

**FINCB8307: ADVANCED CORPORATE FINANCE (“ACF”)  
FALL TERM 2023**

**PROFESSOR LUIGI RIZZO**

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**COURSE/TEACHING ASSISTANTS**

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Communications from professor and teaching assistant(s) about the course will take place through Canvas.  
Students should make sure they regularly check for announcements and messaging notifications.

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**COURSE DESCRIPTION**

This elective examines major corporate finance events through the lifecycle of a Firm including (but not necessarily limited to): private equity (from venture capital to buyouts), mergers & acquisitions and other corporate restructurings, capital structure and payout policy decisions, public equity & debt financing, and distressed investing. Reviewing how these 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 Columbia Business School “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 decisions involved, the regulatory framework, how theoretical corporate finance principles and tools are applied, tactics and processes, 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 guest contributions by active senior professionals and practitioners who led (or advised) on such corporate finance transactions. As the final part of the course, students will be asked to join together in teams to present (to a fictitious board of directors) a fresh corporate finance idea - and associated execution and financing considerations - for real life Firms. 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 so as to be notified “immediately”. While these notification preferences apply to all courses, you can also adjust your course-level notifications on the course home page. It is students’ responsibility to be mindful of deadlines and any important developments pertaining to the course.

Students should read the daily financial press, as we may from time to time refer in class to current market developments and/or ongoing corporate finance transactions.

Morgan Stanley’s “*Thoughts on the Market*” podcasts (available on the Morgan Stanley LinkedIn page) are a valuable source of regular market updates and commentary — link below:

[https://www.linkedin.com/posts/morgan-stanley\\_andrew-sheets-the-us-dollar-and-cross-asset-activity-7056975707473637376-LLiE?utm\\_source=share&utm\\_medium=member\\_ios](https://www.linkedin.com/posts/morgan-stanley_andrew-sheets-the-us-dollar-and-cross-asset-activity-7056975707473637376-LLiE?utm_source=share&utm_medium=member_ios)

Goldman Sachs’ “*BriefinGS*” newsletter (freely accessible on LinkedIn) is also a good source of regular updates on the market environment — link below:

[https://www.linkedin.com/posts/goldman-sachs\\_briefings-newsletter-activity-7055187306277707777-WBqv?utm\\_source=share&utm\\_medium=member\\_ios](https://www.linkedin.com/posts/goldman-sachs_briefings-newsletter-activity-7055187306277707777-WBqv?utm_source=share&utm_medium=member_ios)

The following textbooks will be used for the course, although we will not refer to all of the material in the book and only selected chapters will be referenced. They are available at online bookstores or in the library (which has a limited number of short-loan copies):

- J. Berk, P. DeMarzo, *Corporate Finance*, 5th ed., Global Edition, Pearson (“Berk|DeMarzo”)
- D. M. H. DePamphilis, *Mergers, Acquisitions, and Other Restructuring Activities*, 10th ed., Elsevier, Academic Press (“DePamphilis”)

## 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 and net present value (NPV) calculations; Financial Accounting, for selected Firm key performance and profitability indicators and Business Combinations, or Decision Models, for fundamental concepts of decision making and sensitivity analysis.

## CLASSROOM NORMS AND EXPECTATIONS

Classes will be weekly on **Wednesdays from 2.20PM to 5.35PM**. Each 3 hours session will last twice approximately 90 minutes with a 15 minutes intermission between each 90 minutes segment.

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 utilized 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 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. While there are no “right” answers, there are good and bad arguments, 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. Guidance will be provided in the first class of the course as to how and by when those groups should be formed. 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.

Please be sure to check the course page regularly for any updates and deadlines.

Students are expected to adhere to Columbia Business School core culture in this class by being present, prepared, and participating. Participation in the classroom discussion is a central part of the course.

Starting with Session 1. on Wednesday, September 6, attendance will be recorded within 5 minutes of the start of each session. There may also be in-class polls given at random times which will enable the monitoring of presences during class. Students’ participation score will be determined based on three factors:

- First, students are expected to actively participate in class. Class participation is scored individually and we consider the quality of your comments as well as the quantity.
- Second, each student will anonymously evaluate their team members for their end-of-term project submission. Team members’ evaluation of a student’s efforts will contribute towards that student’s participation score.
- Third, we will circulate a survey at the end of term on the overall course. The content of each student’s survey feedback will remain anonymous but failure to complete the survey will negatively impact a student’s participation score.

Inadequate class participation combined with several unjustified and unapproved absences can lead to a failing grade.

## **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 will, over the course of 36 hours, cover three main modules and a final project. We provide hereafter an overview of the three main modules, and later in the syllabus a tentative course schedule.

## **MODULE I — MERGERS & ACQUISITIONS**

### **Part 1 — M&A context**

Part 1 discusses the context in which M&A occurs, including factors often beyond the control of the participants in the M&A process. This part of the course will address the basic vocabulary and drivers of M&A.

- I. Why M&A matters — and whether it benefits shareholders, bond holders, and/or society
- II. 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
- III. Review 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)
- IV. 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 and other restructurings)
- V. Discussion of key actors in M&A transactions, their respective roles and drivers/biases (e.g. in no particular order: Key Shareholders, 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 (where applicable) Trade Unions, Competitors, Clients/Customers); with a particular focus on the regulatory environment for M&A

### **Part 2 — M&A framework**

- VI. Developing business & acquisition plans — Pre-Deal
- VII. “M&A deal making” — the Deal Phase
- VIII. Post-closing deal integration — Post-Deal

### **Part 3 — M&A deal making**

- IX. Corporate valuation tools in an M&A context — a practical approach, including a review of:
  - a) Discussion of standalone vs. M&A valuation
  - b) Public market benchmarks (e.g. observed stock prices for publicly listed Firms, listed comparable companies implied trading multiples)
  - c) M&A precedent transactions benchmarks (e.g. comparable precedent M&A transactions implied multiples, observed M&A premia)
  - d) Discounted cash flow (“DCF”) valuation, LBO valuation
- X. Deal financing considerations — discussion of investment grade vs leveraged finance market, digression on, and detailed review of the private equity market and leveraged buyout (“LBO”) mechanics
- XI. Sell and buy-side processes: key actors and roles, process steps/workstreams and timeline (differentiating between private and public M&A), Due Diligence exercise and possible pitfalls, for sellers — buyers universe assessment and typologies of buyers (e.g. strategic corporate buyers, private equity, other private capital pools, sovereign wealth funds), for buyers — competitive universe assessment (e.g. interloper risk and their ability to pay), 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), consideration paid (e.g. cash and/or stock as well as contingent payments, such as earnouts or contingent value rights)

- XII. 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)
- XIII. Hostile/unsolicited M&A (and associated defence strategies), as well as Shareholder Activism (including key drivers/target profiling, recent trends and key actors)
- XIV. Corporate (re-)structuring alternatives — e.g. spin-offs, split-offs and carve-outs

#### **Part 4 — Post-closing deal integration and M&A audit**

- XV. Deal integration: review of key deal integration workstreams and discussion of common M&A integration problems
- XVI. M&A audit: review of M&A measurement metrics and systems, M&A as a corporate skillset and how Firms learn from past acquisitions

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

- 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)
- Private Equity: Corporate Lifecycle and role of Private Equity (from Venture Capital to Growth Equity to Traditional Buyouts), Private Equity fundamentals, Private Equity trends, LBO fundamentals
- 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), “how to go public” — step by step — 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)
- Spin-IPOs and Demergers: transaction description and differences, stated transaction rationale, process steps, workstreams and timeline
- Follow-on offerings and rights issues
- Hybrid issuances and other structured financings — e.g. convertible bonds, exchangeables, margin loans, funded collars

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

- Optimizing the capital structure: how much debt?
- What should the payout policy be: dividends vs. buybacks? Key debates
- Debt instruments, public market vs. private/bank market sources of financing; advantages and disadvantages of debt instruments
- Role of rating agencies and how credit ratings affect debt instrument valuations; Key Leverage & Other Credit Rating Ratios
- Investment Grade vs Non-Investment Grade markets — review
- Distressed Debt and Distressed Debt Investors

**MODULE IV — END-OF-TERM CORPORATE FINANCE PROJECT — Team Project**

In this final part of the course, students will be asked to join together in small teams to present (to a fictitious 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 public M&A transaction, ideas can be sourced from the full array of corporate finance transactions discussed during the course.

The objective of the end-of-term project 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 would include, for example, for an acquisition idea, aspects such as, but not necessarily limited to:

- Deal rationale: strategic and economic benefits
- Valuation considerations (including synergies)
- Price and method of payment to be offered
- Key other deal terms
- Deal financing proposal
- Execution considerations (e.g. timeline, bid tactics, ability to pay, interlopers, closing conditions)

In the process, students will gain valuable insights into the Corporate Finance idea-pitching process.

Groups should rely on firm and market data that are publicly available for their analysis. However groups cannot use pre-built models that students used in the past and/or materials otherwise prepared by professionals. Exchange of analyses and calculations across groups is not allowed.

A written report and a PowerPoint/Keynote presentation are due over a week in advance of the final class of the term (exact dates will be shared during the first class of term). Six groups will be asked to present their end-of-term projects during the last class of term (Session 12.).

Exceptional presentation performances will contribute to individual participation scores. The remaining groups should record and submit their presentation by no later than the start of the final class of term. Additional details on the end-of-term project will be discussed in class and posted on Canvas.

#### **METHOD OF EVALUATION**

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

#### **TENTATIVE COURSE SCHEDULE**

Classes will be weekly on Wednesdays 2.20 PM to 5.35 PM.

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

Note: guest speakers' schedules (all active senior professionals) can vary at very short notice — as such sessions' order may be changed and/or planned guests' participation may be amended.

Ahead of Session 1. please read Berk|DeMarzo Chapter 23.1 "Equity Financing for Private Companies" (pages 867 to 881).

#### **Session 1.**

WEDNESDAY 6 September 2023, 2.20PM to 5.35PM

- *Introduction / Course structure and organisation / Private equity*
- *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, GP/LP dynamics, recent trends in the private equity world and GP IPOs, LBO mechanics and value creation levers*

#### **Session 2.**

WEDNESDAY 13 September 2023, 2.20PM to 5.35PM

- *Introduction to M&A and corporate restructurings*
  - *review of the various types of transactions, key M&A drivers, M&A decision-making, M&A frameworks, stakeholder and processes, key parties involved and roles*
- *Corporate valuation tools — standalone vs. M&A valuation, public markets valuation benchmarks, M&A precedents, DCF and other methodologies*
- *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 20 September 2023, 2.20PM to 5.35PM

- *Merger of equals — concept discussion, framework and pitfalls*
  - *Deal synergies — sources and 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”*

Case Discussion: NOVOZYMES and CHR. HANSEN business combination “A perfect match?” (Deal announced Dec. 2022)

**Session 4.**

WEDNESDAY 27 September 2023, 2.20PM to 5.35PM

- *Hostile M&A and shareholder activism*
  - *Real Deal Discussion: “Battle in the Sky” — Frontier Airlines vs. JetBlue bid for Spirit Airlines (2022/2023)*
  - *Real Deal Discussion: “Dealmaking in troubled waters” — the ABN AMRO takeover (2007)*
  - *Real Deal Discussion: Bluebell activist campaigns (e.g. Bayer, SOLVAY, Danone, Richemont, GSK)*

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

**Session 5.**

WEDNESDAY 4 October 2023, 2.20PM to 5.35PM

- *M&A as a corporate skill set (programmatic acquirers)*
- *The pre-deal phase: Developing business & acquisition plans*
- *Due Diligence*
- *The post-closing: Successful deal integration*
- *Real deal discussion: CAMPARI acquisition of GRAND MARNIER*

Planned Guest(s): GOLDMAN SACHS, Stephan FELDGOISE, Co-Global Head of Mergers & Acquisitions

**Session 6.**

WEDNESDAY 11 October 2023, 2.20PM to 5.35PM

- *Capital structure theory and practice, key considerations and trade-offs*
- *What should be the payout policy: dividends vs share buybacks*

**Session 7.**

WEDNESDAY 25 October 2023, 2.20PM to 5.35PM

- *Debt and other sources of non-equity financing*

Planned Guest(s): MORGAN STANLEY, Anish SHAH (CBS Alumni), Chair of the Capital Commitment Committee, Global Head of Acquisition Finance



**Session 8.**

WEDNESDAY 1 November 2023, 2.20PM to 5.35PM

- *Leveraged Finance — Context and Definitions*

- *Leveraged Loans Market review*
- *High Yield Bond Market review*

Planned Guest(s): BANK OF AMERICA, Chris MUNRO, Global Head of Leveraged Finance

**Session 9.**

WEDNESDAY 8 November 2023, 2.20PM to 5.35PM

- *Initial Public Offerings, rationale and pitfalls*

- *“How to take a Firm (from private to) Public?” — Step by step IPO process and key decisions*

Planned Guest(s): Diego De Giorgi, Former BANK OF AMERICA global head of investment banking, retired GOLDMAN SACHS partner (global COO for Investment Banking and Head of Equity Capital Markets for the EMEA region)

**Session 10.**

WEDNESDAY 15 November 2023, 2.20PM to 5.35PM

- *Raising Finance through Equity*

- *follow-on offerings, accelerated bookbuilt offerings and rights issues*
- *convertibles / exchangeable bonds*
- *margin loans, funded collars and other equity-linked*

**Session 11.**

WEDNESDAY 29 November 2023, 2.20PM to 5.35PM

- *Distressed investing — Introduction*

- *Turnaround investing*
- *Distressed credit*

Planned Guest(s): FARALLON CAPITAL, Wissam CHARBEL, Partner and head of European credit

**Session 12.**

WEDNESDAY 6 December 2023, 2.20PM to 5.35PM

- *Corporate Finance project presentations*

Planned Guest(s): To be confirmed

**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.

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 Professor and/or the TA(s).

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>.