

Master in Finance

Mergers, acquisitions and other corporate restructurings 2016-2017

1. COURSE FACULTY

Professor: João Carvalho das Neves

Office 605 Miguel Lupi Building

Email: jcneves@iseg.ulisboa.pt

Assistant Professor: Telmo Francisco Vieira

Email: tfv@iseg.ulisboa.pt

2. LEARNING GOALS

This course introduces students to the fundamentals and critical issues of economics of mergers and acquisitions and other forms of corporate restructuring.

Students will develop critical analysis of key financial issues on mergers and acquisition, and will grasp the main opportunities and risks of the company's strategic, operational and financial alternatives:

1. Understanding the overall process of mergers and acquisitions.
2. Integrating multi-disciplinary knowledge of the complex process of mergers, acquisition (M&A) and other forms of restructuring, including business strategy, organizational, valuation, taxation, legal and behavioural issues.
3. Understanding the reasons for the successes and failures of M&A.
4. Applying valuation techniques to adequately value any kind of company
5. Managing the process of M&A, and how to structure a deal.

The course will also addresses crucial questions including:

Why do mergers that looked so great on paper fail in so many cases?

How does one value companies for acquiring, or being acquired?

Is there a best negotiation strategy?

How can the management make the "synergy" come true?

How can a mergers and acquisitions be structured and funded to retain corporate flexibility?

When do leveraged buy-outs and management buy-out make sense, and how can they be financed?

3. PROGRAM

1. Overview of mergers, acquisitions and corporate restructurings (JCN)
The importance of mergers, acquisitions and corporate restructuring
Types of mergers and acquisitions
Other forms of restructuring
History of mergers and acquisitions
Legal framework
M&A process and critical issues for success

The financial theory and value creation for shareholders
Assignment: Why do mergers fail?

2. Valuation for M&A (JCN)
Why should value creation be the criterion of decision?
Valuation Methods
Case study: The use of comparables in M&A valuation
Case study: Valuation using DCF techniques
Assignment: Valuation of a company
3. The M&A strategy (TFV)
Economic motives for M&A
M&A strategies
Assignment: Case study on M&A strategies
4. The Due Diligence (TFV)
The importance of the due diligence in M&A
Due diligence and strategic integration risk factors
Due diligence and organizational dynamics
Due diligence and human capital
Due diligence and information technology
Due diligence and operations
Due diligence, legal, taxation and economic and financial risks
Assignment: Due Diligence exercise
5. Negotiation styles and strategies (JCN)
Negotiation skills development in friendly acquisitions
Assignment: Role-playing on reaching goals through a negotiation
Hostile takeovers: Antitakeover measures and takeover tactics
6. Financing the M&A and other corporate restructuring (TFV)
The financial system and the market for corporate control
Financing alternatives and analysis of effectiveness
Assignment: Case Study on how to adequate the finance strategy to a deal
7. Accounting and taxation of M&A and other corporate restructuring (TFV)
The accounting of business combinations under IAS/IFRS
Taxation of business combinations
Assignment: Case study on business combination accounting
8. Other forms of restructuring (TFV)
Leverage buy-outs
Management buy-outs
Restructuring in bankruptcy
Case studies: LBO, MBO and Bankruptcies

9. Integration of mergers and acquisitions (TFV)
 - Concepts of change management
 - Organization dynamics created by M&A
 - Human capital integration
 - Corporate governance models and M&A
 - Case study: Corporate Governance in post-acquisition

4. TEACHING METHODOLOGY

The course uses analytical framework and case studies to introduce key issues and techniques of mergers, acquisitions and other forms of corporate restructurings.

Students will explore mergers and acquisitions from an integrated management approach. Business valuation is a major component of the course, but it is integrated with other critical issues, such as, corporate strategies for growth, due diligence, behavioural aspects and negotiation techniques, accounting and taxation issues, financing the acquisition, legal issues, corporate governance of the involved companies and post-merger integration

Directors of companies are invited to share their experience with students. They will provide their own perspectives in structuring, valuing, negotiating and completing successful transactions and mergers integrations.

Students will analyze specific deals and learn how to manage the process of M&A in order to create value and how to minimize risks of failure.

5. EVALUATION/GRADING

The evaluation method is based on multiple criteria weighting as follow:

- One Essay 15%
- Group Case Write-Up and Presentation 30%
- Final Exam 55%

It is a requirement to pass to get a minimum of 9.5 out of 20 in the final exam.

One Essay assignment refers to an M&A issue that is to be prepared by students. Assignments have to be prepared following the best practices applicable to research papers preparation. Students are encouraged to prepare research papers that can be further developed to integrate in their final master project.

Case studies consists of analyzing, solving and presenting case-studies. Students are organized in syndicated groups of three to five members and will prepare a written report (hard copy), together with an Excel spreadsheet (when applicable) and a PowerPoint presentation that will be presented in one of the last three classes.

FUNDAMENTAL BIBLIOGRAPHY

DePamphilis, Donald (2015). *Mergers, Acquisitions and Other Restructuring Activities*, Elsevier

OTHER REFERENCES

- Arzac, Enrique (2008). *Valuation for Acquisitions, Buyouts and Restructurings*, John Wiley & Sons
- Bruner, Robert (2004). *Applied Mergers and Acquisitions*, John Wiley & Sons
- Damodaran, Aswath (2006). *Damodaran on Valuation*, John Wiley & Sons
- Fisher, Roger; William Ury and Bruce Patton (1992). *Getting to Yes: Negotiating Agreement Without Giving In*, 2^a Ed., Houghton Mifflin, N.Y.
- Haspeslagh, P. and D. Jemison (1991), *Managing Acquisitions: Creating Value through Corporate Renewal*, Free Press, N.Y.
- International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS)
- Koller, Tim; Marc Goedhart and David Wessels (2015). *Valuation: Measuring and Managing the Value of Companies*, 6th Edition, McKinsey & Company Inc.
- Neves, João C. (2000), *Avaliação de empresas e negócios*, McGraw-Hill (in Portuguese)
- Sudarsanam, Sudi (2010), *Creating Value from Mergers and Acquisitions*, Prentice Hall.

PAPERS AND ARTICLES

- Luehrman, T. (1997), What is Worth?, *Harvard Business Review*, Maio-Junho, 132-142
- Luehrman, T. (1997), Using APV: A Better Tool for Valuing Operations?, *Harvard Business Review*, Mai-Jun, 145-154.
- Jensen M.C. and Meckling W.H. (1976); "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, vol. 3, 305-360.