FIN4116: Valuation and Mergers & Acquisitions

Semester I 2017/2018

Instructor: Mr. Miguel A. SORIANO, CFA

Office: BIZ 2 #03-04

Email: bizsma@nus.edu.sg

Office Hours: By appointment

Class Hours: Wednesdays 11:00 a.m. to 2:00 p.m., BIZ 1, #02-05

Pre-requisites: **FIN2004, FIN3101**

COURSE OBJECTIVES

The objective of this course is to give students a well-rounded understanding of mergers & acquisitions (M&A), and the essential role that valuation analysis plays as part of an M&A transaction. Specifically, we will study the strategic, economic, financial and governance issues associated with M&A transactions, perform valuation analyses of different transactions, as well as learn how to assess whether a transaction is properly valued. Ultimately, the course will provide the students with a framework for analyzing transactions including understanding strategic rationale, valuation methodologies, deal structures and bidding strategies.

Mergers, acquisitions and divestitures are a daily fact of life and have evolved into a critical part of every CEO or manager's strategic toolbox. Every person who enters the corporate world will most likely be affected by a merger or acquisition at some point in their career. Knowledge about M&A is the foundation for working effectively in a wide range of fields including corporate development, investment banking, consulting and advising senior management.

This course is designed to be an applications oriented course, and will utilize a combination of lectures, analysis of real world case studies and a student project. Classes will be conducted in a participative style; **therefore, student participation is expected and highly encouraged**.

COURSE MATERIALS

- As a reference text ONLY: Bruner, Robert (2004), **"Applied Mergers and Acquisitions"**, Wiley Finance. ***Buying of textbook is optional***
- Case studies, lecture slides and further materials will be posted on the course website and/or distributed in class. Students will be expected to check the course website regularly for both course materials and course announcements

ASSESSMENT

Class Participation	20%
Analysis of Case Studies	20%
Term Project	30%
Final Test	30%
Total	**100%**

Attendance & Class Participation

This is a 100% continual assessment course. Students will be assessed during the classes and throughout the semester and hence, attendance is **essential**. You must not miss more than 2 classes (not including absence due to medical (accompanied by medical certificates) or compassionate reasons.

You are expected to participate actively during all case discussions during class time, as well as ask questions. Moreover, you should follow different M&A transactions in the news and expect to discuss in class (to be further clarified in class).

Analysis of Case Studies

As part of this course, we will review in detail a number of real world case studies in class which will highlight different areas of valuation and mergers and acquisitions. It is imperative for your understanding of the class that you have read and analyzed the cases in advance of class discussion. You will be responsible to provide a small report (maximum 5 pages of text, 12-point font, double-spaced; **you can have separate appendices to support your writeup; appendices do not count as part of the 5-page limit**) for **3 cases** (which I will assign), specifically answering a list of questions which will be provided ahead of time. You should submit the report at the beginning of the class. Grading of the reports will be based on the effort put in, and whether you were able to answer the questions by providing a good rationale / explanation.

Group Project

The class will be randomly divided into 6-8 study groups (depending on the class size). Each group will be responsible for writing up their analysis of a prospective M&A opportunity and presenting their analysis to the class. **The M&A opportunity is something original that you develop; therefore, you need to make sure that you provide a good rationale for doing the M&A deal**. **Please discuss with me your M&A idea before you go ahead and proceed with it.** You will submit both a **report** and a **class presentation.** The report should be no more than **15 pages maximum** (12-point font, double-space; you can have separate appendices to support your work, and the appendices do not count towards the total 15 pages). The class presentation should **be no more than 15 minutes**, with 5 minutes for Q&A. You will be responsible for obtaining all of the necessary information, and for developing your own analysis and valuation templates based on the models that we cover in class.

A suggested outline of the topics your paper and presentation should cover is presented below.

A. INDUSTRY / SECTOR OVERVIEW – BUYER'S PERSPECTIVE
   - Provide an overview of the important characteristics of the industry, including industry trends and outlook

B. STRATEGIC RATIONALE
   - How does this transaction fit into the broader strategy of the acquiring firm?
   - What is the strategic rationale for the selling firm? Why would they want to sell?
   - Is the acquisition related or unrelated to the buyer's operations? If the buyer is a private equity firm, discuss whether the buyer has invested in this industry before

C. VALUATION ANALYSIS
   - Provide a summary (with supporting tables in an Appendix) for the proposed valuation of the target firm
   - Potential synergies and valuation of synergies

D. DEAL TERMS AND FINANCIAL IMPACT ANALYSIS
   - Proposed deal structure and how will the deal be financed?
   - Accretion/dilution analysis
   - IRR Analysis (if it is a Leveraged Buyout)

E. POTENTIAL ISSUES AND RISKS
   - Discussion of potential issues and risks that may be encountered in the negotiation and integration of the two firms

We will discuss the term project in more detail in class as the semester progresses.

Final Test

There will be a time-limited, **closed notes, no cheat sheet,** final test at the end of the course. You will be tested on both the concepts and the methods studied in this course. Since this is a

100% CA class, all materials, case studies, guest lectures, etc. covered in class will be considered as part of the test.

TENTATIVE COURSE OUTLINE

Date	Outline
16 Aug	Introduction to Mergers & Acquisitions
23 Aug	Valuation of Firms – Part 1
30 Aug	Valuation of Firms – Part 2 / Assignment of Case Study #1
6 Sep	Review of Case Study #1 / The M&A Process / Assignment of Case Study #2
13 Sep	Valuation of High Growth, Young Companies / Potential Guest Lecture
20 Sep	Review of Case Study #2 / M&A Transaction Terms and Deal Design / Assignment of Case Study #3
27 Sep	Recess Week
4 Oct	Accounting for M&A Transactions / Assignment of Case Study #3
11 Oct	Corporate Governance, Takeover and Anti-takeover defenses
18 Oct	Review of Case Study #3 / Cross-Border M&A Transactions / Other M&A Analyses
25 Oct	Potential Guest Lecture / M&A Hackathon
1 Nov	Post-Merger Integration / Leveraged Buyouts
8 Nov	Group Project Presentations / Group Project Reports Due
15 Nov	Final Test

ACADEMIC INTEGRITY & PLAGIARISM

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct

Online Module on Plagiarism:

http://emodule.nus.edu.sg/ac/