don't do the deal if you don't find the leader" (Anslinger et al. 1996).
Ensure the commitment of key employees and leaders (Anslinger & Copeland 1996, pp. 101-104).
Express decisive action, establish clear company direction and articulate the new purpose of the combined entity (Kitching 1067; Hyde & Paterson 2001; Sitkin & Pablo 2005, pp. 209-210; Nemanich & Keller 2007; Angwin & Meadows 2009).
Maket he employees understand and embrace the purpose of the acquisition (jemison & Haspeslagh 1991, p. 132).
Little things do matter. Use symbols to reconstruct a new identity. (Olie 1994)
Establish superordinate goals (Olie 1994)
"Walk-the-walk" (Gomes et al. 2013)
Establish clear roles, responsibilities (Inkpen et al. 2000) and relationships (Kitching 1967)
Use outside executives to facilitate change and obtain and independent point f view (Angwin & Meadows 2009).
Be proactive: prepare solutions for potential problems pre-deal (Ashkenas et al. 1998).
Utilize social charismatic leadership (Olie 1994).
Pay attention to detail, CEO visits are important and express commitment (Vester 2002).
Commit sufficient resources to integration. Consider PMI a full-time job (Ashkenas et al. 1998).
Make, announce and implement critical decisions immediately (Ashkenas et al. 1998).
Act in a sensitive and dignified manner to gain trust (Ashkenas et al. 1998).
H elp the personnel overcome issues regarding security and occupational identity (Ashkenas et al. 1998).
Make the employees immediately work together: Short-term projects yielding quick results facilitate integration (Ashkenas et al. 1998).
Utilize incentives: golden handcuffs, long-term contracts, bonuses, stock options (Ranft& Lord 2002).
Hire the best people to carry out PMI (Anslinger & Copeland 1996, pp. 106-108).
Allow top-level managers of the acquired company to have the final say on operational decisions as long as the financial targets are met (Anslinger & Copeland 1996, p. 106).
Establish clear channels of communication (Kavanagh & Ashkanasy 2006).

Source: (Jaakola, H.,2020: 34)

Table 2.4 Leadership at Operational and Top Management Levels

Leadership at operational and top management levels
Top-level management should create a vision for the new combined entity (Jemison & Haspeslagh 1991, p. 132-133).
Top management is responsible for institutional leadership and operational manage-ment for interpersonal leadership (Jemison & Haspeslagh 1991, pp. 132-135).
Senior management integration detachment: Do not leave integration completely to operating managers post-deal and solely concentrate on performance expectations (Jemison & Haspeslagh 1991, p. 133).
Senior manager should articulate the goals to the operational managers and employ-ees while also providing a plan how to get there (Jemison & Haspeslagh 1991, p. 133).
Senior managers: do not postpone or delegate resolution to key questions (Jemison & Haspeslagh 1991, p. 134).

Source: (Jaakola, H.,2020: 35)

2.2.2.3 Post-merger integration team

Post-merger integration is the process of combining two firms to provide and maximize synergy by creating value. At this time, achieving the desired synergy during this period is realized by managing the process in the best way. Therefore, the top Executives are so significant in this process. (Deal Room by M&A Science, 2021)

According to studies made by Anslinger & Copeland, 65% of the participants asserted that management ability is the significant function of creating value. So, it is a must to find the right administrators integrating the companies. Kavanagh and Ashkanasy advised that to have the right managers, the firms should evaluate the current managers, calling for the managers who have not just at the position of leadership in the organization and hire outside industry experts. (Jaakola, 2020, p. 35)

Table 2.5 Post-Merger Integration team

PMI Integration Team
The job of the leadership team is to rapidly identify the decisions that need to be made in order to rewire the business and surface issues that the executives must deal with (Vester 2002).
Ensure that there is no disregard to day-to-day activities, internal growth and innovation (Vermeulen & Barkema 2001).
Create a coordination team. i.e. PMI team (Schweiger et al. 1993; Ashkenas et al. 1998; lnkpen et al. 2000; Vasilaki & O'Regan 2008).
Form the PMI team asap, already pre-deal if possible (Schweiger et al. 1993).
Recognize the need for employees working full-time on PMI (Ashkenas et al. 1998).
Utilize the knowledge of the OD team. A member of this team who has good interpersonal capabilities and who is sensitive to cultural differences makes the best integration manager (Ashkenas et al. 1998).
Ensure commitment of the top management team (Weber 1996).
Orientation can be an effective way to integrate (lnkpen et al. 2000).
lntegration managers should not have P&L responsibility (Ashkenas et al. 1998).
lnvolve individuals from the acquired entity in the PMI team (Lakshman 2011).

Source: (Jaakola, H.,2020: 38)

2.2.2.4 Communication

Post-merger communication is considered to be so fundamental for the success of integration. As through communication, information could be transferred easily and with the right communication, all ambiguities minimized. Thus, the integration environment would be more transparent and the anxiety amongst the employees and the parties would be decreased with efficient communication. (Jaakola, 2020, p. 38)

Communication is a key to effective management change. According to a survey made by MCKinsey&Company with 3.199 executives, it showed that continuous communication and attribution is the most used approach by the companies which obtained prosperity. Companies that manipulate cultural changes successfully have the following common features. (McKinsey & Company, n.d)

- CEO and the top management had a strategic vision regarding the targets of the company and this vision was conveyed to all employees. The current performance of the firm was compared with competitive and updated continuously.

- The service area and quality which should be developed were found and in order to be able to carry out them, the suitable measurement methods were improved such as competitions, formal and informal awards and money awards and were announced comprehensively.

Table 2.6 Typical Integration Questions

Jemison & Haspelagh (1991, p. 131)	-Will the president be allowed to rule? -Who will be running our show now, us or somebody else? -How will my career and personal ambitions be af-fected? -What effect will this have on my benefit package?
Ashkenas et al. (1998)	-Will I have a job? -Who is the acquiring company? -Can we trust what the they tell us? -Will my job be the same as before? -Why did our company decide to sell? Did we do a bad job, or did we get betrayed?
Schweizer & Patzelt (2012)	-How should we behave in the new organization? -What outcomes will my actions produce for me and the oganisation? -Will the leaders act in their own interest or act according to employees interest?
Schweiger & Weber (1989)	-Who will be running different divisions? -Do I still have a job? -Who will I need to report to? -What will happen to my pension?
Papadakis (2007)	-How will the merger affect my career? -What will be my role in the new entity? -Why should I follow the new vision and strategy?

Source: (Jaakola, H.,2020: 42)

Communication has a key role during the integration process of M&A to be able to reduce the ambiguity through the process, however, it is fundamental to communicate right after the transactions. Because communication helps to create a favorable atmosphere and employees and the other entities can find answers to the questions in their minds. So, communication is particularly important to get success from M&A deals.

2.2.2.5 Managing Cultural Differences

The studies concerning mergers and acquisitions started in the 1920s, focused on organizational performance primarily and then post-operational performance. As a result, researchers found out that the M&As "was not living up to their initial value proposition and papers focusing on the human impact on M&As increased substantially after 1980 increasing further after 2000. Since that time the culture has been considered as a pre-determinant factor of success or failure of a company related to M&As transactions. The culture has a direct effect on organizational culture, organizational strategic ability, management of international performance, and other operational results. So the importance of the culture cannot be deniable and the culture has a big impact on organizational health. (G.Chesley, 2017, p. 14)

Generally, culture harmony and the lack of cultural harmony were frequently used to explain the failure of M&A deals. At the same time, some experts found out evidence that the cultural differences cause " intercultural work alienation" and " cultural anxieties " and accordingly this causes lower employee productivity. So Scholars indicated that if the parties are willing to get success in M&A deals, it is necessary to build a common cultural understanding. Otherwise, if the employees do not adopt a new common vision and are addicted to their own culture, the performance of the combining parties would affect negatively. (Mirc, 2013, p. 8-9)

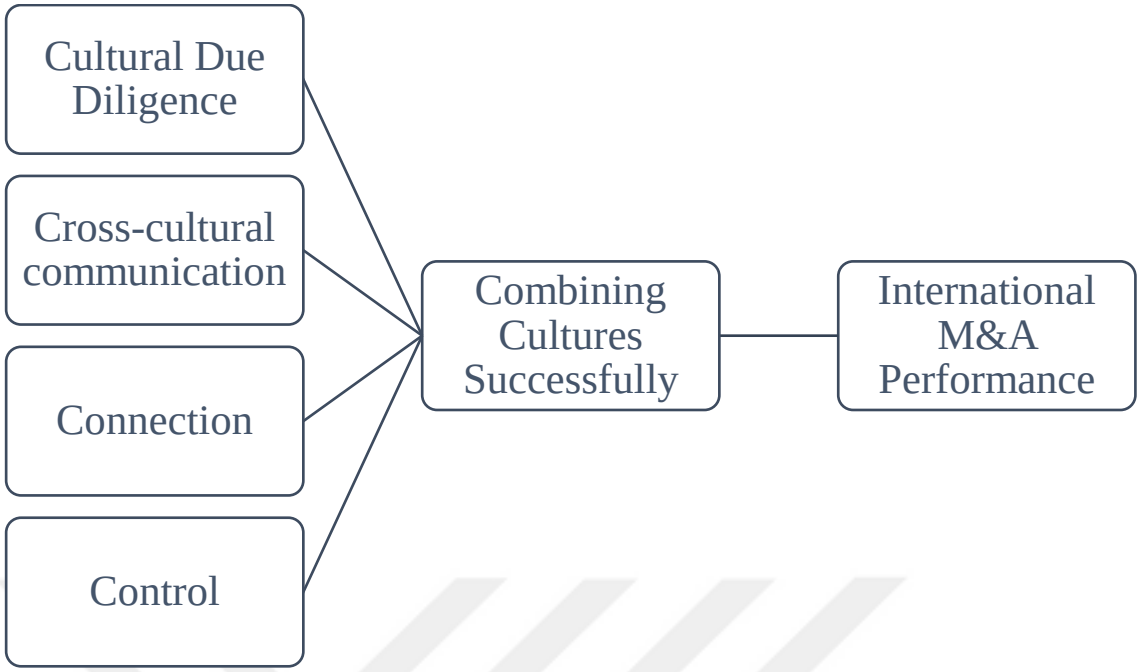


Figure 2.3 Five C's Framework

Source: (Rotting, 2007 cited by Aldaoud, T.,2015,: 30)

2.2.2.6 Human Resources Management

Studies in recent years show that HRM has played "an active strategic role" and "value-adding role" in the merging process. For instance, in the case study of Marks and Vansteenkiste (2008) is indicated that HRM played a determinant role in keeping on the M&As transactions effectively regarding strategic ability management and helping the employees as preparing them psychologically and assisted them to forget the sorrow of the old employer's death. Nikandrou and Papalexandris(2007) compared the company's gained performance or underperformance and proved that HRM has a discriminating prominent factor on the performance of the companies. (Mirc,2013, p. 17)

The process of M&As debates generally consists full of strange feelings such as fear, wonder, uncertainty, exciting and complexity. These emotional feelings can occur at all levels of the company (employees, middle and top management) and the ability to cope with this sort of difficulties indicates the operational prosperity of the company. So at this stage, managing both of the companies in a good way in respect of human resources is so fundamental, and successful human resources experts should identify the potential

crashes between two different culture firms, and human resources implementations should be integrated with necessary surveys and take the right decisions accordingly.

During the M&As integration process, educations can provide a better performance, and employees or other personals can cope with unknown situations easier.

2.3. THE PROCESS OF MERGER AND ACQUISITION

2.3.1 Compile a Target List and Determine Target Company

The companies should determine a suitable growth policy for their current company structure and with this policy, they should inspect the financial situation of the targeted company comprehensively and evaluate the available facilities of the company with the facilities of the targeted company and come to a decision evaluating whether there is a mutual connection or not for the synergy. (Şahin, 2020, p. 46-50)

2.3.2 Evaluating Target Company and Make a Decision

After identifying the target company, the powerful and powerless side of this company should be determined and evaluated the value of the target company. So the financial tables, annual reports, and the physical inspection of the company gain importance. The most important information should be provided from the target company documents as follow; (Şahin, 2020, p. 46-50)

a) The growth speed of the company, the rate of price/ profit which would occur after the merger, profit per share,

b) The impact of synergy,

c) The size of the firm, the structure of active and passive, the financial status and current debts,

d) The decision related to future situation of the current personal of the target company,

e) The tax situation after merging

f) The decision on which type of merging would be suitable for the use of company.

In the light of the informations obtained, the authorized people decides regarding to benefits or losses after the merger transaction and accordingly make a decision about what to do about the merger.

2.3.3 Negotiations with Target companies and Determine Conditions

At this stage, evaluation of the target company is made in respect of the information acquired before. The authorized responsible person from merger negotiations should be known well as to be able to connect with the right person. Communication with the right person is vital, otherwise wasting time would be inevitable for the companies. (Snow, 2018, p. 104)

After making assessments about the target firm, merger policy and strategy are determined and the quotation is made to the top management of the target company concerning to merger. In this quotation, the financial situation of the buyer and the thoughts of the unification top management about the merger transactions should be presented by the top management of the acquirer company. The payment plan is presented to the target about the financing of the target company would be via as cash, exchange of stock share or hybrids or according to future profits. (Şahin İ. E., 2020, p.47)

For a Successful Negotiation;

- Aware of the strengths and weaknesses sides of your company and compare them with another side.
- Try to understand the motivation of the other firm.
- To be able to make a beneficial contract mutually, do not avoid making phone calls, sending e-mails, meetings, discussions, and making more phone calls provides to rise due diligence phase and writing contract and a successfully closed deal.

2.3.4 Preparing Letter of Intent (LOI)

After the result of intense meetings, if the negotiation is concluded with a positive agreement, a letter of intent (LOI) is prepared and signed. (Kılıçaslan, 2010, p. 35) “The LOI is a nonbinding document that forms the basis of the final deal. It contains a specific purchase price (rather than a range) and provides the steps needed to close the deal. The

LOI usually includes an exclusively clause, which means Seller no longer negotiate with other Buyers" (Snow, 2018, p. 48)

LOI is like a marriage proposal from Buyer and framework or road map for the final deal. Both sides promise each other not to see the others and show seriousness mutually. Seller identifies that they are willing to sell for the proposed terms and buyer states that they are willing to pay.

With this phase, It is understood if the target company would accept the quotation or not. The target company can also ask for a revision of the quotation. If the company finds the price reasonable and accepts it, the merger process keeps on going. LOI is not enforceable in court. (Snow,2018, p. 204) That is, buyers and sellers can leave the agreement for any reason when they want or they can wish to revise on LOI.

2.3.5 Due Diligence

After the arrangement of LOI, the measuring and evaluating process starts to carry out a successful unification. This phase is needed to be able to reach the maximum useful cooperation. So the top management of the parties examine the all documents presented in detail that is, the process of "Due Diligence" would start. Due Diligence is to collect whole data in respect of legal, financial, human, and organizational of the related company and inspect them to be able to obtain the best consequences.

The length of the time for Due Diligence should be 60 days not longer than 60 days. In most cases, the fault belongs to the seller because of not providing information to the buyer on time.

With the detailed inspection process, the top management can determine the positive or negative sides of the company as obtaining most information concerning to organizational, financial structure of the company, features of employees, and the organizational culture. Thus, the positive or negative effect of unification with the target company can be seen clearly. (Şahin, 2020, p. 46)

During due diligence, whole possible issues concerning to M&As should be determined. The findings of due diligence are used to arrange and indicate the contract parameters, indication proposal prices, and also due diligence provides a basis for the

integration process. Due Diligence is also so important to inspect the complex accounting systems and necessary to protect the companies from improprieties on accounting.

In Due Diligence inspection, four basic separate fields as; Financial Due Diligence, Legal Due Diligence, Commercial Due Diligence, and Tax Due Diligence. With these four types, there can be more different examinations specific to sectors or to the nature of the enterprises.

Financial Due Diligence

Financial Due Diligence explains the operational status of the target enterprise. In this direction, the accounting, financial situation, and works of the enterprise are mostly examined and analyzed. The basis of the inspection includes the current and past financial data and it is generally advised to examine for a three to five -year inspection period. (Eski, Şirket Satın Almaları, 2018, p. 79) Financial information and purchase agreements are the cornerstones of mergers and acquisitions. In any case, the financial examination is the most intensive and important of the due diligence process. (Snow, 2018, p. 221)

Before the financial situation of the target enterprise is analyzed, it is necessary to fasten down the duplicity of accounting records. In this way, it can be understood whether the accounting records reflect the actual situation of the target enterprise today and in the past. (Eski, Şirket Satın Almaları, 2018, p. 79)

So many fundamental diversities among the accounting records are observed all over the world. (Howson, 2017, p. 51) In an international takeover, the buyer must also consider the accounting standards differences between buyer and seller and then it should be evaluated. (Eski, Şirket Satın Almaları, 2018, p. 80)

The following list is a simple list of a typical financial due diligence and it gives the required information to close an M&A deal. (Snow, p. 222)

- "The usual trio financial statements (income statements, balance sheet, and cash flow statement) preferably prepared by an outside accountant."
- A receivable and payable account with the bad account details
- "Capital budgets, and business/strategic plans"

- The general ledger
- The list of all bank accounts and safety deposit boxes with authorized signatures.
- “Schedule of prepaid expenses with backup documentation and accumulated amortization”
- “Schedule of deferred income at most recent year-end and month-end
- “Schedule of security deposits at most recent year-end and month-end
- Schedule of all debts and conditional liabilities
- “Detail of accrued expenses as most of the recent year-end and month-end
- “Detail of any customer advances, deposits, and credit balances as pf the most recent year-end and month-end

Commercial Due-Diligence

While financial due diligence is predominantly focused on the past, Commercial due diligence focus on the future, and the common point of the inspection is the economic consequences that effects either target or buyer company. In this way, commercial due-diligence is more focused on the future and tries to reveal possible developments. (Hassel, 2009, cited by Eski, 2018, p. 81)

The other issue in which Commercial Due Diligence is separated from financial Due Diligence relates to the collection of data. While with Financial Due Diligence in-house data are evaluated, in Commercial Due Diligence the environmental factors related to the enterprise are analyzed. As an example, information can be collected from customers, suppliers, and existing employees as part of the review.

Legal Due Diligence

In legal diligence, the aim is to gain information about the current legal position of the enterprise and to demonstrate the effects of possible takeover in terms of public

law rules, obligations and permissions, and private legal-related contracts. (Walser cited by Eski, Şirket Satın Almaları, 2018, p.81)

Tax Due Diligence

In the tax due diligence, the issues related to the tax of the enterprise are discussed extensively. The tax dimension of the takeover plays an important role in determining the sale price. Therefore, it is in the interest of the parties to carry out the planned takeover using all tax exemptions and exceptions. (Sinewe/Oelsner cited by Eski, Şirket Satın Almaları, 2018, p.81)

2.3.6 Complete Merger Transactions and Legal Integration

After the negotiations made in merger and acquisition process, and in the event of an agreement between the parties, the phase of unification is ended. After completing the legal process and taking necessary permission from interested formal institutions, the newly merged company starts to operate. With the implementation of the new business, the integration process between the enterprises begins. The integration process takes time such as 3 or 4 months and this duration changes according to the qualification of the parties. If any success is provided, the new company culture tries to be integrated and aims to increase the ability of the employees. The integration duration would keep on until a new compatible institutional structure is occurred. The merged companies would find a good opportunity to recognize each other revising at their targets closely at the time of integration. (Şahin, 2020, p. 50) After finishing the merger and acquisition transactions, new occurred company starts own facilities and the new period of integration is also known as post-merger and the parties can do the followings in order to be able to reach prosperous and achieve to build a healthy structure. (Rona, 2009, p. 48-49)

- New strategic decisions can be taken after unification; The business can be opened to the public and funded from the capital market.

- The underutilized active and departments which is out of operations can be extracted by new administration or buy new ones and open new departments instead.

- The human resources can be reorganized and the employees which is not suitable for the structure of new united company can be be liquidated or provide them to leave the job as willingly. (Şahin, 2020, p. 50)

CHAPTER III

THE NECESSITY OF PROFESSIONALS, PERFORMANCE EVALUATION METHODS, AND RESEARCH ABOUT PERFORMANCE OF THE MERGED COMPANIES AKIS REIT AND SAF REIT

3.1. THE NECESSITY OF M&A PROFESSIONALS

When a company wants to merge with another business, generally transactions related to the merger are made by an outside professional who supports the parties. In that period, they usually wish to utilize professional services in order to obtain success easily. These mentioned experts consist of investment banks, lawyers, accountants,and valuation experts. (A.Gaughan, 2007, p. 15)

The management decisions should be taken after detailed and careful inspection because of uncertainty and the necessity of increased capital with the result of the COVID -19 pandemic and it would be important for the board members to apply the opinion of independent experts. With the help of the opinion of the experts, the board members can be sure if the taken decision would affect the parties(shareholders) negatively. Especially in today's conditions, the necessity of applying the thoughts of independent experts is increasing dramatically.

3.1.1 Investment Banks

Investment bankers are the basic experts and have an important role in M&As deals. Investment banks can provide to assist to choose the most suitable target, value the target, give advice concerning strategies and provide the necessary financing to complete the transactions. Most of them provide consultancy services for strategic operations directly. These services include market researches, the management of the process, financial analysis, and the opinions of judges. Even though the investment bankers do not have detailed knowledge about the sectors like their clients, they have valuable contract experiences and powerful abilities. The importance of investment bankers has expanded dramatically since the beginning of the 1970. (Frankel, Investment Bankers, 2007, p. 177) During the climax of the fourth merger wave in the 1980s, financing fees obtained from the M&A transactions were so popular and were a significant element for the profit of main investment banks. (A.Gaughan, 2007, p. 15)

3.1.2 Attorneys

In fact, Merger and Acquisition transactions are transferring of legal properties of the companies, so at every step the existence of advocators are necessary. Especially, in hostile takeovers lawyers can be more necessary than in friendly acquisitions because of the resistance of target companies. Also "Detailed filings with the Securities and Exchange Commission (SEC) may need to be completed under the guidance of legal experts. In both private and public M&As, there is a legal due diligence process that attorneys should be retained to perform." (A.Gaughan, 2007, p. 16) It would be significant to be revised the due diligence documents and arrange the contracts by the advocaters so the contribution of a well educated and qualified lawyer concerning M&A deals has critical importance for M&A transactions. It needs different lawyers and every one of them specializes in diverse subjects. Even if the initial assignment of the lawyer is to prepare the agreement draft, a lawyer who specialized in tax and give advice to the companies how a contract has more advantages in respect of taxes also intellectual property lawyers who investigate the seller's copyrights, trademarks, and patents, and lawyers who advise any additional intellectual property on how to protect it. (Bragg, 2009)

3.1.3 Accountants

"Accountants play an important role" during the M&A process. They have their own accounting due diligence processes and in addition to it, they have so many functions such as arranging proforma financial tables which are prepared according to the company's management and other professionals. (A.Gaughan, 2007, p. 16)

They also can understand the financial consequences of a transaction as identified by "generally accepted accounting principles (GAAP) " that are so fundamental that some secret accounting rules affect the financial status of a company on a deal. The consultants have strategist significance because they are more expert at dealing with integration and post-closing of the transactions. (Frankel, Integration, 2007, p.79)

3.2. PERFORMANCE EVALUATION METHODS IN MERGERS AND ACQUISITIONS

The denotation of performance is to define the amount of the planned target in respect of quantitative or qualitative for a person, group, or company. The importance of the effectiveness concept is increasing in the global competitive environment day by day for the companies. Companies from all over the world and different sectors have to be effective in order to be able to keep on their entity and in the last years, the enterprises prefer M&A transactions to utilize their sources more efficiently and grow.

The efficiency is so significant while making evaluation performance of the companies. Efficiency is for enterprises to acquire the most output using minimum input. (Aslan, 2018, p. 65)

During the mergers and acquisitions period, an inspection of the financial factors and making an accurate analysis is extremely important. Choosing the models and variables which would use for analyzing the efficiency is so fundamental as analyzing the model and the diversification of data affects the results of efficiency. (Şahin, 2020, p. 106)

Generally, the efficiency measuring methods are; ratio analysis, parametric and nonparametric methods. The three methods have either advantages or disadvantages.

3.2.1. Proportional Indicators (Ratio Analysis)

With the ratio analysis method; the ratio resulted with rationing single input to a single output and this ratio is followed over time. This is based on the calculation of the items in financial tables of the companies as percentages or times of each other.

By associating the items, between the financial statements , it is possible to have a general sight concerning income-expense structure, active quality, risk levels, and profitability status and effectiveness level. In this method, due diligence is carried out by observing ratios found over time. (Aslan, 2018, p. 66)

The ratio analysis method is most commonly preferred because of easy understanding and accounting and in this method, “Return On Assets(ROA)” and “Return on Equity (ROE)” are often used amongst the financial ratios. Accordingly, the high ratio

of net profit to active and equity is a positive indicator in terms of efficiency. The use of less activity and equity to make a unit of profit means that resources are used effectively. Some other indicators used as a financial ratio are as follow; (Tarkoçin & Gencer, 2007, p. 20)

Total Loan / Total Asset,

Total Deposits / Total Assets,

Net Interest Profit / Total Assets,

Non-Interest Expenditures / Total Assets,

Operating Profitability / Total Assets,

Since ratio analysis is used in our study, it will be examined in detail in the following sections.

3.2.2. Parametric Methods

Classification is made according to information that what we know about the community we study. In the parametric method, there is a raw of stable parametric that indicates the probability model. (Taylor, 2020)

In parametric methods, there is generally a set of observations, and assuming that the best performance within this cluster is above the regression line(activity limit), observations that do not deviate from this line are defined as active and other observations that fail according to this observation are defined as inactive. It should be noted that failure means high cost at the same output level or low output at the same input level, and it is assumed that the observed production units are homogeneous. The method also assumes that there will always be a random error. Fully active observations are already observations where the error is zero. Therefore, it can only be decided that observation is inactive after the measurement errors are corrected. (Bauer 1998, cited by Şahin, 2020, p. 109)

3.2.3. Nonparametric Method

Non-parametric methods have been developed as an alternative to parametric methods. While analyzing with parametric methods, the production function and some

suppositions are needed, the nonparametric methods enable to make analyze without any suppositions Therefore, it is easily and easily applicable. In addition, non-parametric methods have superiority, such as using multiple descriptive variables. (Şahin, 2020, p. 111) The non-parametric methods can measure the efficiencies of input and output separately. (Altın ,2010 cited by Şahin, 2020, p. 111)

Non-parametric method has two types of approaches in literature such as Data Envelopment Analysis-DEA) and Free Disposal Hull-FDH).

3.3. RESEARCH ON MEASURING FINANCIAL ACTIVITY AFTER MERGERS

3.3.1. Purpose of the Research

As a result of globalization, it has become mandatory to carry out growth desires with strong means because local enterprises are involved in the competition process with businesses operating nationally and have international competitors over time. These tools can sometimes be in the form of capital raising with internal dynamics, or there may be different external factors, such as merger-takeover as an operational decision. The purpose of this work is to examine the merger of one of the two enterprises that want to stand out in the competitive environment in the direction of the other, the figures of the merged enterprise before and after this merger, and to compare the period before and after the merger.

3.3.2. Subject of the Research

The research is the evaluation of the merger decision between Akis Reit and Saf Reit, the two major players of the sector operating in the real estate investment partnership sector, in 2016, which resulted in the two enterprises merging and continuing their activities in the Akis Reit, comparing the figures of the pre-and post-merger periods. Saf Reit was taken over by Akis Reit with all its elements and united under the umbrella of Akis Reit and the legal entity of Saf Reit was ended after the merger agreement was signed between the parties. (Competitive Authority Decision, 2016)

When its activities in Turkey are examined, it is understood that Akkök Holding operates in the chemical, energy and real estate sectors and indirectly has activities in the fields of shopping center management. Therefore, a horizontal merger took place due to the informal investment partnership of both parties and their activities in the development,

standing and rental of complexes including shopping malls, residences and offices. (Competitive Authority Decision, 2016)

While evaluating the merger performance, only data between 2013 and 2019, 4 periods before the merger, and 3 periods after the merger data were used. The fact that the number of post-merger periods and the number of pre-merger periods are different is that 2020 is an irrational factor due to the Covid-19 pandemic, and therefore the data obtained for 2020 loses its status as "ceteris paribus".

3.3.3. Method of the Research

The determination of the financial situation of the enterprises can be done by different methods. The most well-known of these methods is rate analysis. Rate analysis is a technique for comparing the relationship or ratio between two or more financial data items of a business. It allows businesses to make fair comparisons between different balance sheet periods and between different companies or industries. (https://www.halkbank.com.tr) In this research, the ratio analysis method was evaluated using the data of Akis Reit, which continues to operate in the post-merger period of 4 years before the merger and 3 years after the merger, using the most used rates. The data used in the research is taken from independent audit reports containing the annual consolidated tables that enterprises report to KAP.

3.4. GENERAL INFORMATION ABOUT RESEARCHED COMPANIES AKIS REIT AND SAF REIT

3.4.1. Akis Real Estate Investment Trust

Akis Reit was founded in 2005 within Akkok holding, which was founded in 1952, continues its work in order to evaluate its accumulation in the real estate sector in different projects. Akis Reit received the title of Real Estate Investment Partnership on May 18, 2012 with its application to the Capital Market Board and started trading in Borsa Istanbul on January 9, 2013.

Akis Reit completed the “Akasya project” in 2014 after the Akbatı project which opened in 2011. Akis Reit merged with Saf Reit in 2016 and became one of the major players in the real estate sector with this merger.

In 2018, it made its first foreign breakthrough with its investment in a housing project developed in the UK. In addition to being a participant in the UN Global Compact, the world's largest corporate sustainability initiative, Akis Reit has the highest Corporate Governance Rating among the companies listed in Borsa Istanbul in its sector.

As a new model among real estate investment partnership companies in Turkey, it has turned to high street retailing with an alternative approach to shopping mall investments. Akis Reit made its first cooperation in high street retailing with Beymen for Uşaklıgil Apartments and signed a contract to do the second with Boyner as made public at the beginning of 2021**.**

3.4.2. Saf Real Estate Investment Trust

On November 2, 2011, Saf Real Estate Development Construction and Trade inc., which partnered with Sinpaş Reit at a rate of 7.4% in 2008 and Sağlam Real Estate Investment Partnership A. Ş, started their activities as Saf Real Estate Inc. with a new identity after merging transactions.

As of June 30, 2015, Saf Real Estate Inc., which has a market value of TL 957 million, has been among the largest Reit s in the sector. During the operating process, the appraisal values of all real estates of Saf Reit reached TL 1.8 billion. Saf Reit, which focuses on commercial and residential mixed projects in metropolitan areas with its strong capital structure and innovative approach, attracted attention with its first investment " Akasya Project ". Saf Reit , mainly operates in the real estate sector and a significant part of its portfolio is Akasya Shopping Mall New Generation Life Complex and includes high value-added housing, social space, shopping mall ,and office portfolio in Istanbul, continues to carry out commercial and residential mixed projects in major cities with its dynamic staff and contemporary approach, while Akis has been united and continued its activities under the duty of Akis Reit.

3.5. ANALYZED FINANCIAL TABLES OF AKIS WITH RATIO ANALYSIS METHOD

3.5.1. Rate Analysis

In this section, the performance between the years 2013 and 2019 of Akiş Reit can be seen more clearly with the rate analysis of financial performance data. And with these rate analysis calculations, some information about profitability, efficiency, and financial

structure about enterprise would be obtained. The rate analysis would be inspected as five sections such as; liquidity rate analysis, leverage ratio analysis, activity rate analysis, and profitability ratio analysis.

Table 3.1 Rate Analysis

	2013	2014	2015	2016	2017	2018	2019
LIQUIDITY RATES							
CURRENT RATE	0.2062029	0.457880079	0.310389847	0.8019921	1.1701623	0.70283546	0.758412211
ACID-TEST RATE	0.1425032	0.425680247	0.307780237	0.40877	0.4069201	0.215840381	0.736670073
OPERATING RATES							
STOCK GIANT SPEED	1.0672149	6.976399482	40.76584844	0.2723096	0.2381424	0.194885559	4.445508118
AVERAGE BOND TIME	31.286592	89.97604566	136.7843325	360.63179	85.83204	75.92565349	72.99160503
TOTAL ASSET SPEED	0.0565495	0.067741863	0.050308632	0.0392228	0.0745017	0.070584071	0.065502883
DEBT RATES							
DEBT RATIO	0.4211073	0.387056127	0.412510279	0.4054262	0.4149515	0.352995627	0.360829005
SHARE OF SHORT TERM LIABILITIES	0.8138773	0.374746577	0.376636194	0.1237604	0.1097065	0.490237163	0.417004609
NUMBER OF EARNINGS INTEREST	1.0477983	1.024650266	3.352412283	1.9600844	2.1778737	1.757592498	1.737711221
PROFIT RATES							
GROSS PROFIT MARGIN	0.5879859	0.51900625	0.671461385	0.6621345	0.7334742	0.767312483	0.77797313
NET PROFIT MARGIN	0.3528797	0.640214555	3.250153514	2.1629639	1.5346513	2.599961259	1.332565793
TOTAL ASSET PROFITABILITY	0.0199552	0.043369327	0.163510776	0.0848375	0.1143341	0.183515849	0.087286902
EQUITY PROFITABILITY	0.0349713	0.070755788	0.278321084	0.1426863	0.1962501	0.283639272	0.136562676

Source: Generated by writer

3.5.1.1. Liquidity Rate Analysis

Liquidity is defined as "The ability to turn into money for each asset". For businesses, the most liquid asset is the money in the vault, and other liquid assets are sorted from the most liquid assets in the asset of the balance sheet to the non-existing assets that are the least liquid. Liquidity ratios are used in the analysis of the current situation of the enterprise. Liquidity rates show the monetary status of the business and

help determine the possibilities for payment of overdue debts. These rates are used to measure the ability of the enterprise to pay its short-term debts and to determine whether the working capital is sufficient. In determining solvenation of solvenity, the relationships between the revolving assets of the enterprise and short-term liabilities are analyzed. The liquidity adequacy of the enterprise can be measured by current rate and acid test rate. (Halkbank Kobi)

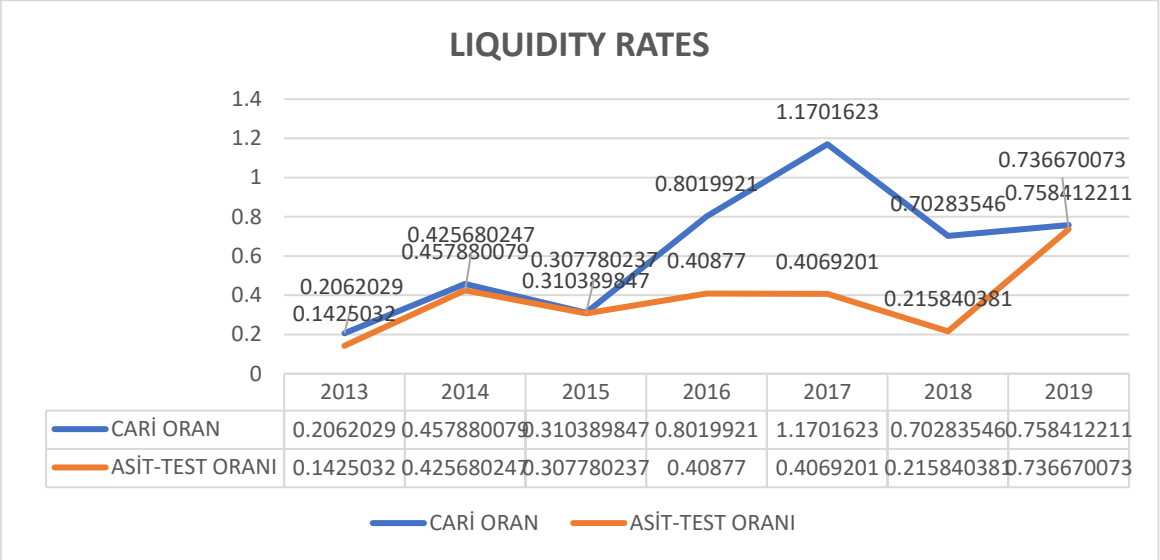


Figure 3.1 Liquidity Rates

Source: (Generated by writer)

- **Current Rate:**

Refers to the ratio of rotating assets to short-term foreign resources and the desired level is between 1.5-2. Although the current rate value increased irregularly over time, the closest approach to the reference value occurred in 2017, which was immediately after the merger. The current rate value until the date of the merger is less than 1 and indicates that its returning assets do not have the power to cover short-term debts. Looking at the post-merger period of 2017, it is in a better position than before the merger with a value of 1.1701623, but although it can be stated that it remains below the reference value, the ratio of 1.17... indicates that the company has increased its ability to pay debts even if the rate is not at the desired level after the merger for the Akis Reit. Although it is observed that the current rate value has decreased in the future, it can be stated that the scope of the study is at much more reasonable levels compared to the 2013 data, which is the beginning of the time interval. The increase in the current rate value in 2017 following

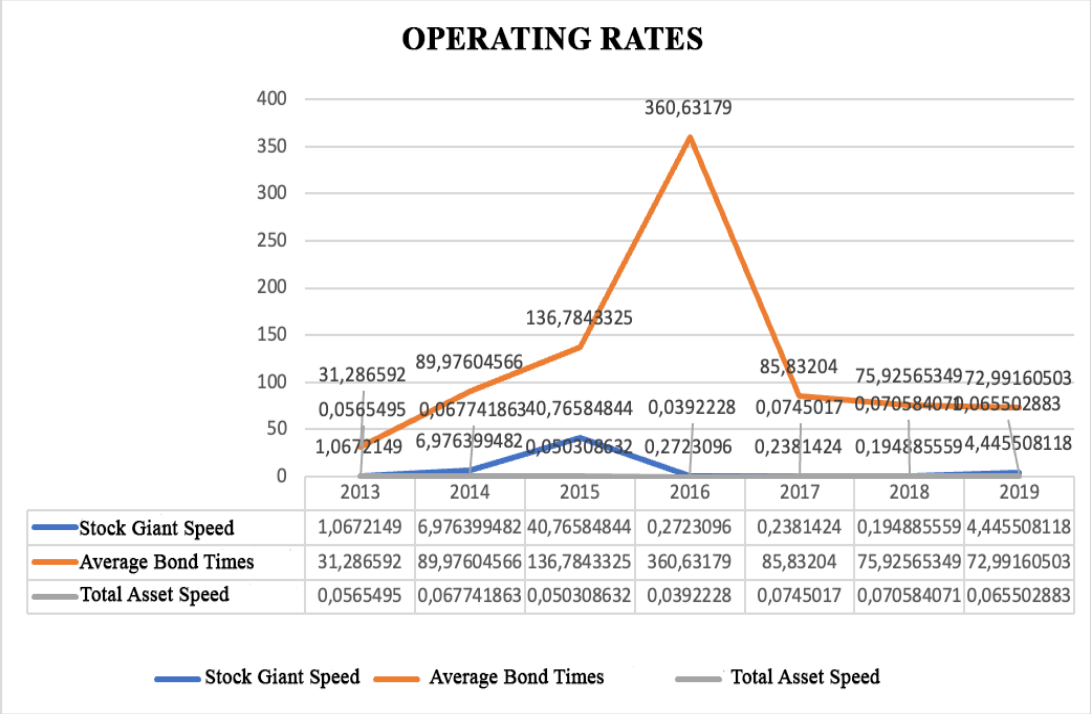
the merger is since the principal capital has almost doubled, and the fact that a significant cash inflow has relieved the business in paying debts should also be considered normal in the context of general market conditions.

- **Acid-Test Rate**

This ratio refers to the ratio of the value of the remaining revolving assets to short-term foreign resources after excluding the stocks held by the company. Although the desired value for this ratio is 1, the resulting value is less than 1, which means that the revenues to be obtained without stocks will be inadequate to pay the company's debts, while being above 1 means that the company's debts can be paid comfortably. If this rate and the higher reference value of the current rate, it means that the company is in a state of idle and the company's resources are not being used with sufficient efficiency. The fact that the values in the acid-test ratio analysis made using the pre-merger period data and the value in the acid-test ratio analysis using the post-merger period data are very close to each other, except for the last period, indicates that the main difference in the revolving assets in the merger is due to the stocks. Because the acid-test rate made as a result of the extraction of stocks in the sum of the rotating assets did not differ significantly for the pre-and post-merger period, it can be stated that the change in the current rate is due to stock levels in this sense. As the reason for the recent acid-testing rate increase, as can be understood from the income statement of the enterprise, the fact that the net profit of 2018 reached the maximum level in the research subject date range and was recorded as TL 1,029,882,211 is due to a positive reflection on the return asset value excluded from the stock for the next period.

3.5.1.2. Operating Rates

Operating rates are rates that show the extent to which companies use their assets and resources effectively and efficiently in order to continue their core activities. In other words, it shows how quickly companies are converting their economic assets into money. Operating rates are measured by calculating Inventory Turnover Rate, Average Collection Time and Total Asset Turnover Rate.



	2013	2014	2015	2016	2017	2018	2019
Stock Giant Speed	1,0672149	6,976399482	40,76584844	0,2723096	0,2381424	0,194885559	4,445508118
Average Bond Times	31,286592	89,97604566	136,7843325	360,63179	85,83204	75,92565349	72,99160503
Total Asset Speed	0,0565495	0,067741863	0,050308632	0,0392228	0,0745017	0,070584071	0,065502883

Figure 3.2 Operating Rates

Source: (Generated by writer)

- **Inventory Turnover Rate**

Inventory turnover rate is a calculation method that shows the number of turnovers of products in a company's stocks during the year. In other words, it shows how many times the business has replenished its stock in a year. (https://www.ideasoft.com.tr) The products kept in stock, the assets of the companies, as well as the amount of expenses incurred during the transfer process of these stocks during the year should be seen. In addition to calculating inventory costs, this speed also shows how effectively the company can use its stock. Low inventory turnover rates and no significant change before and after the merger mean that the rate at which stocks are cashed in for merged companies is in parallel slow.

- **Average Collection Time**

The average collection time is data that shows when the business generates revenues from future sales. This period is considered as data that businesses should follow meticulously in order to avoid problems in cash flow. (https://figopara.com,2021) It will be in the best interest of the business if the average collection period is short, and if this

period is extended to an undesirable extent, it will put the business in cash trouble. The value data of 360.63179 for the pre-merger period was formed as 85.83204 after the merger with a decrease of approximately 300%, in which case it can be said that the enterprise was in a much better position than before the merger in order to collect the revenues from futures sales. Since the potential cash flow problems in the business have largely disappeared, it can be expected to become more active in the sector for the business after the merger.

- **Total Asset Turnover Rate**

Measures how effectively the rotating and fixed assets of the company are used. In other words, it allows the determination of the sale created by every 1 lira asset, which is found by dividing net sales by total assets. In this way, it is determind how efficiently the assets of the enterprise are used. The low total asset turnover rate indicates that the business invests in idle resources, and the high rate indicates that the assets obtained by the investments made by the enterprise are used much more efficiently. Although there is no objective reference range for this ratio, large organizations should be around 5. (https://www.inovanadolu.com, 2021) When this ratio is examined in terms of Akis Reit, since the total asset turnover rate 0.0392228 in the last period before the merger increased to 0.0745017 levels after the merger, it can be stated that the assets invested in the post-merger enterprise are more active investments than in previous periods. This situation, as we explained at the current rate, produces a parallel result with the surplus in the stock values after the merger.

3.5.1.3. Debt Rates

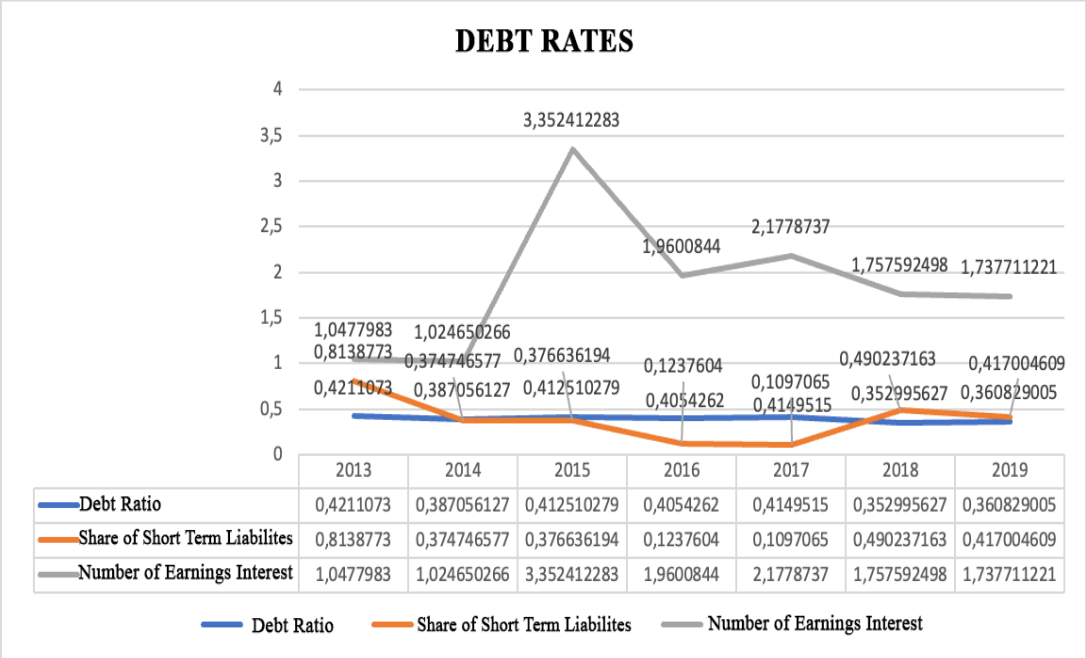


Figure 3.3 Debt Rates

Source: (Generated by writer)

- **Debt Ratio**

This ratio, which is determined by dividing total foreign resources into total resources, has also taken its place in the teaching as a financial leverage ratio. The value reached as a result of the calculation shows how much of the assets are financed by debts. Although high debt ratios are not desirable because they increase the risk of payment of the enterprise, if the use of foreign resources increases equity profitability, it may be the reason of choice for the business. Because in this case, there will be the possibility of making profits at higher rates with lower capital. It can be stated that a risk-free merger takes place in this sense by maintaining the debt ratio curve horizontally before and after the merger. This situation comes from the parallel in borrowing rates in the financial structures of the merged companies.

- **Share of Short Term Liabilities**

Calculation of the ratio of short-term liabilities total to all debts of the enterprise. In this way, the risk structure of the debts of the enterprise is determined. The pre-merger

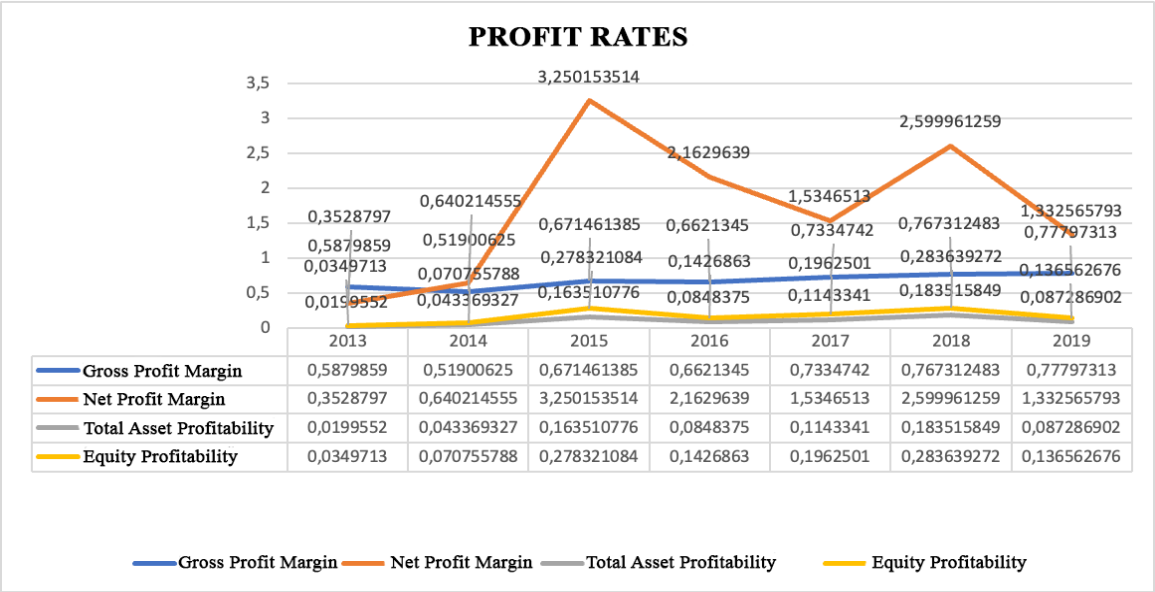
short-term debt ratio of 0.1237604 decreased to 0.1097065 after the merger, which reduced the risk of the business paying off debt, albeit slightly.

- **Number of Earnings of Interest**

The interest coverage rate is the name given to the rate that indicates whether a business has sufficient earnings to meet its interest obligations. In addition, the interest coverage rate indicates how many times the interest the business earns. In short, this rate indicates whether the business can pay the interest expense. Another name for this interest coverage rate is the number of gains in interest. It is also mentioned by this name in the literature. The number of interest earnings is a rate that explains the gross sales profit obtained and how many times the loan interest can be paid. Another thing to know here is that both long-term and short-term interest liabilities should be taken into account together when taking into account the interest liabilities to be paid. The high interest coverage rate means that the interest guarantee of the receivables of the business is high, and also the financial strength of that business is equally high. When the situation before and after the merger was evaluated separately, there was an increase of approximately 10% in the coefficient of earning interest. This indicates that the change in the balance of interest income and expenses varies in favor of income when balance sheets and income statements are examined.

3.5.1.4. Profitability Rates

Profitability rates are a rate that people or individuals specifically follow. In the evaluation of profitability rate, profitability targets in the budgets of enterprises, the overall course of the economy, and the same sector group profitability of other enterprises should be taken into account. Besides, if you have any. inflation should not be ignored. In fact, the inflation situation, the profitability of the companies in real terms, as well as due to a limitation of valuation method calculations that show above the normal value. (Çabuk, 2013 cited by Gümüş, Şakar, Akkın, & Şahin)



	2013	2014	2015	2016	2017	2018	2019
Gross Profit Margin	0,5879859	0,51900625	0,671461385	0,6621345	0,7334742	0,767312483	0,77797313
Net Profit Margin	0,3528797	0,640214555	3,250153514	2,1629639	1,5346513	2,599961259	1,332565793
Total Asset Profitability	0,0199552	0,043369327	0,163510776	0,0848375	0,1143341	0,183515849	0,087286902
Equity Profitability	0,0349713	0,070755788	0,278321084	0,1426863	0,1962501	0,283639272	0,136562676

Figure 3.4 Profitability Rates

Source: (Generated by writer)

- **Gross Profit Margin**

High gross margin ratio, which refers to how much of the revenue from sales is brought into operation as a profit, means that sales costs are low. In businesses with high gross profit margin, profits are higher than revenues from sales. It is determined by dividing the gross sales revenues obtained as a result of the extraction of sales costs from net sales into net sales.

- **Net Profit Margin**

Determined by the ratio of net profit to net sales. The high net profit margin means that the business makes more profit from the proceeds from the sales, it determines the profitability of the activity carried out. The net profit margin generally increases more than the net profit amount in direct proportion to the amount of sales, so a rising rate of increase is expected in the revenue-net profit margin chart. Because the total cost per unit from items such as unit costs, administrative expenses and operating expenses decreases as sales increase. When the last period before and after the merger is examined separately, it is seen that the net profit margin before the merger decreased to 1.5346513 from 2.1629639 after the merger. Despite the increase in sales, the decrease in net profit margin is due to the difference in the net profit margin of the merger business. Due to the fact

that the net profit margin of the acquired business in its pre-merger activities was low due to the aforementioned inputs, it has resulted in such a decrease in the net profit margin in the case of Akis Reit, even if sales increased after the merger.

- **Total Asset Profitability**

An indication of how profitable a business is relative to its total assets. In addition, it gives an idea of how efficient management will use its assets for profit. It is displayed as a percentage of active profitability calculated by dividing a company's annual earnings by its total assets. Sometimes it's called "return on investment." It is determined by dividing the net profit value to the total asset value. Active profitability tells you the gains from investment capital. Active profitability for public enterprises can vary greatly and is highly dependent on the industry. Therefore, when using active profitability as a benchmark, it is best to compare it to the previous number of active profitability of a business or the number of active profitability of a similar company. The assets of the enterprise consist of both debt and equity. Both of these types of financing are used to finance the activities of the company. Active profitability figures give investors an idea of how effective it is to turn the money they need to invest into net income. The higher the active profitability rate, the more money the company makes with less investment. Although the total pre-merger asset profitability ratio increased to 0.1143341 after the merger, which was 0.0848375, it increases the financial situation and reliability of the enterprise, but as can be seen from the generally horizontal graph, the total asset profitability of the merged enterprises has close value with each other. Although the total asset values for both enterprises are at the levels of the research period, the absence of any negative or positive jumps even if the enterprises merge means that the enterprises are in a similar situation both in themselves and in terms of total asset profitability with each other.

- **Equity Profitability**

It is the ratio used to measure the profitability of the capital placed by the owner and partners of the enterprise. It allows business owners to see how effectively the capital they put in is being used. The company can only be expanded the equity by increasing the profitability when the capital remains stable. Equity is found by deducting debts from the company's total assets. Sub-items of equity include non-distributed profits, capital,

revaluation measurement and earnings profit. Equity profitability is achieved by dividing net profit by equity at the end of the period. When net profit is high at the end of the period, the equity profitability ratio will also increase. When profits fall, equity profitability will decrease. In the interim periods, it is useful to use the last four quarters of profit data and to calculate the equity profitability by taking the average assets. The increase in equity profitability experienced in the company after the merger adds positive value to the business and an investment-encouraging change is observed for business investors.

EVALUATION

In recent years, it is so fundamental for the companies in the world economy dominated by globalization as they endeavor to continue and keep on the entities of in national and international competition area. With globalization, the companies are searching for new markets and trying to improve new institutional strategies economically and prefer to expand their existence in the markets so that they can compete with other companies nationally and also internationally. The companies can actualize their growth as organic and inorganic that is, with merger and acquisition transactions with other companies.

At first sight, although it seems that there is no diversity between the concept of merger and acquisition, there are some differences between them. The merger is the combination of two similar size company. For instance; the merger of DaimlerChrysler consists of two companies named separately Mercedes-Benz and Chrysler. They put on their assets separately in order to gain more power with the new occurred management, ownership, and organization in the market. On the other hand, with the acquisition, the big company purchases the small company, that is, the big one takes control of the other company. In spite of the slight differences between them, the aim of both combination types is to keep on their existence with growth and creating synergy and to hold on the market in their sector.

The types of M&A are classified as Horizontal, Vertical, and Conglomerate. Horizontal expresses the merged companies operating in the same business. On the other hand, Vertical merger occurred as two types in itself such as backward which means

providing input to the company and merger is called forward when the merger is carried out with the company to which bought the products. The Conglomerate Merger is not like neither vertical nor horizontal merger. It is the cooperation of two or more companies that facilitates in different sectors. It is not significant to merge with the same or similar sectors. But this sort of combination does not provide the sides profit. So It is not generally preferred. Which type of combination that the companies would choose changes according to some factors that occurred inside or outside the business. It is normal for preferences to differ by country and business. With the mentioned methods, the companies merge with different companies which operate in the same or similar area to improve the competition conditions, increase productivity and efficiency.

In addition to which type of M&A methods would be chosen, how the merger deals would be financed is so significant for the companies, some different payment methods utilized such as by agreement, by one side desire and leveraged buy out are the known methods. By agreement is the most friendly method, as the top management of the parties makes negotiations and they decide the most logical and applicable method mutually according to law. On the contrary, one side method is a hostile method as the decision-maker is the only buyer. The buyer decides to take over the target company and make plans to finish merger deals without agreement. Another purchasing method is Leveraged Buyout(LBO), in LBO, the buyer uses an important amount of debt to finance the M&A deals to obtain the target company. And the entities, shares of the target and acquirer companies are used for the guarantee of the debts. In LBO is usually the ratio of 90% debt to 10% capital. The aim of LBO is to give a chance to companies that wish to buy a large-scale target company without so much capital commitment. In terms of the acquirer, the situation should be analyzed in detail and then make a decision which one would be suitable and applicable for the company and take action accordingly.

To know the elements which affect the performance of the merged companies is fundamental to inspect the M&A deals in the context of historical perspective. If we examined the history of M&A, the mergers started to gain importance from the second half of the 19^{th} century and they were so substantial for the economic life and at that time the trusts were the major cooperations which were shown as an example for mergers.

The Standard Oil Cooperation was a trust and in 1890 James Buchanan Duke who owned a Tobacco Cooperation and combined with more other four cooperation to be able to form the American Tobacco Company. And later similar trends came into existence in other sectors like cotton and steel.

According to the reports throughout the history of mergers, it is observed that this phenomenon is revealed in the US commonly which is important for both nationally and internationally. It can be seen that many available resources were restrained concerning to merger. For instance; some limitations concerning to specific industries as mining industry and on transactions with certain values and some other limitations about specific periods. The developments on the merger in the US show us that the mergers arose as waves in periodic times, tend to economic changes, technological improvements and globalization and regulations concerning competition.

Although the M&A waves were ended because of economic recessions and economic crises, the starting and ending point of the waves is not certain. The first and the second waves were especially observed in the USA, the other waves were observed in Europe and the other continents of the world. The M&A waves, which were predicted to begin from 1890, is considered seven waves.

In the first Merger Wave which was appeared between the years 1890-1907 after the 1883 depression and most of the mergers consisted of horizontal mergers. The structure of the horizontal mergers was close to the monopoly and this cause to occur the big companies which market share increased day by day. About two-thirds of the merger operations consisted of petroleum products, mining, metals, food and transportation fields in this period. At this period the purpose of the companies is to acquire the market and works as a monopoly to provide synergy and increase the economy of scale. And then, the second wave started at the time of the First World War and keep on till the collapse of the stock market on 29th of 1929. The companies which monopolized in the previous wave of mergers were regulated and went on to become oligopolies due to the new legal regulations and lack of resources because of the recession. In the third wave, the mergers commonly occurred crosswise which was also known as conglomerate mergers and the companies tended to merge strategies with other unrelated industrial companies in order to spread their risks. Also at this period, the companies were subject to strict anti-trust

control by the government. Between the years 1981-1990, the fourth wave occurred and from the 1980s, the companies began to approach merger strategies positively because of many reasons such as increasing foreign competition, expeditious technological improvements and increasing Research and Development costs, however, the business offers was made very hostile and unfriendly way and the debt was the most common way in the financing of the mergers. In the fifth wave, M&A transactions were developed not only in America but also in Europe. Through the years 1993-2000, because of the economic welfare in most of the countries in the world and thanks to globalization M&A transactions started to become internationally. The purpose of the companies in this period is to preserve their entities and compete with especially US markets. Whereas; "internet ballon" which started with the new century caused a crisis on the stock market and the ending of the fifth wave began. The sixth wave started with the 'rebirth' of the LBO, the widespread use of financial tools and complicated debt transactions and the World financial crisis cause the sixth wave to end in 2007 and the merger transaction was more complicated. Consequently, the seventh wave starts with the year 2011 and goes on today and in 2011 the negative atmosphere that the 2008 economic crisis caused started to disappear and the positive atmosphere took place of it. The total number of M&A across the world in the first six months in 2014, reached 1.75 trillion USD.

Besides the historical background of M&A, merger and acquisition transactions has still kept on their importance for the companies because of diversification and complexification of economic activities today, customer satisfaction, the importance of product and service quality, product life shortened course, increase in competition and globalization of competition, the need to join forces with companies and thus increase their share of the market. Additionally, mergers and acquisition deals provide to expand product diversities, increasing the quality and present the products with reasonable prices. On the other hand, M&A can cause to decrease the effective competition by dominant companies in the market. So M&A deals that have possibilities to increase the prices, decrease the product variety and weaken innovation are forbidden with the Protection of Competition Law 4054 by 7. article.

In order to be able to implement the planned inspection indicated in the 4054 numbered law of 7th article, all M&A transactions have to be informed to Competition Authority to gain legal validity. In this frame, the situations considered as M&A and the

procedures and the principles were arranged with notification numbered 2010/4 Mergers and Acquisition Transactions which have to be taken permission from Competition Authority.

COVID 19 globally pandemic which appeared in China in January 2019 firstly and then has affected the economy negatively in the whole world including Europe and America which was not seen a similar situation throughout history. COVID 19 primarily affected the aviation, tourism and service sector, but also the rest of the real sector, including production, along with the entire supply chain, and it was observed that economic activity came to a standstill in many countries with mandatory quarantines. So, It was seen that most of the companies preferred to stop their facilities temporarily or slow down their activities to minimize their costs. As a result of this pandemic situation, the global economy has been in recession inevitably. So the companies did not prefer to realize their growth plans and consequently, the mergers and acquisitions transactions have declined significantly and even come to a standstill.

The mergers and acquisitions deals slowed down in the first half period of 2020 because of quarantines, forbidden travels and canceled or postponed huge contracts. Although the mobilities regarding the contracts have begun to increase in the second half of the year 2020 ambiguities on global economic situations still continue. After a stable year, the activities concerning M&A transactions in 2020 have re-gained trust with increasing transaction volume and number.

In 2020, a totally 220 M&A deals were inspected by Competition Authority and on the other hand, in 2019, 208 M&A transactions were inspected. It is clearly understood that in 2020, the volume and number of M&A transactions started to rise up by getting rid of the negative effect of Covid-19

The companies tend to corporate with each other nationally and internationally as a strategic method because of so many reasons. There are so many diverse reasons such as social-economic situation and political that cause corporation of companies and the causes differ from company to company.

The merger and acquisition transactions are not unplanned processes and deciding to enter into M&A transaction is not a spontaneous decision and a number of incentives motivate companies to drive them to be involved in such a complicated transaction. Those

incentives are identified by many scholars and professions and the incentives list varies promptly.

Benefiting from the economies of large scale, creating operational and financial synergy, tax efficiencies, increasing the competitive power financial, exchange and psychological reasons, technological alignment and some managerial purposes are the reasons for M&A. But In a merger, it is not significant which factors are more effective, the only aim is for the companies is to rise up the efficiency and effectiveness.

Notably, while some companies get success from M&A transactions, others can fail. Significantly, some fundamental reasons cause companies to fail and on the other hand, some factors provide them to be successful. It is indicated by most scholarships that the failure of the success of the firm is determined by the share value of the firm. So while the rising price of share indicates the positive performance, a downturn on the share implies failure. Accounting and financing parameters which consist of profits, return on investments, share price, return on equity, earning per share, losses , and return on assets are the most common indications of failure of the firms. Hubris effect, Overpaying, Integration Process, Management Errors, Psychological Factors and Cultural Differences are the major reasons for failure.

Conversely, there are some elements that affect the success of the companies regarding M&A, such as Speed of Integration, Leadership, Post-merger Integration Team, Communication, Managing Cultural Differences, and Human Resources Management.

Consequently, the process of the merger has a substantial role in respect of the companies due to reaching the planned targets. Taking the right steps in this process is so fundamental. Identifying the right target company is directly related to expectations from merger deals. At this stage, the financial evaluation of the target company is an important factor for the decision. To compile a target list and make a right evaluation of the target company would affect the success of the company directly. Likewise, well-prepared negotiations, preparing a letter of intent, due diligence, and complete M&A transactions and Legal Integration are also so fundamental steps in the process of M&A.

The goal of mergers is to have an effective and efficient structure. Today, It is mandatory to be effective and efficient in a competitive market. The effectiveness measurement is generally done in three types; such as Ratio Analysis which means is to ratio one input to one output and to follow the resulting ratio in time and this measurement is frequently used. However , this method is stable in respect of structure and data obtained represents the performance of the companies periodically. In the Parametrical method; classification is made according to information that we know about the community we study. In the parametric method, there is a raw of stable parametric that indicates the probability model. Non-parametric methods have been developed as an alternative to parametric methods. While analyzing with parametric methods, the production function and some suppositions are needed, the nonparametric methods enable to make an analysis without any suppositions Therefore, it is easily and easily applicable. In addition, non-parametric methods have superiority, such as using multiple descriptive variables.

Ratio analysis is the most used method that provides to evaluate the general position of the companies and helps to identify the problematic areas in the company and to take precautions accordingly in order to improve the facilities.

Akis Reit and Saf Reit, the two major players of the sector operating in the real estate investment partnership sector, in 2016, which resulted in the two enterprises merging and continuing their activities in the name of Akis Reit. While evaluating the merger performance, only data between 2013 and 2019, 4 periods before the merger and 3 periods after the merger data were used. The fact that the number of post-merger periods and the number of pre-merger periods are different is that 2020 is an irrational factor due to the Covid-19 pandemic, and therefore the data obtained for 2020 loses its status as "ceteris paribus". The data used in the research is taken from independent audit reports containing the annual consolidated tables that enterprises report to KAP.

While the study was carried out, the merger date of the two enterprises was based on 2016, and the pre-and post-season periods were expanded to a degree that would not break the equality and the relevant data were studied. The main method used in the study is the most used rate analysis method and evaluations were made on the relationship of different data of the enterprise with each other. Liquidity rates, operating rates, debt rates,

and profitability rates, which are the basic analyses, between the years 2013-2015 before the merger and 2016-2019 after the merger transaction, increases and decreases are evaluated.

Through this evaluation, liquidity, operating, debt, and profitability rates were measured. For instance; If the debt ratio is considered, Akis Reit preserves the debt ratio curve horizontally before and after the merger and also the earning coefficient of interest has increased by approximately 10%. This indicates that when balance sheets and income statements are examined, the change in interest income expense balance alters in favor of income. The increase in equity profits experienced in the company after the merger adds a positive value to the business. The above evaluations belong to some ratios in respect of ratio analysis, when inspected all ratios, it can be observed that the merger of Akıs Reit and Saf Reit results positively and successfully.

As it is stated within the text that Speed of Integration, Leadership, Post-Merger Integration Team, Communication, Managing Cultural Differences and Human Resources Management are the most important factors to complete the M&A transactions and reach the wanted point and obtain success in the end. It can be concluded from this research, Communication and especially lack of cultural differences provide Akis Reit to get success in the process of merger transactions and after the merger as it is understood from the ratio analysis method of financial tables of the firm. Because of being in the same sector of two sides ease to the communication of the top managements of the companies thus the more likely to ease the communication, both sides can express their thoughts and wishes mutually in detail, the more successful it is. Because with the right communication, all ambiguities are minimized. Another fundamental factor in the prosperity of merger deals of Akis and Saf Reit is the lack of cultural differences. As it is indicated before that culture has a big influence on organizational health. Culture harmony and the lack of cultural harmony were frequently used to explain the failure of M&A deals. At the same time, some experts found out evidence that the cultural differences cause “intercultural work alienation” and “cultural anxieties” and accordingly the failure of the companies in M&A transactions would be inevitable. Additionally, some scholars also indicates that if the parties are willing to get success, building a common cultural understanding is a necessity. Considering these assets, the source of the important

large scale of the success of Akıs and Saf Reıt is connecting to have the same culture. Otherwise, the failure ratio would be high.

CONCLUSION

In this thesis, the merger transaction between the companies Akis Reit and Saf Reit was evaluated in respect of the performance. While evaluating the performance, the financial data of Akis Reit was used before and after the merger. It can also be observed from the table 3.1 that the financial tables of Akis Reit were analysed by using ratio analysis method. And through this method; liquidity rates, operating rates, debt rates and profitability rates of the company can be obtained in detail and as a result of the ratio analysis, it can be revealed that Akis Reit got success after the merger deal. Including the financial datas on the performance of the company, some negotiations were made with the top management of the company as well to investigate the reason of the performance of the M&A transactions. According to results of the these negotiations the right communication and especially the cultural effects can provide to get success in the M&A processes and it can be investigated in another research.

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