

Mergers & Acquisitions

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Course description

The course on Mergers & Acquisitions (the “Course”) focuses on Mergers & Acquisitions (“M&A”) in both, the public and private financial markets. In the Course we will be combining theoretical concepts and real-life cases, including – among others - fundamentals of such transactions, such as their economic background, strategies, planning and implementation, value implications and related issues. Upon concluding the Course, participants will understand the approach to and the structuring of a full-fledged M&A deal, including: Deal process, payments and selected topics of post-merger integration. A core part of this Course will emphasize the valuation and the pricing of as well as the negotiation towards a deal. Latter aspect will be embedded in the context of strategic and tactical considerations within a complex web of constraints.

This Course has the format of a workshop and comprises 2 morning and 2 afternoon sessions over two days. The highly intensive Course will foremost focus on group work as well as interaction, simulations and discussion in the class room with frontal presentations as needed. Corporate Finance concepts already introduced and discussed in previous NES courses will be applied.

Course requirements, grading, and attendance policies

Participation

- Mandatory and conditional to be graded is a full and timely participation in all sessions
- In order to actively participate, preparation of selected literature – as needed -, participation in all in-class individual and group activities and handing in of all assignments is required and mandatory
- Assignments will mostly be on a group, sometimes also on an individual basis. However, you are incentivized to work on an individual basis (voluntarily only) which will be rewarded with additional bonus points resulting in better grading

Grading

- Grading will be dependent upon the quality of your preparation and hand-ins of the assignments as well as the active participation and qualitative contribution in-class individual and group activities and discussions
- A participant can receive a maximum of 100 points (plus additional bonus points), whereby the eventual grades will be as follows:

Points	Grade
0 – 30	1
31 – 49	2
50 – 55	3-
56 – 60	3
61 – 66	3+
67 – 72	4-
73 – 77	4
78 – 83	4+
84 – 89	5-
90 – 94	5
95 – 100	5+

- A participant can achieve along the following criteria a certain maximum of points:
 - Quality of class room participation a maximum of 24 points
 - Case Study Assignments a maximum of 40 points
 - +5 bonus points for a class presentation
 - +3 bonus points for each individual hand-in
 - Mini Case Study Assignments a maximum of 22 points
 - +3 bonus points for a class presentation
 - Think! Case Study Assignments a maximum of 14 points

Attitude

The Course is intense and will require time, effort, energy and concentration, but basically we want to learn and have also some fun ... - Precondition for this is a professional attitude:

- You are expected to professionally prepare, hand in the Case Study Assignments per deadline, be in class on time and actively participate in sessions
- In class, you will always have with you: A financial calculator; as well as the Case Study Assignment and your hand in / presentation material on a USB stick
- Mobile phones and other mobile devices will – without exception - be switched off during the sessions

Case Study Assignments

- You are required to hand in Power Point format presentations for a total of 2 case studies
- Grading will be on group basis. Groups are not to exceed 3 (three) individuals
- Individuals delivering hand-ins (voluntarily) on an individual basis will be awarded additional bonus points
- Volume / page numbers / structure of the presentations are up to you (ideally, though, not more than 7 slides, excl. appendices) whereby quality and creativity rules over quantity
 - In finance, creativity can be key, provided a compelling conclusion is backed up with material, analytics or else to support your arguments. Your conclusions may be substantiated with a (small) financial model, attached in an appendix
 - A reasonable structure may look like following:
 - Analytical conclusions
 - Which are the major issues to resolve?
 - Which basic alternatives are available and feasible?
 - What would you recommend to do and why?
 - Next steps
- You will send the presentation via email (christian.schopper@aon.at) by latest 24.00 on the night prior to the respective session in which the Case Study Assignment will be discussed. Also, you will bring a copy of the presentation on a USB stick to class
- 2-3 groups / individuals will either volunteer or be chosen arbitrarily to present their conclusions in front of class (time limit: 10mins), followed by approx. 2-3 whereby you will have to support your conclusions
 - Please note: It may be useful, if you intend to voluntarily present, to make a rehearsal prior to the session

Case 1: In December 2015, **Canadian Pacific Railroad (CPR)** has just made its third bid to acquire Norfolk Southern Corporation (NSC), one of the largest railroads in the United States. Having rejected the prior offers, NSC's CEO James Squires and the NSC board must now value the current offer including the projected merger synergies as well as a

recently-added contingent value right (CVR) designed to "sweeten" the offer, and decide how to respond.

Case 2: On June 21, 2016, **Tesla Motors**, Inc. announced its offer to acquire **SolarCity**, bringing CEO Elon Musk one step closer to completing his goal of moving the world from a hydrocarbon-based economy to a solar-electric one. Markets and analysts were mixed in their reaction to the announcement; some thought the deal would be a distraction to Tesla management at a critical time; others thought it was a "bailout" of SolarCity. Following weeks of due diligence, Tesla and SolarCity finalized their merger agreement and worked to justify the transaction. Joan Banister, a financial advisor, must prepare to address her clients' concerns about their various financial positions in Tesla and SolarCity.

Mini Case Study Assignments

- You are required to hand in Power Point format presentations for a total of 2 mini case studies
- Grading will be on an individual basis
- Presentations will consist of 1-2 slides summarizing your thoughts. These will then be the kick-off for a subsequent class discussion
- You will send the presentation via email (christian.schopper@aon.at) by latest 24.00 on the night prior to the respective session in which the Mini Case Study Assignment will be discussed. Also, you will bring a copy on a USB stick to class
- 2-3 individuals will either volunteer or be chosen arbitrarily to present their conclusions in front of class (time limit: 3mins), followed by approx. 2-3 questions whereby you will have to support your conclusions

Mini Case 1: **Burton Sensors** presents a realistic situation where a small, rapidly growing, and profitable temperature sensor original equipment manufacturer (OEM) reaches its debt capacity and seeks equity financing to sustain high growth. The president of the company must decide whether to purchase thermowell machines (a positive NPV project), whether to issue common stock to a private investor at depressed prices to alleviate financial pressure, and whether to acquire another sensor manufacturer in an all-stock deal. All three decisions are interrelated and require different techniques to assess. In particular, the acquisition decision must be analyzed as both an investment and a financing opportunity, as the acquisition could be used to resolve the financial constraint problem.

Mini Case 2: The management of **Monmouth** Inc. is considering whether to acquire the Robertson Tool Company and the value and form that the acquisition should take.

Think! Case Study Assignments

- These are small case study constellations which will be presented to you in class and for which there will be short individual or group assignments which will then be presented and discussed in class
- Grading will be based on the quality of participation

Think! Case Study 1: **MRC** must place a value on an acquisition prospect and also decide whether a deal makes sense from strategic and organizational perspectives

Think! Case Study 2: **Der Spiegel** is Germany's most influential political news magazine. In the 1970's, its founder Rudolf Augstein gave a 50% ownership stake to his employees and

sold another 25% to rival publisher Gruner+Jahr, but retained significant control during his lifetime by stipulating in the bylaws that every important business decision would require a 76% shareholder approval. When Augstein died in 2002, however, his co-owners exercised the option the same bylaws gave them to buy a 0.5% stake each from Augstein's heirs, who thus lost their veto rights. In September 2007, the benefits and costs of sharing ownership with employees become particularly salient when the employees block the CEO's proposal to acquire 50% of the Financial Times Deutschland. Faced with the new balance of power, Rudolf's eldest son Jakob Augstein is forced to rethink the role that his family can play in Spiegel going forward. Should he try to buy back the pivotal stake? Sell the family stake altogether? But to whom, and at what price ...

Course contents

Content

The Course is heavily concentrated on real-world case studies with a focus on change of control. We will seek to apply basic finance principles and analytical techniques to actual problems to be encountered by senior management of major corporations or those who are the advisors to management in the context of an M&A transaction. Therefore, focus will be to assess M&A in a strategic context,

- Forms and Methods of M&A
- M&A Strategies
- Success & Failure of Mergers & Acquisitions
- M&A Process (Buy-side and Sell-side)
- M&A Activity, Pattern and Timing
- Hostile & Friendly M&A
- Due Diligence
- M&A Strategy and Integration
- Organization and Governance of PMI
- Synergy identification, implementation and tracking
- Deal Design and Financing
- All Valuation Methods (from Cash Flows, Multiples, etc.)
- Valuation of Synergies
- Valuation in Emerging Markets
- Valuation of Startups

Learning Approach

Learning is foremost by building on already acquired know-how of Corporate Finance principles and applying these in case study constellations, with lecture elements provided as needed. Hence, learning will take place in individual preparations but foremost in the class room.

Learning Outcomes

At the conclusion of the Course, the participant will have gained an appreciation for the role M&A plays on today's corporate landscape and have formed an opinion as to whether or not an M&A transaction "makes sense" for a firm. The participant should have gained a level of competency in M&A commensurate with an entry-level investment banking analyst in an M&A department. Whether or not the student later "practices" M&A, the Course will afford the student with an insider's look into what is an undeniable major force on today's corporate landscape. Accordingly, students who are interested in investment banking, consulting, equity research, corporate development, corporate lending, strategic planning, private equity, leveraged finance, or proprietary trading may wish to consider this Course.

Schedule

NEW ECONOMIC SCHOOL						
WORKSHOP IN M&A						
SS 2019						
	Day 1			Day 2		
Date	18.05.2019			01.06.2019		
Time	10.00 - 13.00 and 14.00-17.00			10.00 - 13.00 and 14.00-17.00		
	Focus Areas			Focus Areas		
	Canadian Pacific	Case	Complex M&A	Tesla SolarCity	Case	Visionary M&A
	Burton	Mini Case	M&A Funding Structure	Monmouth	Mini Case	M&A Competiton
	MRC	Think!	M&A - Decline Phase	Der Spiegel	Think!	Acquisition of Minority
	= Group Case Study Assignments					
	= Individual Class Assignments					
	= Individual Mini Case Assignments					

Course materials

Preparation

- Familiarize yourself with literature / readings about the principles of Corporate Management. Basically, you are free to select any literature which suits you. Good references in this context are the books by Damodaran – Corporate Finance or by Brealey / Myers -- Principles of Corporate Finance. Recommendable is also Galpin – Mergers & Acquisitions or Bragg – Mergers & Acquisitions. In regards to valuation you may consider Copeland – Valuation or Damodaran – Investment Valuation
- A summary of some selected M&A-related concepts you may also find on my website: <http://christianschopper.com/on-finance/>
- Please note and be mindful of the intensity of the Course: You may assume that the preparation of the respective case studies realistically requires from 10-15 hours

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.