



## Mergers and Acquisitions - FIN 558

### Syllabus - Winter 2024

### Professor Doron Levit

#### Course Objective:

The aim of the course is to provide an understanding of key concepts and institutions involved in M&A 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 **in-person**. Slides will be posted on Canvas before class. Some content may be pre-recorded and made available on Canvas. When appropriate, pre-recordings may replace some of the class time.

#### Time & Location:

| Section          | Days             | Time      | Location |
|------------------|------------------|-----------|----------|
| FIN 558A/B (MBA) | Monday/Wednesday | 1:30-3:20 | PCAR 293 |

#### Contact Information:

Instructor: Prof. [Doron Levit](#)

Email: [dlevit@uw.edu](mailto:dlevit@uw.edu)

Virtual office hours: Tuesday, 3:30-4:30pm PST: <https://washington.zoom.us/my/dlevit>

Teaching Assistant: Kouros Ghobadi, [kghobadi@uw.edu](mailto:kghobadi@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 attend my virtual office hours. You are welcome to contact me directly regarding any questions that you prefer not to be shared with others.

## 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.

- Materials and lecture notes on the course Canvas website: <https://canvas.uw.edu/courses/1696734>
- Course pack (HBS cases), available for purchase at: <https://hbsp.harvard.edu/import/1122088>
- Recommended (but not required) for background reading: Gaughan, Patrick A., Mergers, Acquisitions and Corporate Restructurings 7<sup>th</sup> ed., Wiley, 2018 [G]

## Study Groups:

The case assignments, M&A/LBO proposals, and in-class presentations will be group work. Students should organize themselves into groups of 4-5 students. All group members must be enrolled in the same section. All teams should self-register on Canvas by no later than 11:59pm PST on Friday 1/19. 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 are fixed throughout the term. Diverse backgrounds within the group are recommended. 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 prohibited.

## Assessment and Grade Decomposition:

Grades will be curved. This means that outcomes will be concentrated near the mean/median with data points symmetrically distributed on either side. **There is no final exam.** The final grade will be composed from the assessment of the following assignments:

### 1. Quizzes: (30% of course grade)

There will be 7 quizzes throughout the term; all quizzes are mandatory except the last one (quiz #7). The quizzes are **individual** assignments. Quizzes contribute equal weights to the final grade. There is no make-up for missed quizzes. However, if a student chooses to take quiz #7, then the quiz with the lowest grade will not be counted for the final grade. Quizzes will include questions about the material that has been covered in previous lectures and/or preparation questions on cases that will be discussed in the next class. Quizzes will be published on Canvas several days before they are due; an announcement will be made. 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.

### 2. Case Study Assignments: (30% of 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 pages writeup. Supporting computations and tables should be included as 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, will be

available on Canvas. Students will evaluate their team members' contributions after submitting the case assignment.

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

Each group is asked to propose either a potential M&A 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 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.

The assignment includes a written report, power point slides, and a live presentation in class. 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)

**Please use name-tents in class.** It will make it easier for me to remember your name. Your participation score will be determined based on three factors. First, students are expected to actively participate in the class. I encourage voluntary participation but may also “random-call” to ensure that the class enjoys the benefit of every student’s contribution. Class participation is scored individually and based on your contributions. I consider the quality of your comments as well as quantity. Second, I will use in-class “Poll Everywhere” to engage students. Answering these live polls will account toward your participation grade. Third, 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. To encourage class attendance, access to class recordings will not be made available without a justified reason.

**Submission Guidelines:**

All assignments must be submitted online via the Canvas website. The deadlines are listed below.

**Tentative Course Outline:**

This outline is a preliminary guide as to when material will be covered. There are 17 sessions throughout the term, plus 3 optional virtual sessions let by the TA. There may be changes, with advance notice given in class and/or on Canvas.

|    | <b>Date</b> | <b>Topic</b>                                  | <b>Reading</b>         | <b>Deadline</b>   |
|----|-------------|---|------------------------|---|
| 1  | 1.3 (Wed)   | Class Organization and M&A Overview           | Syllabus               |   |
| 2  | 1.8 (Mon)   | Does M&A pay and to whom?                     | [G] Ch. 2              |   |
| 3  | 1.10 (Wed)  | M&A Valuation I                               | [G] Ch. 15, p. 551-579 |   |
|    | 1.15 (Mon)  | <b>NO CLASS — MLK Day</b>                     |                        | Quiz 1 @11:59pm   |
| 4  | 1.17 (Wed)  | M&A Valuation II                              |                        |   |
|    | 1.19 (Fri)  | <b>OPTIONAL: review of valuation (online)</b> |                        | Group formation   |
|    | 1.21 (Sun)  |   |                        | Quiz 2 @11:59pm   |
| 5  | 1.22 (Mon)  | Case 1: Monmouth                              | [G] Ch.15, p. 588-604  |   |
| 6  | 1.24 (Wed)  | Synergies                                     | [G] Ch.4               |   |
|    | 1.26 (Fri)  | <b>OPTIONAL: preparation for Dow (online)</b> |                        |   |
| 7  | 1.29 (Mon)  | Transaction Design                            | [G] Ch.1, 6            | Quiz 3 @11:59pm   |
| 8  | 1.31 (Wed)  | Case 2: Dow                                   |                        | Dow: writeup @11:00am<br>Dow: peer evaluation @11:59pm  |
| 9  | 2.5 (Mon)   | Hostile Takeovers I                           | [G] Ch.3, 5, 13        |   |
|    | 2.6 (Tue)   |   |                        | Quiz 4 @11:59pm   |
| 10 | 2.7 (Wed)   | Hostile Takeovers II<br>Case 3: Air Products  | [G] Ch.3, 5, 13        |   |
| 11 | 2.12 (Mon)  | PE Overview & LBO model                       | [G] Ch.8, 9            |   |
|    | 2.13 (Tue)  |   |                        | Quiz 5 @11:59pm   |
| 12 | 2.14 (Wed)  | Case 4: SunGard                               |                        |   |
|    | 2.19 (Mon)  | <b>NO CLASS — President Day</b>               |                        | Identify M&A/LBO Proposal @11:59pm                      |
| 13 | 2.21 (Wed)  | Cash-Flows to Equity and Value Creation       |                        |   |
|    | 2.23 (Fri)  | <b>OPTIONAL: preparation for HCA (online)</b> |                        | Quiz 6 @11:59pm   |
| 14 | 2.26 (Mon)  | Case 5: HCA                                   |                        | HCA: writeup @11:00am<br>HCA: peer evaluation @11:59pm  |
| 15 | 2.28 (Wed)  | TBA   |                        |   |
| 16 | 3.4 (Mon)   | M&A/LBO proposals                             |                        | Proposal writeups @11:00am<br>in-class presentations    |
| 17 | 3.6 (Wed)   | M&A/LBO proposal, Wrap-up                     |                        | in-class presentations                                  |
|    | 3.11 (Mon)  |   |                        | Proposal: peer evaluation: @11:59pm<br>Quiz 7: @11:59pm |

**Technology Courtesy Policy:**

I permit laptops and tablets in class for the explicit use of notetaking and access to course related material in Canvas. Using features such as social media, email, instant messaging, cameras, and phone calls **is not permitted**.

**Use of Artificial Intelligence (AI) in Coursework:**

AI content generators, such as ChatGPT, present opportunities that can contribute to your learning and academic work. However, AI programs are not a replacement for human creativity, originality, and critical thinking, and their misuse may be counterproductive to our learning objective and a violation of academic standards of the University. To strike the right balance, I will adopt the following policy: In general, you are not authorized to use AI content generators, such as ChatGPT, to produce work for this class except on assignments that I have identified and for which you will have received guidance on appropriate use of such technologies. I will provide more information about the specific assignment when the time is appropriate in the course. On all other assignments, you are not permitted to turn in any work that is created, completely or partially, by AI tools. Submissions may be checked for possible AI use using AI detectors.

**Academic Integrity:**

By being a student on 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.

Please note, the academic misconduct policy prohibits students from turning in papers that they didn't write without proper citation. Moreover, you are strictly prohibited from sharing any content from ANY assignment (including but not limited to case assignments and quizzes) with any website or app (including but not limited to Discord, Chegg, Course Hero, and Snapchat) or any other course content repository (virtual OR physical) that is not explicitly approved by the instructor. This prohibition applies both during the quarter that you are taking this course and any time after the course ends.

**Regrade Policy:**

Grades are non-negotiable. However, you may submit a re-grade request if you believe there was a grading error. A re-grade request must be submitted within one week after the graded assignment was made available for students' review. It must include a (concise) typed explanation that highlights the specific alleged grading error, accompanied by the original graded assignment. Please note that re-grading applies to the whole assignment, not just the part(s) that are mentioned in your request. As a result, the re-graded score may increase, remain the same, or decrease. There are no subsequent appeals of the grading.

**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 accommodation with Disability Resources for Students (DRS), please activate

your accommodation 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](https://disability.uw.edu) . Moreover, if you require access to class recordings for a justified reason, please contact me or the TA (please note, this option is not an alternative to class attendance).

**Health and Safety Policies:**

Your safety is my highest priority. All students are required to strictly follow the University's health and safety guidelines. Please note that these guidelines are continually evolving and subject to change. For more details, please see: [UW COVID guidelines](#).

**Religious Accommodations:**

Any student seeking reasonable religious accommodation must provide written notice to the Office of the University Registrar of the specific dates of absence due to religious accommodation, within the first two weeks of the beginning of the course. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy](#). Students who have requested and been denied a religious accommodation and wish to file a complaint should contact the [University Complaint Investigation and Resolution Office \(UCIRO\)](#). UCIRO is responsible for investigating complaints that a university employee has violated the University's nondiscrimination and/or non-retaliation policies, including a failure to accommodate a student under this policy.