



## Mergers &amp; Acquisitions

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**Required Course Materials:**

Students must have the following materials for this course:

1. *Case Materials for Mergers and Acquisitions* (Donna M. Hitscherich © 2000-2018) (the “M&A Case Materials”). The Case Materials will be provided in hard copy. *Electronic versions of the Case Materials are not available.*
2. Articles posted to the courseware site or distributed by the professor prior to the class sessions (collectively, the “Articles”)

The M&A Case Materials along with the associated Articles are designed to be self-contained and to serve as lecture notes for the designated classes. A text that students have found useful as a reference on certain topics is Reed & Lajoux, *The Art of M&A: A Merger Acquisition Buyout Guide* (McGraw-Hill) (the “Art of M&A”). You will find a copy of the *Art of M&A* on reserve in the library.

**Required Prerequisites and Connection to the Core:**

This course builds upon the introductory courses in corporate finance and connects with many aspects of the Columbia Business School core curriculum. The prerequisites for this course include Corporate Finance (6300) and Capital Markets and Investments (8306). Students have found the M&A class to be a useful complement to the elective course Advanced Corporate Finance (8307). The M&A class will connect and depend upon your understanding of many aspects of the Columbia Business School core. Examples of some connections to the core curriculum are set forth below. Students will be expected to have mastered these concepts and be in a position to apply them throughout the course.

Core Course	Connection / Application to M&A
Corporate Finance	Firm Valuation Models
Decision Models	Fundamental Concepts of Decision Making Sensitivity Analysis
Financial Accounting	Business Combinations
Global Economic Environment	Drivers of Business Cycles
Leadership Development	Negotiations

**Course Description:**

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 previously has been exposed to in the prerequisite introductory courses in finance at Columbia. The course will 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.

### **Course Objectives:**

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 associate position in investment banking / private equity. 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, private equity, corporate development, consulting, equity research, corporate lending, asset management, strategic planning, 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 the incentives for the players? What, if any, value do M&A bankers 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? What is the origination process for an M&A idea 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? 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? Under what

circumstances do tax considerations 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? Can you “protect” a friendly deal from interlopers?
- **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?

### *Class Work:*

Class topics will be imparted through lectures, assigned reading materials, required individual assignments, required written group 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.

### *Assignments, Final Project and Evaluation of Performance:*

This course will require completion (all as more fully described on the Course Schedule and Assignment Due Dates posted on the course website) of each of: (1) **individually** prepared assignments of Type B1 (“Individual Assignments”) (15%); (2) class participation of Type C (“Class Participation”) (35%); (3) **group** prepared written case studies of Type A (collectively, the “Case Studies”) (15%); and (4) final project (“Final Project”) (35%) composed of two parts: (a) individually prepared comprehensive take home final objective short-answer questions of Type C (“Objective Questions”) and (b) group presentation of Type A (“Group Presentation”) which will require the student group to: (i) evaluate the possible M&A alternatives available to a **public** company, (ii) present the analysis of the alternatives from the perspective of an investment banking team hired to advise the board of directors of the public company and (iii) present the completed analysis during the last week of classes for the semester. **Each part of the Final Project is equally weighted; however, the student must achieve a grade of 65% or higher on the Objective Questions to receive a grade of P or higher for the course.**

The grading rubric for each assignment is on the course website with the assignment. Due dates for the class work will be posted to the course website in the Class Schedule. **All assignments are due on the date indicated. Late assignments will not be accepted for full credit.**

Student grades will be based on the following formula: (1) Individual Assignments (15%); (2) Class Participation (35%); (3) Case Studies (15%); and (4) Final Project (35%).

***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.** *Class participation accounts for 35% of the grade in this course and will be evaluated through (1) upload of three personal learning objectives, (2) upload of resume or career summary, (3) completion of pre-class survey; (4) quality of contribution to class discussion; and (5) class surveys and in class questions that will be answered individually by the student using interactive response ware.*

***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 a mutually convenient time. Contact information is as follows:

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Twitter: [@dmhcspe](https://twitter.com/dmhcspe)

***Course Schedule and Assignment Due Dates:***

The Course Schedule and Assignment Due Dates are posted to the course website. Please note that while the material covered in each class session is subject to change (due to the scheduling of presentations by outside M&A professionals), the assignment due dates are not.

***Integrity Code:***

Students are expected to abide by the Honor Code of Columbia Business School. Accordingly, when preparing solutions to Individual Assignments, Case Studies and the Final Project students are expected to present only *original* work. Thus, you must not rely on the work of students who have taken the course previously, students in other sections of the course, solutions posted on the internet, etc.

For the avoidance of doubt, reproduced below are the Individual and Group Work Guidelines as set forth in the Honor Code of Columbia Business available at:

<https://www8.gsb.columbia.edu/honor/definitions>

## Individual and Group Work Guidelines

TYPE	DESIGNATION	GRADE	PREPARATION OF SUBMISSION	DISCUSSION OF SUBMISSION*	DISCUSSION OF CONCEPTS**
A	Group Work	Same grade for all group members	By the group	Permitted to discuss (within group)	Permitted
B1	Individual w/ Discussions of Concepts and Submission	Individual grade	Individual preparation	Permitted to discuss; sharing solutions or submission files is not allowed	Permitted
B2	Individual w/ Discussions of Concepts Only	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Permitted
C	Individual	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Not permitted***

\* Submission means any work and/or output pertaining to the specific assignment. If an assignment submission contains a calculation or decision related to a specific set of data and setting, discussing the details how to make this calculation or decision with regard the data/setting is to discuss the submission. Providing another student with a draft of the calculation or decision is sharing the submission.

\*\* Concepts mean any ideas, examples, readings, or other related materials from the class/course. Conceptual discussion should not be based on a specific set of data or setting related to a calculation or decision required in the assignment, but could be based on other related examples, preferably those from class/course materials.

\*\*\* As no conceptual discussion is permitted, Type C is akin to a take-home exam.

### Other Administrative Issues:

**Class Attendance/Lateness:** I expect that you will come to class on time and stay for the full period. I do understand that there may be medical or other special circumstances that cause you to miss all or part of a class. In such rare circumstances, please send me an email alerting me of your absence or anticipated early departure prior to the start of class. Unexplained absences and/or chronic tardiness will adversely impact your class participation grade. **In addition, please note that this course will apply the core course standard regarding unexcused absences. Thus, unexcused absences equal to or greater than 33% of the number of class sessions (4 classes) will result in a grade of no higher than P and unexcused absences equal to or greater than 50% of the number of class sessions (6 classes) will result in a grade of F for the course.** Excused absences will follow the guidelines established by the Office of Student Affairs, including religious observance, personal, medical and family emergencies, military service, or court appearances.

*Return of Assignments:* Assignments will be returned by the next class session either in class or in your mail folders.

*Laptops and Other Electronic Devices:* Laptops and other electronic devices will not be permitted during class sessions. You should bring an individual copy of the case or problem set assignment that we will be discussing on a particular day.

*Name Cards:* Please bring your name cards to all class sessions.

*Resumes:* Your professional experiences before business school will greatly enhance the learning experience. Accordingly, so I may best integrate your experiences into the class discussion, please upload a copy of your most recent resume to the DROP BOX on the course website. If you do not wish to upload your formal resume, you may upload a brief career summary.

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