

**Massachusetts Institute of Technology
Sloan School of Management**

15.434 Corporate Finance
Spring 2001

Assignment for Monday, April 30 2001

Case: Merck-Banyu

1. As an outside director on Merck's board, how would you have voted on the proposal to purchase 50% of Banyu Pharmaceutical's common shares for \$313.5 million? Can this figure be justified on the basis of discounted cash flow analysis? What other factors should be considered and how would they influence your vote? How, in particular, would they influence your vote? How, in particular, would current trends in the pharmaceutical industry affect your decisions?
2. As one of Banyu's existing shareholders, how would you react to the announced deal?
3. How should Merck manage Banyu to ensure the financial success of the combination?