

TECHNICAL SHEET OF THE SUBJECT

Data of the subject	
Subject name	Mergers & Acquisitions
Subject code	E000011595
Main program	Official Master's Degree in Business Administration - MBA
Involved programs	Máster Universitario en Administración de Empresas (MBA) [First year]
Level	Postgrado Oficial Master
Quarter	Semestral
Credits	3,0 ECTS
Type	Optional
Department	Departamento de Gestión Financiera
Coordinator	Borja Oyarzabal
Office hours	by appointment (email)
Course overview	Understanding of the statistical nature of finance and more specifically, mergers and acquisitions (M&A). The class will reflect on the new tendencies of M&A. In particular, the vision of how Big Data will affect M&A and finance will have a greater role within the course. In order to understand such dynamics a review of the fundamentals of M&A including synergies, available theoretical models and its applications will be offered within the course.

Teacher Information	
Teacher	
Name	Borja Oyarzabal Alonso
Department	ICADE Business School
E-Mail	boyarzabal@icade.comillas.edu

SPECIFIC DATA OF THE SUBJECT

Contextualization of the subject
<p>Contribution to the professional profile of the degree</p> <p>The course will approach (both from a theoretical and practical approach) the assessment of companies with a special focus in mergers and acquisitions.</p> <p>Based on this assessment, the course will help students to understand the corporate activity by focusing on the creation of value and their different metrics. During the course, we will analyze the potential synergies of the transactions as the basic source of value creation. We will study for example the relation between the price paid and the control premium as well as many other basic references in order to measure value creation in a company.</p> <p>We will do this through practical examples using the value creation metrics previously mentioned in order to analyze the valid or invalid</p>



motives that justifies the merger and acquisition operations.

In order to understand more deeply mergers and acquisitions we will work in understanding the different types of transactions and other figures, such as the sale and purchase of assets, the holding companies or the joint-ventures. Additionally we will also see the main financial, commercial, competitive and market aspects of these transactions.

All these topics will put a special emphasis in developing a non-deterministic approach to the valuation. This view will lead the way to understand how to design specific transactions. This type of approach is having a profound impact in M&A frameworks thanks to the development of Big Data.

Prerequisites

There two specific types of knowledge needed for the Mergers & Acquisitions course (both are covered in the first semester of the MBA)

- Ability to understand and manage complete financial statements
- Basic knowledge of Corporate Finance

Competencies - Objectives

Competences

BÁSICAS

CB08	Que los estudiantes sean capaces de integrar conocimientos y enfrentarse a la complejidad de formular juicios a partir de una información que, siendo incompleta o limitada, incluya reflexiones sobre las responsabilidades sociales y éticas vinculadas a la aplicación de sus conocimientos y juicios.
-------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

GENERALES

CG01	Analytic and synthesis cognitive capacities applied to business situations and managing and organisation problems.
	RA01 Describe, relaciona e interpreta situaciones y planteamientos teóricos y prácticos.
CG03	Problem-solving and decision-making skills at a strategic, tactic and operational level with regard to a business, considering the interrelationship between the different functional and business areas.
	RA03 Selecciona, analiza, resuelve y toma decisiones en casos prácticos basados en situaciones reales.
CG05	Ethical commitment with a behaviour based in moral principles and those principles of the organisation when facing moral dilemmas and corporate social responsibility issues.
	RA03 Participa de forma activa en el trabajo de grupo compartiendo información, conocimientos y experiencias.
CG07	Critical reasoning and argumentation according with the understanding of knowledge and know-how on business administrations, their external context and their administration and management processes.
	RA01 Planifica su trabajo personal de una manera viable y sistemática.
	RA03 Gestiona su tiempo participando en la fijación de fechas de entrega, exámenes y asume las responsabilidades de cumplir los objetivos, plazos y trabajos acordados.



CG09	Knowledge, understanding and handling of tools for diagnosis of the competitive position of a company, and designing and executing the company's strategic plan.	
	RA01	Orienta el estudio y el aprendizaje de forma autónoma, desarrollando iniciativa y estableciendo prioridades en su trabajo.
ESPECÍFICAS		
CE10	Knowing and being able to use the assets valuation techniques, to analyse and select investments, to identify financing sources, and to design and implement the relevant financial strategies and techniques for advanced corporate management.	
	RA01	Conoce y comprende los diversos métodos de selección de inversiones, y tiene capacidad de elección del más adecuado y capacidad para aplicarlos en la toma de decisiones reales.
	RA02	Conoce los conceptos teóricos sobre valoración de empresas (Flujo de Caja Libre, Coste de Capital) y los diferentes métodos de valoración de empresas existentes y es capaz de escoger de manera crítica, el o los métodos más apropiados en cada caso. Domina y aplica en la práctica los métodos del descuento de flujos de caja (DCF) y de los múltiplos.
	RA03	Conoce las teorías existentes sobre como se puede crear o no valor a través de la política de endeudamiento: Teoría de Modigliani y Miller, Teoría del Equilibrio (Trade off); Teoría de la Jerarquía Financiera y Teoría Organiza
	RA04	Conoce las teorías existentes sobre como se puede crear o no valor a través de las políticas de dividendos: Teoría de Modigliani y Miller y otras teorías sobre la política de dividendos. Conoce las variables a considerar en la definición de una política de dividendos.
	RA05	Comprende los fundamentos de las operaciones de Fusiones y Adquisiciones, los motivos que las impulsan, los procesos para llevar a cabo esas operaciones y los factores que pueden hacerlas fracasar.
	RA06	Conoce como dichas áreas se interrelacionan entre si para conseguir la estrategia de creación de valor por parte de la empresa.

THEMATIC BLOCKS AND CONTENTS

Contents - Thematic Blocks

BLOCK 1: GENERAL

1. Chapter 1: Introduction

1. General principle: Value Creation.
2. Synergies: concepts and classes
3. Main drivers
4. Classification of operations
5. Financing



6. Other relevant aspects

2. Chapter 2: Business Valuation applied to Mergers and Acquisitions

1. Introduction

2. Business Valuations

1. Introduction to business valuation

a) Generalities. Different valuation methodologies

b) Valuation by discounted cash flows

c) Valuation multiples

2. Discounted Cash Flows Methods

a) Assessment elements

b) Different valuation Methods

c) Sensitivity analysis

3. Valuation Multiple Methods

a) Comparable listed companies

b) Comparable Transactions

4. LBOs processes (leveraged buyouts) and other risk capital transactions

5. Reflection on other valuation methods (real options)

6. Development of a practical case

BLOCK 2: SPECIFIC

1. Chapter 3: Acquisition Process / Sale of an listed company

1. Introduction

2. Preparation of the sales process

3. Phases of the sale process

4. Conclusion: final negotiations and closing

5. Development of a practical case

2. Chapter 4: Acquisition Process / Sale of an non-listed company

1. Introduction

2. Preparation of the sales process

3. Phases of the sale process

4. Conclusion: final negotiations and closing

5. Development of a practical case

TEACHING METHODOLOGY

General methodological aspects of the subject

The course requires students should prepare the class beforehand.

Activities during the class

The number of classes with a theoretical focus is around one third of the course load. These classes are aimed to provide the student with the require knowledge to be able to solve the business cases required during the course.

Most of the classes will have a practical approach. Students will be asked to prepare a business case. During the class, main aspects of the



case will be discussed including the main topics and the potential solutions to the case. These classes seek active class participation. The business cases will be closely related to valuation both in a private Company and in traded companies.

Other activities

The student is required to study all class contents and to solve some problems before the class. Business cases should be solved also before the specific class that addresses the case.

SUMMARY STUDENT WORKING HOURS

CLASSROOM HOURS		
Lectures of an expository nature	Seminars and workshops	Analysis and resolution of cases and exercises, individually or collectively
10.00	13.00	7.00
NON-PRESENTIAL HOURS		
Analysis and resolution of cases and exercises, individually or collectively	Individual study and organized reading	Collaborative learning
29.00	11.00	5.00
ECTS CREDITS: 3,0 (75,00 hours)		

EVALUATION AND CRITERIA

Evaluation activities	Evaluation criteria	Weight
Final test	At least a 5/10 is required. If final test or final grade falls below 5/10, the student will be offered a second final test as the sole criteria for evaluation. Same procedure will be used if a school waiver is needed following the standards of the business school.	50
Two case studies	Both rationale and results would be considered in the final grade	30
Class participation	Active class participation	10
Market simulation game	Grade will be based in the report used to justify investment decisions. Main goal is to understand and apply key take aways related to investment criteria within the report	10

Ratings



Students will have two opportunities to pass the course. One during the teaching period and another during the extraordinary exam period in July. In order to pass the course you need to have at least a 5/10 in the final test.

Those students that have not passed the course in the first instance will have to repeat the test and they will keep the grades in the rest of activities obtained in the regular teaching period.

Students with a waiver for class attendance will be graded based on the final test.

WORK PLAN AND SCHEDULE

Activities	Date of realization	Delivery date
I. Introduction Value creation and synergies Types of transactions		
II. Valuation Introduction Discounted cash flow models Trading multiples LBOs		
III. Regulation: Introduction		
IV. Mergers and acquisition private companies: Introduction and Case study		
IV. Mergers and acquisition public companies: Introduction and Case study		
Final test		

BIBLIOGRAPHY AND RESOURCES

Basic Bibliography

Mascareñas Pérez-Iñigo, Juan (2005): Fusiones y Adquisiciones de Empresas. Ed. McGraw-Hill (4ª edición)

Complementary Bibliography

Damodaran, A. (2006) Damodaran on Valuation: Security Analysis for Investment and Corporate Finance. Ed. Wiley. (2ª edición)