

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 12 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 20 points
 - +3 bonus points for a class presentation
 - Think! Case Study Assignments a maximum of 28 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 assignments per deadline, be in class on time and actively participate in all in-class activities and discussions
- In class, you will always have with you: A financial calculator; as well as the case study we just walk through either in print-out format or on a PC / tablet (and **not** (!!)) on a mobile phone) and your hand in / presentation material on a USB stick (and **not** (!!)) somewhere on an email account whereby we have then to start downloading files in class ...)

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 Study 1: Dow Chemical / PBB

What price should Dow Chemical bid for PBB, a petrochemical complex that is being privatized by the Argentine government? To answer this question, participants are forced to consider the role of country risk, the underlying currency exposure of the business, and how to value an investment opportunity that has several stages. Given that it is a privatization, participants are

also forced to consider the political dynamics involved, the incentives of local managers, and the bidding process of a privatization. The case provides detailed cash flows and discount rate information, allowing participants to conduct a thorough valuation for an emerging markets project

Case Study 2: Vodafone / Mannesmann

Vodafone's bid for Mannesmann was the largest ever cross-border hostile bid. This case examines the economic, financial, and corporate governance issues in the deal

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 Study 1: EatOnline.Asia

The founder and chief executive officer of Human Touch Connect Pte. Ltd. was hard at work in his office in Singapore. He had been working on the detailed valuation of his latest venture, EatOnline.Asia, to be presented to the partner of Top Line Ventures, a venture capital firm. He was hoping to be able to convince the firm to invest the required amount of SGD1.5 million. The founder wondered what method(s) of valuation he could use to reflect the fair value of the project. The second issue that was troubling him was, in the event that he was successful in convincing Top Line Ventures, how much stake he could offer for an investment of SGD1.5 million

Mini Case Study 2: Tata Tea / Tetley

In 2001, after Tata Tea took over the giant Tetley in a leveraged buy-out, it was presented with problems: there was the array of vertical integration synergies, but the leveraged buyout structure, cultural differences, and lack of planning meant that the realization of synergies was delayed. The difficulties were exacerbated by the cyclical downturn in the tea industry and the increased competition from substitute products. The purpose of this case is to illustrate: (1) issues associated with cross-border merger integration; (2) when vertical integration makes sense and when it does not; (3) the application of PMI frameworks and concepts; (4) the issues associated with a leveraged buyout structure; and (5) the trap of the winner's curse.

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

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

The topics allocated to certain days are indicative only and may be adapted, as required:

NEW ECONOMIC SCHOOL							
WORKSHOP IN M&A							
SS 2017							
Day 1				Day 2			
Date	20.05.2017			27.05.2017			
Time	10.00 - 13.00 and 14.00-17.00			10.00 - 13.00 and 14.00-17.00			
	Focus Areas			Focus Areas			
	Dow Chemical - PBB	Case	Privatisation	Vodafone - Mannesmann	Case	Hostile & Defence	
	Veuve Cliquot	Think!	Valuation - complex	Cinnamon	Simulation	Negotiation	
	EatOnline.Asia	Mini Case	Valuation - Startup	Tata Tea - Tetley	Mini Case	Post Merger Integration	
	MRC	Think!	Valuation - Decline				
	Der Spiegel	Think!	Valuation - Minority				
	= Group Case Study Assignments						
	= Individual Class Assignments						
	= Individual Mini Case Assignments						
	= In-Class Simulation Exercise						

Course materials

Preparation

- Familiarize yourself with literature / readings about the principles of Corporate Management and M&A. 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. Good is also Galpin – Mergers & Acquisitions or Bragg – Mergers & Acquisitions. In regards to valuation you may consider Copeland – Valuation or Damodaran – Investment Valuation.

Academic integrity policy

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