

Prof. Dr. Korbinian Eichner

Office hours: 12:00 pm – 01:30 pm (W2.3.06)

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Mergers, acquisitions and corporate restructurings (GMT6214)

Syllabus

Winter Term 2019/20

Time:	Thursdays, 03:30 pm – 05:00 pm and 05:15 pm – 06:45 pm, running from 10 October 2019 until 21 November 2019
Room:	W1.4.01
Begin:	10 October 2019 (until 21 November 2019)
ECTS-Credits:	3
Level:	Advanced
Prerequisites:	Basic knowledge in strategic management, accounting and finance
Accessibility:	<ul style="list-style-type: none"> - Elective for 3rd semester MBA-IM students - open to international guest students on MBA-level - open to other HS PF graduate students

Learning objectives:

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 supplement by analyses of strategy, dilution, 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 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

Main course topics:

Part I: Mergers and Acquisition Environment

1. Introduction to Mergers, Acquisitions, and Other Restructuring Activities
2. The Corporate Takeover Market: Common Takeover Tactics, Anti-Takeover Defenses, and Corporate Governance

Part II: The Mergers and Acquisitions Process

3. Planning, Developing Business and Acquisition Plans
4. Implementation: Search through Closing
5. Postclosing 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 to Value, Structure, and Negotiate Mergers and Acquisitions
9. Analysis and Valuation of Privately Held Companies

Part IV: Deal Structuring and Financing Strategies

10. Structuring the Deal: Payment and Legal Considerations
11. Structuring the Deal: Accounting Considerations
12. Financing the Deal

Part V: Alternative Business and Restructuring Strategies

13. Business Alliances: Joint Ventures, Partnerships, and Strategic Alliances
14. Alternative Exit and Restructuring Strategies: Divestitures, Spin-offs

Basic outline and organization:

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 uploaded 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 which will be graded during the semester.

Grading:

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.

Course Material:

Basic Reading:

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

Additional Readings:

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

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

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

Availability of the lecturer:

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