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|  | **Course Title: FBE 460: MERGERS, ACQUISITIONS AND RESTRUCTURING (4.0 units)** |
| **Syllabus for Fall 2020**  **Class: Meets entirely online MW 4:00 – 5:50 P.M. Pacific Time via Zoom** |
| **Professor: Lloyd Levitin** |
| **Cell: 310-630-9147** |
| **Office Hours**: **Monday through Thursday, 2:30– 3:30 P.M. via Zoom** |
| **E-mail:** [levitin@marshall.usc.edu](mailto:levitin@marshall.usc.edu)  **TA: Niven Jayanthi – njayanth@usc.edu** |
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**I. COURSE DESCRIPTION**

This course covers the broad field of mergers, acquisitions, and divestitures. The primary objective of the course is for each student to gain a well-rounded understanding of the major strategic, economic, financial, and governance issues of mergers and acquisitions. The course will expose students to actual problems likely to be encountered by senior management of major corporations or those who are the advisors to such management.

Takeovers and mergers are a daily fact of life and have evolved into a critical part of every CEO or manager’s strategic toolbox. Every person who enters the corporate world will most likely be affected by a merger or acquisition at some point in his or her career. Students will apply learned content to real mergers and acquisitions and have the opportunity to present to the class their findings and conclusions.

This course is appropriate for those who are seeking to become entrepreneurs, financial analysts, chief financial officers, operating managers, investment bankers, business brokers, portfolio managers, investors, corporate development managers, strategic planning managers, auditors, venture capitalists, business appraisers, consultants, or who simply have an interest in the subject.

**II. LEARNING OBJECTIVES**

Upon successful completion of this course, students will be able to:

* explain the role that M&A plays in the contemporary global market, and its use as a strategic tool to provide growth, enhance competitive position, transform a company or industry, and create shareholder value.
* develop a framework that can be used for analyzing M&A transactions including understanding strategic rationale, valuation methodologies, deal structures, bidding strategies, and the need for a value proposition.
* describe the M&A process from target selection to doing the deal (including due diligence, integration planning, negotiating the agreement, announcing the deal), to closing and integration.
* recognize the advantages and disadvantages of alternative deal structures.
* describe commonly used takeover tactics and defenses.
* choose a path for restructuring that will meet corporate goals and create shareholder value.
* describe the practical limitations of the various M&A valuation approaches.
* minimize the risk that a merger or acquisition will not meet expectations.
* explain how value is created (or destroyed) as result of corporate mergers, acquisitions, and restructuring transactions.
* describe the role played by corporate boards and third parties (consultants, investment bankers, analysts, and institutional investors) in M&A deals
* explain valuation methodologies, deal structures, bidding strategies, deal processes, and commonly used takeover tactics and defenses.
* Conceive and design a proposed deal.

This subject is complex, competition in M&A is intense, and the consequences of error can be huge. However, if you are willing to tackle this course earnestly, you will learn a lot.

**III. REQUIRED MATERIALS**

Lajoux, Alexandra Reed, The Art of M&A, A Merger, Acquisition, and Buyout Guide, McGraw Hill, Fifth Edition, 2019.

The FBE 460 course pack contains the following cases:

|  |  |
| --- | --- |
| **List of Cases** | |
| C-1 | Conrail (A) and (B) Cases |
| C-2 | Proctor & Gamble Acquisition of Gillette |
| C-3 | Daimler Chrysler |

Course Notes: Copies of lectures and other class information are available through your Blackboard accounts.

**IV. COURSE FORMAT**

All course materials can be found in Blackboard (<https://blackboard.usc.edu>). This course is divided into Sections, and each Section is intended to cover several class sessions. It is expected that students will have completed all required activities and assignments *before* attending their class session each week.

Students should ensure that they can access all of the online tools via Blackboard prior to start of classes.

Zoom is the platform used for all online sessions and office hours. A link and instructions to join the Zoom session will be posted in the Blackboard Course Pages. For more information about Zoom, go to: Zoom Support Tutorials.

**V. CLASSROOM POLICIES**

1. Class attendance and participation is important in developing a coherent view of the materials covered in the course. Unless accommodated as described in (b) below, attendance and active participation is expected at the synchronous Zoom class sessions.

1. Students are expected to have cameras on during the synchronous Zoom sessions, and preferably use headsets or earphones to ensure the best audio quality. *Please advise me if you have circumstances under which you will not be able to meet these expectations.*
2. For students who are located in a time zone where the synchronous class sessions or exams fall outside the window of 8:00 a.m. to 10:00 p.m. in your local time zone, please contact me. You will not be penalized for not attending the live Zoom class sessions. The Zoom sessions will be recorded and posted on Blackboard, and you will be responsible for watching the recorded sessions. Exams and other synchronous assessments will be scheduled for students to be able to complete the assessment between 8:00 a.m. to 10:00 p.m. in your local time zone.
3. In addition, for any student who does not attend the Zoom session live, you will be required to complete the following assignment as an alternate method of contribution to class: Write a one-page double-spaced summary of the textbook chapter assigned for the class you missed. If no chapter was assigned, write your summary on the last chapter assigned.

2. During synchronous Zoom sessions, the following netiquette is expected, as if you were in a physical classroom.

1. Please do:
   * 1. Log into class early or promptly
     2. Arrange to attend class where there is a reliable internet connection and without distractions.
     3. Dress respectfully. Video conference business meetings are and will be the norm, so practice your professional telepresence.
     4. If you use a virtual background, please keep it respectfully professional.
     5. Display both your first and last name during video conferencing and synchronous class meetings.
     6. Respectfully minimize distractions by muting and or turning off video if necessary and when appropriate.
     7. Engage in appropriate tone and language with instructors and classmates.
2. Please try not:

i. Engage in a simultaneous activity not related to the class.

ii. Interact with persons who are not part of the class during the class session.

iii. Leave frequently or not be on camera for extended periods of time.

iv. Have other persons or pets in view of the camera.

3. All Zoom sessions will be recorded and posted in the Blackboard Course pages.

**VI. TECHNOLOGY REQUIREMENTS**

The following equipment and system requirements are recommended to successfully participate in this online course:

* Computer with webcam
* Earphones or headset
* Reliable (preferably high speed) Internet connection
* Current operating system for Windows or Mac
* Current browser
  + Google Chrome
  + Firefox
  + Internet Explorer (not recommended)
  + Safari (Mac)

For technical support please see:

* **USC Systems** (Blackboard, USC Login, MyUSC, USC Gmail, GoogleApps)

For assistance with your USC login or other USC systems, please call +1 (213) 740-5555 or email [Consult@usc.edu](mailto:Consult@usc.edu). They are open Mon-Fri 9:30 a.m. – 5:00 p.m. and weekends from 8:00 a.m. – 5:00 p.m. (all Pacific Time).

* **Zoom Video Web Conferencing System (MarshallTALK)**

For assistance using Zoom, go to Zoom Support Page. You may also call +1 (888) 799-9666 ext. 2. They are available 24/7.

* **Marshall Systems** (MyMarshall, Marshall Outlook email)

For assistance with Marshall systems you can call +1 (213) 740-3000 Mon-Fri 8:00 a.m. – 6:00 p.m. (Pacific), email [HelpDesk@marshall.usc.edu](mailto:HelpDesk@marshall.usc.edu), or use our self-help service portal as shown below. The portal allows you to get immediate assistance by searching for the information you need. You can also use it to chat with a technician or input a request. To access the service portal, follow these steps:

* + On a computer or mobile device, go to MyMarshall Home Page and click the “**Help**” link on the upper right.
  + Log in using your Marshall username and password. (If you don’t know your Marshall login please follow the onscreen instructions pertaining to login issues)

If your computer does not have Microsoft Word, Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

**VII. PREREQUISITE**

BUAD 215 or BUAD 306

**VIII. TEACHING METHODS**

This course is taught through a combination of readings, cases, lectures, and a preparation of a Pitchbook. You are encouraged to read the Wall St. Journal to obtain a grasp of recent news.

**IX. ABOUT THE INSTRUCTOR**

Lloyd Levitin is a Professor of Clinical Finance and Business Economics at Marshall. He was Executive Vice President and CFO of Pacific Enterprises from 1982-1995 (now Sempra Energy) and was actively involved in the firm’s diversification program which included numerous acquisitions. He testified as an expert on utility diversification to the Senate Finance Committee of the U.S. Congress and has been a consultant for JurEcon, Inc., a nationwide consulting and research firm for management and counsel. He has a MBA from Wharton and a JD from University of San Francisco. He practiced as a CPA after receiving his MBA, and as a tax attorney after receiving his JD.

**X. GRADING SUMMARY:**

|  |  |  |
| --- | --- | --- |
|  | **Points** | **% of Grade** |
| **Team Projects** |  |  |
| 1. Pitchbook 2. Case Analysis (3 cases) | 25  20 | 25  20 |
|  |  |  |
| **Exams** |  |  |
| Midterm | 20 | 20 |
| Final | 35 | 35 |
|  |  |  |
| **TOTAL** | 100 | 100 |

Final grades represent how you perform in the class relative to other students. The average grade for this class is expected to average about 3.3. Three items are considered when assigning final grades:

1. Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
2. The overall average percentage score within the class.
3. Your ranking among all students in the class.

**XI. TEAM PROJECTS**

There are two team projects: (1) a Pitchbook and (2) case analysis (3 cases). Based on projected enrollment of 39 students you should form 7 or 8 teams consisting of 5 or 6 students each. The first case is due October 21st. Select a team captain who will email the TA the members of your team and the team captain. If you have trouble finding a group let the TA know by October 1 and he will assign you to a group.

**Pitch Book Requirements**

**(Written Report – Due November 9)**

**Objectives:** This assignment addresses a goal of the course, to develop your ability to conceive and design a proposed deal. It exercises the broad range of skills developed in this course. Key learning objectives include (1) M&A strategy, (2) target company selection, (3) value creation in a M&A transaction, (4) deal structuring, (5) risk assessment, and (6) ability to prepare a term sheet.

**Assignment:**

* Pick the acquiring firm. It must be publicly-traded. It can be a strategic buyer or financial buyer.
* Choose the target. It must be publicly-traded or a division of a publicly-traded firm. It is recommended that you pick a publicly-traded target firm with whom there might be some solid strategic rationale to combine. Think seriously about the motives and economics of combination and try to offer a hypothetical marriage that makes business sense. Your strategic rationale for this deal should be summarized clearly in your presentation and should reflect careful thinking. You are free to choose any firm, though if you have a choice, you should avoid unnecessarily complex combinations. To spark ideas, you might consult lists of excellent firms and under performers.
* Prepare the Pitch Book as if you were the VP of Corporate Development of the acquiring firm and the addressee is your CEO. As of the date of your proposal, your idea has been held secret by your team, unknown to the target firm. Your aim should be to convince your CEO to go forward with the proposed transaction, committing time and capital to consummate the deal.
* Each team should address the following sections:

1. Executive Summary: include strategic rationale for deal, the expected purchase price, sources of synergy value, and payment terms.
2. Description of target company;

* Describe target firm and target firm’s industry/market in terms of size, growth rate, product offerings and other relevant characteristics
* Discuss why target firm was chosen among other possible firms you considered

1. Show historical financial performance of target company for past 3 years and include latest income statement and balance sheet
2. Compare target company with peers in terms of product offerings, corporate strategy, and customers. Compare financial performance in terms of sales growth rate, margins, EPS growth, ROE and leverage
3. Summarize target company ownership
4. Valuation of target company:

* Show valuation based on DCF analysis (stand-alone valuation plus synergies)
* Show valuation based on market multiples of comparable firms
* Show valuation based on market multiples of past transactions
* Show “football field” of values
* Develop a preliminary minimum and maximum purchase price range for the target firm

1. Propose a recommended financing plan (cash, debt or stock) without endangering the acquiring firm’s credit worthiness or creating unacceptable EPS dilution
2. Identify potential integration challenges and possible solutions. For those teams characterizing themselves as financial buyers, identify an appropriate exit strategy.
3. Identify possible risks to the deal and if they can be managed, and if so, how.
4. Includes a hypothetical term sheet: price range, form of payment, form of transaction, key representations and warranties, covenants, conditions
5. Strategy for negotiation
6. Appendices

* List articles read and data sources
* Include any detailed analyses used to support summary statements made in the “body” of the paper
* Include detailed information on possible synergies, financial forecasts of target company performance, forecast of buyer company including target
* Pitchbook will be graded as follows: 15 points for written portion; 10 points for oral portion.

**Team Project #2: Analysis of 3 Cases (20% of your grade; 5% points per case for written presentation, 5% for oral report on assigned case.**

The assigned cases are listed on Page 2 above and the questions to be answered are on pages 13-14 below. The cases can be purchased online. They should be purchased directly through the HBS link: <https://hbsp.harvard.edu/import739576>.

Each team will be responsible to present one of the three cases in front of the class (this will be referred to as Presentation Case). The presenting team should create a PowerPoint file for the presentation and an Excel spreadsheet file with any analysis used to support your oral presentation. Your presentation should answer the questions assigned for the case and not take more than 25 minutes. Each member of the team is required to have a role in the presentation.

The presenting group may use the projector to show any of its analyses to the class. Remember, there are no truly right answers in a case: contrasting proposals and analyses will only make the class better.

The cases are to be emailed to the instructor on the date due.

Shown below is a list of cases and the teams that will give the Presentation Case:

|  |  |  |
| --- | --- | --- |
|  | Case Assigned | Teams Presenting Case |
| C-1 | Conrail (A) and (B) Cases | Teams 1, 2 and 3 |
| C-2 | Proctor & Gamble | Teams 4, 5 and 6 |
| C-3 | Daimler Chrysler | Teams 7 and 8 |

**Midterm and Final Exam**

The midterm and final exam will be closed-book, closed-notes. The final exam is cumulative from the beginning of the course. Laptops or any hand-held device with email capabilities cannot be used. You should bring a calculator to perform calculations.

If you are unable to take the midterm, the following rules apply:

1. If you fail to inform me in writing before the midterm begins, you will receive a zero grade, even if you have a valid excuse. An exception will be made if you have a note from your doctor that you were unable to communicate your excuse.
2. If you inform me in writing before the midterm begins, and you have an acceptable excuse, then the final exam will count for 45% of your grade.

*There will be no make-up midterm.*

**Evaluation of Your Work**

I will do my best to make my expectations for the various assignments clear and to evaluate them as fairly and objectively as I can. If you feel that an error has occurred in the grading of any assignment, you may, within one week of the date the assignment is returned to you, write me a memo in which you request that I re-evaluate the assignment. Attach the original assignment to the memo and explain fully and carefully why you think the assignment should be re-graded. Be aware that the re-evaluation process can result in three types of grade adjustments: positive, none, or negative

Each team will be making two different presentations to class: (1) The Pitchbook, and (2) a case presentation. The evaluation criteria I will use to grade your presentations are as follows:

1. Attendance: Group members are present for presentation (any member not present will not be able to earn presentation points).
2. Topic organization: is the presentation flow easy to follow
3. Were the topics explained clearly
4. Was every team member clearly prepared and contributed

**XII.** **PEER EVALUATION**

You will be asked to complete a peer evaluation of the members of your group on the last day of class. On page 21, a peer input form is attached.

**XIII. THE IMPORTANCE OF COURSE EVALUATIONS**

The student course evaluations are valuable. This course is continuously improved, based on feedback from students.

**XIV. ASSIGNMENT SUBMISSION POLICY**

Assignments must be turned in on the due date in hard copy at beginning of class. Any assignment turned in late will receive a grade deduction. If you are unable to attend class on that day, make arrangements for it to be delivered to the classroom by the start of class.

**XV. USC STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS**

**Academic Conduct:**

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” [policy.usc.edu/scampus-part-b](https://policy.usc.edu/scampus-part-b/). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, [policy.usc.edu/scientific-misconduct](http://policy.usc.edu/scientific-misconduct).

**Support Systems:**

*Counseling and Mental Health - (213) 740-9355 – 24/7 on call*

[studenthealth.usc.edu/counseling](https://studenthealth.usc.edu/counseling/)

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

*National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call*

[suicidepreventionlifeline.org](http://www.suicidepreventionlifeline.org/)

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

*Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call*

[studenthealth.usc.edu/sexual-assault](https://studenthealth.usc.edu/sexual-assault/)

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

*Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298*

[equity.usc.edu](https://equity.usc.edu/), [titleix.usc.edu](http://titleix.usc.edu/)

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following *protected characteristics*: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

*Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298*

[usc-advocate.symplicity.com/care\_report](https://usc-advocate.symplicity.com/care_report/)

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

*The Office of Disability Services and Programs - (213) 740-0776*

[dsp.usc.edu](http://dsp.usc.edu/)

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

*USC Support and Advocacy - (213) 821-4710*

[uscsa.usc.edu](https://uscsa.usc.edu/)

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

*Diversity at USC - (213) 740-2101*

[diversity.usc.edu](https://diversity.usc.edu/)

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

*USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call*

[dps.usc.edu](http://dps.usc.edu/), [emergency.usc.edu](http://emergency.usc.edu/)

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

*USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call*

[dps.usc.edu](http://dps.usc.edu/)

Non-emergency assistance or information.

**Students with Disabilities**

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations.  Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

**Emergency Preparedness/Course Continuity**

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu/>*)* will provide safety and other information, including electronic means by which instructors will conduct class using a combination of USC’s Blackboard learning management system (blackboard.usc.edu), teleconferencing, and other technologies.

**XVI. TECHNOLOGY POLICY**

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the professor. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, iPads, other texting devices, laptops, iPods) must be completely turned off during class time. Videotaping faculty lectures is not permitted, due to copyright infringement regulations. Audiotaping may be permitted if approved by the professor. Use of any recorded material is reserved exclusively for USC students registered in this class.

**XVII. RETENTION OF GRADED COURSEWORK**

Final exams and all other graded work which affected the course grade will be retained for one year after the end of the course ***if*** the graded work has not been returned to the student (i.e., if I returned a graded paper to you, it is your responsibility to file it, not mine).

**XVIII. CLASS NOTES POLICY**

Notes or recordings made by students based on a university class or lecture may only be made for purposes of individual or group study, or for other non-commercial purposes that reasonably arise from the student’s membership in the class or attendance at the university. This restriction also applies to any information distributed, disseminated or in any way displayed for use in relationship to the class, whether obtained in class, via email or otherwise on the Internet, or via any other medium. Actions in violation of this policy constitute a violation of the Student Conduct Code, and may subject an individual or entity to university discipline and/or legal proceedings.

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| **XIV. MARSHALL GUIDELINES** | | |
| **Learning Goals**: In this class, emphasis will be placed on the USC Marshall School of Business learning goals as follows: | | |
| **Goal** | **Description** | **Course Emphasis** |
| **1** | Our graduates will demonstrate critical thinking skills *so as to become future-oriented problem solvers, innovators and decision makers in diverse and rapidly changing business environments.* | Moderate |
| **2** | Our graduates will develop people and leadership skills to promote their effectiveness *as business managers and leaders in the 21st century’s evolving work and organizational structures* | Moderate |
| **3** | Our graduates will be effective communicators *to facilitate information flow in organizational, social, and intercultural contexts*. | High |
| **4** | Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities *and aspire to add value to society* | Moderate |
| **5** | Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions *so as to anticipate new opportunities in any marketplace.* | High |
| **6** | Our graduates will understand types of markets and key business areas and their interaction *to effectively manage different types of enterprises.*  *flow in organizational, social, and intercultural contexts.* | Moderate |

**COURSE CALENDAR**

**(SD = Slide deck; A = Article; C = Case)**

|  |  |  |
| --- | --- | --- |
| **DATE** | **CLASS TOPICS** | **READINGS AND HOMEWORK\*** |
| 8/17 | SD #1 – Introduction to M&A | Text Pg. 1-12 |
| 8/19 | Impact of the Pandemic on M&A Transactions  SD #2-SD #3 – Common Motivations for M&A Activity  SD #4 – The Flow of a M&A Deal | Text Pg. 13-46 |
| 8/24 | SD #5 – Strategy | Text Pg. 46-68 |
| 8/26 | SD #5 – Strategy – continued | Text Pg. 68-84 |
| 8/31 | SD #6 – Valuation | Text Pg. 113-152 |
| 9/2 | SD #6 – Valuation – continued | Text Pg. 152-200 |
| 9/7 | SD #7 – Financing & Refinancing  Analysis of the M&A “Pitchbook”: Proposed Acquisition of Heller Financial by United Technologies Corp.;  Pick your teams | Text Pg. 203-250 |
| 9/9 | SD #7 – Financing & Refinancing – continued | Text Pg. 250-316 |
| 9/14 | SD #8 – Structuring Transactions – Legal, Tax & Accounting | Text Pg. 339-382 |
| 9/16 | SD #8 – Structuring Transactions - continued | Text Pg. 382-432 |
| 9/21 | SD #9 – Due Diligence | Text Pg. 455-501 |
| 9/23 | SD #10 – Negotiations of LOI and Acquisition Agreement – continued | Text Pg. 559-593 |
| 9/28 | CLASS CANCELLED | Text Pg. 593-626 |
| 9/30 | MIDTERM (1 hour); Review of Typical Merger Agreement | Text Pg. 631-741  Study for Midterm |
| 10/5 | SD #11 – Closing the Deal | Text Pg. 747-785 |

**COURSE CALENDAR**

**(SD = Slide deck; A = Article; C = Case)**

|  |  |  |
| --- | --- | --- |
| **DATE** | **TOPIC** | **READINGS AND HOMEWORK\*** |
| 10/7 | SD #12 – Post Merger Integration and Divestitures | Text Pg. 789-841 |
| 10/12 | SD #12 – Post Merger Integration and Divestitures – continued | Text Pg. 841-887 |
| 10/14 | SD #13 – Special Issues for M&A in Public Companies | Text Pg. 937-1008 |
| 10/19 | SD #14 – Global Deals | Text Pg. 1073-1122 |
| 10/21 | Conrail Cases | Conrail (A) and (B) case due |
| 10/26 | Proctor & Gamble Case  Managing Risks  SD #15 | Proctor & Gamble Case due; |
| 10/28 | Oral Reports | Oral reports on Pitchbook due by Teams 1-4 |
| 11/2 | Oral Reports | Oral reports on Pitchbook due by Teams 5 & 6 |
| 11/4 | SD #16 – Seller Initiated Deals | Pitchbook written report due |
| 11/9 | SD #17 – Planning To Avoid Merger Failure | Daimler-Chrysler case due |
| 11/11 | SD #18 - Review |  |
| 11/13 | SD #18 – Review – Continued |  |
|  | Final Exam  During week of 11/17 – 11/24 |  |

**List of Slide Decks (SD)**

**To Be Posted to Blackboard**

SD #

|  |  |
| --- | --- |
| 1 | Introduction to M&A |
| 2 | Impact of the Pandemic on M&A Transactions |
| 3 | Common Motivations For M&A Activity |
| 4 | The Flow of a M&A Deal |
| 5 | Strategy |
| 6 | Valuation |
| 7 | Financing and Refinancing |
| 8 | Structuring Transactions – Legal, Tax and Accounting Issues |
| 9 | Due Diligence |
| 10 | Negotiations of LOI and Acquisition Agreement |
| 11 | Closing the Deal |
| 12 | Post Merger Integration and Divestitures |
| 13 | Special Issues for M&A in Public Companies |
| 14 | Global Deals |
| 15 | Managing Risks |
| 16 | Seller-Initiated Deals |
| 17 | Planning To Avoid Merger Failure |
| 18 | Review |
|  |  |
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**QUESTIONS ON CASES**

Case C-1: Conrail (A) and (B) Case

1. Why does CSX want to buy Conrail?
2. How much should CSX be willing to pay for Conrail?
3. Why did CSX make a two-tiered offer?
4. What are the economic rationales for and takeover implications of the following provisions in the merger agreement:
   1. No-talk clause
   2. Lock-up options
   3. Break-up fee
   4. Poison pill
5. As a Conrail shareholder would you tender your shares to CSX at $92.50 in the first stage offer?
6. Why did Norfolk Southern make a hostile bid for Conrail?
7. How much should CSX be willing to pay for Conrail given Norfolk Southern’s hostile bid?
8. How much is Conrail worth to Norfolk Southern?
9. In a bidding war, who should be willing to pay more, Norfolk Southern or CSX?

Case C-2: Proctor & Gamble’s Acquisition of Gillette (KEL183)

1. What were the potential synergies in P&G’s acquisition of Gillette?
2. Discuss the positive and negative aspects of receiving shares or cash from the perspective of P&G and Gillette shareholders.
3. What are the possible reasons as to why P&G did not us a collar in the merger proposal?
4. Compare the valuation analyses in Case Exhibits 6-9. Based on this analysis, determine the bid range that you would recommend to P&G’s board of directors.
5. Discuss the conflicts of interest for an investment bank in an M&A transaction.
6. Discuss the possible impact politicians and regulators can have on an M&A deal.
7. Evaluate the role played by Warren Buffet in the merger.

Case C-3: Daimler-Chrysler

1. What are the key lessons you learned from reading the Daimler-Chrysler case?