

Syllabus
GMT6214 Mergers, acquisitions and corporate restructurings
Prof. Dr. Korbinian Eichner
Winter Semester 2021/22

Level	Master	
Credits	3	
Student Contact Hours	2	
Workload	90 hours, of which 30 hours lectures and 60 hours for self-study	
Prerequisites	Basic knowledge in strategic management, accounting and finance	
Time	See LSF for details	
Room	See LSF for details	
Start Date	See LSF for details	
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Summary

Mergers and acquisitions (M&A) represent important corporate events over the lifecycle of any corporation, in which substantial value can be created or destroyed. Sooner or later in one's personal business career, one will most likely participate in mergers and acquisitions in some role or capacity. Top management and board members are continuously reviewing acquisition opportunities and, quite frequently, proposals to sell part or all of their business. Start-up entrepreneurs are evaluating exit prospects and considering buy-side growth possibilities. Investment bankers and management consultants spend a large part of their time advising M&A clients. People in every corporate function are needed in post-merger integration processes. Therefore, understanding the economic, financial and strategic fundamentals of mergers and acquisitions is essential.

The mission of this course is to survey the drivers of success in mergers and acquisitions and develop skills to design and evaluate these transactions. With regards to this mission, the specific learning objectives of this course are the following:

1. Understand the fundamentals of M&A:

Basic knowledge about the field of M&A is the foundation for effective work in a wide range of fields including corporate development, investment banking, consulting, and advising senior management.

2. Identify M&A issues worth attention:

The next stage of professional competency is to develop an understanding of problems and opportunities in an M&A situation. This course highlights elements in the structure and process of every M&A transaction that deserve special attention.

3. Analyze an M&A transaction rigorously:

Valuation analysis is the core skill in M&A and is supplemented by analyses of strategy, financing, and risk management. The course will exercise analytics in these areas.

4. Develop a concept, design a deal, and present a proposal for an M&A transaction:

All transactions begin with the spark of an idea. Translating that idea into a concrete proposal takes a holistic view. Designing a transaction requires skills of analysis and negotiation. The course will survey a number of analytic tools and focus on some strategic frameworks useful in M&A, and the steps necessary to translate a concept into a solid proposal.

5. Form an opinion about a proposed deal:

Being able to connect the dots and see the big picture is essential in M&A. During and at the end of any deal process, one needs to think critically and form a defensible opinion on the merits and risks of the proposed deal.

As this course builds upon skills developed in previous strategic management, finance and accounting courses, students should be familiar in the areas of corporate and business level strategies, as well as financial management. Important concepts, however, will be revisited in class. This course is designed for students with little or no previous work experience in mergers & acquisitions.

Course prerequisites

- **General financial accounting and financial management skills:** Students should be familiar with the general content and structure of financial statements (balance sheet, profit and loss statement, cash flow statement) and financing sources of firms.

- **Capital budgeting skills:** Students should be familiar with basic capital budgeting concepts (in particular net present value and internal rate of return).
- **Basic Excel skills:** Students should be familiar with the main functionalities of Microsoft Excel.

Outline of the Course

Main course topics:

Part I: Mergers and Acquisition Environment

1. Introduction to Mergers, Acquisitions, and Other Restructuring Activities
2. Corporate Takeover Market

Part II: The Mergers and Acquisitions Process

3. Planning, Developing Business and Acquisition Plans
4. Implementation: Search through Closing
5. Post-closing Integration

Part III: Merger and Acquisition Valuation and Modelling

6. Merger and Acquisition Cash Flow Valuation Basics
7. Relative Valuation Basics
8. Applying Financial Models in Mergers and Acquisitions

Part IV: Deal Structuring and Financing Strategies

9. Structuring the Deal: Payment Considerations
10. Structuring the Deal: Accounting Considerations
11. Financing the Deal

Part V: Private Equity

12. Private Equity and Leveraged Buyouts

Course contributions to the MBA program goals / learning outcomes

Goal	Learning Objectives	Course Contributions to Goal	Assessment
1 Responsible leadership in organizational contexts	1.1 Knowledge of leadership principles 1.2 Application of leadership principles 1.3 Critical reflection of leadership concepts	<ul style="list-style-type: none"> • Understand how to communicate the merits and risks of M&A to stakeholders • Understand the risk of value destruction in M&A • Understand the relevance of negotiations in M&A • Understand the merits of a financial due diligence in M&A • Be familiar with the concept of capital stewardship of top management teams 	<ul style="list-style-type: none"> • Discussion within classes • Exercises within classes • Case study (group work)
2 Creative problem solving skills in a complex business environment	2.1 Ability to identify, differentiate and classify problems 2.2 Ability to analyze problems (instrumental competence) 2.3 Ability to find creative solutions (systemic competence) 2.4 Ability to present problems (communicative competence)	<ul style="list-style-type: none"> • Understand how to analyze a proposed transaction • Become familiar with structuring a deal • Know how to value a target firm • Understand how to measure synergies • Understand how financing structures in M&A influence shareholder value 	<ul style="list-style-type: none"> • Discussion within classes • Exercises within classes • Case study (group work)

3 Research skills	3.1 Methodological knowledge (extending knowledge) 3.2 Competence in applying relevant state of the art research methods (instrumental competence) 3.3 Ability to collect innovative results by using relevant research methods (systemic competence)	<ul style="list-style-type: none"> • Understand sources of performance improvements after the integration of a target firm • Understand measurement possibilities of performance improvements • Know where to source from publicly available financial data, required for benchmarking performance and for valuation • Review fundamental descriptive statistic of data sets 	<ul style="list-style-type: none"> • Discussion within classes • Exercises within classes • Case study (group work)
4 Management of Innovation	4.1 Fundamental knowledge of operational innovation processes 4.2 Ability to assess a company's innovation potential 4.3 Ability to develop complex technological strategies	<ul style="list-style-type: none"> • Understand the relationship between innovation and purchase price • Understand how to measure innovation capabilities of firms in M&A 	<ul style="list-style-type: none"> • Discussion within classes • Case study (group work)
5 Management of the challenges of global sustainability and awareness for social and corporate responsibilities	5.1 Fundamental knowledge of sustainability issues 5.2 Ability to identify and analyze sustainability issues and its causes 5.3 Development of sustainability strategies	<ul style="list-style-type: none"> • Understand the merits and risks of cross border deals • Understand the tradeoff between synergies and headcount reduction 	<ul style="list-style-type: none"> • Discussion within classes

Teaching and Learning Approach

The course consists of two main elements:

(1) Interactive lectures with discussion:

The first part of the course focusses on the principles of mergers and acquisitions. This is accomplished primarily by a lecture-style approach including class discussions and exercises. Preparation based upon suggested basic readings and continuing active class participation throughout the term is expected. The slides and additional materials for each session will be up-loaded to the e-learning platform. The lectures cover the main course topics as outlined above.

(2) Preparation of case study solution:

Case studies represent a valuable tool to explore individually the subjects that the course covers during the semester. Besides, they allow students to apply M&A concepts to real world problems. Therefore, students will work on a case study in groups during the semester which will be graded.

Literature and Course Materials

Basic Reading:

DePamphilis, D., *Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions*, latest edition, Academic Press.

Additional Readings:

Bruner, R., Perella, J., *Applied Mergers and Acquisitions*, latest edition, John Wiley & Sons.

Gaughan, P., Mergers, Acquisitions, and Corporate Restructurings, latest edition, John Wiley & Sons.

Rosenbaum, J., Pearl, J., Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions, latest edition, John Wiley & Sons.

Slides, as well as other course and background material will be uploaded to Moodle throughout the semester.

Assessment

The grade for the course “Mergers, acquisitions and corporate restructurings” is based upon:

a submitted case study solution

[group assignment] (100%).

The case study will deal with fundamental topics of M&A. The solution to the case study needs to be handed in prior to a deadline communicated by the lecturer.

Grades will range between 1.0 (very good) and 5.0 (fail), in 0.3 and 0.7 steps.

- 1.0 Very good, a performance significantly above the average.
- 2.0 Good, an above average performance.
- 3.0 Satisfactory, an average performance.
- 4.0 Adequate, a below average performance with noticeable shortcomings.
- 5.0 Fail, an unacceptable performance.

Schedule

See LSF for details.