

Department:

Course Name:

Mergers and Acquisitions

Course No.:

FIN 620

Prerequisite:

N/A

Credit Hours:

3

Brief Description:

This course is an advanced level finance that introduces students to the world of mergers and acquisitions. The world of corporate mergers and acquisitions is dynamic and competitive. The big deals make the headlines of the world's newspapers on a regular basis and change the landscape of global industry. But all too often, after the dust settles, value is lost, not created, in these transactions. Emphasis is placed on actual M&A deals through business cases in order to learn from other's mistakes and assess the reasons for the successes. The student should gain an appreciation for the complexities M&A deals and how to employ industry best practices to improve the odds for success. Main topics include M&A activity, M&A strategy and restructuring, valuing in an M&A setting and methods for corporate valuation, identifying and valuing synergy, risk management and social issues, momentum and acquisition strategies, corporate culture and ethics, negotiating M&A deals, hostile takeovers, deal design and win-win merger.

Course Objectives:

After completion of this course the student will be able to:

1. Demonstrate a thorough understanding of merger acquisitions
2. Describe to M&A deals, strategies and due diligence
3. Identify and value synergies
4. Explain alternative methods of valuing corporations in an M&A setting
5. Demonstrate critical thinking and analytical skills

Course Topics:

1. Merger and Acquisitions: an overview
2. Legal framework
3. Merger strategy
4. Hostile take-over
5. Take-over tactics
6. Levered buyouts
7. Private equity market
8. Corporate restructure
9. Restructuring in bankruptcy
10. Corporate governance
11. Valuing target a firm & due diligence
12. Techniques of corporate valuation
13. Identifying and valuing synergies
14. Joint ventures and strategic alliance
15. Valuation for M&A
16. Tax issues in M&A

Text Book:					
1. Patrick Gaughan (2018), Mergers, Acquisitions, and Corporate Restructuring, 7th edition: Wiley & sons.					

Additional References:					
1. Donald M. DePamphilis (2018), Mergers, Acquisitions, and Other Restructuring Activities, 9th edition: Academic Press Harvard university cases studies on M&A					
2. Harvard business review					
3. Articles on M&A.					

Online Resources:					
<ul style="list-style-type: none"> ➤ Case Studies in Finance: Methods of Valuation for Mergers and Acquisitions, Darden Business Publishing University of Virginia): UN0112 Feb 2009 and Warren E. Buffett, 2005 and Warren E. Buffett, 2005 ➤ Bloomberg Terminal. ➤ Academic databases available through the University's Library website. 					

Extra credit for					
➤ Submission of solution for two finance cases Methods of Valuation for Mergers and Acquisitions, Darden Business Publishing University of Virginia): UN0112 Feb 2009 and Warren E. Buffett, 2005 and Warren E. Buffett, 2005	5	15 th	✕		

Measurement & Assessment Tools:					
Objectives			Obj 1.1 & 1.2	Obj 2.1	Obj 3.1
Assessment tools	Grade	Week (Time period)	1	2	3
Case study analysis/Assignment	15	6-9 th			✕
Midterm	25	10 th	✕		
Project	20	15 th		✕	
Final exam	40	As Dated	✕		
Total	100				
Extra credit					
	5	15 th	✕		

Tentative Course Outline:				
Week	Hours	Topics	Readings	
1	3	An overview: recent M&A trends 3, valuing a transaction, types of mergers, merger professionals, leveraged buyouts and the private equity market, corporate restructuring,		Chapter 1-2

		merger negotiations, deal structure, merger agreement, merger approval procedures, deal closing, short-form Merger and history of mergers.	
2	3	Legal framework: Laws governing mergers, acquisitions, and tender Offers, takeovers and international securities, antitakeover laws, regulation of insider trading and antitrust laws	Chapter 3
3	3	Merger strategy: growth, synergy, operating synergy, diversification, focus hypothesis, possible explanation for the diversification discount, Motives for M&A	Chapter 4
4	3	Hostile takeovers: management entrenchment hypothesis versus stockholder interest hypothesis, rights of targets' boards to resist, preventative antitakeover measures, poison Pills, active antitakeover defenses	Chapter 5
5	3	Takeover tactics: preliminary takeover steps, tender offers, advantages of tender offers, over open market purchases and proxy fights.	Chapter 6
6	3	Leveraged buyouts: historical trends in LBOs, management buyouts, conflicts of interest in management buyouts, financing for leveraged buyouts, returns to stockholders from LBOs, returns to stockholders from divisional buyouts, empirical research on wealth transfer effects, protection for creditors and intra-industry effects of buyouts.	Chapter 8
7	3	Private equity market: history of the private equity and LBO business, private equity market, computing private equity internal rates of return, characteristics of private equity returns, replicating private equity investing, board interlocks and likelihood of targets to receive private equity, bids, secondary market for private equity investments.	Chapter 9
8	3	Corporate restructuring: divestitures, divestiture and spinoff process, managerial ownership and sell-off gains, activists and sell-offs, shareholder wealth effects of spinoffs, equity carve-outs, voluntary liquidations or bust-ups, tracking stocks and master limited partnerships and sell-offs	Chapter 11
9	3	Restructuring in bankruptcy: types of business failure, causes of business failure, bankruptcy trends, reorganization versus liquidation, reorganization process	
10	3	Corporate governance: structure of corporations and their governance, CEO severance payments, managerial compensation, mergers, and takeovers, CEO compensation and power, compensation characteristics of boards that are more likely to keep agency costs in check, role of the board of directors, antitakeover measures and board characteristics, disciplinary takeovers, company performance, CEOs, and boards, merger strategy and corporate governance, CEO compensation and M&A programs, CEO compensation and diversification strategies, agency costs and diversification strategies, interests of directors and M&As, managerial compensation and firm size.	Chapter 13
11	3	Joint ventures and strategic alliances: contractual agreements, comparing strategic, alliances and joint ventures with mergers and acquisitions, joint ventures and strategic alliances	Chapter 14
12	3	Valuation: valuation methods, managing value as an antitakeover defense, benchmarks of value, determining appropriate discount rates, and valuation of the target's equity, marketability of the stock, takeovers and control premiums, valuation of stock-for-stock exchanges and shareholder wealth effects and methods of payment.	Chapter 15
13	3	Valuation: valuation methods, managing value as an antitakeover defense, benchmarks of value, determining appropriate discount rates, and valuation of the target's equity, marketability of the stock, takeovers and control premiums, valuation of stock-for-stock exchanges and shareholder wealth effects and methods of payment.	Chapter 16
14	3	Tax issues in M&A: financial accounting for M&As, taxable versus tax-free transactions, tax consequences of a stock-for-stock exchange, asset basis step-up, role of taxes in the merger decision and capital structure and propensity to engage in acquisitions	
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Approved by Dept. Chair:

Dr Fahad Al Mohaimeed

Date of Approval:

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Extra Information: *(Updated every semester and filled by course instructor)*

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