

## **RESEARCH ON VALUE CREATION IN CONTINUOUS CROSS-BORDER M & A OF ENTERPRISES——TAKE THE GEELY GROUP AS AN EXAMPLE**

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### **ABSTRACT**

Most of the domestic automobile enterprises belong to the late-comer enterprises, and there is still a big gap with the developed countries in technology research and development and brand creation. Through cross-border continuous mergers and acquisitions, enterprises can obtain foreign superior resources and improve their own development level. This article chose the classic local private car companies Geely Group as an example, based on previous scholars of continuous motivation and performance research and a series of mergers and acquisitions events, using case analysis, financial and non-financial index analysis methods to study the value of the continuous mergers and acquisitions, and provide reference for other mergers and acquisitions in our country. Through analysis, the conclusion is that cross-border continuous mergers and acquisitions can help enterprises quickly obtain the required resources, open the market, and thus create value.

**Keywords:** Cross-border mergers and acquisitions, M&A performance, Value creation

### **Introduction**

In the context of reform and opening up, many enterprises want to grasp the opportunities brought by economic globalization and obtain the high-quality resources needed through cross-border mergers and acquisitions. The crisis in 2008 alerted entrepreneurs and promoted the M&A boom. Since then, the number of enterprises adopting merger and acquisition strategies in China has been increasing; the 2020 pandemic was another blow, although the government has increased its support for business development although the government alleviated the impact of the epidemic on the automobile industry, this has partly eased the impact of the epidemic on the

auto industry. But in order to accelerate the auto industry's transition, expand the coverage in the value chain, There will still be more enterprises to choose to expand their own advantages through continuous mergers and acquisitions, in order to better survive in adversity. With the continuous occurrence of mergers and acquisitions, continuous mergers and acquisitions has also entered the public view. This method is different from ordinary mergers and acquisitions. It is a logical step-by-step cooperation according to the strategic objectives of the enterprise, reflecting a kind of continuity. Behind this continuity is the deep motivation of merger and acquisition. Combining the motivation and enterprise strategy, the relationship between continuous merger and acquisition and value creation can be obtained through the analysis of enterprise long-term performance to some extent.

The literature on continuous mergers and acquisitions is quite rich. The concept of continuous merger began with Schipper(1983),by studying merger and acquisition plans, they for the first time distinguished the two concepts between a single merger and a merger plan, then Fuller(2002)、Croci(2005)、Billett and Qian(2008)and other scholars further define the continuous mergers and acquisitions through the time dimension and merger and acquisition times. Domestic research on continuous mergers and acquisitions is late compared with foreign countries, Wu Chaopeng (2008), Chen Yu (2009), Long Lihui (2014), Zhang Lan (2018) and others have also defined the concept of continuous mergers and acquisitions respectively, and apply it to the case analysis, Huang Manli (2020) combed through the existing literature on continuous mergers and acquisitions, summarize the factors influencing decision-making and performance to make scholars have a deeper understanding of the concept and scope of continuous mergers and acquisitions. This paper deems that the 9 mergers and acquisitions behaviors of Geely Group in 10 years meet the definition of continuous mergers and acquisitions.

Different scholars also have different views on whether continuous mergers and acquisitions can create value. Jensen and Ruback concluded through the event research method that the acquirer obtained 20% earnings, but the acquirer did not produce super long-term benefits; Bhabra (2008) studied the stock price changes of more than 100 enterprises in the three years of the acquisition announcement, and also found that the enterprise value will be significantly increased in the short term; Mulherin (2017) also found that corporate mergers and acquisitions can bring positive gains. However, Aloke Ghosh (2001) believes that the success of enterprise mergers and acquisitions itself has advantages, and after excluding the advantages, it is found that enterprise performance will not change due to mergers and acquisitions. Domestic scholars have also done some research, Lu Guixian (2012) studied more than 30 mergers and acquisitions cases in 2005, and found that in the long term, enterprise mergers and acquisitions can improve the performance

of the enterprise; Fang Jie(2017) also found that through factor analysis, continuous mergers and acquisitions are positively related with enterprise value in the long run; Hou Lihe (2018) not only found that the number of mergers and acquisitions was positively correlated with performance, but also believed that the more the number of mergers and acquisitions, the greater the value of the enterprise. In whether mergers can create value, scholars mostly use case analysis and index analysis, some scholars analyze from the perspective of acquired company and acquiring company, there are also scholars study whether it has an impact on the company in the short and long term. This article will be through a case study, summarize the strategy of the three stages of the enterprise, using counting research method mainly to study whether the continuous mergers and acquisitions of Geely Group have created value in the long term.

## **1 Case profile**

### **1.1 Introduction to Geely Group**

Zhejiang Geely Holding Group Co., LTD. (hereinafter referred to as Geely Group) was founded in 1986, at first to produce refrigerators, and then started manufacturing motorcycles in 1994. After accumulating three years of experience, Geely Group was established in 1996. Then, Geely Group officially entered the auto industry in 1997. In 2001, it became the first car production qualification of private enterprises. In 2005, Geely Group successfully listed in the Hong Kong stock exchange, as the first auto companies listed in Hong Kong. Geely Group at first produces vehicles, with the group's mergers and acquisitions, Now the Geely Group is also able to independently develop and produce key auto components, and its business scope is expanding, strength is growing. At the same time Geely Group also entered the travel services, financial technology and other fields, has become a famous business empire. Up to now, the total asset value of Geely Group has reached 330 billion yuan, and has entered the top 500 enterprises in China for seven consecutive years. The sales volume has increased from more than 200 units when its establishment to 2.15 million units in 2018, achieving leapfrog growth. More than that, Geely Group's research and development level has been continuously improved, providing a foundation for the strength of the enterprise.

### **1.2 Geely Group's continuous cross-border merger and acquisition process**

Since 2002, Geely Group has tried to explore a certain international market, so it has established the Geely International Corporation to take charge of car exports. In 2006, in order to further expand its overseas sales channels, Geely Group acquired 19.97% shares of the British manganese copper at the price of £2.50 per share, which also began the merger and acquisition process of Geely Group. In March 2009, Geely Group took a fancy to DSI transmission products,

wanted to improve Geely Group's technology research and development level through M&A, and through DSI production plants in Arabia to improve production efficiency, reduce production costs, so in the opportunity of applying for bankruptcy custody, Geely Group bought all shares of DSI at the price of 54.6 million Australia. In 2008, Geely Group made a strategic transformation to change from low-cost strategy to high-quality internationalization strategy, so it acquired all the shares of Volvo for \$1.3 billion to enhance its brand image. In 2013, Geely Group wholly acquired British Manganese Copper for 11.04 million pounds, because its century-old brand image can help enhance the brand value of Geely Auto and open the taxi market. In February 2014, Geely Group acquired Emerald Company, layout the direction of new energy vehicles with the help of Emerald Company, and improved the London taxi it acquired before through its technology, producing more environmentally friendly TX5 models. In June 2017, Geely Group wanted to open the Southeast Asian market and further optimize the industrial layout, so it acquired 49.9% of Proton and 51% of Lutus at the cost of 730 million RMB and the lifetime use right of "Geely Boyue Platform". In November 2017, Geely Group took a fancy to the prospect of flying cars and wholly acquired the American Taili Flying Cars Company. In December 2017, Geely Group paid about \$3.3 billion in consideration to acquire an 8.2% stake in Volvo Group, becoming the largest shareholder of Volvo Group. In February 2018, Geely Group acquired about 9.69% of Daimler for 7.3 billion euros through its fund company to obtain more technical resources. In September 2018, Geely Group acquired 51.5% shares of Shengbao Bank, using its fintech to optimize the ecological chain and achieve more long-term development with the help of the platform.

## **2. Three strategic stages of merger and acquisition**

### **2.1 Strategic stage of making up for technical shortage**

Geely Group has had some technical deficiencies in the early stage. As many core technologies are controlled by well-known foreign companies, Geely Group urgently needs to make up for its own technical defects and planning for the long-term development of the enterprise. So at this stage, Geely Group first took a stake in Manganese Copper and then acquired DSI and Volvo, in order to master the research and development of automatic transmission and other core technologies. And after the merger and acquisition, Geely Group increased the investment in R&D and paid attention to the employment of technical personnel, so as to make up for the lack of technology.

### **2.2 Strategic stage of corporate image transformation**

In 2007, Geely Group issued the Ningbo Declaration, wanting to use 3-5 years to carry out the

strategic transformation, transform the original low-cost strategy into a high-quality internationalization strategy, and start to produce safe and environmentally friendly cars. So in 2010, Geely Group first acquired Volvo, not only to acquire technology, but also to change consumer perception with Volvo's brand effect; then Geely Group seized the opportunity to buy Manganese Copper, which won the support of the British people; one year later, Geely Group acquired Emerald, which provided technical support for companies to produce more environmentally friendly cars, and to some extent improved people's stereotype of Geely Group; later, it acquired some shares of Proton Automobile and Lutus, which was once a national treasure brand in Malaysia, which made a great contribution to the image transformation of Geely Group.

### **2.3 Strategic stage of leading the industry development**

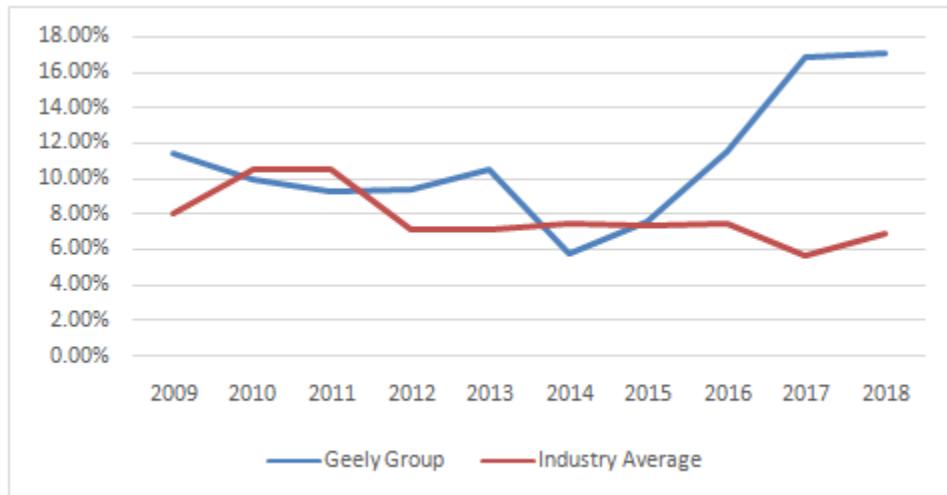
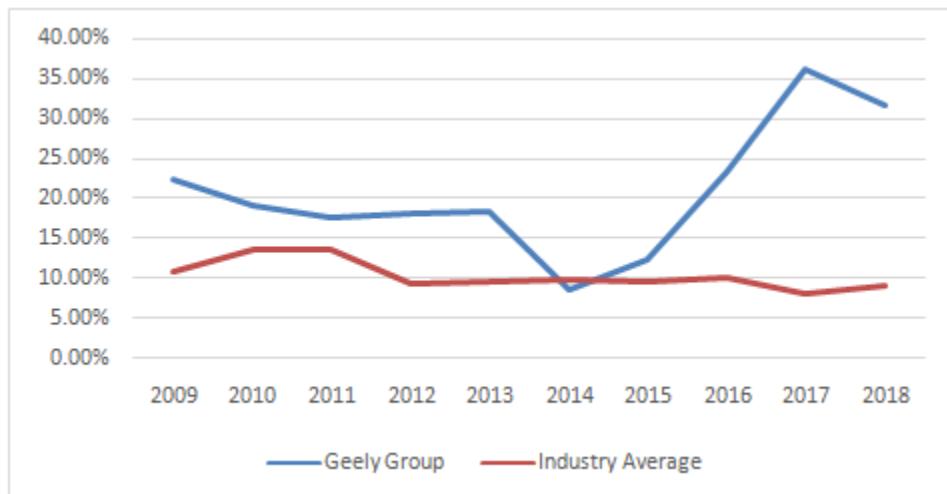
After a series of mergers and acquisitions of Geely Group, Geely completed the catch-up of latecomer enterprises and became a leading enterprise in the industry. At this time, Geely Group not only expanded the overseas market and improved its technical level, but also wanted to become a vane leading the development of the industry. So Geely Group acquired Taili Company and took a fancy to the future development direction of flying cars; then it invested in Volvo and Daimler, offering high-end car travel services and jointly investing in flying car companies. Not only that, Geely Group also took a stake in Shengbao Bank, hoping to promote the development of enterprises with the help of Shengbao Bank's platform, use its fintech to optimize the ecological chain, and make an advance layout in the field of "Internet of Vehicles".

## **3 Analysis of the continuous M&A value creation of Geely Group**

### **3.1 Analysis of financial indicators**

Since this paper is based on corporate strategy and considers the continuous process of continuous mergers and acquisitions, we choose to use long-term financial performance indicators to measure the value creation in continuous mergers and acquisitions. This paper selects the financial data of Geely Group in the past 10 years from 2009 to 2018 to analyze them from four aspects: profitability, solvency, operating capacity and growth ability, and compare them with the industry average to make the results more scientific.

#### **(1) Profitability analysis**

**Fig.1. Comparison of return on total assets****Fig.2. Comparison of return on equity**

The calculation of profitability index can analyze the ability of enterprises to obtain profits, which is conducive to measuring the value creation ability of enterprises. This paper analyzes the long-term benefits of Geely Group from the two aspects of return on total assets and return on net assets in the past decade.

According to the figure, two indicators of Geely Group's profitability have not been very optimistic in the previous years, although there is a rise in the middle, but in 2013-2014, the

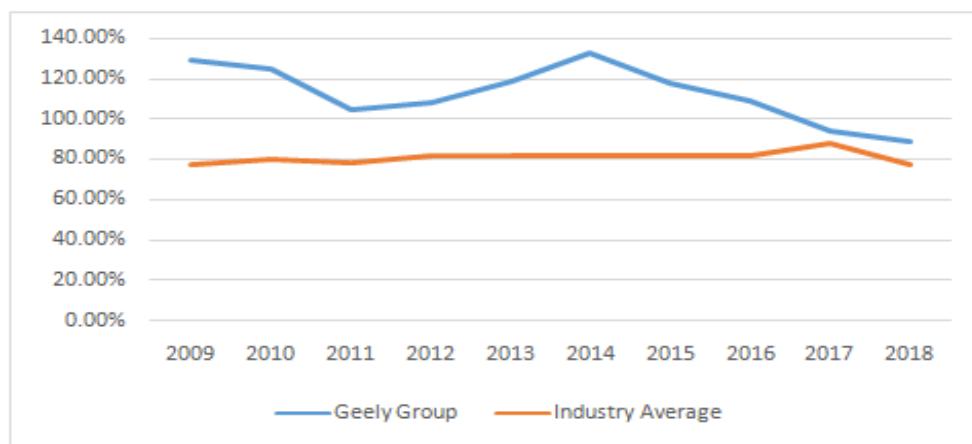
decline is very obvious. The reason may be that the merger target had large losses, and the announcement in 2010 was to reduce the tax incentives for domestic small car production, which reduced corporate profits to some extent. From 2014, both indicators began to rise sharply again. Thus, the profitability of Geely Group is not rising steadily rising, but fluctuating with the occurrence of mergers and acquisitions. There may be some negative effects in the early stage of mergers and acquisitions, then the interval of the next two years made Geely Group gradually digest the previous mergers and acquisitions, and the synergies continue to play a role. At the same time, the management also learned more experience in effective mergers and acquisitions, which made the subsequent mergers and integration more smooth, so the profitability increased significantly.

Compared with the industry average, Geely Group's profitability exceeds the industry average level for most of the time, only in 2014 were both indicators simultaneously below the industry average and the profitability of Geely Group significantly exceeded the industry average level in the later stage. In general, the profitability index of Geely Group is not optimistic in the early stage, but continuous mergers and acquisitions have brought more mergers and acquisition experience to enterprises. Because of this, the resource integration is more smooth in later merger and acquisition. We can think that continuous mergers and acquisitions create value for enterprises, and the profitability of Geely Group will become better in the future.

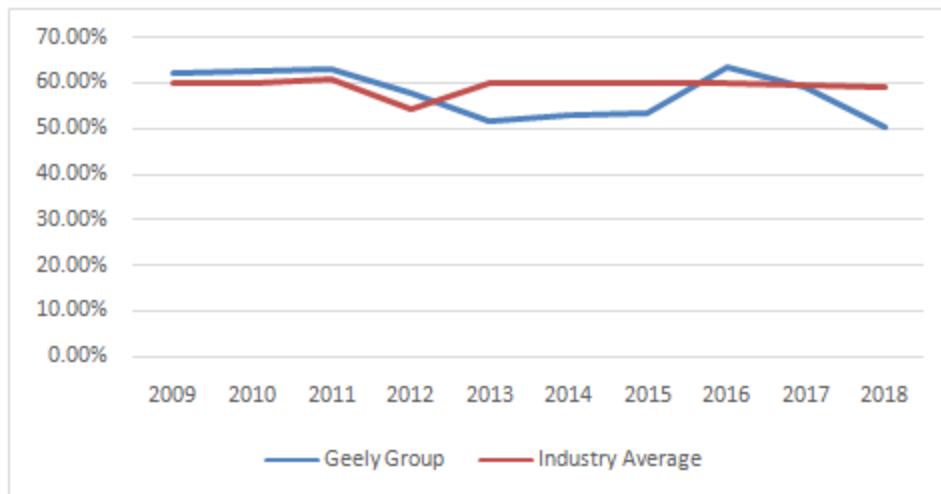
## (2) Solvency analysis

Solvency can reflect Geely Group's ability to cope with risks. This paper selects the asset-liability ratio and the quick ratio to analyze the changes in Geely Group's solvency.

**Fig.3. Comparison of quick ratio**



The quick ratio reflects the current assets and short-term solvency of the enterprise. When the standard is greater than or equal to 1, it indicates that the enterprise has enough ability to repay the short-term liabilities. As shown in the figure, Geely Group's quick ratio begins to decline in 2009. By 2011, although the quick ratio is low, it is still greater than 1, then it rises, at its high point by 2014, then it continues to decline. But from 2017, this index is less than 1, with a short-term debt repayment risk. Based on the merger and acquisition events, the previous decline is because of the two acquisitions in 2009 and 2010, leading to the decline in current assets. Then, there is a buffer in the mergers and acquisitions interval. By 2013 and 2014, due to the large number of current assets, the company has made two other large acquisitions, and the subsequent shareholding behavior also makes the company's short-term solvency continues to decline. Compared with the industry average, although Geely Group's quick ratio sometimes is less than 1, but it is still higher than the industry average, so it can be considered that Geely Group has a good short-term solvency.

**Fig.4. Comparison of asset-liability ratio**

Asset-liability ratio reflects the long-term solvency of enterprises, from the perspective of company operation, the asset-liability ratio is generally 40% -65%. Geely Group's asset-liability ratio is basically maintained at about 50% -60%, although mergers and acquisitions will bring certain fluctuations, generally Geely Group controls the asset-liability ratio within a relatively safe range. Compared with the industry average level, there is no big difference, basically, it fluctuates around the average level. Thus it can be seen that Geely Group's mergers and acquisitions did not blindly borrow money and is more rational.

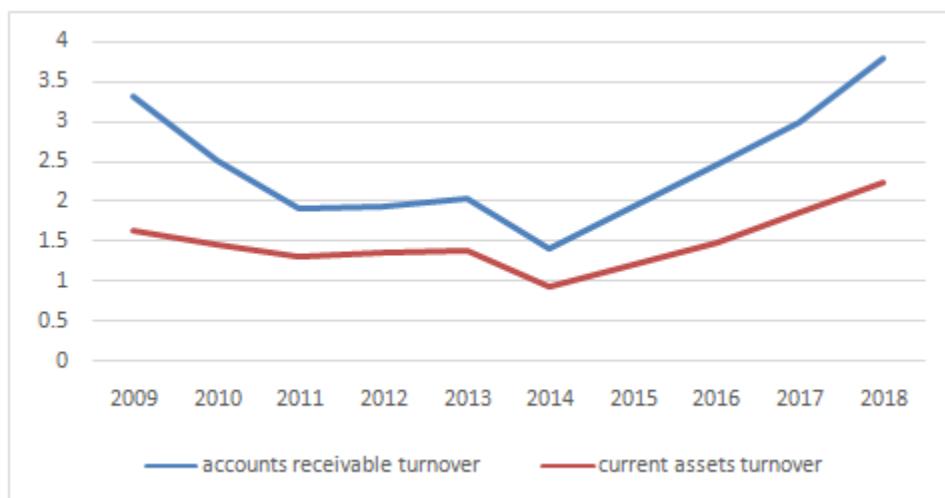
To sum up, Geely Group's long-term solvency has not exceeded the safety boundary. Although its short-term solvency has decreased, considering that the average level of the industry is also declining, we can think that this is a relatively normal phenomenon and is not greatly affected by continuous cross-border mergers and acquisitions.

### (3) Operating capacity analysis

Operating capacity is closely related to the operation efficiency of enterprises, and enterprises with high operating capacity will also have higher production efficiency in all aspects. This paper selects accounts receivable turnover and current assets turnover to analyze the operating capacity changes of Geely Group.

Accounts receivable turnover is used to reflect the rate at which corporate accounts receivable turn into cash. The high turnover rate of accounts receivable indicates less credit, fast collection and less bad debt losses, which also indicates the strong liquidity of enterprise assets. When the turnover rate of accounts receivable is low, it means that the working capital is mostly in the form of accounts receivable, and the quality of current assets is not very high. Enterprises generally measure the turnover rate of receivables by 3 standards. The turnover rate of current assets is an important index to evaluate the utilization rate of enterprise assets. The higher the index amount, the better the utilization of enterprise assets.

**Fig.5. Analysis of the operating capacity of Geely Group from 2009 to 2018**



As can be found in Fig.5., Geely Group's accounts receivable turnover rate and current assets

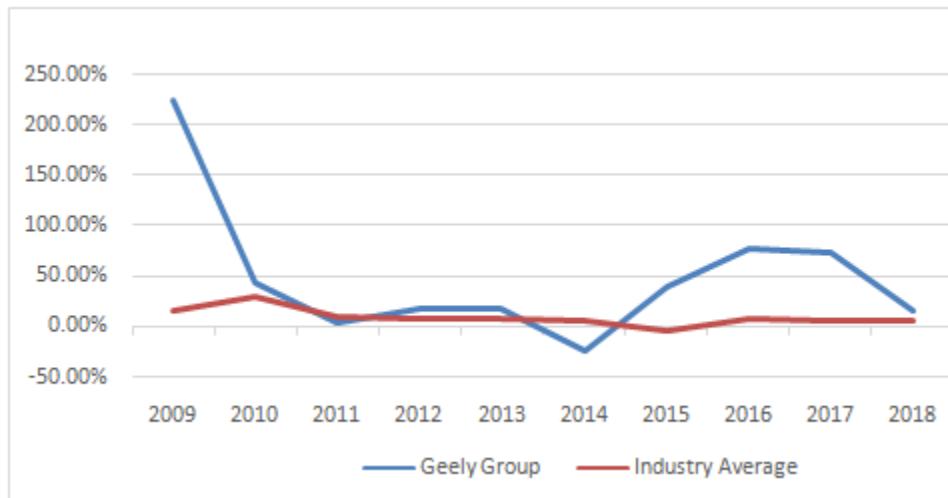
turnover rate still fluctuate according to the merger and acquisition behavior. There is a significant decline at first, then it goes up, but the extent is small. In 2014, it declines to the lowest point. The reason may be that the companies we acquired in 2009-2010 and 2013-2014 were companies struggling or even going bankrupt. These companies may have problems such as unsalable products and difficult to recover accounts receivable, which reduce the operating capacity of Geely Group after the merger. However, according to the figure, these two operating indicators continue to rise after reaching the lowest point. It can be seen that the intermittent period between 2014 and 2017 enables enterprises to gradually absorb the lack of liquidity brought by mergers and acquisitions. The internal resources of the enterprise are also gradually integrated and are on the right track. In the long run, Geely Group's operating capacity has been improved to some extent, and the efficiency of capital utilization has been continuously improved.

#### (4) Growth ability analysis

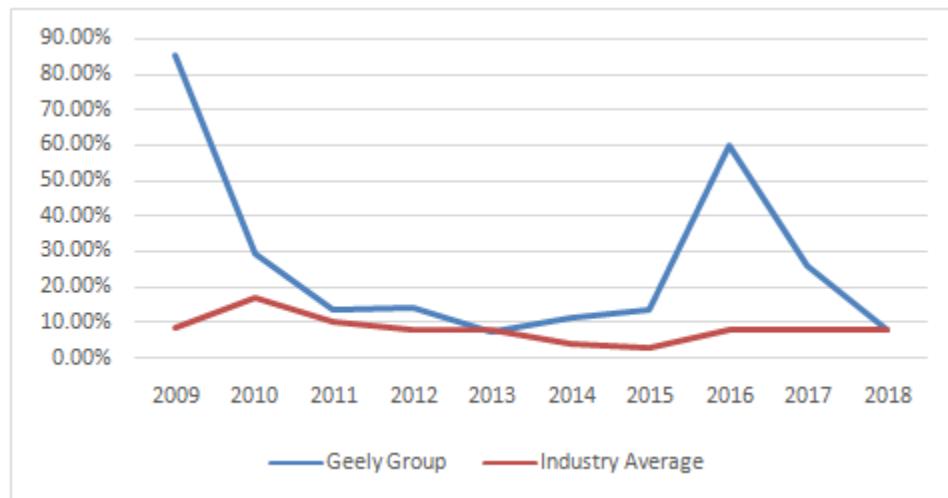
This paper selects the growth rate of sales and total assets to analyze the growth ability of Geely Group. The size of the growth rate reflects an enterprise's ability to grow in the long term.

According to the data in the figure, the growth rate of sales volume and total assets decreased significantly from 2009 to 2010. The reason, on the one hand, may be the reduction of assets caused by the need to pay for consideration, and on the other hand, it may be that Geely Group began to sell high-end automobile brands in the strategic transformation stage. Due to the rising price, there's a sales reduction. After that, sales growth has rebounded, but growth is still slow. By 2014, it was even more negative as a result of political turmoil among Geely Group's major exporters such as Ukraine. The two-year breaks in 2015 and 2016 gave Geely Group the opportunity to cushion it, although the sales growth rate and total assets decreased, the overall sales and assets gradually increased. Compared with the same industry, Geely Group's sales growth rate and total asset growth rate are also above the average level for most of the time, which can sidely prove that continuous mergers and acquisitions have created value for enterprises.

**Fig.6. Comparison of sales growth rate**



**Fig.7. Comparison of total assets growth rate**



### (5) Value creation analysis

In this part, we mainly selected some indicators to calculate and analyze the financial performance of Geely Group during the continuous mergers and acquisitions. In general, many financial indicators declined in the initial merger and acquisition, roughly because the merger and acquisition need to pay a certain cost, and the management do not grasp the resource integration initially after the merger and acquisition, but the figures begins to improve after 2014.

Although there are also fluctuations in some years, the overall upward trend shows that with the accumulation of merger and acquisition experience and the role of synergistic effect, the overall benefit of the company has improved. Compared with the industry data, it can also be found that Geely Group's financial data is above the average level for most of the time, especially after grasping the experience of merger and acquisition, some indicators have increased significantly, reflecting the rise of the company's strength, which can be seen that continuous cross-border mergers and acquisitions have indeed created value for Geely Group.

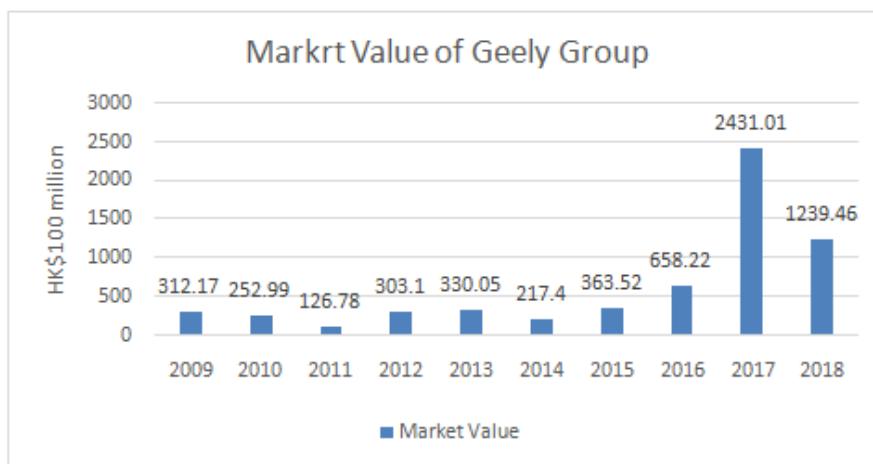
### **3.2 Analysis of non-financial indicators**

Analysis of a company's value creation need not only through the financial performance indicators to reflect certain problems, also need to analyze the non-financial indicators, such as the investor reaction in the corporate stock market, research and development cost investment and patent applications, etc. These indicators can supplement from the external market environment, and prevent one-sided reliance on financial data.

#### (1) Market reaction

The value of an enterprise can partly be reflected by the stock price, and the stock price depends on the reaction of the external market. This paper horizontally compares the changes of the market value of Geely Group from 2009 to 2018, so as to roughly view the reaction of the external market to Geely's continuous mergers and acquisitions.

**Fig.8. Market value of Geely Group in 2009-2018**



According to the chart, Geely Group's market value declined after two mergers and acquisitions

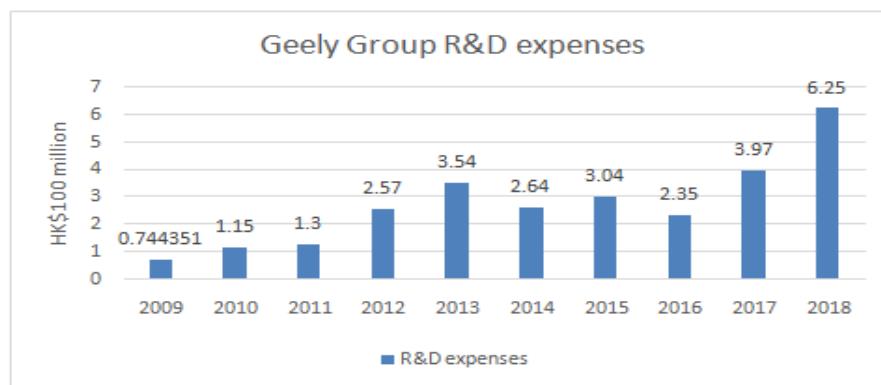
in 2009 and 2010, it can be seen that the market is concerned about whether the merger and acquisition can bring value to Geely Group. During the interval in 2011 and 2012, the market value gradually recovered. When it bought the Emerald Company in 2014, its market value began to fall back again. Then, after the recuperation and digestion in 2015 and 2016, the market value of Geely Group began to rise sharply, especially in 2017, when the market value nearly tripled. The decline in market value in 2018 may be due to a decline in overall auto industry exports about the trade war between China and the United States.

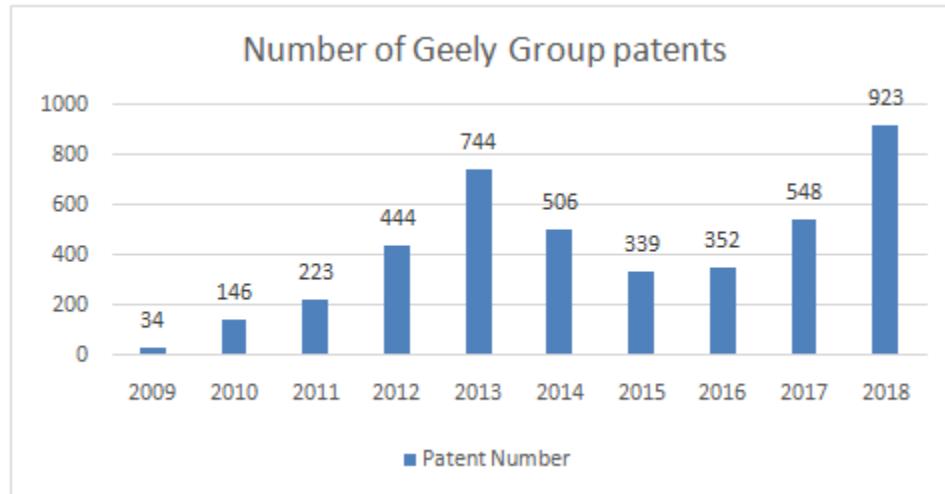
To sum up, even if the market value of Geely Group declines in the year with mergers and acquisitions, the market value will start to recover in the year without mergers and acquisitions. This shows that while there are some external market concerns about mergers and acquisitions, such concerns will gradually recover with the corporate performance. There is still confidence in Geely Group and this confidence is reflected in the continuous improvement of market value, which shows that continuous mergers and acquisitions have created high value for Geely Group.

## (2) Research and development capability

The development of an enterprise needs to rely on technology, and an enterprise's attention to the development of science and technology and talents can reflect the future prospects of the company to a certain extent. A company that can develop for a long time must attach enough importance to research and development investment, and the patent knowledge developed will become the intangible assets of the enterprise and create long-term value for the enterprise. This paper makes a horizontal comparison of the number of patents and R & D expenses of Geely Group from 2009 to 2018, trying to reflect the R&D capabilities of Geely Group, and thus analyze its long-term value.

**Fig.9. R&D expenses of Geely Group from 2009 to 2018**



**Fig.10. Number of patents of Geely Group from 2009-2018**

As can be seen from the R&D expenses table, Geely Group has invested more than HK \$100 million every year since 2010. This shows that Geely Group attaches great importance to technology. At this time, Geely Group is in a period of strategic transformation and needs more technology, as a result, R&D expenses were rising from 2009-2013. Through the number of patents, we can see that it has increased significantly in recent years. While in 2014, R&D expenses falls<sup>1</sup> for the first time, and the number of patents also falls. It may be due to the negative growth in car sales in that year, resulting in insufficient funds, which reduced the R&D expenses of that year. In the following two years, R&D expenses fluctuated slightly, but generally increased gradually, especially in 2018, R&D expenses reached HK \$625 million, and the corresponding number of patents in that year reached 923. In general, Geely Group attaches great importance to technology. A series of mergers and acquisitions have brought a lot of technologies and talents to the company. The strengthening of core competitiveness and the willingness to invest in research and development have made the number of Geely Group patents continue to increase and create value for the enterprise.

### (3) Value creation analysis

This part is analyzed from the enterprise market value, research and development costs and the number of patents. When enterprises conduct mergers and acquisitions, the early market will have a negative reaction for a short time, which reduces the market value of the enterprise, but when seeing the business performance, the confidence will increase. In the later period of continuous mergers and acquisitions, especially when the mergers and acquisitions occurred in

2017, the market value of the enterprise did not decrease, but greatly increased, which can be seen that the market has generated confidence in the continuous mergers and acquisitions of Geely Group, which to some extent shows that the continuous mergers and acquisitions have created value for the enterprise. At the same time, when Geely Group makes continuous mergers and acquisitions, the talents are increasing, and the enterprises are also willing to invest more funds in the research and development. The combination of the two has developed more patents for the enterprises. Such intangible assets are also an important part of the enterprise value. Thus, continuous mergers and acquisitions have created a lot of value for Geely Group.

### **3.3 Strategic M&A analysis**

According to the analysis of the above indicators, we can see that in the strategic stage of making up for technical shortage, Geely Group strengthens its core competitiveness by acquiring enterprises with leading technology and excellent R&D talents. This is reflected in the rapid increase in the number of patents at this stage. The R&D costs between 2009 and 2010 have less than doubled, but the number of patents has more than tripled. The successful merger and acquisition in this stage has laid the technical foundation for the development of enterprises. In the strategic stage of corporate image transformation, Geely Group has changed its image by trying to acquire some high-end brands. It may be hard for most of the audience at first, which reflects not only in the decline in indicators such as sales growth, but also in market value. But Geely Group did not stop the pace of transformation, but continued to join the high-end brands, at the same time, consumers are gradually accepting Geely's transition. From 2016 to 2017, the market value of Geely Group tripled and the sales growth rate also increased significantly, which shows that the transformation at this stage was relatively successful and also provided space for capital operation for subsequent mergers and acquisitions. In the strategic stage of leading the industry development, due to the trade war between China and the United States, automobile exports have been hindered and some indicators have declined. However, most of the indicators are still above the industry average. As the platform matures in the future, Geely Group can use fintech to occupy the market and create more value for the company.

To sum up, Geely Group's strategic mergers and acquisitions can accumulate resources for enterprises in the early stage, transform the market in the middle stage, obtain higher returns, and gradually become the vane of the industry in the later stage. Such progressive strategic mergers and acquisitions create value for Geely Group.

## **4 Research Conclusions**

With the continuous improvement of China's comprehensive national strength, many Chinese

enterprises are also constantly on the international stage, but it will take some time to catch up with the foreign excellent enterprises. As an industry with high technical requirements, the automobile industry mostly realizes technical catch-up through cross-border continuous mergers and acquisitions, so whether continuous mergers and acquisitions can bring value to enterprises has become an important research topic. This paper calculates the relevant indicators around the continuous cross-border merger and acquisition events of Geely Group, and draws the following conclusions:

(1) Geely Group's continuous mergers and acquisitions are not blind, but long-term and strategic. It chooses the corresponding target company according to the strategy of different time periods and whether the timing is suitable. After a series of mergers and acquisitions of Geely Group, the company has acquired many excellent foreign technical resources, broke the monopoly of technical knowledge, and expanded the overseas market, creating more opportunities for the development of Geely Group.

(2) Geely Group's continuous cross-border mergers and acquisitions do indeed create value for enterprises. From the perspective of indicators, the indicators of Geely Group are not always improved after each merger and acquisition, because most of the mergers and acquisitions before 2017 are mainly mergers and acquisitions of bankrupt enterprises, so the indicators after the merger and acquisition will be reduced. However, these mergers and acquisitions acquire resources, learn management experience and reverse the image. During the interval, these indicators of mergers and acquisitions gradually improve and surpass the previous year, and these mergers and acquisitions create value for the enterprise in the long run. Several mergers and acquisitions in 2017 were mostly planned for future development areas and the enterprises merged and acquired develop well. So the indicators quickly reflect the value of create, especially in terms of market value, which tripled in 2017 from 2016.

## **5 Experience and Enlightenment**

### **5.1 Grasp the stage strategy**

For enterprises, an important factor to determine the success of an enterprise lies in the formulation of strategic goals. Only when the strategic goals suitable for the development of enterprises can they make the enterprise like a duck to water and develop well in the long term.

In continuous mergers and acquisitions, many enterprises will be blind mergers and acquisitions without purpose, resulting in the benefit after mergers and acquisitions is difficult to be satisfactory, while Geely Group's acquisition is not affected by this "catch-up trap". Geely Group

always grasp its own strategic goals, in the initial stage to obtain resources, then in the medium term, find the right companies to enhance their brand value and improve public awareness. Later, they try to lead the industry wind direction, make their own predictions, and layout in the relevant fields in advance.

For other car enterprises, always grasp their own phased strategy, recognize their own positioning, do not blindly catch up can they achieve success in mergers and acquisitions.

### **5.2 Consider the timing of the merger**

The success of a merger depends on many factors, such as the value estimation of the acquired enterprise, the choice of the acquisition target, and the timing of the acquisition. Geely Group's merger and acquisition cases are very good grasp of these aspects. The choice of merger and acquisition objects is closely followed with the strategy, and the estimate of value is not blindly optimistic, and the choice of timing is more accurate. In the early stage of merger and acquisition, due to limited funds, most of the merger and acquisition targets selected are in the bankruptcy stage. At this time, the merger and acquisition will save a lot of money, and when the funds are sufficient in the later stage, they begin to buy shares in some large groups. Therefore, for other car companies, it's more suitable to grasp their own capital level, according to the ability to handle affairs, in the face of bankrupt companies and seize the opportunity to acquire.

### **5.3 Keep the merger interval**

Continuous mergers and acquisitions do not mean uninterrupted mergers and acquisitions, but refer to multiple mergers and acquisitions in a certain period of time. Geely Group's continuous mergers and acquisitions are not made every year, but for four years in ten years. During this period, Geely Group digested the previous mergers and acquisitions, summarized the merger experience, and prepared for the next stage of mergers and acquisitions. For many enterprises, mergers and acquisitions need most of their funds, and when a merger and acquisition is not buffered to rush for the next merger and acquisition, it is easy to cause the shortage of funds, reduce the risk resistance of the enterprise, making the enterprise more likely to go bankrupt due to the rupture of the capital chain in the accident.

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