

Corporate raiders and bankruptcies

The term **corporate raid** describes the process whereby an investor, the raider, purchases a large number of shares in a corporation whose assets are undervalued. Then, he uses the voting rights gained from that transaction to undermine the power and practices of the company's leadership and management in order to undertake novel measures, such as replacing top executives or downsizing the company, which would increase the company's share value and thus generate massive returns for the raider.

Once in control of the management, raiders attempt to disrupt the organisation chart of the Board of Directors and seize the company. This tactic is not always easy, however, because any new board member appointment requires a significant level of support from shareholders. It is for this reason that corporate raiders use all strategies to persuade shareholders that the current management's plan for the company is the wrong one and that the new direction they wish to take the company in is superior, leading to greater profits and an increased return for investors.



Bankrupts

These days, even the best-conceived enterprises may suffer severe setbacks when profits can't cover expenses and debts accumulate, so that they are forced to shut down. However, not everyone with debt problems needs to (or should) file for **bankruptcy**, since, if possible, it may be an advantage to wait and try to liquidate all assets to pay debtors.

Bankruptcy is, in fact, a legal status that destroys a company's credit score. It is recorded on its credit report for years, which means being denied credit by banks. The only immediate benefit for a company to file for bankruptcy is called the **automatic stay**, which means that once its creditors are notified of the company's bankruptcy filing, they must stop trying to collect their debts because they will be dealt with in the **repayment plan**.

However, if a company chooses not to declare bankruptcy, its creditors may sue the company owners for the money owed. Thus, the only solution is negotiating the payment or paying them at a reduced monthly amount (over a longer period of time). A company usually needs to sell its assets (either intellectual or physical) to get the necessary capital to pay creditors and the sellers or employees essential to the business's closing process. They also need to pay the taxes withheld from employees' pay checks and all the debts individuals are jointly liable for with their business.





1 Match the beginning and the end of each sentence. There are three incorrect extra endings.

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|--|--------------------------|---|
| 1. An investor turns into a raider... | <input type="checkbox"/> | a. prevents getting loans. |
| 2. A high number of shares... | <input type="checkbox"/> | b. Inevitably file for bankruptcy. |
| 3. Bankruptcy... | <input type="checkbox"/> | c. when he steals money from a company. |
| 4. A company in debts... | <input type="checkbox"/> | d. gives a raider a strong power over decisions. |
| 5. Filing for bankruptcy... | <input type="checkbox"/> | e. gives debtors only one advantage. |
| 6. A legal procedure against a debtor... | <input type="checkbox"/> | f. can pay off creditors if it sells its assets. |
| 7. Capital to pay creditors... | <input type="checkbox"/> | g. is raised by selling properties. |
| | | h. when he acquires a high number of shares in a company. |
| | | i. damages the reputation with creditors. |
| | | j. is avoided when debts are paid. |



2 Read the text and answer the questions.



Corporate raiders seek Brexit bargains in Britain

Overseas buyers, attracted by the fall in the pounds value, are looking to seize British companies since Britain voted to leave the European Union. Almost 60 transactions for British firms, totalling \$ 34.5 billion, have been made by foreign companies since June 23, according to Thomson Reuters data, compared with 79 deals, amounting to \$ 4.3 billion, in the month leading up to the vote.

The list of British takeovers will grow in the future, according to bankers who are working on behalf of foreign companies interested in UK targets. Shareholders have already lost high amounts of money and they tend to sell for fear that the pound may drop further. In fact, the pound has fallen to \$ 1.3459 its lowest since September 1985. "Clearly this is a buying opportunity," said Ben Ward, head of UK corporate at law firm Herbert Smith Freehills. "People with strong currencies, dollars or yen, are, no doubt, interested in acquiring pound-denominated assets." There have been dozens of other deals since the referendum.

South African retailer Steinhoff, for example, agreed to pay nearly 600 million pounds for British-based discount chain Poundland on July 13. It came a day after AMC Entertainment Holdings, an American company, had bought the London-based Odeon & UCI Cinemas Group to create the world's largest cinema operator, in a deal valued at about 921 million pounds.

Some bankers in London say they are working closely with British companies who feel vulnerable to hostile bids from rich foreign buyers, in sectors including aerospace, house building and retail and they are trying to warn potential takeover targets.

1. Why is Britain the target of foreign corporate raiders?
2. What are banks doing? Why?