

ARCELOR – MITTAL

IN THIS COURSEWORK I AM GOING TO INVESTIGATE TO WHAT EXTENT SHAREHOLDERS ARE NEGATIVELY AFFECTED BY THE MERGER BETWEEN MITTAL AND ARCELOR. I WILL BASE ALL OF MY STATEMENTS ON EVIDENCE THAT I HAVE FOUND. THIS WILL BE MAINLY SECONDARY EVIDENCE.

THE ARCELOR GROUP WERE THE WORLD'S LARGEST STEEL MANUFACTURERS. THEY PRODUCE 42.9 MILLION TONS OF STEEL A YEAR WITH A TURNOVER OF \$28.1BILLION. THEY OPERATE IN OVER 16 DIFFERENT COUNTRIES WHILE EMPLOYING 224,000 EMPLOYEES.

THE MITTAL GROUP ARE ANOTHER ONE OF THE LARGEST STEEL MANUFACTURERS IN THE WORLD. THEY PRODUCE 32.9 MILLION TONS OF STEEL A YEAR WITH A TURNOVER OF € 32.6 BILLION. THEY OPERATE IN OVER 60 COUNTRIES WHILE EMPLOYING 110,000 EMPLOYEES.

A TAKEOVER IS THE ACQUISITION OF ONE BUSINESS OR COMPANY BY ANOTHER. A MERGER IS A LEGAL TRANSACTION JOINING TWO CORPORATIONS TO FORM A DISTINCT NEW CORPORATION. BOTH OF THESE FORMS OF COMBINING TWO COMPANIES COULD BE HORIZONTAL OR VERTICAL (HORIZONTAL IS WHERE A COMPANY TAKES OVER ANOTHER COMPANY IN THE SAME STAGE OF THE PRODUCTION PROCESS, VERTICAL IS WHERE A COMPANY TAKES OVER ANOTHER COMPANY WHICH IS EITHER BEFORE OR AFTER THEIR STAGE IN THE PRODUCTION PROCESS).

IN THIS CASE, A MERGER HAS OCCURRED. A MERGER OCCURS WHEN TWO CORPORATIONS JOIN TOGETHER INTO ONE, WITH ONE CORPORATION SURVIVING AND THE OTHER CORPORATION DISAPPEARING. THE ASSETS AND LIABILITIES OF THE DISAPPEARING ENTITY ARE ABSORBED INTO THE SURVIVING ENTITY.

COMPANIES SUCH AS ARCELORMITTAL HAVE MANY STAKEHOLDERS. THESE COULD INCLUDE:

- **EMPLOYEES, BECAUSE THEY COULD LOSE THEIR JOB DUE TO THE MERGER**
- **LOCAL COMMUNITIES, BECAUSE THEIR SURROUNDINGS COULD BE AFFECTED IF THE COMPANY CHOOSES TO ALTER THE SITES.**
- **SHAREHOLDERS, BECAUSE THE EFFECT OF THE COMPANIES SUCCESS OR FAILURE WILL EFFECT THE SHARE PRICES**
- **INVESTORS, IT THE COMPANY GOES BUST THE INVESTORS COULD LOSE MONEY OR GET LESS RETURN FROM THEIR INVESTMENT**
- **GOVERNMENT, IF THE COMPANY CHOOSES TO REMOVE LARGE PLANTS FROM A COUNTRY, IT COULD CAUSE UNEMPLOYMENT**
- **SUPPLIERS, THE SUCCESS OR FAILURE OF THE BUSINESS COULD AFFECT THE AMOUNT OF SUPPLIES ORDERED.**
- **PUBLIC AT LARGE (GLOBAL COMMUNITY), IF THE COMPANY EXPANDS IT COULD ALTER THE ENVIRONMENT DUE TO MORE RESOURCES NEEDED**
- **COMPETITORS, WEITHER THE COMPANY BECOMES SUCCESSFUL OR A FAILURE IT COULD MAKE IT HARDER FOR COMPETITORS TO TRADE.**
- **CUSTOMERS, IF THE MERGER AFFECTS THE PRICES OF THE PRODUCTS TO THE CUSTOMERS IN A POSITIVE OR NEGATIVE FORM.**

A POSSIBLE REASON FOR TWO LARGE COMPANIES SUCH AS THESE TWO TO MERGE COME DOWN TO ECONOMIES OF SCALES. AS TWO COMPANIES SUCH AS THEIR TWO MERGE, THEIR COSTS DECREASE AND GET SPREAD OVER MANY SOURCES OF INCOME. THEIR COSTS OF 2 HEAD OFFICES AND 2 BOARDS OF DIRECTORS BECOMES 1 THEREFORE THE COSTS DECREASE. ALSO THE COSTS OF 2 DIFFERENT

R & D UNITS' CUTS DOWN TO 1, WHICH RETAINS THE COMPANIES PROFITS. THEY CAN ALSO GIVE THE CUSTOMERS A MORE COMPETITIVE PRICE FOR THEIR PRODUCTS. THIS IS DUE TO THE COMPANY BEING ABLE TO SPREAD ITS AVERAGE UNIT COSTS OVER MORE SOURCES OF FINANCE AND MAY RECEIVE CHEAPER INTEREST RATES FROM BANKS DUE TO THE AMOUNT OF MONEY BEING TAKEN.

From the evidence I have collected I can come to the conclusion that both Arcelor and Mittal merged due to main reasons. These are:

- **E**
conomies of scale: more output over a bigger company, cheaper costs and more profit.
- **M**
anagerial economies of scale: cuts down the cost of 2 head offices and management teams
- **F**
inancial economies of scale: easier to get a loan from the bank
- **L**
eadership position in high-end segments in North America, with strong R&D capabilities;
- **O**
perations in high-growth economies of Asia and South America with low-cost, profitable assets and local operations expertise in numerous emerging markets;
- **A**
ccess to raw materials and upstream integration
- **W**
ell-balanced portfolio exposed to the whole spectrum of steel products

