

1. What is M&A?



Understanding M&A in Practice

- M&A means mergers and acquisitions.
- M&A describes transactions where one company acquires ownership or control.
- This occurs through share purchases, asset purchases, or entity combinations.
- The acquiring company acts as buy-side, while the target acts as sell-side.
- M&A covers multiple transaction structures, not one single process.
- Advisors define M&A by 3 changes: control transfer, ownership shift, governance change.
- Goldman Sachs or JPMorgan focus on post-closing decision control, not legal labels.



Legal Form vs Economic Substance

- Understanding M&A requires separating legal form from economic substance.
- This distinction determines how advisors structure deals.
- Legally, a merger combines 2 companies into 1 entity.
- The surviving company absorbs all assets, liabilities, and obligations.
- Both companies cease existing as separate legal entities.
- Shareholders receive shares in the new combined entity.
- An acquisition preserves separate legal entities.
- The buyer becomes parent, and the target becomes subsidiary.
- The target continues operations, but ownership and control shift to buyer.
- Economically, both structures transfer control and ownership between parties.
- A company can acquire another via stock purchase, asset purchase, or merger.
- Each method differs in tax and liability, but results in control transfer.



Why Structure Matters

- PwC, Deloitte, and EY structure deals for tax efficiency and risk allocation.
- A merger may function economically as acquisition if dominance exists.
- Advisors choose structures minimizing taxes, limiting liabilities, and achieving strategy.
- The same economic outcome can arise from different legal structures.

M&A in Practice

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