

FINA 7A33: Mergers and Acquisitions - I

Spring 2023, Session 3

Prof. Vijay Yerramilli

Class Time/ Venue: Class 16749, Wednesday 6:00–9:00pm, CBB 410
Class 16894, Thursday 6:00–9:00pm, ONLINE

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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 schedule and list of topics covered in M&A-I.

A thorough understanding of M&A transactions 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 (Valuation) is a necessary prerequisite. I expect you 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 be comfortable with *Microsoft Excel* because the case studies require you to build and analyze complex spreadsheets. You will be at a significant disadvantage if you are not familiar with Excel. The university provides free Microsoft Office (which includes Excel) to every student. See <https://uh.edu/infotech/services/office365/office-pro-plus/> for details.

Course Material

All my lecture slides, Excel files, homework problem sets, and other material are available on the course page on **Blackboard** (<http://www.uh.edu/blackboard>). We will also use Blackboard for assignment submissions and tests, and I will make all important announcements through Blackboard. It is your responsibility to check this page regularly and to ensure that you are receiving all my announcements through email.

The cases studies and Excel supplements can be downloaded directly from Harvard Business School Publishing (HBSP). I have prepared a **case packet**, which is available at <https://hbsp.harvard.edu/import/1017611>. Once you log in to HBSP, click on “My Courses” and select the course name “M&A-I (Spring 2023)”. (**Note:** You may have to login with your UH email id for HBSP to recognize you as a UH student.)

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 (older edition is fine). It is definitely a worthwhile investment for students specializing in finance.

Equipment/Software

We will use the **Zoom** (<https://zoom.us/>) video conferencing platform for all office hours. Online students will also use Zoom to attend lectures. You will need a computer with a microphone and a webcam in order to participate in the office hours (and lectures, in case of online students). Please utilize headphones or another secondary microphone source for communicating during class. You will find more information on distance learning resources at the following page: <https://www.bauer.uh.edu/distancelearning/students/>.

All the tests in this course will be administered online through Blackboard, for both in-person and online students. 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 tests through Blackboard. This secure browser prevents you from printing, copying, going to another URL, or accessing other applications during an assessment. It also allows for proctoring through a webcam. *The online tests 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.

Respondus has an add-on spreadsheet tool which does not have the full functionality

of Excel, but can handle basic calculations. Alternatively, if you prefer, you can use a calculator for the tests. A basic scientific calculator that does powers is fine.

Grading

Grading will be based on the following components: **final exam (40%), quizzes (30%), case studies (25%), and participation (5%)**. In order to obtain an ‘A’ grade in this class, you must do well on both the team-based case study assignments and the tests. There are no fixed cutoffs for determining the letter grades because I grade on a curve. Below is a detailed description of the individual components in the grading schedule.

Quizzes and Final Exam

I will use periodic quizzes to assess your understanding of specific topics, and a comprehensive final exam to test your overall understanding of the material covered in this course. As noted above, all tests will be administered online through Respondus Lockdown browser. These are closed-book tests but you are allowed to use a one-page “cheat sheet” to help you recall essential formulas and procedures. Use the homework questions available on Blackboard to prepare for the final exam and quizzes. The homework assignments do not have to be turned in, and will not be graded.

Case Studies

There are three equally-weighted case study assignments in this class:

1. Dow’s Bid for Rohm and Haas
2. Playing the Field: Competing Bids for Anadarko Petroleum
3. Seagate Technology Buyout

The specific questions for each case study are available on Blackboard, and the submission deadlines are listed in the Appendix. You will work on case studies in teams of 4, and are required to submit **one report per team**. Designate a team member *to submit the report (in PDF format) electronically on Blackboard* before the deadline. 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:

- Prepare concise responses to the case questions, supported by tables, figures, and quantitative analysis. Include all the exhibits that are necessary to support the written analysis in the report, so that the reader can understand the report without having to go through your Excel spreadsheet.
- 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.
- Use font size of 11 or higher. Make sure that the tables and other exhibits are professionally formatted and are readable.

Given the importance of teamwork in this class, it is imperative that the teams are in place as soon as possible. If there are classmates that you want to work with, send me a team request by email *within 24 hours* of the first class; else, I will assign you to a team.

To avoid free-riding within teams, I require all students to: (a) *upload individual spreadsheets* of case studies on the due date to demonstrate that they made an independent attempt to solve the case; and (b) submit a *confidential and mandatory peer evaluation* of their teammates at the end of the semester. I could downgrade your final letter grade by several notches or take other corrective action if I detect any evidence of free-riding.

Participation

I expect you to attend class, and actively participate in the lectures and case discussions. Any unexcused absences, especially on the days on which we discuss cases, will have an adverse effect on your participation grade. I may also assign in-class exercises to assess your understanding of material covered that day and to obtain feedback. These are not quizzes and will not be graded, but will contribute to your class participation grade.

Appendix: Course Schedule

Week 1 (January 18/19)	Broad overview of M&A transactions. <i>Article: “New Evidence and Perspectives on Mergers”</i>
Week 2 (January 25/26)	Valuation issues in M&As
Week 3 (February 1/2)	DISCUSSION: <i>“Dow’s Bid for Rohm and Haas”</i> Corporate governance; takeover defense and attack strategies. <i>Article: “An Overview of Takeover Defenses”</i>
Week 4 (February 8/9)	Introduction to leveraged buyouts (LBOs)
Week 5 (February 15/16)	DISCUSSION: <i>“Playing the Field: Competing Bids for Anadarko”</i> LBO Valuation
Week 6 (February 22/23)	M&A deal structures; method of payment; and tax implications
Week 7 (March 1/2)	DISCUSSION: <i>“Seagate Technology Buyout”</i> Discussion of the final exam

Important Dates:

- **Case 1:** Due by 11:59pm on January 31 (Tuesday)
- **Case 2:** Due by 11:59pm on February 14 (Tuesday)
- **Case 3:** Due by 11:59pm on February 28 (Tuesday)
- **Final Exam:** March 8 & 9 (Wed & Thu)
- Tentative: Quiz 1 (Week 2); Quiz 2 (Week 3); Quiz 3 (Week 5)

Appendix: 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 Justin Dart, Jr. Student Accessibility Center 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, the meaning of plagiarism.

The following are clear examples of academic misconduct:

- Obtaining answer keys, spreadsheets or reports from outside sources, friends, or from other teams while working on case study assignments.
- Discussing test questions and answers with other students before the test is due.
- Copying others' answers or helping others to copy your answers.

Always check with me if you are unsure whether your actions qualify as academic misconduct.