

Master in Finance

Mergers, acquisitions and other corporate restructurings 2017-2018

1. COURSE FACULTY

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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 behavioral 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. Learning the critical issues of managing successfully the process of M&A and structuring the deals.

The course will also addresses crucial questions including:

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

How to value companies for acquiring, or selling?

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 to finance the deal?

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. Other critical issues of the course are corporate strategies for growth, due diligence, behavioral aspects in M&A, 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.

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.