



北京大學
汇丰商学院

Peking University HSBC Business School

COURSE CODE

Mergers and Acquisitions

Module 1, 2016-2017

Course Information

Instructor: Seungjoon Oh

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Office Hour: Wed 4:00pm-5:00pm (or by appointment via email)

Classes:

Lectures: Tue & Fri 10:30-12:20pm

Venue: PHBS Building, Room 311

1. Course Description

1.1 Context

Course overview:

The primary objective of the course is to develop a comprehensive understanding of mergers and acquisitions (M&A) in both academic and practical perspectives. This course will cover all major elements of the acquisition process focusing on financing decisions, valuation, restructuring options, cross-border acquisitions, and regulatory intervention. It will cover seminal theoretical and empirical literature and current research works in this field. It will also use cases and real-world applications to develop skills necessary to prepare and evaluate the rationale for a proposed transaction.

Prerequisites:

The course presumes that students have taken basic courses in accounting, economics, finance and econometrics before taking this course. Students are recommended to have completed the following courses: "Corporate Finance".

1.2 Textbooks and Reading Materials

Lecture notes, assignments, academic articles and other useful information will be posted on the course web page.

Reference Text: *Venture Capital Valuation*, Lorenzo Carver, Wiley Finance, 1st Edition

Reference Text: *The Business of Venture Capital: Insights from Leading Practitioners on the Art of Raising a Fund, Deal Structuring, Value Creation, and Exit Strategies*, Wiley Finance, 2nd Edition

Reference Text: *Investment Banking* by Rosenbaum and Pearl, 2013

Reference Text: *Applied Mergers and Acquisitions* by Robert F. Bruner, University Edition

2. Learning Outcomes

2.1 Intended Learning Objectives / Outcomes

| Learning Goals | Objectives/Outcomes | Assessment |
|--|---|------------|
| 1. Our graduates will be effective communicators. | 1.1. Our students will produce quality business and research-oriented documents. | |
| | 1.2. Students are able to professionally present their ideas and also logically explain and defend their argument. | |
| 2. Our graduates will be skilled in team work and leadership. | 2.1. Students will be able to lead and participate in group for projects, discussion, and presentation. | |
| | 2.2. Students will be able to apply leadership theories and related skills. | |
| 3. Our graduates will be trained in ethics. | 3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it. | |
| | 3.2. Our students will practice ethics in the duration of the program. | |
| 4. Our graduates will have a global perspective. | 4.1. Students will have an international exposure. | |
| 5. Our graduates will be skilled in problem-solving and critical thinking. | 5.1. Our students will have a good understanding of fundamental theories in their fields. | |
| | 5.2. Our students will be prepared to face problems in various business settings and find solutions. | |
| | 5.3. Our students will demonstrate competency in critical thinking. | |

2.2 Course specific objectives

2.3 Assessment/Grading Details

| Assessment task | Weighting |
|---------------------------------------|-----------|
| Mid-term Exam | 40 |
| Final Team Project | 40 |
| Case study discussion and Assignments | 12 |
| Class participation | 8 |
| Total | 100 |

Final Project:

Students will be asked to form teams of 5 individuals prior to the start of the second session of the class to prepare a class presentation on a pre-specified topic. Presentations will start at week 6 and last until the end of the module. Your team project includes a final report which should be turned in electronically on or before the last day of week 9. Each team should choose one of the following topics:

Topic 1: Cross-Border Acquisitions

The objective of this project is to understand cross-border acquisition process by identifying an overseas target and analysing it. Your group will prepare a proposal on cross-border investment and present your valuation results and investment plan to the class. An outline of the topics your project should cover will be provided.

Topic 2: Technological and Political Shock-Driven Acquisitions

Economic, regulatory and technological shocks drive industry merger waves. (Harford 2005). Particularly, many recent acquisitions are driven by synergies from innovation capability or in response to a new government policy. The objective of this project is to investigate recent changes in technological trends or government policies and build an investment plan. An outline of the topics your project should cover will be provided.

Topic 3: Study of Distressed Target Acquisitions

The objective of this project is to investigate a M&A transaction that includes financially or economically distressed target. Firms that face a severe liquidity constraint may be forced to sell some or all of their assets to avoid bankruptcy. Thus, distressed acquisitions play an important role as a restructuring mechanism. Your group will prepare a proposal on distressed target acquisition and present your valuation results and investment plan to the class. An outline of the topics your project should cover will be provided.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

| Week | Topic |
|------|---|
| 1-2 | <p>Introduction: M&A Activity</p> <ul style="list-style-type: none"> <input type="checkbox"/> Organic growth vs. Inorganic growth <input type="checkbox"/> Theory of Takeovers (Jean Tirole Chapter 11) <input type="checkbox"/> Drivers of M&A activity and merger waves <input type="checkbox"/> Merger negotiation v. Public tender offer <input type="checkbox"/> Method of Payment and Financing M&A <input type="checkbox"/> Leveraged buyout (LBO) <p><u>Reading List</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Jovanovic and Rousseau (2002), The Q-theory of mergers, <i>American Economic Review</i> <input type="checkbox"/> Harford (2005), What drives merger waves?, <i>Journal of financial economics</i> |
| 2-3 | <p>Does M&A create value?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Measurement of performance (calculating abnormal return) <input type="checkbox"/> Tender offers and the free-rider problem <input type="checkbox"/> Drivers of profitability <input type="checkbox"/> Synergy creation <p><u>Reading List</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Betton, Eckbo, Thorburn (2008), Corporate Takeovers: Chapter 3 and 4 <input type="checkbox"/> Bena and Li (2014), Corporate Innovations and Mergers and Acquisitions, <i>Journal of Finance</i> |
| 3-5 | <p>M&A Valuation</p> <ul style="list-style-type: none"> <input type="checkbox"/> Valuation and financial modeling <input type="checkbox"/> Building the financial model <input type="checkbox"/> Estimating the cost of capital <input type="checkbox"/> Financial accounting for M&A Executive compensation <p><u>Case Study</u></p> <p>H. J. Heinz M&A by David P. Stowell and Nicholas Kawar</p> |
| 5-6 | <p>Cross-Border M&A</p> <ul style="list-style-type: none"> <input type="checkbox"/> Cross-Border M&A activity <input type="checkbox"/> Drivers and returns from cross-border M&A <input type="checkbox"/> Valuation of cross-border firm <input type="checkbox"/> Taxation of cross-border M&A <input type="checkbox"/> Reverse mergers <p><u>Case Study</u></p> <p>Dalian Wanda Group: The AMC Entertainment Acquisition, by Willy Shih</p> <p><u>Reading List</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Ahern (2014), Lost in Translation? The Effect of Cultural Values on Mergers Around the World, <i>Journal of Financial Economics</i> |

| | |
|-------------------|---|
| <p>6-7</p> | <p>M&A and Corporate Restructuring</p> <ul style="list-style-type: none"> <input type="checkbox"/> Valuing distressed businesses <input type="checkbox"/> Bankruptcy auctions and fire-sales <input type="checkbox"/> Divestitures, spin-offs, and equity carve-outs <input type="checkbox"/> Distressed debt investments <p><u>Case Study</u> Oaktree and the Restructuring of CIT Group (HBR), by Victoria Ivashina; David S. Scharfstein</p> |
| <p>7-8</p> | <p>Takeovers, competition and antitrust</p> <ul style="list-style-type: none"> <input type="checkbox"/> Efficiency vs. market power <input type="checkbox"/> Effects of merger on rival firms <input type="checkbox"/> Effects of merger on suppliers and customers <input type="checkbox"/> Some implications for antitrust policy <p><u>Reading List</u> <input type="checkbox"/> Shahrur, Husayn (2005), Industry structure and horizontal takeovers: Analysis of wealth effects on rivals, suppliers, and corporate customers, <i>Journal of Financial Economics</i></p> |