COMPANY ACQUISITION AND FINANCIAL PERFORMANCE IN THE TELECOMMUNICATIONS INDUSTRY

A CASE STUDY OF ECHOTEL COMMUNICATION PROPRIETARY UGANDA LIMITED

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**Introduction**

The study examined the influence of company acquisition on financial performance in the telecommunications industry in Uganda and focused on Echotel Proprietary Uganda Limited as a case study.

**Objectives**

1. To examine how mitigating company weaknesses has influenced return on assets at Echotel Proprietary Uganda Limited.
2. To assess how bolstering combined strength influenced return on investment at Echotel Proprietary Uganda Limited.
3. To examine how market power has created synergies for shareholder wealth for Echotel Proprietary Uganda Limited.

**Methodology**

The study adopted both phenomenological approach and used both quantitative and qualitative information. The study population was 110 and a sample size of 102 respondents who were selected using purposive and simple random sampling techniques. The study used two research instruments that is self-administered questionnaires and interview guides.

**Key study findings**

The study revealed that the most effective contribution of company acquisition to financial performance in EPUL is to created synergies and creation of value addition (Adjusted R Square of 71.7%), followed by market power through reduced competition (Adjusted R Square of 67.1%) and the least contribution is to mitigating company weaknesses and bolstering company strength (Adjusted R Square of 24.3%).

The results revealed that joining forces with Echo group increased the company’s ability to reach more people, the growth in corporate business has not been a challenge since the company had been an existing player in the telecommunication business sector, the acquisition process has not yet fully developed opportunities for EPUL, the company is still faces dramatic changes in the landscape of Ugandan telecommunication industry caused by a high number of new companies both local and foreign that have emerged some as start-ups while others through mergers.

The results showed that Echotel Proprietary Uganda is still facing challenges of reaching more people, even though the company has not yet extended its reach in many areas, it has been able to exploit increased market power in the industry, there was a combination of assets from both previously named iWay and EchotelInternational in form of human resource.

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**Recommendation**

EPUL should review its human capital rationalization policies in the post-acquisition period in order to ensure that they are able to effectively leverage on their workforce to enhance its financial performance.

To further enhance its market penetration in the post-acquisition period, the study recommends that EPUL should utilize a wide array of marketing strategies and tools to entrench its brand recognition and expand its insurance products offering so as reach out to the vast uninsured market.

Management should instill discipline upon itself by ensuring good corporate governance, promote technological progress and increase its paid-up capital regardless of the statutory requirements so that the continued existence of the firm is not jeopardized after undergoing acquisition.

Management should come up with a sound strategy towards asset and liability management so as to avert the problem of mismatching investments and also the quality of assets should be enhanced.

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