

The Construction and Application of Blue Label's Continuous M&A Value Model in the Background of Digital Economy

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Abstract: As an important part of smart city construction, digital city management needs to rely on the support of digital platform companies. BlueFocus provides data services for digital city management. It has experienced many mergers and acquisitions during its development. The acquisition of BlueFocus plays an extremely important role in its development and growth. The article reviews the related literature on mergers and acquisitions, sorts out the basic situation of blue cursor and the process of mergers and acquisitions, and analyzes the continuous mergers and acquisitions of blue cursor from three aspects of merger motivation, market reaction and merger motivation, using the economic value added EVA and Two indicators of market value-added, MVA, and analyze the performance of blue cursor's continuous M&A value creation. The study found that the continuous mergers and acquisitions of BlueFocus increased the value of the company, but frequent mergers and acquisitions led to a significant decline in the economic value-added indicators of the company in the later period; three aspects were proposed: increasing capital investment, post-merger resource integration and seeking government policy support Suggestion.

Keywords:Corporate value; M&A performance; Value creation; Digital city management

1. Introduction

Mergers and acquisitions are a strategic choice for corporate development. Foreign corporate mergers and acquisitions have gone through a history of 120 years and have experienced five waves of mergers and acquisitions. Since 1993, the number of mergers and acquisitions and the overall transaction value of Chinese companies have been on the rise. What is the intention of frequent mergers and acquisitions? Can corporate mergers and acquisitions increase corporate profits and fundamentally reflect the value of mergers and acquisitions? Is there a direct relationship between corporate mergers and acquisitions and urban management?

This article takes Blue Cursor as the research object and analyzes the motivation of Blue Cursor for continuous mergers and acquisitions through case studies. On this basis, it further analyzes the economic consequences of Blue cursor's continuous mergers and acquisitions, and evaluates the company's stock price performance and financial performance. The effect of asset mergers and acquisitions is expected to provide empirical evidence and reference for mergers and acquisitions of similar enterprises.

2. Literature review

In Chapter 23 of the first volume of “Das Kapital”, Marx uses the general law of capitalist accumulation to analyze the phenomenon of corporate mergers and acquisitions. In Marx’s discussion of capital accumulation, he believed that capital concentration is conducive to the expansion of production scale, which in turn improves labor productivity. The increase in labor productivity reduces the production cost of commodities to a certain extent, and makes capital-intensive enterprises have more ownership. More comparative advantages, more profits. Marx’s discussion reveals the motives and effects of mergers and acquisitions. At the same time, Marx also discusses the negative effects of mergers and acquisitions, such as unemployment of workers and the generation of monopoly.

Why do companies conduct mergers and acquisitions in the course of their operations? Early scholars tried to explain the motives of corporate mergers and acquisitions in terms of economies of scale, financial and operational coordination. The M&A activities at this time were mainly for the pursuit of business coordination, alleviation of agency problems, and realization of diversification and other traditional motivations (Nielsen and Melicher, 1973; Jensen, 1986). Some scholars have concretized the motivations of mergers and acquisitions into management motivations, economic motivations, and personal motivations. Motivation (Keith et al., 1998).

Can mergers and acquisitions increase the value of the company? The academic circle did not give a unified answer to this proposition. Some scholars believe that mergers and acquisitions can increase the value of enterprises (Tang Jianxin et al., 2010), while some scholars believe that mergers and acquisitions detract from shareholder value (Cai and Sevil-ir., 2012; Pan Ailing et al., 2016).

3. Blue cursor continuous merger case introduction

3.1 Introduction of BlueFocus Company

In 2002, Beijing Blue Marker Digital Technology Co., Ltd. was established. In 2010, BlueFocus was listed on the Shenzhen Stock Exchange's Growth Enterprise Market with a stock code of 300058. Once listed, it has been favored by many investors, and has the reputation of “China’s No. 1 Public Relations Stock” in the industry. At the beginning of the listing, there were 20 million shares issued, and an initial capital of 620 million yuan was raised. Now the company has become a marketing technology company, with operating income exceeding 10 billion yuan, and it has related businesses around the world. . BlueFocus has a complete industrial chain in the marketing communication industry. Its business involves digital advertising and marketing services. Its business has expanded to the international market, and most of the companies it serves belong to the world’s top 500. BlueFocus has a great competitive advantage at home and abroad, and all its achievements today are due to its continuous merger and acquisition transaction activities. In 2017, BlueFocus first saw it in the Fortune China 500 list, and it is an absolute and unquestionable leading company in the marketing communications industry. Blue cursor also provides data support for the construction of smart cities.

3.2 Blue cursor merger process

Blue cursor has acquired 55 companies during its 10 years of listing, as shown in Figure 3. After BlueFocus went public in 2010, a large number of continuous mergers and acquisitions were carried out, especially in 2014, when the number of mergers and acquisitions reached the highest point in history, 25 times, and the way of mergers and acquisitions has also changed from relatively conservative to radical; but Beginning in 2015, the number of BlueFocus mergers and acquisitions began to slowly decrease, and by 2019 it dropped to zero. Therefore, we can know that BlueFocus has its own unique way of mergers and acquisitions in each merger and acquisition process, and it also adopts different merger strategies

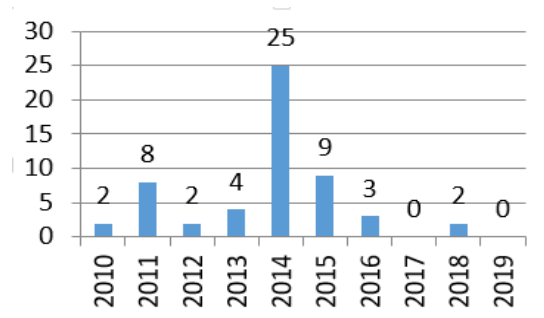


Figure 1 The number of blue cursor mergers and acquisitions from 2010 to 2019

4. Blue cursor continuous M&A case analysis

4.1 Analysis of Blue Cursor M&A Motivation

4.1.1 Driven by industry status

In 2010, Blue Cursor was born on the Shenzhen Stock Exchange under the reputation of “China’s No. 1 Public Relations Stock”. Many investors are very optimistic about Blue cursor’s future development and growth. Generally speaking, the higher the company’s stock price, the higher the company’s growth. If the company’s growth cannot meet the needs of investors, the high stock price of Blue Cursor will only last for a short time. Therefore, the management of the company adopts the strategy of continuous mergers and acquisitions to enable the company to develop rapidly. After making a series of strategic decisions, the company’s net profit and operating income have indeed achieved substantial growth. By the end of 2018, the operating income of Blue cursor reached 23.1 billion yuan. Only about 400 million yuan, an increase of nearly 57 times; net profit also reached as much as 410 million, more than 6.8 times the initial listing, and became the industry’s leading company in one fell swoop.

4.1.2 Driven by over-recruitment pressure

When BlueFocus first went public in 2010, it raised an initial fund of 620 million yuan, of which 160 million yuan was used to raise investment projects, and 460 million yuan was left over raised funds. According to the 2011-2013 BlueFocus annual report, it can be known that most of the super-raised funds are used for M&A transactions. Because if there are too many over-

raised funds, the company's asset income will decrease. Therefore, Blue cursor uses over-raised funds for M&A transactions to reduce the pressure of over-raising. At the same time, its own development is getting better and better and its growth rate Also getting faster and faster.

4.1.3 Enhance one's own advantages

After carrying out a large number of M&A activities, BlueFocus has obtained various resources and businesses of the acquired company. Then, BlueFocus can integrate the resources and businesses obtained through mergers and acquisitions to enhance the company's own advantages, and thus its strategic goals It can be realized, and the overall performance of the company has also been greatly improved.

First, integrate relevant resources. The successful acquisition of BlueFocus has enabled it to obtain relevant resources. Blue Cursor acquired Bojie Advertising Company, and then Blue Cursor can obtain related resources of the company, and can make further investments in film and TV advertisements, enriching its media resources. Then there are customer resources. Blue Focus acquired Jinjiu Advertising in 2012, and the company has a very important influence in the real estate industry. Before the merger, Blue Focus had never been involved in the real estate industry, but after this merger , The scope of blue cursor's customer industry has been greatly expanded. Finally, by integrating the resources of Blue Cursor and Jinjiu Advertising, customer resource sharing is formed, which is of great benefit to the development of the enterprise.

Second, expand the company's business. The goal of BlueFocus is to develop the company into a comprehensive marketing service company. Since its listing, the company has continuously expanded its business scope through continuous mergers and acquisitions, involving multiple fields. With the development of the times, "Internet" and "big data" have become the mainstream of this era. Therefore, if the blue cursor is not to be eliminated by the times, it must flow with the times, so the company's promising hands are reaching out. Industries such as e-commerce and the Internet. After a large number of mergers and acquisitions, BlueFocus has not only broadened its business scope, but also greatly increased the company's performance. Therefore, the company is getting closer and closer to becoming a comprehensive marketing service company.

4.2 Blue cursor market reaction analysis

For the analysis of the market reaction of the blue cursor, we can use the "Tobin Q Coefficient" for analysis, which is a relative indicator, $Q = \text{market value} / \text{replacement cost}$.

Among them, $\text{market value} = (\text{number of shares} \times \text{stock price}) + \text{debt value}$

$\text{Replacement cost} = (\text{book value of total assets at the beginning of the period} + \text{book value of total assets at the end of the period}) / 2$

For a better analysis, this article selects two companies that went public in the same year as BlueFocus and have the same main business nature for comparative analysis, namely Huayi Schwab and Shengguang Group. In addition, we can replace the industry average with the average value of Huayi Schwab, Shengguang Group, and blue cursor.

Analyzing Table 1, we can see that since the listing in 2010, the Q values of these three companies have shown an upward trend as a whole, but, relatively speaking, the market response

of Blue Cursor is better than that of the other two companies. Because its Q value is higher than those of the two companies. From 2011 to 2012, the Q value of the blue cursor first decreased, and after a period of time, it showed an upward trend, while the Q values of the other two companies showed a decreasing trend as a whole. It can be concluded that the response of the blue cursor in the market is better than those of the two companies.

Since the industry as a whole has seen growth in 2013, the Q value of these three companies will certainly not decline. However, in the second half of 2013, the Tobin Q coefficient of Blue Cursor showed a sharp decline, while at this time, the Tobin Q coefficients of the other two companies were rising linearly. This is because, at this time, Blue Cursor conducted overseas M&A transactions at this time, which led to a decline in its Q value. Therefore, its M&A performance also began to decline, and the market response was much worse than that of the other two companies.

By 2014, the Tobin's Q value of the three companies was in a downward trend as a whole, and dropped to the lowest point in 2016, and the Tobin's Q value of the three companies was basically the same, and they were all lower than those at the beginning of the listing. Tobin's Q factor.

In summary, since its listing in 2010, the various mergers and acquisitions activities of BlueFocus have improved corporate performance, which is of great benefit to the company's future development, and has received good market response and recognition. However, because the blue cursor is eager for success and wants to become a comprehensive marketing communication group too much, the company accelerates its expansion, which to a certain extent causes the loss of shareholders' interests and reduces the company's market performance.

Table 1 Changes in Q coefficients of Blue cursor, Huayi Schwab, and Tobin Group

Time	Blue cursor	Huayi Schwab	Tobin Group	Mean
2010-6-30	3.6	3.7	2.2	3.2
2010-12-31	4.5	3.9	2.9	3.8
2011-6-30	3.8	2.9	1.9	2.9
2011-12-31	3.5	2.7	2.1	2.8
2012-6-30	4.2	2.4	2.1	2.9
2012-12-31	5.3	1.9	2.2	3.1
2013-6-30	5.9	3.1	3.9	4.3
2013-12-31	3.5	6.6	4.4	4.8
2014-6-30	3.2	3.9	4.9	4.0
2014-12-31	3.5	4.3	4.9	4.3
2015-6-30	2.4	2.7	3.1	2.8
2015-12-31	1.9	2.4	2.7	2.3
2016-6-30	1.9	2.1	2.4	2.1
2016-12-31	1.5	1.5	1.6	1.6

4.3 Analysis of the effect of blue cursor M&A

4.3.1 Pressure of over-raising funds

After the blue cursor went public, the role of super fundraising was reflected everywhere. When Blu-ray was listed in 2010, it used an over-raised 90 million yuan to repay the loan, supplement

related funds, and set up a company. In 2011, the company increased its capital by 296 million yuan and acquired companies such as Sinotech and Jingguang. In 2012, the capital was increased by 28 million yuan and 69 million yuan respectively to Shanghai Blue Focus Brand Consulting Co., Ltd. and Shanghai Blue Focus Public Relations Service Co., Ltd. After the end of 2012, through various mergers and acquisitions activities, the funds raised by Blue Cursor were basically used for practical purposes. Therefore, it can be said that the blue cursor has basically completely eliminated the pressure caused by the over-raising of funds since its listing.

4.3.2 Achievement of strategic objectives

Since its listing in 2010, Blue Cursor has proposed two strategic goals, corresponding to two different stages. First, Blue Cursor has proposed the strategy of “regional expansion, industry expansion, and service extension” in 2010; second, in In 2013, the strategy of “digitalization and internationalization” was proposed. The following analysis analyzes how the blue cursor achieves its strategic goals.

Table 2 Blue cursor’s main business income composition table (unit: 100 million yuan)

	Service income	Advertisement Income
2009	3.67	-
2010	4.95	-
2011	8.63	4.02
2012	11.87	9.89
2013	19.55	16.22
2014	28.09	31.4
2015	39.55	43.28
2016	38	83.1
2017	38.85	109.59
2018	55.29	147.88

It can be seen from Table 2 that the main business income of Blue cursor is composed of service income and advertising income, and a detailed analysis of the two is carried out. In the ten years from 2009 to 2018, we can see that the two revenues of Blue Cursor have increased overall. Among them, the service revenue was 367.61 million yuan in 2009, and in 2018, It reached 552,923 million yuan; the advertising business revenue that Blue Cursor had only in 2011 was 402.29 million yuan, and by 2018 it had risen to 147.8796 million yuan. From 2016 to 2018, the company’s number of mergers and acquisitions activities was greatly reduced compared to previous years. However, starting from 2014, the advertising business revenue came to the top, and the service business revenue was overtaken by it. After that, the advertising business revenue grew rapidly. The growth rate of the service business is also not as good as advertising revenue. By 2018, the blue cursor generated a total of about 20.3 billion in revenue, while the advertising revenue accounted for about 72.8%. It can be seen that advertising revenue came from behind and became the main force for the blue cursor to increase its main business revenue.

A series of M&A activities of BlueFocus has greatly increased its market share. Since its listing in 2010, it has been among the top three in the industry. Finally, in 2014, due to a large number of M&A activities, it became the number one in the industry in one fell swoop. throne. In 2015, the blue cursor ranked 14th in the global public relations company rankings released by

TheHolmesReport. In 2016, BlueFocus became the world's top ten on this list for the first time, ranking 9th, and it was also the only Chinese information dissemination company. Until 2019, the blue cursor is still ranked ninth. Therefore, it can be known that the industry position of blue cursor has been greatly improved, and it has obtained a more advantageous position in the market.

In short, after analyzing the pressure of blue cursor's over-raised funds and the realization of its strategic goals, it can be concluded that the blue cursor's merger and acquisition goals have basically been completed in continuous M&A activities, and the pressure of its over-raised funds has basically been reduced. Elimination, the strategic goals have basically been achieved, and the company's competitive advantage has been greatly improved. Therefore, the value created by the continuous M&A activities of BlueFocus has also increased significantly, and corporate mergers and acquisitions have also been recognized by the industry.

5. Value creation of BlueFocus' continuous mergers and acquisitions

5.1 Blue cursor economic value added

The economic increase value of the blue cursor is calculated as shown in Table 3.

Table3 Blue light economic increase value EVA (unit: million yuan)

Project	NOPAT	I	WACC %	EVA
2010	70.14	894.4	6.82	9.1801
2011	122.63	1070.53	7.11	46.53
2012	247.15	1864.02	5.23	149.66
2013	441.2	5316.8	5.86	129.43
2014	862.58	8468.14	5.02	437.37
2015	318.98	40454.43	3.92	-91.69

Analyzing the changes before and after the continuous mergers and acquisitions of Blue Cursor EVA, it can be seen from Table 3 that since Blue Cursor was listed in 2010, its EVA value has always been positive until 2014. From 2010 to 2014, the economic growth of Blue Cursor has increased. The value has risen sharply, especially in 2014, when the economic added value of the blue cursor reached its peak, and its EVA value increased by nearly 47 times compared with the beginning of the listing. But in 2015, due to some accidents in the company's management department, which led to the company's crisis, its EVA value dropped sharply and even became a negative number, but overall it was still close to zero. Therefore, although the blue cursor suffered the biggest setback since its listing in 2015, its development trend is generally good.

5.2 Blue cursor market value added

Table 4 Blue cursor market value-added MVA (unit: million yuan)

Project	Total stock market value	Total net assets	Market added value
2010	3805.4	884.6	2920.9
2011	4288.6	1066.7	3221.9
2012	6800.0	1451.8	5348.1
2013	18154.4	3863.7	14290.8
2014	24518.1	4640.4	19877.7
2015	29321.1	5442.8	23878.2

6. Conclusion and inspiration

6.1 Conclusion

Analyzing the motivations of BlueFocus' mergers and acquisitions, it can be seen that its continuous mergers and acquisitions have achieved the purpose of mergers and acquisitions, eliminated the pressure of over-raising funds, and realized the strategy of "regional expansion, industry expansion, service extension", "digitalization and internationalization" strategic goals, and competition in the industry. In view of the motivation of mergers and acquisitions, the continuous mergers and acquisitions of Blue Cursor are successful.

By analyzing the market reaction of the Tobin Q coefficient, we can see that since the blue cursor was listed in 2010, the Tobin Q coefficient of the blue cursor has increased first and then decreased, but in 2012, it once dropped to At the initial level, it can be understood that the blue cursor M&A has received a relatively good market response, investors are more favored, and corporate performance has also been improved. However, after 2013, Tobin's Q coefficient has been declining. This is because the frequency of mergers and acquisitions conducted by the blue cursor is too high, resulting in a decline in the company's economic value-added indicators.

In the process of continuous mergers and acquisitions, Blue Cursor seized strategic opportunities to help companies achieve value enhancement, which proves that if companies want to achieve strategic transformation, they can finally increase corporate value through continuous mergers and acquisitions. In the process of continuous mergers and acquisitions, BlueFocus has achieved an increase in market value in market value management, and mergers and acquisitions have also played a positive role in the rise of stock prices. At the same time, the selection of high-quality targets for mergers and acquisitions has enabled the company to obtain a higher value increase. In the process of continuous mergers and acquisitions, BlueFocus's EVA and MVA have both increased along with the continuous mergers and acquisitions of enterprises, which has given deep inspiration to other companies in the transition stage.

6.2 Enlightenment

Analyzing the continuous mergers and acquisitions of Blue Cursor, we can know that Blue Cursor does have advantages in some aspects, but if you look at the long term, the performance of Blue cursor's continuous mergers and acquisitions is still not stable enough and needs to be strengthened. In response to these issues, the following suggestions are made.

First, increase capital investment. If a company needs continuous mergers and acquisitions, capital investment is essential. First of all, it is necessary to screen the targets of mergers and acquisitions, and choose companies that are close to the industry in which the company is located, so that the value of mergers and acquisitions can be more accurately evaluated and the merger premium is reduced; secondly, it is necessary to reduce the overconfidence caused by the leader. The M&A premium. Finally, we must learn from the relevant experience of continuous mergers and acquisitions, negotiate prices in mergers and acquisitions, and use the company's own advantages to reduce the merger premium.

Second, strengthen the integration of resources after mergers and acquisitions. After enterprise mergers and acquisitions, it is necessary to integrate the finance, culture, brand, etc. of the merged company to achieve the integration of resources and give play to the synergistic effect of resources. The quality of the resource integration after mergers and acquisitions is directly related to the development of the company, especially for the growth stage of the company, it is even more important.

Third, actively seek policy support from the government. In fact, the development of enterprises and the management of cities promote each other. For city managers, the quality of enterprise development is directly related to the management of cities. In corporate mergers and acquisitions, it is necessary to actively seek support from government policies, such as taxation, land, and talent projects. At the same time, the value-added realization of corporate mergers and acquisitions will also promote the development of the city to a certain extent.

Future research on mergers and acquisitions should pay more attention to the performance of the post-merger companies, study the integration efficiency of the acquirer and the acquiree, and explore how to reduce the operational risk of the acquirer by optimizing the governance structure.

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