

USC Marshall School of Business

FBE 532: CORPORATE FINANCIAL STRATEGY

Fall 2024

3 Units, TTh 9:30-10:50pm, ACC 303

Instructor: *Ayca Altintig, PhD.*
Pronounced: "EYE-CHA"

Office: *HOH 215*

Office Hours: *T, Th 11:00am -12:30pm, and/or by appointment. Office hours can be in person, or online via : <https://usc.zoom.us/my/altintig> Online office hour zoom sessions will be made available via request only. Please let me know in person or via email if you prefer to meet with me online.*

Email: ayca.altintig@marshall.usc.edu

COURSE DESCRIPTION

This course examines how the finance theory that developed in your prior finance class(es) can be applied in “real world” situations. More importantly, we will be concerned with the *implementation* of a financial strategy in the corporation. The course will build on the corporate finance principles studied in introductory finance classes with an emphasis on financial and corporate strategy. We will investigate the key financial choices of a corporation and their impact on the overall strategy of the firm, including financial analysis, capital structure choice, payout policy, value creation, mergers and acquisitions, and corporate financial restructuring.

COURSE OBJECTIVES

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

1. Explain the linkages between the operating strategy of the enterprise and its choice of financial decisions.
2. Analyze the impact of major financial strategic decisions on firm value
3. Apply theoretical financial knowledge to real business scenarios
4. Understand the various roles of a financial managers in an enterprise

COURSE MATERIALS

The required textbook from your introductory finance classes will be your reference guide.

All other required readings and cases for the class can be found online in our HBS Coursepack:
<https://hbsp.harvard.edu/import/1207048>

Course lecture notes and other supplemental material will be provided on Brightspace. If you have any questions or need assistance with Brightspace Course Pages, please contact the Marshall Help Desk at (213) 740-3000, or HelpDesk@marshall.usc.edu.

GRADING

Grading will be based on the following criteria

GRADING	% of Grade
Midterm Exam	20%
Final Exam	20%
Cases	60%
TOTAL	100%

EXAMS

There will be one midterm and one final exam. Both will be take-home exams that include a case component and essay questions. Each will include spreadsheet work as well as write-ups. More specific instructions on the cases involved and more details of the exams will be provided closer to the time of the exam.

CLASS REQUIREMENTS:

This is a case course. Cases provide a rather unstructured and open-ended experience and you will have fairly little guidance, and rather larger uncertainty, about what the instructor wants and what the “right” answer is. This is intended, as this is the way the real world is. This kind of teaching is often uncomfortable for students, as it requires you to learn by dealing with the inherent uncertainty of decision making with limited information. These are not simple textbook word problems. You will be tempted to look to the instructor in such a course for more guidance. However, it is inappropriate for me, or any other instructor in this kind of course, to give much detailed guidance. This would defeat the purpose and limit the learning that goes on. As in the world outside the classroom, there is no single “right” analysis of a case. There are some approaches that are more “right” than others, and some that are clearly wrong in that they make unreasonable assumptions or proceed in an unreasonable manner. At some point in the discussion, I will probably present my ideas of how one might analyze the situation, but mine is not the only valid approach and other reasonable approaches may be equally “right.”

CASES:

This is a case class. We will cover 12 cases throughout the semester and use 2 or 3 more for discussion, exams and other activities. If you have never taken a case course before, please make sure to read the Student Guide to the Case Method included in your course packet before you start.

The 12 cases will each be analyzed by a student group. Groups will be limited to 3-4 students each based on the final size of the class. Each group will be assigned to 2 or 3 cases during the first two weeks. Cases will be presented during the Thursday class marked in the syllabus. The write-up of the case will be submitted to the Professor no later than Tuesday night of the presentation week. Group members will meet with the professor on Tuesday or Wednesday before their presentation to go over their analyses for any potential changes and will present in class on Thursday. Both the presentations and the write-ups will be evaluated graded by classmates and professor. Total grade will be the grade of the case.

Each group is required to turn in a professional case write-up for each case. The case write-up shall be ***no more than seven double-spaced pages, not including appendices, with the first page set for an executive summary.*** Your group will be graded separately on the case write-up and the oral presentation of the case. The grading system is presented below.

Each presenting group will have 70 minutes to complete their presentation. Managing the questions as well as a lively class discussion so that the presentation doesn't run out of time and avoiding the completion of the presentation too early are two of the major responsibilities of the presenting groups. The presenting group will assume the role of a consulting company hired to propose a viable solution to the company's problem(s) and the audience will assume the role of the board of directors and major institutional shareholders of the firm.

Evaluation of Presentations:

Oral presentations will be graded by peers and the professor. Those individuals that are not presenting will evaluate the presenting group based on a set of criteria given in the ORAL PRESENTATION EVALUATION FORM. There are nine criteria that will be considered in your evaluation. The presenters will receive the average of the scores rendered by their classmates.

At this stage you will just be evaluating only the presentation skills of the group, not the quality of the content. A group that produces a poor solution to the firm's problem, turns-in a weak or poorly written case write up may still receive a high presentation score if they exhibit great presentation skills. These skills include but are not limited to: use of time, managing the audience, questions, and responses, engaging the audience in the solution, presentation of highly technical language and concept in a easily understood manner, etc. Each non-presenting student will have 5 minutes at the end of each group presentation to fill in this form. The completed forms will be submitted via google forms. You will also give your positive and negative feedback on this form. The feedback and evaluations will be compiled anonymously and provided to the presenting group with the instructors feedback and grading.

Case Write-Ups:

Each group will distribute their project writeup to the entire class. At the end of this process, each individual will end up with a copy of all of every groups' case write-up. Each individual has until the Wednesday following the group's presentation by 4:00pm to carefully read, analyze the groups' case write-ups and to submit their evaluation. Each individual will complete the Written Evaluation Report and submit it electronically. The written evaluation is worth 80 points. There are eight factors that you will be required to address regarding the written report The evaluation sheet should include feedback and constructive criticism about the case write-up. The instructor will average these scores and this will account for 40% of that group's case write-up grade for that week. The remaining 60% will be from the grade given by the instructor. An individual that fails to submit their case evaluation electronically to the instructor by Wednesday 4:00pm will receive a zero on their case write-up for that week. No excuses will be accepted.

Each group will submit electronically (on Brightspace) both a copy of their case write-up as well as a copy of their presentation to the class to the professor. Both must be submitted no later than 1pm on the day you present.

I expect each group to conduct themselves professionally when grading their peers.

Please note that ALL evaluations will be shared but your name as the evaluator will be removed so that the person will not know who made the evaluation.

Evaluation of the Evaluations;

Your evaluation, on both the oral and written presentation will be graded. The grade will range from 0 points to 3 points. For the oral presentation I will look for comments that will help the team improve their presentation skills. Failure to give any insights or help will lead to a score of zero on your evaluation. In the case of the written report I will focus on comments that will help the team improve their written report and analysis If, for example, there are spelling or grammatical errors you must point out each error indicating where the errors are in the paper and how they should be corrected. In the case of the application of financial theory if there is an error be sure to explain the error that was made, If a calculation error was made be sure to point it out.

Participation Grade.

You are expected to have familiarized yourself with the case that is being presented. You are expected to be ready to make meaningful and relevant comments relating to the case and to ask illuminating questions of the presenting team.

This course is heavily based on case studies. Each of you will be assigned to groups to work on the cases and are expected to contribute to all case assignments. The group members will evaluate each other's contribution after each case.

Evaluation of Cases:

Your final grade will be determined as follows:

Case (Written) Report	160 points
Case (Oral) Presentation	72 points
Class Participation- maximum possible per class-10 cases at 3 points each	30 points
Evaluation of Written Reports- 10 cases at 3 points each	30 points
Evaluation of Oral Presentation-- 10 presentations at 3 points each	30 points
TOTAL	322 points

THE IMPORTANCE OF COURSE EVALUATIONS

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

COURSE OUTLINE AND ASSIGNMENTS

Week	Date	Course Readings and Cases
Week 1	8/27	<i>Introduction to Case Analysis and Review of Corporate Finance Principles</i> <i>Readings: Student Guide to Case Method</i> <i>Lectures: L0 Course Overview</i> <i>L1 Strategic Framework</i>
Week 1	8/29	<i>Introduction to Corporate Strategy – Managerial Balance Sheet</i> <i>Lectures: L2 Restructuring the Balance Sheet</i>
Week 2	9/3	<i>Risk, Return and the Cost of Capital</i> <i>Business Valuation and the Cost of Capital, by Luehrman (HBS background note #210037, 2009 – 11 pg)</i> <i>Lecture: L3A Introduction to Cost of Capital</i> <i>L3B Cost Debt Capital</i>
Week 2	9/5	<i>Risk, Return and the Cost of Capital</i> <i>Lecture: L3C Cost of Equity Capital</i> <i>L3D Divisional Cost of Capital</i> <i>Case Group Choices Complete!</i>

Week 3	9/10	<p><i>Net Present Value Analysis –A Review</i></p> <p><i>Lecture: L3E Weighted Average Cost of Capital L4 Capital Budgeting</i></p>
Week 3	9/12	<p><i>Case: Midland Energy Resources, Inc.: Cost of Capital, by Luehrman & Heilprin (Harvard Case #4129, 2009)</i></p>
Week 4	9/17	<p><i>Company Valuation using Discounted Cash Flow-WACC and Market Multiples</i></p> <p><i>Readings: What's it Worth?: A General Managers Guide to Valuation, by Luehrman (HBR Article #97305, 1997 – 11 pg) Valuation Methods and Discount Rate Issues: A Comprehensive Example, by Bertoneche & Federici (HBS background note #205116, 2005 – 30 pg)</i></p> <p><i>Lecture: L5A Valuation Framework</i></p>
Week 4	9/19	<p><i>Cases: Target Corporation, by Eades, Ding & Yeaton (Darden Case #UV1057, 2008)</i></p>
Week 5	9/24	<p><i>Valuation Issues</i></p> <p><i>Readings: Corporate Valuation and Market Multiples , by Luehrman (HBS background note #206039, 2005 – 9 pg)</i></p> <p><i>Lecture: L5B Relative Valuation Methodologies</i></p>
Week 5	9/26	<p><i>Case: Mercury Athletic: Valuing the Opportunity, by Luehrman & Heilprin (Harvad case #4050, 2009)</i></p>
Week 6	10/1	<p><i>Company Valuation using Discounted Cash Flow</i></p> <p><i>Readings: Note on Capital Cash Flow Valuation, by Ruback (HBS background note #295069, 1994 – 13 pg)</i></p> <p><i>Lecture: L5C DCF Valuation Methodologies</i></p>
Week 6	10/3	<p><i>Case: Berkshire Partners: Bidding for Carter's, by Baker & Quinn (Harvard Case #205058, 2005)</i></p>
Week 7	10/8	<p><i>Capital Structure-Advantages of Debt</i></p> <p><i>Readings: Is a Share Buyback Right for your Company, by Pettit (HBR article #R0104K, 2001 – 7 pg) A Note on the Theory of Optimal Capital Structure, by Fruhan (HBS background note #279069, 1979 – 6 pg)</i></p> <p><i>Lecture: L6A Capital Structure Theory</i></p>
Week 7	10/10	<p><i>No Class - Fall Break</i></p>

Week 8	10/15	Case: <i>Blaine Kitchenware, Inc: Capital Structure</i> , by Heilprin & Luehrman (Harvard Case #4040, 2009)
Week 8	10/17	<i>Capital Structure-Dividend Policy</i> <i>Lecture: L6B Dividends and Other Payouts</i>
Week 9	10/22	Case: <i>Dividend Policy at Linear Technology</i> , by Baker (Harvard Case #204066, 2003)
		Midterm Exam – Take Home
Week 9	10/24	IPOs <i>Reading: Note on the Initial Public Offering Process</i> by Josh Lerner (HBR Article #200018, 2007 – 7 pgs)
Week 10	10/29	Case: <i>Spotify’s Direct Listing IPO</i> by Dunbar, Foerster and Mark (HBS Case # W18228, 2018 – 19pgs)
Week 10	10/31	<i>Mergers and Acquisitions – Growth and Value Creation</i> <i>Readings:</i> <i>Valuing a Business Acquisition Opportunity</i> , by Fruhan (HBS background note #289039, 1989 – 8 pg) <i>Evaluating M&A Deals – Equity Consideration</i> , by Baldwin (HBS background note #208077, 2007 – 17 pg) <i>Evaluating M&A Deals – Introduction to the Deal NPV</i> , by Baldwin (HBSbackground note #208060, 2007- 8 pg) <i>Evaluating M&A Deals – Accretion vs Dilution of Earnings-per-share</i> , by Baldwin (HBS background note #208059, 2007- 4 pg) <i>Lecture: L7A The M&A Process</i>
Week 11	11/5	Case: <i>Stanley Black and Decker, Inc.</i> , by Fruhan (Harvard Case #211067, 2011)
Week 11	11/7	<i>Mergers and Acquisitions – Hostile Takeovers</i> <i>Readings:</i> <i>M&A Legal Context: Basic Framework for Corporate Governance</i> , by Baldwin, Bagley, & Quinn (HBS background note #803200, 2003 – 10 pg) <i>M&A Legal Context: Hostile Takeovers</i> , by Baldwin, Bagley, & Quinn (HBS background note #904005, 2003 – 6 pg) <i>Lecture: L7B How to Value an Acquisition</i>
Week 12	11/12	Case: <i>Roche’s Acquisition of Genentech</i> , by Baldwin, Becker & Dessain (Harvard Case #210040, 2010)
Week 12	11/14	<i>Mergers and Acquisitions – Bidding Strategies</i>

		<i>Lecture: L8 Value Creation</i>
Week 13	11/19	<i>Case: MCI Takeover Battle: Version Versus Qwest, by Baker & Quinn (Harvard Case #206045, 2005)</i>
Week 13	11/21	<i>Mergers and Acquisitions – Leverage Buyouts Lecture: L9 Corporate Restructuring</i>
Week 14	11/26	<i>Case: Hertz Corporation, by Luehrman & Scott. (Harvard Case #208030, 2007)</i>
Week 14	11/28	<i>No- Class Thanksgiving Break</i>
Week 15	12/3	<i>Corporate Restructuring – Debt Restructuring Readings: When the 363 Sale is the Best Route, by Robert Sable, Michael Roesenthaler and Daniel Bank (Journal of Bankruptcy Law and Practice –Vol 15) Valuing Companies in Corporate Restructuring, by Gilson (HBS background note #201073, 2000 – 15 pg) http://www.uscourts.gov/FederalCourts/Bankruptcy/Bankruptcybasics/Chapter11.aspx Lecture: L9 Corporate Restructuring (continued)</i>
Week 15	12/5	<i>Case: Chrysler’s Sale to Fiat, by Foley, Goldberg & Meyer (Harvard Case #210022, 2010)</i>
Week 16	12/11- 12/18	<i>Final Exam</i>

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Students are expected to make themselves aware of and abide by the University community’s standards of behavior as articulated in the [Student Conduct Code](#). 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. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct at <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

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

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

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, 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

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.

Office of Student Accessibility Services - (213) 740-0776 <https://osas.usc.edu>. SASfrntd@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

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

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, 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 Non-emergency assistance or information.