

Finance
Course Number: 22:390:664
Course Title: Mergers and Acquisitions

COURSE DESCRIPTION

This course is designed to provide managers with a foundation in the key concepts underlying the valuation of the firm, and the analysis of and execution of financial decisions. We will examine valuation issues through major decisions of the firms, comprising of merger and acquisitions, financing and payout policy.

COURSE MATERIALS

My class lectures will be posted on canvas. It is however useful to have a references book which is:

Corporate Finance by Ross, Westerfield, and Jaffe, 10th Edition
ISBN 9780078034770

Check Canvas (canvas.rutgers.edu) and your official Rutgers email account regularly.

LEARNING GOALS AND OBJECTIVES

This course is designed to help students develop skills and knowledge in the following area(s):

1. Learn fundamental concepts and tools for valuation of assets and financial products
2. Learn how the financing decision affects firm value
3. Obtain an understanding on how to use capital budgeting techniques to value investment projects and firms
4. Learn how to use capital budgeting techniques for merger/acquisition decisions
5. Learn how to use capital budgeting techniques to value IPOs, financing and payout decisions
6. Learn how to use Excel to analyze and evaluate investment and corporate choices.

Students who complete this course will demonstrate

1. Mastery of fundamental business concepts and an ability to integrate and apply these concepts to resolve practical business problems.
2. Proficiency at analyzing and interpreting numerical data to resolve practical business problems.

Students develop these skills and knowledge through the following course activities and assignments:

1. Case write-ups
- Class participation

2. A midterm and final exam.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

The class is based on case discussions. All students are required to read the assigned case prior to the class, think and prepare responses to suggested questions assigned for the case, and participate in the class discussion.

As the class grade depends on attendance and participation, please inform if you need to miss class.

For weather emergencies, consult the campus home page. If the campus is open, class will be held.

TESTS, EXAM, AND GRADING POLICIES

The grading consists of the following:

3 Case Write-ups: 20% (Details Below)

In Class Midterm: 15%

Class Participation: 25%

Final Exam: 40%

Case Write-Ups

There are two mini write-ups required, each accounting for 5 points. There is one full write-up required that accounts for 10 points.

I will provide suggested questions for each assigned case. Your case write-up should perhaps answer some of these suggested questions but you may choose to go beyond. It is helpful if you think of yourself as a consulting firm and me as your client. Like any consulting team, your report should be organized and

structured as if you were actually presenting it to your client. Reports written as answers to questions are therefore not appropriate. The write-ups should be double spaced with a font of 12 and appropriate margins. You can hand them to me at the beginning of class or email them to me as pdf documents prior to the beginning of the class in which we will discuss the case. These are individual assignments.

The mini write-up should be no more than a one-page executive summary of your thoughts on the case. It does not need to be (but numerical analysis is welcome if you want to submit it) accompanied with any numerical analysis to substantiate the recommendations you are suggesting. It is an overall evaluation of the situation and identifies the key issues in the decision.

The full write-up should have a two-page executive summary of your recommendations / decision in the case. It should be backed with numerical analysis to support your recommendations. The numerical recommendations may be attached as exhibits – No more than three exhibits.

Note: The case write-ups are individual assignments and are due at the beginning of the class in which we are going to discuss the case.

COURSE SCHEDULE

COURSE SYLLABUS

1. Class 1: Introduction and Capital Structure

- Suggested Reading RWJ Chapter 16
- Review: CAPM and Time value of Money
- MM Propositions:
- Taxes

2. Class 2: Cost of Capital

- Reading: Midland Energy Resources, Corporate Valuation Note
- Levering and Un-levering Betas
- Case Discussion: Midland Energy Resources

3. Class 3: Cash Flow Forecasting

- Reading: Whole Foods
- Percentage of Sales Forecasting
- Scenario analysis, sensitivity analysis
- Case Discussion: Whole Foods

4. Class 4: Free Cash Flow and WACC valuation

- Reading: Adecco
- Calculating FCF, Terminal Value Calculations
- Case Discussion: Adecco

5. Class 5: Bankruptcy, and Capital Structure

- Reading: Williams, RWJ Chapter 17
- Midterm

- Financial Distress and US Bankruptcy
 - Case Discussion: Williams
- 6. Class 6: IPO Valuations**
- Reading: Immulogic
 - IPO Process
 - Valuation by multiples and WACC
 - Case Discussion: Immulogic
- 7. Class 7: Mergers and Hostile Takeovers**
- Reading: Vodafone
 - Payment methods
 - Takeover Defenses
 - Case Discussion: Vodafone
- 8. Class 8: Real Options and Valuation**
- Reading: Laura Marin
 - Options, Real Options
 - Case Discussion: Laura Marin
- 9. Class 9: Dividend and Payout Policy**
- Reading: Sealed Air
 - Dividends and Repurchases
 - Case Discussion: Sealed Air
- 10. Class 10: Governance and Valuation**
- Reading: Target
 - Shareholder Activism
 - Case Discussion: Target

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]