

# Master in Finance

## Mergers, acquisitions and other corporate restructurings

### Syllabus

### 2018-2019

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#### 1. COURSE FACULTY

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#### 2. LEARNING GOALS

This course introduces students to the fundamentals and critical issues 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 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  
Economic motives for M&A  
M&A process and critical issues for success  
The financial theory and value creation for shareholders  
Assignment: Why do mergers fail?

## **2. The M&A strategy (JCN)**

Why do mergers fail?  
M&A strategies  
Search & screening target firms  
Discussion: Cases studies on M&A strategies

## **3. Valuation for M&A (JCN)**

Valuation Methods:  
Relative valuation or comparable approach  
*Assignment for evaluation (15%): Shire acquired by Takeda Pharmaceutical – M&A strategy of Takeda, the potential synergies of the acquisition and relative valuation of Shire*  
Discounted cash flow methods  
Case study Leblanc Lenoir: Valuation using DCF techniques  
*Assignment for evaluation (30%): Valuation of “Padaria Portuguesa”*

## **4. 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

## **5. 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

## **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 M&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.

Participants in M&A, such a director of a company, a lawyer, a banker or a business consultant can be invited to share his experience with students. This person will provide his own perspective 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 case study on M&A Strategy and relative valuation 15%
- Group Case Study Report 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 case study on M&A strategy and relative valuation.** Assignments have to be prepared following the best practices applicable to research papers. Syndicated groups of three to five members will prepare a written report and deliver a hard copy to be grade weighting 15% of the evaluation.

**Case study – a company valuation report.** This assignment consists of valuation report of a real company and the students will present this case to the teachers that simulate to be their client as a potential buyer of the target. Students are organized in syndicated groups of three to five members and will prepare a written report (hard copy), together with an Excel spreadsheet and a PowerPoint presentation that will be presented in one of the last three classes.

#### **FUNDAMENTAL BIBLIOGRAPHY**

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#### **OTHER REFERENCES**

Arzac, Enrique (2008). *Valuation for Acquisitions, Buyouts and Restructurings* (2<sup>nd</sup> Ed.), John Wiley & Sons

Bruner, Robert (2015). *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<sup>a</sup> Ed., Houghton Mifflin, N.Y.

Haspelslagh, P. and D. Jemison (1991), *Managing Acquisitions: Creating Value through Corporate Renewal*, Free Press, N.Y.

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Koller, Tim; Marc Goedhart and David Wessels (2015). *Valuation: Measuring and Managing the Value of Companies*, 6<sup>th</sup> 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's it Worth?, *Harvard Business Review*, Maio-Junho, 132-142

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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.