Analysis of the Motivation and Game of Akcome Guobin's Anti-Takeover Strategy

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Abstract: With the continuous improvement of China's economic level, the living standard of the residents has been improving, so that people pay more attention to health. At the same time, the rising economic status of China has also made mergers and acquisitions (M&A) as one of the important means of capital market operation, while M&A and counter-mergers and acquisitions (CMA) are occurring frequently in China, and M&A and counter-mergers and acquisitions (CMA) are gradually becoming active in the health service industry. As a leading health management service provider, Aikang Guobin, in the face of fierce market competition and the wave of M&A in the industry, has adopted "poison pill plan", "white knight", "economic litigation" and other anti-M&A strategies against Meinian Health. In order to protect its own interests, it has adopted "poison pill plan", "white knight" and "economic litigation" against MNH. In this paper, we will analyse the motivation of Akcome's anti-M&A, the reasons why it decided to implement anti-M&A, and the strategies of the anti-M&A measures implemented. In order to investigate the anti-merger and acquisition (M&A) strategies adopted by enterprises in the face of M&A threats and their effects, we take the example of Akcome Guobin Health Checkup Management Group, analyze its anti-takeover motivation and adopt the game theory to study its anti-merger and acquisition strategies such as "Poisoned Pill", "White Knight" and "White Knight" from the perspectives of law, technology, stock market and so on." The research results indicate that the company's anti acquisition strategy is a good strategy. Akkang's anti merger strategy has a positive impact on maintaining market share, improving financial performance, and enhancing brand value. The game process between Akkang and Meinian is somewhat complex, involving information collection, risk management, cost considerations, and time dimensions.

Keywords: Anti-Merger, Poison Pill Plan, White Knight, Economic Litigation

1. Introduction to the Case

Aikang Guobin Health Checkup Management Group is a large-scale health management group in China. Aikang Guobin was previously listed on NASDAQ but the overall value of the enterprise was underestimated, and it wanted to return to the A-share market, so it announced that it wanted to carry out a merger and acquisition offer to finally reach the goal of privatisation. So MNH wanted to acquire AKGP's shares through a high offer to make a privatisation offer. Aikang Guobin rejected the privatisation bid from MNH as it considered that MNH's failure to enter into an agreement and notification should be categorised as a hostile M&A, and therefore the Group used several anti-M&A measures to stop MNH's M&A.

2. Motivation for Anti-Merger Strategy

2.1 Background and Motivation of the Strategy

2.1.1 Strategic Background

The background to the implementation of Akcome's anti-merger and acquisition strategy can be traced back to the increased competition in the industry and the fight for market share. A company may choose to adopt an anti-merger strategy to protect its independence and market position due to the threat of acquisition by a competitor.

2.1.2 Motivation Analysis

2.1.2.1 There is a difference in the management philosophy of the enterprises

Akcome focuses on quality considerations, technological improvement, winning in the market through products, and hopes to reform China's medical industry with technology. On the other hand, the operation of MNH is to achieve the purpose of expanding its business scale by operating capital. Their business philosophy and development methods are very different. With the rapid development of big data and internet nowadays, Akcome's way of management and development is obviously more suitable for the development of the society nowadays, so it refuses to accept the privatisation offer of Meinian Health.

2.1.2.2 Avoiding short-sighted behaviour of shareholders

The high offer behaviour of MNH can make the interests of MNH shareholders maximise their interests in a short period of time, which will affect the long-term interests of shareholders from the perspective of long-term investment. Because Akcome believes that MNH is not a good candidate for privatisation and in order to circumvent the short-sighted behaviour of shareholders, the management decides to implement the strategy of anti-merger and seeks for a more suitable investor to complete the privatisation of Akcome and complete the listing in A-share, which can get the long-term interests for Akcome. Based on the short-sightedness theory and the stakeholder theory that the motivation of anti-M&A is to ensure the long-term development of the company, hostile M&A will seriously threaten the stability of the listed company's business structure, corporate governance structure and financial performance[1]. Therefore, enterprises seeking long-term sound development will inevitably implement defence strategies to resist hostile M&A [2].

2.1.2.3 Resisting hostile M&A

There is no meeting with Akcome before MNH wants to privatise the offer to Akcome; the management of Akcome makes strong resistance to MNH's offer for merger and acquisition, but MNH ignores the strong opposition of the acquired party and still continues to raise the offer price and tempts some of the shareholders with high earnings so that they can sell the shares they hold, which will put pressure on the management to realise the purpose of the merger and acquisition. From these two points, it can be reasonably determined that the merger and acquisition of Meinian Health constitutes a malicious merger and acquisition behaviour. This M&A behaviour will bring disadvantage to the merging party and the industry. From the perspective of shareholders, management, creditors, the company and the industry as a whole as well as the long-term development, Akcome chooses to resist the M&A of MNH to maximise its interests.

2.2 Quantitative Assessment of Implementation Strategies

2.2.1 Maintenance of Market Share Share

Organising a competitor's M&A plan can successfully maintain its own share of the health management services market range.

2.2.2 Financial Performance

The implementation of an anti-M&A strategy may have a positive impact on the company's financial performance, e.g. by reducing unnecessary M&A expenditures and improving profitability.

2.2.3 Brand Value

If the counter-merger can be successful it will help to enhance the brand value of Akcome and improve its reputation in the industry.

2.3 Strategic Options for Anti-M&A Strategy

2.3.1 Legal and Regulatory Responses

Akcome takes legal measures to stop or restrict potential competitors' M&A behaviour. This includes seeking regulatory support, filing antitrust and anti-unfair competition charges, and formulating internal company defensive measures such as shareholding structure adjustments and special shareholding arrangements.

2.3.2 Investment in Technology and Innovation

Anti-merger strategies go beyond defence and include active investment in technology and innovation. Akcome may increase its investment in research and development and introduce more innovative products and services to enhance its core competitiveness and give it a more competitive edge in the market.

2.3.3 Introducing New Mergers and Acquisitions (white knights)

Finding new mergers and acquisitions that are in line with the company's philosophy to carry out mergers and acquisitions, with multiple bidders, will not only increase the company's share price and visibility but also perpetuate the company's management philosophy.

2.3.4 Reduction of Share Price (poison pill plan)

By reducing the share price, the shares of the acquirer will be devalued so that the other party can achieve a loss, but once this decision is implemented, it will harm the rights and interests of the shareholders of the acquired party, and will lose the opportunity to buy at a premium. In addition, the imbalance of interests, will be the company's ownership and operation rights are separated, creating the existing "all people do not operate, operating people do not own" pattern [3].

3. Evolutionary Game Analysis between Acquirer and Acquire

3.1 Introduction of Game Theory

Game theory provides a powerful tool for understanding corporate decision-making behaviour. In the field of M&A, the game between Akcome and other competitors involves conflicts over resource allocation, market share and strategic objectives.

3.2 Evolution of Game Strategies

We will denote the benefits of both parties in the M&A activity by F and the costs by G. When the acquirer adopts a co-operative strategy for a bona fide M&A, it compensates the acquire. Assume that the target firm has no source of revenue other than this. Then: The acquire will adopt a co-operative strategy and the acquirer's gain is denoted by FB. When the acquirer chooses to continue the business after the acquisition, i.e., when the acquirer adopts a co-operative strategy for the acquisition, the compensation to the acquire is denoted by GB, i.e., the acquirer's gain is FB-GB and the acquire's gain is GB. When the acquirer does not co-operate and adopts a hostile M&A, the compensation to the acquirer is 0, i.e., the acquirer's gain is FB, and the acquiree's firm's gain is 0.

The acquired party chooses not to co-operate, i.e., it is an anti-merger strategy, at which time the cost is denoted by GA. When the acquirer chooses the non-cooperative strategy, the compensation to the acquired party is 0, i.e., the gain of the acquirer is FB, and the gain of the acquired party is 0-GA, which is -GA. Then, the gain matrix of both sides of the game is shown in Table 1 below:

Table 1 Benefits Matrix for Both Sides of the Game

Acquired party A	Merger partner B	
	Strategy 1, Co-operation	Strategy 2, non-cooperation
Strategy 1, Co-operation	(GB,FB-GB)	(0,FB)
Strategy 2, non-cooperation	(GB-GA,FB-GB)	(-GA,FB)

Specifically, the factors affecting the sign of both of them are the target company's anti-merger cost GA, and the merger and acquisition party's compensation to the target company GB. The main anti-merger strategies of Akcome are the poison pill plan, the white knight and the economic litigation. Now the economic litigation short-term market, the effect is not good, and the duration of the time period is long, short-term judgement of the cost of anti-merger prediction is inaccurate, so the economic litigation is not applicable to the analysis of the evolutionary game, so the following is mainly the poison pill plan and the white knight's behaviour adopted by the Akcome Guobin, the analysis of the evolutionary game.

3.2.1 Poison Pill Scheme

In December 2015 Alcon began a poison pill scheme, the main scheme being that shareholders other than the acquirer could purchase shares at half price with a return on investment of 100%. There are two further prerequisites for the implementation of this scheme, one is the acquisition of 50% and more of the shares by an individual or a group of individuals and constitutes a controlling interest, and the other is the conduct of a tender offer to acquire 10% and more of the shares. Thus in such cases, it can be deduced that most of the shareholders will buy additional shares of the company, so in this case, the value of the equity in the hands of the merger and acquisition party will get a huge loss, and it is difficult to get back the cost acquired during this period in a short period of time. The poison pill plan is likely to hurt the listed company itself in the process of implementation [4]; in addition, it will make it more difficult for M&A parties to carry out M&A and can effectively block the process of hostile M&A in the short term. Judging from the past M&A behaviours, most of the poison pill schemes act as a deterrent and basically will not be implemented, but no matter what the result is, the acquired party will pay the cost. Therefore, the anti-M&A cost of the poison pill plan should be greater than zero, i.e., GA > 0. In addition, from the point of view of MENIH, if M&A measures are taken, the poison pill plan will be triggered, which will reduce the value of Aikang Guobin's enterprise; if no M&A measures are taken, it can only start from the aspect of raising the offer price of privatisation, but both measures will make the FB-GB < FB and GB > 0.

M&A under the poison pill plan will eventually reach an equilibrium state, i.e., both parties will reach cooperation, i.e., the acquirer adopts the purpose of cooperation to make a bona fide M&A or to stop the bidding, and the acquired party does not adopt the anti-M&A strategy. First of all, although the "poison pill" can prevent MNH from buying shares on a large scale in the secondary market, in the long run, it will slow down the pace of the company's privatisation, which will result in the company not being able to complete the steps of privatisation, returning to the A-share market, raising funds, and expanding the market as planned, and the delay in strategy will weaken the competitiveness of Akcome State Guobin in the health service market. The strategic delay will weaken Akcome's competitiveness in the health service market, so it is not suitable for Akcome to implement the poison pill plan for a long time, so the two will basically reach a co-operation in the end. Secondly, Akcome's return to the A-share market will increase its own value, however, since the A and the US can't swap equity, the only thing that MNH can do at present is a cash transaction, and once the "poison pill" plan is launched, MNH is bound to invest more money, which means that MNH is likely to reach an agreement with Akcome. This means that Mianian Health is likely to reach an agreement with Akcome. Akcome if the implementation of the poison pill plan although it can temporarily prevent Akcome from acquiring shares in the secondary market, once Akcome has sufficient funds to fight against it, then it may still take the high offer behaviour, at this time, the implementation of the poison pill plan of the purpose of Akcome may fall through. In this case, Akcome also had to take a new initiative to seek new investors to form a new buyer team. In such a situation, the fight between the two parties is always in a state of uncertainty.

3.2.2 White Knights

The meaning of "White Knight" is to attract more investors to participate in the bidding process. According to the introduction above, Akcome has brought in six new buyers after the execution of the "White Knight" programme. Therefore, if white knights are involved, the purchase price will rise, its stock will rise and the market capitalisation of the company will rise. From this, it can be inferred that the counter-acquisition cost CA < 0 (i.e., generating counter-acquisition benefits) when the target company implements the white knight strategy. In addition, in the face of Akcome's White Knight plan, MNH will introduce new investors to form its own buyer group and raise the bidding price in order to obtain the success of the M&A, thus CB > 0.

From this, it can be seen that the white knight decision will make the acquirer and the acquiree arrive at a lose-lose situation, i.e., both parties will take a non-cooperative decision, so that the acquirer will continue to take a malicious M&A behaviour and the counter-acquirer will take an anti-M&A strategy. First of all, from the standpoint of the acquiree, the reason why Akcome wants to carry out the "white knight" is to attract more buyers to stop the acquisition of MNH, so no matter what high price MNH offers, Akcome Group will not change its mind. Moreover, the implementation of the "White Knight" plan will attract more competitors, which will increase the company's share price, which will increase the company's market capitalisation, which will increase the cost of MNH, and Akcome will continue to implement the White Knight plan. Secondly, standing in the position of the acquirer, MNH will not give up the acquisition of Akcome, but will unite with other investors and form a team of buyers to increase the acquisition price. Even if MNH fails to acquire the company, it will still pull up the privatisation price, slowing down its return to the A-share market, slowing down its growth and winning more time and market share for MNH. It can be seen that under the "White Knight" strategy, both parties have implemented the best stabilisation strategy. The "White Knight" plan helped Akcome to find more investors, but the insistence of MNH on bidding also stalled the privatisation process of Akcome [5]. In order to get rid of the malicious merger and acquisition of Meinian Health and at the same time to find a more suitable and powerful investor, Akcome will control the public opinion by adopting the legal means to delay the time under certain circumstances. Moreover, the joining of white knights and the existence of termination fee agreement undoubtedly make the process of hostile M&A more complicated and the results of M&A more unpredictable, which requires the M&A party to consider not only the interest game with the target enterprise, but also the competitive game with the white knights, and then determine the optimal M&A bid and the best timing of M&A, and ultimately to achieve the purpose of reducing the risk of M&A and increasing the benefits of M&A [6], which further increases the difficulty for MNH.

3.3 Possible Impacts of the Game Results

3.3.1 Industry Market Share Decline

Akcome Guobin's physical examination revenue accounts for more than 80% of its business revenue, and the positioning of this enterprise in China's physical examination industry belongs to the middle and high end, and such users pay more attention to the protection of personal privacy. However, during the period when Akcome Guobin was playing the game with MNH, the personnel in its enterprise appeared to have jumped ship, and even the software and technology in its enterprise were leaked, so the customers may be worried about whether their medical check-up information can be well protected, and the loss of customers may lead to the decline of the market share.

3.3.2 Evolution of the market pattern

The result of the game will affect the pattern of the entire health management services market, which may lead to the change of industry giants and the formation of a new competitive pattern.

3.3.3 Future Development Paths

The success of Akcome's anti-merger strategy in the game may open up broader future development paths, such as finding more lucrative partnership opportunities or promoting industry innovation. In addition, there is an imbalance of interests. The separation of ownership and operation of a company creates the existing pattern of "owner does not operate, operator does not own".

3.4 Complexity of the Game Model

3.4.1 Information Collection and Decision-Making

It is an important part of anti-merger and acquisition to grasp the intention of the hostile M&A party in time and formulate a targeted anti-hostile M&A strategy[7]. In the game Akcome needs to continuously collect market information, competitor dynamics, and regulatory policy changes, and make decisions based on this information. However, the uncertainty and complexity of information increase the difficulty of decision making.

3.4.2 Risk Management and Cost Considerations

The implementation of an anti-merger strategy is not cost-free. The company needs to balance the costs and benefits in its strategic choices to avoid long-term excessive defensive investment affecting the development and competitiveness of the enterprise.

3.5 Time Dimension of the Game Process

3.5.1 Dynamic Evolution

The game is a dynamic process involving constant adjustment of strategy, response to rival moves, and environmental changes. Akcome's anti-merger strategy needs to be continuously adjusted and optimised in line with changes in the market and competitive landscape.

3.5.2 Long-term Impact

The outcome of the game will not only affect the current market share and competitive landscape, but may also have a far-reaching impact on the long-term development of Akcome Guobin. The Company needs to consider the long-term development path and adjust its anti-merger strategy accordingly.

4. Conclusion and Outlook

By analysing in-depth the implementation effect of Akcome's anti-merger strategy and the gaming process, we can better understand the decision-making process of enterprises in the face of market turbulence. In the future, Akcome will need to continuously adjust its strategy to adapt to market changes and maintain a keen insight into its competitors. Game analysis also provides industry players with a perspective to think about, prompting them to be more prudent in formulating their strategies in order to gain an advantageous position in a competitive market.

The effectiveness of the implementation of Akcome's anti-merger strategy and the game analysis reflect the challenges and coping strategies faced by the company in the highly competitive market. As the industry environment continues to change and competition in the market intensifies, Akcome needs to continue to focus on and adapt to new changes and optimise its strategies to ensure the company's leading position in the industry.

In addition, the company may also consider more co-operation with other industry players to expand its service scope as well as further explore opportunities in new technologies and service areas to gain more advantages in the competition. Overall, game analysis has provided Akcome with profound thinking and strategic direction, enabling it to respond to market challenges in a more flexible and targeted manner and maintain its competitive advantage. Enterprises should at the same time strengthen anti-merger and acquisition learning and improve anti-merger and acquisition ability, and master anti-merger and acquisition theories, techniques and methods [8].

Finally, anti-m&A clauses are included in the formulation of the articles of association and suitable voting mechanisms are set up, so as to stabilise the control in the initial stage [9].Firms should also improve the regulatory mechanism, optimise the compensation structure of decision makers, and inhibit the disappointment avoidance behaviour of decision makers [10]

5. Summary

As a leading enterprise in the field of health management services, the implementation effect and evolutionary game analysis of Aikang Guobin's anti-merger and acquisition (M&A) strategy demonstrates the enterprise's ability to cope with and make strategic choices in the complex market environment. In the ongoing market competition, the company needs to continuously adjust its strategies and innovate its services to maintain its competitive advantages in order to ensure long-term and sound development. At the same time, the company also needs to review the situation, find suitable cooperation opportunities, expand business boundaries, better adapt to market changes, and maintain the leading position in the industry. And other companies need to establish a proven anti-merger and acquisition system, in the face of the threat of malicious mergers and acquisitions, it should start the anti-merger and acquisition procedures and immediately respond to it, so that the anti-merger and acquisition has an immediate effect, and even to achieve the effect of zero pay and high yield.

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