Course Objective:
The aim of the course is to provide an understanding of key concepts and institutions involved in mergers and acquisitions and corporate buyouts. Using lectures and case studies, this course will allow students to develop skills necessary to structure a deal or form an opinion about a proposed transaction. While issues regarding motive and strategy will be discussed, financial theory would be the main lens used to view these control acquiring transactions. The course assumes familiarity with valuation analysis and is most suitable for finance majors who are considering careers in corporate finance, investment banking, private equity, and consulting.

Format:
This course will be taught synchronously online via Zoom. Some content may be pre-recorded and made available on Canvas. When appropriate, pre-recordings may replace some of the class time. All lectures and case discussions will be recorded and available to view for a limited time following the class. Slides will be posted ahead of time to allow students sufficient time to print them before class.

Reading Materials:
The course materials include several cases and readings. You should focus on the case analyses and use the readings as background and reference material.

• Course Reader (cases and articles)
• Materials and lecture notes on the course webpage in Canvas
• Recommended (but not required) for background reading:

Study Groups:
The term project, case assignments, and in-class presentations will be group work. Students should organize themselves into groups of four or five. All teams should self-register on Canvas by no later than 11:59pm PST on DD/M. You may use the discussion board on Canvas to post that you are looking for a team member or a group. If a student does not self-register by the deadline, s/he will be randomly assigned to a
group. It is the student’s responsibility to contact the other team members and arrange meetings. Groups must be fixed throughout the semester. Diverse backgrounds within the group is beneficial. Since group work is a cooperative undertaking, students are urged to ensure that they form groups that can work effectively. Although brief discussions across different groups are allowed, exchange of analysis and calculations is not.

Student Responsibilities and Assessment:

1. **Class Participation and Attendance:** (XX% of the course grade): Participation is an important and essential part of this course. Because so much learning in this course occurs in the classroom, it is required that you attend every class in real time with your web camera on. You need to make sure that your zoom log in name matches your name on your academic record, otherwise I may not be able to track your attendance. Moreover, there will also be in-class polls given at random times which will enable me to monitor your presence during the class. Missing up to two classes for any reason (illnesses, interviews, religious holidays, case competitions etc.) will not affect your attendance score. Any absences beyond two will lower your attendance grade.

   Your participation score will be determined based on two factors. First, students are expected to actively participate to the class. You may use the “raise hand” function in Zoom to show that you would like to contribute. I encourage voluntary participation but may also cold call to ensure that the class enjoys the benefit of every student’s contribution. Class participation is scored individually and based on your contributions in each session you will receive 0 (no participation), 1 (minimal participation) or 2 (active and contributing to the flow). I consider quality of your comments as well as quantity. The overall class participation grade is based on each student’s total participation score over the term. Second, each student will anonymously evaluate his/her team members for each case and project submission. Your team members’ evaluation of your efforts will contribute to your participation score. Inadequate class participation combined with several absences can lead to a failing grade.

2. **Group Assignments:** (XX% of the course grade): There are two cases, Dow and HCA, for which each group is expected to submit a soft copy of their conclusions in a 2-3 page long executive summary. Supporting computations and tables can be included in an appendix. Groups must submit the .xls file along with their executive summary prior to class discussion. All the assumptions and mathematical formulas used should be provided (preferably as a footnote). Raw data from the case exhibits in .xls format, and sometimes hints to help guide the analysis, are available on Canvas.

3. **Midterm:** (XX% of the course grade): There is a midterm during the semester (MM/DD). You will be tested on the concepts and methods studied in this course. There is no final exam.

4. **M&A/LBO Proposal:** (XX% of the course grade): Each group is asked to choose one of the following:

   A. Proposing a potential M&A transaction, taking the role of an investment bank pitching the deal to the bidder or the target. Using the analytical tools, you should select a bidder and a target, and
structure the transaction. The analysis should cover different aspects of the deal, such as the strategic and economic benefits, target and synergy valuation, method of payment, bidding strategy, target management reaction, and corporate governance issues.

B. Proposing a potential LBO transaction, taking the role of a private equity associate pitching the deal to the investment committee. Using the analytical tools, you should identify a target firm as a financial buyer and prepare a buyout proposal. The analysis should cover different aspects of the deal, such as the deal rationale, sources of operational improvements and growth opportunities, bidding strategy, and exit strategy.

A written report and a power point presentation (10-15 minutes) are due at 11:59pm (PST) on DD/M. Three to four selected groups will present their term projects on the last day of class (DD/M). The remaining groups should record and submit their presentation by DD/M. Students will evaluate their team members after submitting the project.

Regrade Policy:
Grades are non-negotiable. You may submit a re-grade request to me if you believe that there is a grading error. Each re-grade request must include a concise written explanation of the problem accompanied by the original graded assignment and must be submitted within one week after the assignment is graded and made available for review. Please note that re-grading applies to whole assignment, not just the part(s) that are mentioned in your request. As a result, the regarded score may increase, remain the same, or decrease. There are no subsequent appeals of the grading.

Code of Ethics
Assignments submitted for grading should be your or your team’s own work only. Most cases in this course involve actual companies. You may use firm specific or market data that are publicly available for your analysis. However, you cannot use old notes, handouts, or solutions to the cases from previous or other sections of this course or similar courses elsewhere for your written reports and class discussions. Failure to observe this rule may result in a failing grade for the course.

Contact Information:
Instructor: Prof. Doron Levit
Email: dlevit@uw.edu
Office: 434 Paccar Hall
Virtual office hours: TBD
Teaching Assistants: TBD

If you have questions about the material, the best place is the Canvas discussion board. The TAs and I will monitor these boards frequently. This board helps ensure that all students have access to the same information. If your question requires an elaborate answer, please come to the office hours. You are welcome to contact me directly regarding any questions that you prefer not to be shared with others.
**Location:**
Virtual classroom address: TBD
Course website: TBD

**Time:**
1. Undergrad: Monday, Wednesday, 8:30-10:20 and 10:30-12:20
2. MBA: Monday, Wednesday, 1:30-3:20

**Tentative Course Outline:**
This outline is a preliminary guide as to when material will be covered. There may be changes, with advance notice given in class and/or on Canvas. Note that guest lectures may be scheduled outside of the regular class slots due to our guests’ work schedules.

**Session 1: January 4 (Mon)**
Class organization
Introduction to M&A and Takeover Motives

**Session 2: January 6 (Wed)**
Valuation review

**Session 3: January 11 (Mon)**
Synergy valuation and target stand-alone value
CASE1: Monmouth

**Session 4: January 13 (Wed)**
Accretion and dilution, exchange rate, payment method
CASE1: Monmouth

**No class (MLK Day): January 18 (Mon)**

**Session 5: January 20 (Wed)**
Transaction design, sale process, and purchase agreements

**Session 6: January 25 (Mon)**
Merger agreement, impact the global economic and financial crises, synergy valuation
CASE2: Dow’s Bid for Rohm and Haas

**Session 7: January 27 (Wed)**
Bidding strategies, hostility, and defensive tactics
CASE3: Air Products' Pursuit of Airgas
Session 8: February 1 (Mon)
Cross border and international M&A
CASE 4 Vodafone AirTouch’s Bid’s For Mannesmann

Session 9: February 3 (Wed)
Hostile takeovers, contingent value rights, and activist investors
CASE 5: Canadian Pacific’s bid for Norfolk Southern

Session 10: February 8 (Mon)
Expected deal probability, merger arbitrage, and empty voting
CASE 6: Mylan Laboratories’ proposed merger with King Pharmaceutical

Session 11: February 10 (Wed)
Guest Speaker TBA

No class (Presidents’ Day): February 15 (Mon)

Session 12: February 17 (Wed)
Midterm

Session 13: February 22 (Mon)
Private equity overview
Differences between financial and strategic acquirers

Session 14: February 24 (Wed)
LBO model and value creation

Session 15: March 1 (Mon)
LBO modeling and the cash-flows to equity method
CASE 7: SunGard

Session 16: March 3 (Wed)
CASE 8: HCA

Session 17: March 8 (Mon)
Private Equity Fund Structure

Session 18: March 10 (Wed)
Merger/LBO deal proposal presentations