Change of Control

This is a provision in a contract that gives a party certain rights in the event that the other party is taken over by a third party.

Audit vs. review vs. agreed-upon procedure vs. compilation

These are various types of financial examinations that can occur during an M&A transaction, each with different levels of thoroughness and assurance.

Synergies

These are cost savings and revenue enhancements that are expected to be achieved in connection with a merger/acquisition.

Merger/Statutory

This occurs when the purchasing company acquires all of the target company shares/assets; the target company ceases to exist (acquirer survives).

Horizontal Integration

This is the merging of companies in the same lines of business, usually to achieve synergies.

Forward Integration

This occurs when a company acquires a target that either makes use of its products to manufacture finished goods or is a retail outlet for its products.

Empire Building

This is one of the less ideal reasons to make a merger. It occurs when management decides to make a merger to increase the size of the company purely for the purpose of ego or prestige.

Economies of Scope

This is a gain of more specialized skills or technology due to a merger.

Economies of Scale

The merging of companies can lead to a reduction in fixed costs by removing departments that perform duplicate functions.

Dilution

This refers to the deterioration of per share metrics following a transaction, typically after the issuance of additional shares.