**FINCB8307:** **ADVANCED CORPORATE FINANCE**

**SPRING TERM 2023**

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| **PROFESSOR LUIGI RIZZO**  Professor Office Location: 1185B Kravis  Office Phone: xxx-xxx-xxxx  E-mail: lr3131@columbia.edu  Office Hours: Upon Request | COURSE/TEACHING ASSISTANTS  CA/TA Name 1, xyzabc@columbia.edu, phone  CA/TA 1 Office Hours **TBA**  CA/TA Name 2, xyzabc@columbia.edu, phone  CA/TA 2 Office Hours **TBA** |

Communications from professor and teaching assistants about the course will take place through Canvas.

Students should make sure they regularly check for announcements and messaging notifications.

**COURSE DESCRIPTION**

This elective examines major corporate finance transactions including mergers and acquisitions, corporate restructurings, equity and debt financings, and how they all come together in the context of “real life” Board-level strategic corporate finance decision-making.

The course builds upon the theoretical tools developed in the core CBS “Corporate Finance” course and aims to provide students with direct, first-hand, insights into the mechanics of real corporate finance transactions and deal making: the parties and processes involved, the regulatory framework, how theoretical corporate finance principles and tools are applied, tactics and processes involved, as well as shareholder and other stakeholders engagement.

The course will comprise lectures supplemented by experience-based discussions drawing from real world corporate finance transactions. It will also include C-Suite and practitioner guest contributions by senior professionals who led (or advised) on such corporate finance transactions. In the final part of the course, students will be asked to join together in teams to present (to a mock board of directors) a fresh corporate finance idea - and associated execution and financing considerations - for a real life corporate. Most of the students tend to chose a public M&A idea but can pick from a wide array of corporate finance transactions discussed during the course.

**STUDENT LEARNING OUTCOMES**

At course conclusion, students should expect to reach a level of competency commensurate to an entry-level associate position in investment banking and private equity, or within the corporate finance / corporate development team of a sophisticated corporate. The course is most suitable for students who are considering careers in corporate finance, investment banking, private equity, or consulting. Students who are interested in corporate development, strategic planning, buy-side or sell-side research, corporate banking, asset management or proprietary trading will also greatly benefit from this course.

**REQUIRED COURSE MATERIALS**

Course materials (including lecture notes and slides), suggested readings, required assignments, deadlines, and other useful information will be available and posted on the Canvas course web page.

Please be sure to check the course page regularly for any updates and deadlines. You can set and customise the frequency of course notifications on Canvas by clicking on Account > Notifications and changing the Course Content setting to “immediately”. While these notification preferences apply to all courses, you can also adjust your course-level notifications by clicking the “View Course Notifications” button on the right side of our course home page. It is students’ responsibility to be mindful of deadlines and any important developments pertaining to the course.

Recommended (optional) textbooks:

* R. Brealey, S.C. Myers, and F. Allen, *Principles of Corporate Finance*, 13th ed., Irvin, McGraw-Hill
* D. M. H. DePamphilis, *Mergers, Acquisitions, and Other Restructuring Activities*, 10th ed., Elsevier, Academic Press

**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. Pre-requisite for this course is “Corporate Finance”. The Advanced Corporate Finance class will link to and rely upon your understanding of many aspects of the Columbia Business School core such as, *inter alia*: Corporate Finance, for Firm Valuation models; Financial Accounting, for Business Combinations, or Decision Models, for Fundamental Concepts of Decision Making and Sensitivity Analysis.

**CLASSROOM NORMS AND EXPECTATIONS**

Students are expected to adhere to CBS Core Culture in this class by being Present, Prepared, and Participating.

The course includes lectures, real deal discussions and guest speakers.

Lectures provide relevant institutional facts, empirical evidence, and analytical methods and frameworks that are widely utilised in the real-world by corporate finance practitioners. Real deal discussions will illustrate actual corporate finance transactions and the real-world problems and issues that they confronted. These discussions will generally not be structured as academic case studies but will rather provide opportunities to review and debate how the theoretical analytical frameworks discussed in class are applied in real-world corporate finance transactions. Because a very material amount of learning occurs through class, it is important that you attend every class. A goal of the course is to provide students with the opportunity to learn how to best contribute to discussions about complex financial issues. Moreover, many students have very relevant experience that will greatly benefit other students when brought to bear into the classroom.

The end of term project will require group work. Students should organize themselves into groups of four or five. Since group work is a cooperative undertaking, students should ensure that they form groups that are able to work effectively. It is beneficial to have diverse backgrounds within a group. If a group is selected to give a presentation, all members of the team are expected to be present.

**COURSE ROADMAP**

This course takes the viewpoint of Board members or C-Suite level decision makers and/or their most senior professional advisors in relation to Board-level strategic corporate finance transactions. The course consists of three main modules and a final project.

**MODULE I — MERGERS & ACQUISITIONS**

**Part 1 — M&A Context**

1. Definitions and overview of key characteristics of various types of M&A transactions (e.g. Public vs. Private M&A, Buyside vs. Sellside vs. Mergers/Demergers)
2. Review across industries and regions of main M&A drivers and underlying strategies (e.g. horizontal M&A, vertical M&A, market-extension M&A, product-extension M&A, capabilities upgrade/acquisition, conglomerate/diversification M&A); Discussion of possible management and advisors biases towards M&A
3. Review of M&A activity of the last 30 years — observed cycles, most active M&A industries and regions, in-market vs. cross-border M&A dynamics, cross-regional/cross-continental M&A patterns
4. Discussion of key actors in M&A transactions, their respective roles and drivers/biases (e.g. in no particular order: Board of Directors, Management/Executives, Internal Advisory Teams, External Legal Counsels, Auditors/Accountants, Financial Advisors (M&A), Financing Banks, Rating Agencies, Existing and Prospective Equity and Debt Investors, Investor Advisory Services Firms, National and Supra-National Bodies and Regulators including M&A watchdogs and Antitrust/Competition authorities, Employees and (if applicable) unions, Competitors, Clients/Customers)
5. Corporate valuation tools in an M&A context — a practical approach, including a review of:
   * Standalone vs transaction value
   * Public market benchmarks (e.g. observed stock prices, comparable companies implied trading multiples)
   * M&A precedent transaction benchmarks (e.g. observed M&A premia, comparable precedent M&A transactions implied multiples)
   * Stated sources of transaction synergies (e.g. revenue, costs, financing) and one-off implementation costs, top-down synergies assessment/benchmarking (e.g. announced and achieved synergies announcements), synergies NPV valuation, and discussion of empirical evidence of synergies split in MoEs
   * Discounted Cash Flow valuation

**Part 2 — Deal Making**

1. Sale process: key actors and roles, process steps/workstreams and timeline (including due diligence pitfalls), buyers universe assessment and typologies of buyers (e.g. Strategic corporate buyers, Private Equity, Other Private Capital pools, Sovereign Wealth Funds), key M&A contracts (e.g. Sale & Purchase Agreements) & relevant aspects (e.g.. Reps and Warranties, MAC clauses), as well as other miscellaneous tools (e.g. R&W insurance)
2. Buy-side process: key actors and roles, process steps/workstreams and timeline (differentiating between private and public M&A), competitive universe assessment (e.g. interloper risk and their ability to pay), key M&A contracts & relevant aspects, as well as other miscellaneous tools (e.g. CVRs)
3. Mergers: deal structures (legal merger vs. exchange offers vs. schemes), consideration paid and associated mechanisms (e.g. collars), negotiated day-1 corporate governance and other flag issues (including empirical evidence of Board/Management biases), execution considerations (e.g. timelines, regulatory approvals, interloper risk), selected valuation aspects (e.g. relative valuation benchmarks vs. absolute valuation benchmarks)
4. Hostile/unsolicited M&A and Defence strategies
5. Shareholder Activism: including key drivers/target profiling, recent trends and key actors

**MODULE II — PRIVATE AND PUBLIC EQUITY CAPITAL MARKETS**

1. Introductions to Private and Equity Capital Markets drivers and transaction types:
   * Private Equity (« PE »)
   * Initial Public Offerings (« IPOs »)
   * Spin-IPOs and Demergers
   * Special Purpose Acquisition Companies (« SPACs »)
   * Follow-on offerings and rights issues
   * Hybrid issuances and other structured financings (e.g. convertible or exchangeable bonds, margin loans, funded collars)
2. Private Equity: Corporate Lifecycle and role of Private Equity (from seed to growth to LBOs), Private Equity fundamentals, Private Equity trends, LBO fundamentals
3. Initial Public Offering: review of IPO trends of the last decades (e.g. longer timeframe to going public, with less but larger companies coming to market), from “concept” to the reality of being a listed company — all key actors roles and responsibilities, process work-streams and timeline, selecting a listing venue, ESG requirements, key documentation and representations, key offering term-sheet parameters and drivers (e.g. primary vs. secondary, dividend policy, etc.), role of sell-side research & marketing process (US vs. International), syndication & distribution, book-building and pricing process, after market and key ongoing requirements (including governance)
4. Spin-IPOs and Demergers: transaction description and differences, stated transaction rationale, process steps, workstreams and timeline
5. Focus on SPACs, discussion of most recent developments, what is a SPAC and key SPAC terms, structural overview (traditional vs. current alternatives), Lifecycle of a SPAC (i.e. (i) IPO to Deal Announcement including: involved parties, key documentation requirements, (ii) Selecting a Target, (iii) the DeSPACing process), SPAC issuance over time and recent trends, specific considerations for potential issuers & practical deal examples
6. Follow-on offerings and rights issues
7. Hybrid issuances and other structured financings — convertible bonds, exchangeables, margin loans, funded collars

**MODULE III — PRIVATE AND PUBLIC DEBT CAPITAL MARKETS**

1. Optimizing the capital structure: how much debt? payout policy and dividends vs. buybacks?
2. Debt instruments, public market vs. private/bank market sources of financing; advantages and disadvantages of debt instruments
3. Distressed Debt and Distressed Debt Investors
4. Role of rating agencies and how credit ratings affect debt instrument valuations; Key Leverage & Other Credit Rating Ratios
5. Corporate Banking — products toolkit
6. Investment Grade vs Non-Investment Grade
7. The issuance process

**MODULE IV — CORPORATE FINANCE DEAL, FINANCING AND STRUCTURING — Team Project**

Students will be asked to join together in small teams to present (to a mock Board of Directors) a fresh Corporate Finance idea - and associated Execution and Financing considerations - for a real life corporate. While most students will chose a novel M&A transaction, ideas can be sourced from the full array of corporate finance transactions discussed during the course.

The objective of the Module will be to allow students to leverage the tools reviewed in the course and use them in a real life context to develop a transaction narrative which can include, for example, an acquisition idea and aspects such as, but not necessarily limited to:

* Deal rationale and equity story
* Valuation considerations
* Consideration to be offered
* Deal Financing suggestions
* Execution considerations (e.g. timeline, tactics, ability to pay and interlopers)

Students will also gain valuable insights into the Corporate Finance idea-pitching process.

**METHOD OF EVALUATION**

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| Class Participation | 30% |
| Problem Sets | 20% |
| End of Term Project | 50% |

**TENTATIVE COURSE SCHEDULE**

Classes will be weekly on Wednesdays 2.00 PM to 5.15 PM.

Each session will last 2x approximately 90 minutes with a 15 minutes intermission between each 90 minutes segment.

**Session 1.**

WEDNESDAY 25 January 2023, 2.00PM to 5.15PM

* *Introduction and course organisation*
* *Why should you care about corporate finance? The lifecycle of corporates — corporate finance in context*
* *Private equity: common private equity types from venture capital to growth equity to leverage buyouts, key features and market profile, private equity fundamentals and structure, funds lifecycle and economics, responsible investing continuum, GP/LP dynamics, recent trends in the private equity world and GP IPOs*

**Session 2.**

WEDNESDAY 1 February 2023, 2.00PM to 5.15PM

* *Introduction to M&A: does M&A create value? various types of transactions, key M&A drivers, M&A decision-making, stakeholder engagement and processes, key parties involved and roles*
* *Corporate valuation tools*
* *How do you sell a company? the M&A sell-side process*
* *What to expect when acquiring a company? the M&A buy-side process*

**Session 3.**

WEDNESDAY 8 February 2023, 2.00PM to 5.15PM

* *Merger of equals, synergy valuation and M&A bid premia, methods of payment, exchange ratio, distribution of synergies and value creation, accretion/dilution and the corporate finance debate, governance and other “soft issues”*

**Session 4.**

WEDNESDAY 15 February 2023, 2.00PM to 5.15PM

* *Initial Public Offerings, rationale and pitfalls, the IPO process and key decision-making*
* *Discussion of the SPAC market, key SPAC features, most recent developments*

Guest(s): to be confirmed

**Session 5.**

WEDNESDAY 22 February 2023, 2.00PM to 5.15PM

* *Raising Finance through Equity, follow-on offerings / rights issues, convertibles / exchangeables, margin loans, funded collars, VWAP sales or buybacks*

Guest(s): to be confirmed

**Session 6.**

WEDNESDAY 1 March 2023, 2.00PM to 5.15PM

* *Hostile M&A and shareholder activism*
  + - *Real Deal Discussion: ABN AMRO break up*
    - *Real Deal Discussion: Bluebell activist campaigns (e.g. Danone, Richemont, GSK, Solvay)*

Guest(s): BLUEBELL CAPITAL Co-founder & CIO, Marco TARICCO (CBS Alumni)

**Session 7.**

WEDNESDAY 22 March 2023, 2.00PM to 5.15PM

* *Role of the Chief Financial Officer and stakeholder engagement, decision making process*
* *Capital structure theory and practice, key considerations and trade-offs*
* *What should be the payout policy, dividends vs share buybacks*

Guest(s): to be confirmed

**Session 8.**

WEDNESDAY 29 March 2023, 2.00PM to 5.15PM

* *M&A as a corporate skill set*
* *Real Deal Discussion: Campari acquisition of Grand Marnier*

Guest(s): to be confirmed

**Session 9.**

WEDNESDAY 5 April 2023, 2.00PM to 5.15PM

* *Bank Debt and Debt Capital Markets*

Guest(s): to be confirmed

**Session 10.**

WEDNESDAY 12 April 2023, 2.00PM to 5.15PM

* *Leveraged Finance*

Guest(s): to be confirmed

**Session 11.**

WEDNESDAY 19 April 2023, 2.00PM to 5.15PM

* *Distressed investing and Distressed Debt*
  + - *Real Deal Discussion: Steinhoff*
    - *Real Deal Discussion: Technicolor*

Guest(s): FARALLON CAPITAL, Partner, Wissam CHARBEL

**Session 12.**

WEDNESDAY 26 April 2023, 2.00PM to 5.15PM

*Corporate Finance project presentations*

**ATTENDANCE POLICY**

Students are required to attend each class. Students should reach out to the instructor or TA regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your course grade.

NOTE: The following is applicable for Core Courses:

* Students that miss more than **33%** of their classes (unexcused absences) will at most receive a **P** **for the course grade**
* Students that miss more than **50%** of their classes (unexcused absences) will receive a **F** **for the course grade**

NOTE: The following is applicable for Core Courses and for any electives with OSA-administered exams:

* Students that miss the exam for an **excused** reason but are unable to take the exam within the stated make-up period will receive a **zero for the final exam grade**
* Students that miss the exam without notifying OSA (**unexcused**), will receive an **F for the course grade.**

This course may use PollEverywhere as a tool to increase in-class student engagement. PollEverywhere may also be used to confirm student attendance and participation records. Students who have concerns regarding whether their responses have been recorded should contact the instructor.

If a student is absent from class and is allowed to attend a different cluster’s class meeting, it is at the discretion of the faculty member to count responses to any polls presented during this time as attendance or participation.

Finally, if a student is not present in the classroom at the time of a poll (due to absences or any other reasons), the poll should not be answered. Responding to a poll when not present in the classroom is a violation of the Honor Code.

**INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS**

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Columbia Business School will make reasonable accommodations for persons with documented disabilities.  Students are encouraged to contact the Columbia University’s Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University’s Office of Disability Services online at [www.health.columbia.edu/docs/services/ods/index.html](http://www.health.columbia.edu/docs/services/ods/index.html) or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty.  Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator.  They will treat this information as private, but will need to follow up with you and possibly look into the matter.  Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. “Gender-based misconduct” includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment.  For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.