

## COURSE DESCRIPTION AND OUTLINE

<b>Course Information</b>	
Name	Mergers and Acquisitions
Code	
Degree	Bachelor's Degree in Business Administration and Management E3/E6
Year is taught	5º
Semester	1º in E-3 and 2º in E-6
ECTS credits	5
Type of course	Optional
Department	Financial Management
Area	Finance
University	Universidad Pontificia Comillas
Timetable	
Teachers	Pedro Azagra/ Jesús Reglero/ Rocío Sáenz-Diez (coord.)
Descriptor	

<b>Teachers Information</b>	
<b>Professor</b>	
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## DETAILED COURSE INFORMATION

<b>Course context and application</b>
<b>What the course adds to the professional profile of the students.</b>
<p>This course helps students to understand corporate mergers and acquisitions in a national or international context. The basic goal of shareholder value creation is revisited and applied to M&amp;A deals, as well as its materialisation through synergies. The relationship between price paid, control premium, synergy value and overall value creation is explained.</p> <p>Also, a historical overview of this type of operations is presented, focusing on the reasons, features and issues presented in the evolution of these operations. This allows us to classify the valid and not so valid reasons underlying M&amp;A deals that make them a success or a failure in terms of shareholder value creation.</p>

The difference between a strategic or industrial buyer and a financial one is explained. The student will understand the way Private Equity firms acquire corporations and their use of tools like LBOs to carry out the acquisitions.

This is a multidisciplinary course that in addition to taking the general management, strategic and financial approach to M&A also incorporates the legal, fiscal and economic background that affects M&A deals.

Finally, a significant part of the course is devoted to company valuation, both from the theoretical point of view (explaining the most widely used methods) and from the practical one (different valuation exercises are performed).

#### **Prerequisites**

This course is taken during the last year of a business undergraduate student, and it needs to be taken after an initial course on Finance (Corporate Finance, Financial Management or the like). It assumes the student is familiar with Accounting and Financial Statements and with the different financial assets and its valuation. So it is advisable to have taken a course on Financial Analysis or Company Valuation.

The topic is taught in English and most of the material, bibliography and recommended readings will be in English. All students must be fluent in English to be able to follow the course.

### **Competences to be acquired - Goals**

#### **General competences (for the Business and Economics degree)**

##### **Instrumental skills**

- Problem solving and decision making
  1. The student is able to make a decision autonomously and choose between specific alternatives.
  2. He is familiar with and can elect the best solution when confronted with problems both of a theoretical and of a practical nature.
  3. He can select, analyse and make a resolution for a practical case study based on a real situation.
- Organisation and planning skills

The student is able to work on a team and participate in the organisation and development of a group project. He is also capable of planning the different stages of a complex assignment.
- Selection and gathering information from different sources

The student is familiar, uses and ranks different sources of information on the subject matter: not only academic readings but market information, web pages, specialised journals or magazines, professional reports etc
- Communicational skills, both written and public speaking in English

He can present orally the acquired knowledge and he is also capable of written a report or project accurately.

##### **Interpersonal skills**

- Leadership and teamwork
  1. The student is expected to actively take part on team projects, sharing knowledge, ideas and experiences.
  2. He should be oriented to reach agreements and achieve common goals.
  3. He participates in the structure and application of working processes for the whole team.
- Critical (and self-critical) analysis
  1. The student is able to identify, set and test hypothesis, variables and outcomes in a logical and critical way.

2. He can review options and alternatives in an open-minded and critical way which allows for discussion and contrast between different points of view.
<b>Systemic skills</b>
<ul style="list-style-type: none"> <li>• The student is expected to acquire a multidisciplinary view on the topic.</li> <li>• He is motivated to improve the quality of his work and to achieve specific targets.</li> <li>• He tackles every task trying to gain an in-depth knowledge of the situation.</li> <li>• He identifies and chooses the most appropriate method to solve each problem</li> <li>• He is able to sort out real life professional situations when solving case studies.</li> </ul>
<b>Specific Competences (for this course)</b>
<b>Knowledge and cognitive skills</b>
<p>The student should:</p> <ol style="list-style-type: none"> <li>1. Be able to define and differentiate a Merger or an Acquisition from other alternatives. He will study the detail process for both, including the legal and managerial aspects, the input from regulators and market authorities, calendar and other considerations. <ul style="list-style-type: none"> <li>Accounting (consolidation, goodwill etc)</li> <li>Anti-trust regulation (in case an authorisation is required)</li> <li>Market (public tender offers rules, defensive strategies).</li> </ul> </li> <li>2. Be capable of applying the most commonly used company valuation methods, both in theory and in practice. For this purposes, some classical Financial Theory is revised, like the CAPM model, the estimation of beta, the composition of WACC, factors that affect the cost of financing or the valuation for derivatives assets: <ul style="list-style-type: none"> <li>Cash Flow based valuation</li> <li>Multiple based valuation</li> </ul> </li> <li>3. Be able to carry out other M&amp;A specific financial analysis, like contribution analysis, EPS (Earnings Per Share) accretion/dilution, or the basic structure of LBO (<i>Leverage Buy Out</i>).</li> <li>4. Know the specific process to sell a listed company and a non-listed one, and the differences between both processes.</li> <li>5. Be familiar with corporate restructurings (splits, spin-offs etc.), as the opposite phenomena from corporate concentration.</li> </ol>
<b>Practical and procedure skills</b>
<ul style="list-style-type: none"> <li>• To be able to select, analyse and synthesize the huge amount of information that can be produced during these corporate deals.</li> <li>• To be able to estimate and project into the future considering different outcomes and scenarios.</li> </ul>
<b>Attitude and personal skills</b>
<p>To be able to follow an ethical and autonomous behaviour in the midst of corporate deals. In this respect the student has to:</p> <ul style="list-style-type: none"> <li>• Be aware and reflect on the limits imposed by personal integrity and values, as well as professional standards of conduct in a given cultural context during the practical implementation of an M&amp;A transaction.</li> </ul>

- Identify in the class work and case studies the professional behaviour that is consistent with ethical values.
- Be honest during his academic activities, and not to remain passive when other are being dishonest.

## COURSE CONTENT

<b>Content Programme</b>
<b>Part 1: General Considerations</b>
<b>Chapter 1: Introduction</b>
<ul style="list-style-type: none"> <li>1.1. Ultimate goal: value creation.</li> <li>1.2. Synergies: what they are and types of synergies</li> <li>1.3. Brief history of M&amp;A</li> <li>1.4. Reasons, motives and determinants</li> <li>1.5. Types of transactions</li> <li>1.6. For of payment and financing</li> <li>1.7. Effects</li> </ul>
<b>Chapter 2: Spanish regulation: general overview</b>
<ul style="list-style-type: none"> <li>2.1. Some accounting considerations</li> <li>2.2. Types of Mergers</li> <li>2.3. Types of Acquisitions, including public tender offers.</li> <li>2.4. Anti-trust or competence authorities control over M&amp;A transactions</li> <li>2.5. Fiscal considerations</li> </ul>
<b>Chapter 3: Financial considerations</b>
<ul style="list-style-type: none"> <li>3.1. Introduction</li> <li>3.2. Company valuation <ul style="list-style-type: none"> <li>3.2.1. Overview of company valuation</li> <li>3.2.2. Discounted Cash-Flow valuation</li> <li>3.2.3. Multiple valuation</li> </ul> </li> <li>3.3. LBO process (Leverage Buy Out)</li> <li>3.4. Other financial analysis tools <ul style="list-style-type: none"> <li>Contribution analysis</li> <li>EPS accretion/dilution</li> </ul> </li> </ul>
<b>PART 2: Transaction analysis</b>
<b>Chapter 4: Acquisition process of a non-traded company</b>
<ul style="list-style-type: none"> <li>1.1. Introduction</li> <li>1.2. Preparation of the process</li> <li>1.3. Documentation for the acquisition process</li> <li>1.4. Phases of the acquisition process</li> </ul>
<b>Chapter 5: Acquisition process of a traded company</b>
<ul style="list-style-type: none"> <li>1.1. Introduction</li> <li>1.2. Preparation of the process</li> <li>1.3. Documentation for the acquisition process</li> <li>1.4. Phases of the acquisition process</li> </ul>
<b>Chapter 6: Corporate restructuring</b>

## TEACHING METHODS AND STRUCTURE

<b>Tecahing methods for the M&amp;A course</b>	
<p>This course requires the students attend the class sessions. There are regular teaching sessions, case study discussions and practical problems and questions. Active student participation is important. They are expected to read the assigned materials prior to the class, in addition to preparing the problems and case studies when appropriate.</p>	
<b>Teaching methods and activities when the student attends a class session</b>	<b>Competences</b>
<p><b>Lessons:</b>            Regular teaching sessions make up for slightly over half of the total class sessions.            The teacher will define and explain the technical terms and analysis, giving examples and pointing at the issues that arise debate in the reality of M&amp;A transactions.            The student should listen attentively, trying to understand the rational and ideas being explained, and making connections with his previous knowledge on the field. He is expected to take notes of the main contents to complement class material. Classroom discussion is encouraged, and students can interrupt the professor asking questions or requesting further clarification. Preparation prior to the class is essential to take the most of the teaching session.</p> <p><b>Supervised workshops:</b>            These are classes with a more active involvement from students. They will carry out activities and problems, supervised by the teacher, trying to apply in practice the theoretical content explained in class. During these workshops, problems are solved, case studies are discussed and news or reading material related to the topic are debated. Sometimes the work will be done individually, and sometimes the students will work as a team.            The supervised workshops include case studies related to real transactions that should be discussed in teams. The cases will sometimes be presented and solved by market professionals.</p> <p><b>Seminars:</b>            A few sessions will be spent in talks or presentations from guests who are professionals from different areas related to M&amp;A transactions. Attending this seminars is mandatory for all students. Some of the presentations that have taken place in the last few years are: "Anti-trust authorities and permits required in corporate integrations"; "Financial institutions valuation"; "Private Equity and Venture Capital activity in Spain".</p>	<p><b>Knowledge and Cognitive skills</b>  <b>Interpersonal skills</b>  <b>Attitude skills</b></p>
<b>Teaching methods and activities outside the classroom sessions</b>	<b>Competences</b>
<p>Besides taking part in class work and supervised workshops, the student needs to spend time revising individually the course material. Outside of the classroom, the student must read the materials assigned by the teachers, he also must work and solve problems and questions and look for additional information when needed. He also needs to work with fellow students in the case studies.</p>	<p><b>Systemic skills</b>  <b>Practical and procedure skills</b>  <b>Instrumental skills</b></p>

## ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
On-going assessment	45%
Final exam	55%

The on-going assessment includes the presentation of case studies, exercise and problems solving, seminar attendance and active class participation.

The final exam must be passed on its own (minimum grade of 5.00) in order to do the average with the on-going assessment mark.

For those students with an official exemption to attend class, the exam mark will represent 100% of the course grade. This will also apply to students that return from an exchange period abroad, or to students who are doing a re-take of the course.

SUMMARY OF THE STUDENT EXPECTED WORKING HOURS			
Hours in classroom			
Lessons	Case study and problem solving sessions	Workshops and seminars	Assessment
30	11	8	2
Hours outside the classroom			
Workshops and seminars	Individual work on practical exercises and problem solving	Teamwork for case studies	On-going revision
20	15	20	40
ECTS CREDITS:			5

## BIBLIOGRAPHY AND ADDITIONAL READING LIST

<b>Bibliography</b>
<b>Textbooks</b>
<b>Chapters in books</b>
<b>Articles and news</b>
A variety of material will be handed out in the classroom or through the course webpage
<b>Web pages</b>
<b>Notes</b>
The student will be supplied with lesson notes and slides through the course webpage
<b>Additional material</b>
<b>Additional reading list</b>
<b>Textbooks</b>
<ul style="list-style-type: none"><li>▪ Bruner, Robert F. (2004): <i>Applied Mergers &amp; Acquisitions</i>. Ed. Wiley.</li><li>▪ Gaughan, Patrick A.(2015): <i>Mergers, Acquisitions and Corporate Restructurings</i>. Ed. Wiley. (6<sup>th</sup> edition)</li><li>▪ DePamphilis, Donald M. (2015):<i>Mergers, Acquisitions and other Restructuring Activities</i>. Ed. Academic Press (Elsevier). (8<sup>th</sup> edition)</li><li>▪ Koller, Tim; Goedhart, Marc and Wessels, David (McKinsey &amp; Company)(2015) <i>Valuation. Measuring and managing the value of companies</i>. Ed. Wiley (6<sup>th</sup>edition)</li><li>▪ Damodaran, Aswath (2012) <i>Investment Valuation: Tools and Techniques for Determining the Value of any Asset</i>. Ed. Wiley. (3<sup>rd</sup> edition)</li><li>▪ García Estévez, Pablo (2006): <i>Fusiones comentadas</i>. Ed. Prentice Hall</li><li>▪ Moeller, Scott and Brady, Chris. (2014): <i>Intelligent M&amp;A. Navigating the Mergers and Acquisitions Minefield</i>. Ed. Wiley (2<sup>nd</sup> edition)</li><li>▪ Sudarsanam, Sudi (2010): <i>Creating Value from Mergers and Acquisitions</i>. Ed. Prentice Hall (2<sup>nd</sup> edition)</li></ul>
<b>Chapters in books</b>
<b>Articles</b>
<b>Web pages</b>
<b>Course notes</b>
<b>Additional material</b>