

Corporate Finance 15.402
Assignment 4: Massey-Ferguson, 1980

Your group has been brought in to sort out the crisis Massey is in. Your first task is to understand how and why Massey got into trouble. Then, you will need to advise Massey's management on a refinancing plan. Your memo is most eagerly awaited.

1. Assess the product market strategy Massey pursued through 1976. Where possible, compare their strategy with those of its leading competitors. Did Massey's strategy make sense (at the time)?
2. Describe briefly Massey's capital structure in 1976. In your view, is this a good capital structure for Massey? If yes, explain what are its main benefits. If not, what might explain why Massey has such a capital structure? Where possible, compare Massey's strategy with those of its leading competitors.
3. What went wrong after 1976? How did Massey respond? How did its competitors respond? What were the consequences for Massey?
4. Assess the various alternatives at the current stage (as of the case date) of Massey's difficulties. What options are available for alleviating their financial problems?
5. As a financial advisor to Massey's management, what refinancing plan would you propose? Give particular attention to the various interested parties: shareholders, lenders, employees, governments and management.