



Mergers and Acquisitions - FIN 458/558

Winter 2021

Preliminary Syllabus

Professor Doron Levit

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 pack (HBS cases), available at: <https://hbsp.harvard.edu/import/784714>
- Materials and lecture notes on the course webpage in Canvas
- Recommended (but not required) for background reading:
 - Gaughan, Patrick A., *Mergers, Acquisitions and Corporate Restructurings* 7th ed., Wiley, 2018 (below referred to as Gaughan)
 - Thomas Meyer and Pierre-Yves Mathonet, *Beyond the J Curve: Managing a Portfolio of Venture Capital and Private Equity Funds*, the Wiley Finance Series, 2009.

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 group members must be enrolled to the same section. All teams should self-register on Canvas by no later than **11:59pm PST on Thursday 01/14**. 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.

Grade Decomposition

4 Quizzes	30%
2 Case Assignments	30%
Merger/LBO Deal Proposal & Presentation	30%
Class Participation	10%

Grades will be curved. This means that outcomes will be concentrated near the mean/median with data points symmetrically distributed on either side.

Student Responsibilities and Assessment:

1. Post-Class Quizzes: (30% of course grade)

There will be 4 quizzes. A quiz will be posted on Canvas related to that last 3-4 classes' material. The quiz will be published Thursday evening and will be due at 8am (PST) the following Monday.¹ If you experience any technical issues, you must notify me as soon as possible so that we can fix the issue in a timely manner. There is no make-up for missed quizzes.

2. Case Study Assignments: (30% of course grade)

There are two cases, Dow (due on January 27) and HCA (due on March 1), 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

Case write-ups must be submitted via Canvas and are due at 8:00am PST on assigned dates (please see course schedule below). Late submissions and submissions via email will not be accepted

3. M&A or LBO Proposal: (30% of the course grade):

Each group is asked to propose either a potential M&A transaction or LBO transaction:

- M&A transaction: the group will be 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

¹ The first quiz will be published at the end of the week of January 11.

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.

- LBO transaction: the group will be 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 investment rationale, sources of operational improvements and growth opportunities, and exit strategy.

You should rely on firm and market data that are publicly available for your analysis. However, you cannot use pre-built models that you have used in the past or materials otherwise prepared by professionals. Exchange of analysis and calculations across groups is not allowed.

Each group should fill out the survey on Canvas and disclose the firm they picked by 11:59pm PST Tuesday, March 2.

A written report, power point slides, and a recorded presentation (15 minutes) are due at **8am (PST) on March 10**. Five randomly selected groups will present their proposal live in class (03/10). Exceptional presentation performances will contribute to individual participation scores. Students will evaluate their team members after submitting the project.

4. Class Participation: (10% of the course grade)

Your participation score will be determined based on two factors. First, students are expected to actively participate in the class. You need to make sure that your zoom login name matches your name on your academic record and that you keep your web camera on during the entire class. You may unmute and speak-up or 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. In-class polls will be given at random times to encourage student engagement. Class participation is scored individually and based on your contributions. I consider quality of your comments as well as quantity. 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 can lead to a failing grade.

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.

Academic Integrity

By being a student in this course you acknowledge that you are a part of a learning community at the Foster School of Business that is committed to the highest academic standards. As a part of this community, you pledge to uphold the fundamental standards of honesty, respect, and integrity, and accept the responsibility to encourage others to adhere to these standards.

Access and Accommodations

Your experience in this class is important to me. It is the policy and practice of the University of Washington to create inclusive and accessible learning environments consistent with federal and state law. If you have already established accommodations with Disability Resources for Students (DRS), please activate your accommodations via myDRS so we can discuss how they will be implemented in this course. If you have not yet established services through DRS, but have a temporary health condition or permanent disability that requires accommodations (conditions include but not limited to; mental health, attention-related, learning, vision, hearing, physical or health impacts), contact DRS directly to set up an Access Plan. DRS facilitates the interactive process that establishes reasonable accommodations. Contact DRS at disability.uw.edu.

Religious Accommodations

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy \(https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/\)](https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/). Accommodations must be requested within the first two weeks of this course using the [Religious Accommodations Request form \(https://registrar.washington.edu/students/religious-accommodations-request/\)](https://registrar.washington.edu/students/religious-accommodations-request/).

Contact Information:

Instructor: Prof. [Doron Levit](#)

Email: dlevit@uw.edu

Virtual office hours: Monday, 4:00-5:00pm PST. [Link to Virtual Office](#)

Teaching Assistant: Nathan Fernig, nfernig@uw.edu

If you have questions about the material, the best place is the Canvas discussion board. The TA 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: [Link to M&A Virtual Classroom](#)

Course website: <https://canvas.uw.edu/courses/1434549>

Time:

- Undergrad: Monday/Wednesday, 8:30-10:20 and 10:30-12:20
- MBA: Monday/Wednesday, 1:30-3:20

Important dates:

- 01/14 – Group formation deadline (via Canvas) (midnight PST)
- 01/27 – Submit group assignment #1: Dow’s Bid for Rohm and Haas (8:00 am PST)
- 02/01 – Submit peer evaluation regarding Dow’s Bid for Rohm and Haas (midnight PST)
- 03/01 – Submit group assignment #2: HCA (8:00 am PST)
- 03/02 – Disclose firm selection for LBO Proposal (midnight PST)
- 03/08 – Submit peer evaluation regarding HCA case (midnight PST)
- 03/10 – LBO Proposal & PowerPoint Submission deadline (8:00 am PST)
- 03/10 – LBO Proposal Presentations – Live
- 03/14 – Submit peer evaluation regarding LBO Proposal (midnight PST)

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.

Session 1: January 4 (Mon)

Class Organization and Introduction to M&A

Reading:

- Syllabus...
- Gaughan Ch. 2

Session 2: January 6 (Wed)

Valuation overview

Reading:

- Gaughan Ch. 15

Session 3: January 11 (Mon)

Valuation & Multiples

Reading:

- Case 1: Paradyne Inc.

Session 4: January 13 (Wed)

Synergy valuation

Reading:

- Gaughan Ch.4
- CASE 2: Monmouth, HBS 4226

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

Session 5: January 20 (Wed)

Payment Methods, Exchange Ratios, Accretion and Dilution,

Reading:

- Gaughan Ch.15, p.588-604

Session 6: January 25 (Mon)

Transaction Design, Sale Process, Purchase Agreements

Reading:

- Gaughan Ch.1 and 6

Session 7: January 27 (Wed)

Merger Agreement, Impact of Global Financial Crises

CASE 3: Dow's Bid for Rohm and Haas. HBS 9-211-020

Session 8: February 1 (Mon)

Cross Border M&A

CASE 4: Vodafone AirTouch's Bid's for Mannesmann, HBS 9-201-096

Session 9: February 3 (Wed)

Hostile Takeovers and Defensive Tactics

Reading:

- Gaughan Ch.5

Session 10: February 8 (Mon)

Hostile Takeovers, Contingent Value Rights, Activist Investors

CASE 5: Canadian Pacific's bid for Norfolk Southern, HBS 9-216-057

Session 11: February 10 (Wed)

Expected Deal Probability, Merger Arbitrage, Empty Voting

CASE 6: Mylan Labs' proposed merger with King Pharmaceutical, HBS 9-214-078

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

Session 12: February 17 (Wed)

Private Equity Overview, LBO model

Session 13: February 22 (Mon)

CASE 7: SunGard Data Systems

Cash-flows to equity method

Session 14: February 24 (Wed)

The Role of Debt in Buyouts and Value Creation

Session 15: March 1 (Mon)

CASE 8: Hospital Corporation of America (HCA) Buyout

Session 16: March 3 (Wed)

Private Equity Fund Structure

Session 17: March 8 (Mon)

TBA

Session 18: March 10 (Wed)

M&A/LBO proposal presentations