Google Inc:

Google is a global technology leader which focuses on improving the ways people connect with information relative to the industry Internet and Computer software. The company mission is to organize the world’s information and make it universally accessible and useful. Its product lines include Search Advertising, Display Advertising, Mobile Advertising, Tools for Publishers, Local, and Enterprise. Google has become one of the most recognized brand in the world and achieved Market Share of 65.5% (May 2011) in Search Engine Business. Google became the 4th largest technology company in USA.

Google Incorporated in California in September 1998 and launched an IPO in 2004 listing its stock in NASDAQ as “GOOG.”

Key Financials

Revenue
Google’s purchase of Motorola Mobility
Monday, 10 October 2011 11:36


Profit

US$8.505 billion (2010)

Total assets

$57.851 billion (2010)

Total equity

US$46.241 billion (2010)

Employees

28,768 (As of 2011-06-30)

Subsidiaries

YouTube, DoubleClick, On2Technologies,
Google's purchase of Motorola Mobility
Monday, 10 October 2011 11:36

GoogleVoice, Picnik, Aardvark, AdMob

Motorola Mobility Inc:
Motorola, Inc. is an American multinational telecommunications company based in Schaumburg, Illinois, Founded in September 25, 1928 which was eventually divided into two independent public companies, Motorola Mobility and Motorola Solutions on January 4, 2011.

Motorola designed and sold wireless network infrastructure equipment such as Cellular Transmission Base Stations and Signal Amplifiers. Motorola's home and broadcast network products included Set-Top Boxes, Digital Video Recorders, and Network Equipment used to enable Video Broadcasting, Computer Telephony, and High-Definition Television.

Key Financials

Products

Mobile phones, Smartphones, Tablets

Revenue

US$ 11.460 billion (2010)

Net income
Google’s purchase of Motorola Mobility
Monday, 10 October 2011 11:36

About the Deal

The Google, online giant on 15 August, 2011 made an announcement to buy Motorola Mobility, a maker of handsets and other electronic devices. Google Management Agreed to buy Motorola Mobility for $12.5 billion. This is the largest surprising acquisition by Google paying a premium of 63% to the 12th August, 2011 closing price ($40.00 per share) of Motorola Mobility. The deal not only treated as a surprise, it will have a big impact on the mobile industry too.
This is a **Vertical Merger** (which companies at different places in a chain of products join together). Here, Hardware Client (Motorola) acquired by the Software Client (Google) Google expects to complete the transaction by early 2012.

---

**Risks and Challenges**

**Integration**

Google’s Attention has been focused on Motorola’s portfolio of 17,000 existing and 7,500 pending patents. What about Man power? By this acquisition Google is adding 19000 Employee from MMI this **may leads to organizational conflicts** between them due to different mindsets in terms of businesses.

---

**Is patent Worth?**

MMI patents has been Valued between $2billion to $3billion here 2 questions will raise did Google overpay? (Judged by Google planning and utilization) And do they really solve Google’s
legal problem (Anti Google consortium led by Microsoft, Apple and RIM)

Manufacturing

It’s a new concept to Google. In long term prospective this deal may face a problem in deciding whether to continue this same move, spin-off or to shut it down its completely depends up on market momentum.

Android ecosystem

Google’s extracting positive remarks about the deal from various partners such as Sony-Ericsson, HTC and Samsung. But it may threaten Android's open ecosystem hindering the progress of its growth.

FTC Rejection

If regulators reject Google's bid promised break-up fee, $2.5 billion
Challenges:

Google acquisitions may lead to serious channel conflict, it will lead to a direct competition with other hardware partners like Samsung, HTC etc., and the hardware manufacturing is a very different area with Google’s core business. The deal raises the following major challenges

1. HTC and Samsung, two of the leading Android-based smartphone makers, feel about the fact that their “partner” Google is now competing directly with them for hardware sales.

2. Need to change the perceptions of the Investors that are not perceived the deal in a positive way.

3. Management Cultures of Software and hardware companies are almost different it is one of the challenge for the Google while framing the policies that would not reach to management destructions or management failures

4. By this Acquisition Google employee strength would increase by 19000 which eventually decrease the profits of the business. It’s question to the management in effective utilization of man power in value generation.

Valuation of the Deal
By this Market Valuation Method this deal is Viable for Google at a premium of 50%

Why is Google willing to pay a 63% premium?

Google is expecting the following benefits from MMI by this Acquisition.

Operational Benefits

- Google can Access all the product lines of MMI cell phone, set-top boxes and tablet which are having a very good market share Android software has made considerable inroads in the smartphone market with 150 million devices and 550,000 activations a day.
- Now, Google can compete with Global Leader like APPLE in future in hardware and software industry

Accounting Benefits

- Tax benefit: Acquiring loss making company by a profit making company Google can make a tax advantage each year till 2019 can utilize the losses.

Synergy Expectations:

Fragmentation and a Better

The Android market is currently heavily fragmented but the developers facing problem for designing the applications by this synergy Google will solve this problem by building a better Android OS with a lot of applications.
Diversification and Google Vallet:

Despite being a little over a decade old Google maintained the same portfolio now this deal brings new business focus hardware products, mobile computing.

Invasion of Living Room

The Google TV user interface that was launched earlier in May, 2011 and Motorola is a strong player in the set-top box and home devices market this bid can expand presence of Google TV products into the living room.

Patent

The mobile computing industry has become a hotbed for patent disputes and thrust in the patent war. Google having about 1,000-odd patents this acquisition gives access to more than 17,000 patents and 7,000 pending patents held by Motorola. Google will now be able to successfully defend itself against a barrage of patent lawsuits filed by Apple, Microsoft and other rivals

Hardware and Software synergy (Vertical Integration):

This results in product efficiency and cost efficiency.

Apple secret to become No.1 Technology Company Integrating hardware and software and the results are iPhone, iPad, and iPod - devices that have become leaders in their respective market segments.
Views about the Deal

Management View:

Larry Page, CEO of Google, said, “I look forward to welcoming Motorolans to our family of Googlers.”

Mr. Page said I was "confident this deal will be approved" by regulators it tremendously beneficial to consumers,

For consumers, Once Motorola is owned by Google the handset maker could more aggressively incorporate a technology called Near Field Communications (NFC) that is used for mobile payments and is supported by a version of Google's Android called Gingerbread.

Investors Perception about the Deal

Google: This Adventurous move in entirely different kind of business, one that could destroy its partnerships (and margins) in one of its most important new Business Lines. Early Investors not perceived the deal in a positive way it results Google stock has gotten smacked in the pre-market. Another fact that could be worrying investors is that the Google-Motorola deal includes a $2.5 billion reverse break-up fee.
STOCK MOMENT

MMI: The Internal Intention of MMI to get separated from its parent company is to get out in a better price and by showing its market growth among its products it got a chance to exit in a premium price leads to huge hike in the stock prices.

MOTOROLA STOCK MOMENT

Suggestions:
Key factors that we feel need to implement in order to make this deal successful Google need to strengthen the following segments that creates synergy in value positioning.

Management Efficiency: Focus on strategy that make effective use of newly added 19000 manpower

Patent Efficiency: First 17000 and plus remaining 7500 patents been used in new technology creation need by the market space

Cost Efficiency: Strict Implementation of control mechanisms over the business.

Profit Maximisation: This was the ultimate objective of this acquisition if google implemented all the strategies as per mentioned in this case it has more possibility to reduce the chances of failure of the deal. Can achieve its targeted mile stone

Conclusion:

Huge Expectations from the Hardware-Software Industry with relates to this deal. Investors, Experts been watching the current scenario what will be the Google’s next step, how efficiently will manage this Hardware product line.

How Effectively use these synergies. if this synergy became successful google will reach to the sudden highs in a short span of time can became the competitor to the Market leader Apple.
This article has been co-authored by Nikhil Raj and P. Subrahmanyam from Management of Business Finance (MBF)