

FIN 70400/70401: Mergers & Acquisitions
Mendoza College of Business; University of Notre Dame
Spring 2018 (Mod 3)

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Office Hours: Wednesdays 12:00-1:00 p.m. (starting 1/25/17)
Other times are by appointment

Course Overview and Objectives:

The objective of this course is to facilitate understanding of corporate merger and acquisition activity, restructurings, and corporate governance in the M&A context. This includes exploring the theory and evidence regarding these topics; the motives for transactions, the sources of value-added, and managerial incentives to engage in or resist these activities.

The structure of the class is a combined lecture/discussion format. We will rely heavily upon case studies and news articles of current events to illustrate how financial theory can be applied in an actual business environment. We will also apply valuation concepts in a live merger negotiation simulation.

Upon completion of the course, students will be able to:

- Describe theoretical motives for acquisition, and identify motives illustrated in a given acquisition scenario.
- Discuss the impact of various corporate governance mechanisms on a manager's incentives to engage in or resist a given transaction.
- Use publicly-available financial data to estimate valuation inputs for real-world companies.
- Calculate the value of target firms using a variety of valuation techniques including discounted cash flow analysis, comparable companies (multiples) analysis, and precedent transactions analysis.
- Calculate the value of projected merger synergies and determine the maximum price that a buyer should be willing to pay for a target firm.
- Evaluate the trade-offs involved and deal consequences of alternative deal structures, and recommend a structure for a given transaction.

Course Materials:

- 1) Recommended Text: Joshua Rosenbaum and Joshua Pearl, *Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions*, 2ed., Wiley, 2013.
- 2) Individuals will need to purchase cases and readings from Harvard Business Publishing at <http://cb.hbsp.harvard.edu/cbmp/access/73454570>
- 3) Groups will also need to purchase access to the simulation from Harvard Business Publishing. Additional details will be provided.
- 4) The topics in this course are covered extensively in the popular press and it is extremely important to monitor recent developments. Some helpful resources include:
 - o Reuters' free *Deals Today* service:
<http://www.reuters.com>
 - o New York Times' free *DealBook* service:
<http://dealbook.blogs.nytimes.com/category/mergers-acquisitions/>
 - o I encourage you to keep up with related news in the Wall Street Journal (you can see the articles for free in Factiva – login from the Mahaffey Business Library website).

Additional articles, as well as class notes and assignments, are available on Sakai. Announcements will be communicated by e-mail and new materials posted to Sakai as events develop. It is each student's responsibility to monitor his or her e-mail and the course website for new assignments.

Grading Overview:

Class Participation	30
Group Simulation Exercise	20
Midterm Exam – Tues., February 6	100
Cumulative Final Exam – Fri., March 2	<u>150</u>
Total Points	300

Final grades are assigned on a curve, where a student's final grade will reflect his or her performance relative to the performance of the class as a whole. The college requires a grade point average between 3.3 and 3.6 for this course.

Evaluation & Assignment Details:

1) Exams

There is a mid-term exam and a comprehensive final exam. Exams consist of qualitative questions as well as numeric problems. Exams will cover in-class lectures and discussions, handouts, assigned readings, example problems, and case materials. Cell phones and similar devices are not permitted in exams. Contact me during the first week of class regarding any exam conflicts.

2) Group Simulation Exercise:

Student teams will participate in a live merger negotiation simulation. Each team will be assigned a different role in the simulation and will receive private information that will allow them to formulate a negotiation strategy as either a buyer or target firm in an acquisition offer. Teams will receive a score based on a pre-negotiation valuation exercise and the outcome of the negotiation. Groups will also write a short reflection about their experience of the simulation that will be part of their class participation grade.

3) Class Participation:

I expect you to be prepared for and actively-engaged in all class discussions. You don't have to have all the correct answers to meaningfully contribute to in-class discussions: thought-provoking questions from students are often more valuable than simply providing correct responses to the questions I pose. The best way to prepare is to spend adequate time reading the assigned materials, and then think through the pertinent issues. It is perfectly acceptable to form study groups and work with other students on class preparation if you find that helpful.

Honor Code:

Academic dishonesty of any form is unacceptable. Any breach of academic integrity, however small, compromises the mission and reputation of the University and damages the personal integrity of the individual(s) involved. If you choose to participate in this course, I expect that your work will be completed in full observance of the Academic Code of Honor.

Giving or receiving help of any kind on an examination, or failing to report such behavior by others, is an obvious violation of the honor code.

Sharing confidential information provided to your group as part of your role in the merger simulation is also a violation of the honor code.

Students may collaborate on class discussion assignments that are not submitted for grading, but instead serve as preparation for class discussions and as study for the exams.

Classroom Code of Conduct:

Respect for others and for the learning process is crucial. To ensure an environment where everyone has the opportunity to learn to their fullest potential, you should come to class prepared to be “fully engaged” in the class. “Fully engaged” means prepared for class, actively contributing to the discussion, listening carefully and responding respectfully to the contributions of other students, and striving to learn as much as possible in every class.

It also means no distractions! Avoid distracting side conversations, and don't have anything out during class time that you will find distracting. Electronic devices should be used only to enhance the classroom experience, not detract from it – put your phone on silent mode before class starts – this is NOT the time to check your messages, send text or e-mail messages, or surf the web! It is appropriate to use your laptop during case discussions so you will have access to your Excel spreadsheets and other analysis. It may be appropriate to use your laptop to look up information that supplements our in-class discussion, but it is easy to cross the line on this, so it is your responsibility to be sure that the laptop doesn't become a distraction for you OR for those around you. You will definitely get out of the class what you put into it, so plan now to be fully engaged in every class, and to respect the contributions that others can make to the class and to your own learning.