

COLUMBIA UNIVERSITY GRADUATE SCHOOL OF BUSINESS

Note: Attendance at first class is mandatory for continued enrollment in the course.

Mergers & Acquisitions

Block Week Summer 2023

Donna M. Hitscherich

Content and Objective:

This course is designed to be an **applications-oriented course and will draw heavily upon real world change of control case studies**. The course builds on the prior courses in corporate finance. The course will not introduce *significantly new* finance principles or analytical techniques other than those to which the student has been exposed to previously in the prerequisite introductory courses in finance at Columbia. The course will seek to apply basic finance principles and analytical techniques to actual problems likely to be encountered by senior management of major corporations or those who are the advisors to such management in the context of an M&A transaction.

At the conclusion of the course, the student 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 the firm. The student should expect at the conclusion of this course to have gained a level of competency in M&A commensurate with an entry-level investment banking associate in M&A. Whether or not the student "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.

Major topics covered will include:

- **Introduction to M&A:** What exactly is M&A? What are the major forces driving each of domestic and international M&A activity? What is the likely future of M&A activity? Who are the major players on the M&A landscape and what are their incentives? What, if any, value does an M&A banker bring to a transaction? What are the "rules" governing the M&A playing field and do such rules sufficiently "protect" shareholders?
- **Strategic and Practical Considerations:** What is the process timeline for an M&A transaction? How is an M&A idea originated and what is the process from origination to closing? What role do synergies play in M&A analysis? Why is it important to perform a pro forma "merger consequences" analysis? What are the important tactical considerations before approaching a potential target?
- **Valuation Basics:** How is a company valued? What is the purpose of valuation analysis, including stand-alone value, "synergy" value and break-up value? How do marketplace dynamics impact valuation? What factors may cause "intrinsic" value and "realizable" value to diverge?

- **Due Diligence:** How do you conduct effective due diligence? Who should you talk to? What should you ask for? What is the target likely to be looking for in terms of Confidentiality and Standstill Agreements? What should you be looking for in the documents produced? Who is responsible for what and how can accountants, bankers, consultants, and lawyers help? How do the results of due diligence impact valuation?
- **Financing Decisions:** How does the transaction get financed? What macro and micro factors impact M&A financing? What are the major financing alternatives from senior secured debt to high yield? How will an acquisition impact the acquiring company's debt rating, EPS and stock price and why does it matter?
- **Transaction Structures:** What forms can a transaction take and how do they differ? What is a tender offer? What is the difference between a one-step and two-step deal? How do tax factors influence the choice of transaction structure?
- **Anatomy of a Merger Agreement:** What are the basic components of the Merger Agreement? How does the Merger Agreement relate to the due diligence process? How do you “protect” a friendly deal from interlopers (i.e., lock-ups and “no-shops”)?
- **Restructuring Options:** What are the alternatives available to the firm to “unlock” shareholder value, including mechanics of the divestiture process and maximization of after-tax proceeds, straight sale, leveraged joint ventures, letter stock, rights offerings, spin-offs, Morris Trusts, spin-outs, and split-offs? When should a firm consider “going private,” including mechanics of an LBO, what constitutes a good LBO candidate and exit strategies for the LBO?
- **Takeover Defense:** What makes a company vulnerable? What are the major “defense” mechanisms, and do they work? How do you launch a hostile bid? How are the recent SEC and FASB “rules” likely to change the “hostile” landscape?

Class work:

Class topics will be imparted through lectures, assigned reading materials, required written case studies, and presentations by various investment banking and legal professionals. **Students will be expected to complete each of the assigned readings prior to class and consequently, be in a position to participate meaningfully in class discussions.** Class lectures will focus on the "mechanics" of M&A, while student discussions will focus on the implications of the "mechanics" on practical and real-world issues associated with an M&A transaction. While each student must turn in his/her own individual work, students are encouraged strongly to work in groups on the required case studies.

Examinations:

This course will require: (1) *individual* completion of certain materials administered ***prior*** to the start of the first class session (the “Pre-Test”); (2) *individual* submission of a daily one page summary of the key ideas (as determined by the student) presented in each class session (the

“Daily Summaries”), **individual** postings to the daily Discussion Questions (“Discussion Questions”); (3) **group** case study presentations and write-ups (the “Assigned Team Case Presentations”); (4) **individual** short assignments in preparation for the outside speakers (“Outside Speaker Prep”); and (5) **individual** completion of a take-home final exam (the “Final Exam”). Due dates for the class work will be posted to the course web site in the Class Schedule. **All assignments are due on the date indicated. Late assignments will not be accepted for credit.**

Evaluation of Performance:

Student grades will be based on the following formula: (1) Pre-Test (20%); (2) Daily Summaries, Discussion Questions and Outside Speaker Prep (30%); (4) Assigned Team Case Presentations (20%); and (5) Final Exam (30%). **All assignments are due on the date indicated. Late assignments will not be accepted for credit.**

Honor Code and Academic Conduct:

All materials distributed for this course *whether in hard copy or through the course web site*, are to be used ***only by students registered for this course and for work in this course only***. Electronic distribution of the materials by the student or other publication thereof (in electronic form or otherwise) may constitute a legal infringement of certain copyrights held by the professor and/or other contributors to the materials. Students should also note that in preparing assignments it will be considered a violation of the Honor Code to utilize solutions prepared by former students in this class.

Readings:

Reading assignments must be completed prior to class. Before the next class, class time will be devoted to previewing the next assignment and the key concepts thereof. Reading assignments are designed to support the case materials, which will form the basis of the class discussions. **Class discussions constitute an integral part of the course and prior preparation of the assignments is essential.**

Necessary Course Materials:

Students must have the following materials for this course:

Case Materials for Mergers and Acquisitions (Donna M. Hitscherich © 2000-2023) (the “M&A Case Materials”). Available on Canvas.

Reed & Lajoux, The Art of M&A: A Merger Acquisition Buyout Guide (McGraw-Hill)

The M&A Case Materials are designed to be self-contained and to serve as lecture notes for the designated classes. The textbook readings are *suggested* for the reference of the students. The suggested textbook readings should provide additional support for the M&A Case Materials rather than introduce new material.

Review Materials:

Students are encouraged to contact the professor with any questions or problems that may arise during the course. Students may set up an appointment at a mutually convenient time. Contact information is as follows:

Donna M. Hitscherich
Room 1154 Kravis Hall
Tel: 212-854-0763
E-mail: dmh9@gsb.columbia.edu

Class Schedule:

The Class Schedule will be posted to the course web site. The Class Schedule sets forth the material covered in each session and the student deliverables for the session.

