

Mergers and Acquisitions - I

Spring 2019, 1st half-semester (January 14 to March 8)

Prof. Vijay Yerramilli

Class Time/ Venue: Wednesday 6:00–9:00pm, CEMO 109
Office: 240D Melcher Hall
Office Hours: Wednesday 4:00–5:00pm, or by appointment
e-mail: vyerramilli@bauer.uh.edu
Phone: (713) 743 2516
Website: <http://bauer.uh.edu/yerramilli>

Course Overview

Mergers and acquisitions (M&As) are the most important form of corporate restructuring, and have significant impact on shareholders, consumers, labor and other stakeholders. This course is the first part of a semester-long sequence of two 1.5-credit courses (M&A-I and M&A-II) aimed at providing you with an in-depth understanding of M&A transactions. See the appendix for a tentative schedule and list of topics covered in M&A-I.

A thorough understanding of M&As is important for corporate finance professionals. It lays the foundation for effective work in a wide range of fields, such as, corporate development, investment banking, private equity, and consulting.

Prerequisites

FINA 7A10 (Intermediate Corporate Finance: Valuation) is a necessary prerequisite. You are expected to have a thorough understanding of all the valuation techniques covered in FINA 7A10. We will not have time to review this material.

You must also be comfortable with Microsoft Excel because the case studies require you to build and analyze complex spreadsheets.

Course Material

I have posted my lecture slides, spreadsheets, homework problems, and case study assignment questions on Blackboard (<http://www.uh.edu/blackboard>). I also make important announcements through Blackboard. It is your responsibility to keep track of these.

The case studies are available at Harvard Business School Publishing (HBSP). I have prepared a case packet, which is available at <https://hbsp.harvard.edu/import/596332>. Once you log in to HBSP, click on “*My Courses*” and select the course name “*M&A-I (Spring 2019)*”.

There is no required textbook for this class. If you are interested in a book that covers this material in great depth, then I recommend “*Mergers, Acquisitions, and Other Restructuring Activities*,” by Donald M. DePamphilis, Academic Press. It is definitely a worthwhile investment for students specializing in finance.

Grading

Grading will be based on the following components: **final exam (40%)**, **case studies (40%)**, and **quizzes (20%)**. There are no fixed cutoffs for determining the letter grades because I grade on a curve. Class participation is encouraged and will be rewarded at the margin. On the other hand, free-riding on case studies will be penalized. Below is a detailed description of the individual components in the grading schedule.

Final Exam

A comprehensive final exam will be held from 6:00–9:00pm on **March 6 (Wednesday)**. This will be a closed-book and closed-notes exam. However, you are allowed to bring a “cheat-sheet” with notes written/ typed on one side of one sheet (8.5”x11”), to help you recall essential formulas and procedures.

You should also bring a calculator (and some spare batteries!) because I do not allow use of computers during the exam. Make sure you know how to operate the calculator. The best way to prepare for the final exam is to solve the homework problems with the aid of the cheat-sheet and the calculator.

Case Studies

There are *three case study assignments* in this course. You will work on case studies in teams of 4. Given the importance of teamwork in this class, it is imperative that the teams are in place before the second class. If you know who you want to work with, send me an email containing the names of your team members by *5:00pm on Saturday, January 19*. If not, I can assign you to a team.

You should not get help from outside sources or from other teams while working on case study assignments. Doing so without my permission will be regarded as *academic miscon-*

duct.

All case studies are equally weighted. The specific questions for each case study are available on Blackboard, and the submission deadlines are listed in the Appendix. There is one report per term. Designate a team member *to submit the report (in PDF format) electronically on Blackboard* before the deadline. You don't need to submit the Excel spreadsheet unless I ask for it.

You will receive the team score on your case report within a week of submission. My grading will be based on your quantitative analysis as well as the quality of the written report. Here are some pointers on how to prepare a case report:

- The report should consist of concise responses to the case questions, supported by tables, figures, and quantitative analysis. Do not waste space rehashing the facts of the case or other irrelevant details.
- Do not use information from outside sources. Base your analysis only on the information provided to you in the case, plus any additional assumptions that I may have provided along with the case questions.
- The report must contain all the exhibits that are necessary to support your written analysis, so that the reader can understand your analysis without having to go through your Excel spreadsheet.
- Use font size of 11 or higher. Make sure that the tables and other exhibits are professionally formatted and are readable.

All students are required to submit a *confidential and mandatory peer evaluation* of their teammates at the end of the course. The integrity of the peer-evaluation is essential to avoid free-riding within teams. I could downgrade your final letter grade by several notches if you receive poor grades on your peer evaluation. I reiterate that these evaluations are confidential. I will not share individual evaluations with your teammates under any circumstances.

Quizzes

I will administer quizzes periodically to assess your understanding of the topics covered in class, and to provide you timely feedback regarding your individual performance. You can use the homework questions available on Blackboard to prepare for the quizzes and the final exam. The homeworks do not have to be turned in, and will not be graded.

The quizzes will be administered online through Blackboard so that you may take them at your convenience within a stipulated time frame. To assist in your preparation for the

final exam, I recommend that you treat the online quizzes also as closed-book, closed-notes tests, and rely only on the cheat-sheet (described above) and a calculator.

You will need to download and install the “**Respondus LockDown Browser**” for the University of Houston on your computer in order to take the online quizzes through Blackboard. This is a secure browser for taking exams in Blackboard, and prevents you from printing, copying, going to another URL, or accessing other applications during an assessment. *The quizzes will not be accessible with a standard web browser.* Visit <http://www.uh.edu/fdis/technology/respondus-lockdown/getting-started-lockdown> for more information on how to download and install this browser. A student guide is available at http://www.uh.edu/blackboard/downloads/Learn_LockdownBrowser_student_guide.pdf.

Miscellaneous Information

Accessibility Statement

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD), and present approved accommodation documentation to their instructors in a timely manner.

Academic Misconduct

The University of Houston’s Academic Honesty Policy is strictly enforced by the Bauer College and by this professor. A discussion of the policy is included in the UH Student Handbook, <http://www.uh.edu/dos/studenthandbook>. It is your responsibility to fully understand and comply with all principles contained within this Handbook. Please make sure you understand this policy and in particular, you understand the meaning of plagiarism.

Appendix: Course Schedule

Week 1
(January 16) Broad overview of M&A transactions.
Article: “New Evidence and Perspectives on Mergers”

Week 2
(January 23) Valuation issues in M&As

Week 3
(January 30) Corporate governance; takeover defense and attack strategies.
Article: “An Overview of Takeover Defenses”

CASE REPORT for “Mellon Financial and The Bank of New York” due by 6:00pm on Feb 2 (SAT)

Week 4
(February 6) Discussion of “Mellon Financial and The Bank of New York”
M&A deal structures; method of payment; and tax implications

Week 5
(February 13) Introduction to leveraged buyouts (LBOs)

CASE REPORT for “Roche’s Acquisition of Genentech” due by 6:00pm on Feb 16 (SAT)

Week 6
(February 20) LBO Valuation
Discussion of “Roche’s Acquisition of Genentech”

CASE REPORT for “Seagate Technology Buyout” due by 6:00pm on Feb 27 (WED)

Week 7
(February 27) Discussion of “Seagate Technology Buyout”
Discussion of the final exam

FINAL EXAM on March 6 (Wednesday), from 6:00–9:00pm
