

Finance
Course Number: 22:390:693
Course Title: Advanced Corporate Finance Modeling: LBOs and M&A

COURSE DESCRIPTION

This course will show you how to combine two companies in Microsoft Excel to create a Mergers & Acquisitions model ("Merger Model") and determine whether the combination is accretive or dilutive to earnings and cash flows as well as run different funding scenarios (cash, debt, stock, etc.) to determine the optimal financing for the deal. We will also create a Leveraged Buyout model ("LBO model") which looks at a Financial Sponsor or Private Equity firm purchasing a company and determine the return ("IRR") to the Purchaser based on different funding scenarios (amount of cash funding vs. debt funding). Due to the hands-on nature of this course, attendance is critical.

COURSE MATERIALS

- A PC laptop with Microsoft Excel (any version is fine)
- No formal textbook. Any reading materials will be e-mailed or provided
- Check Canvas (canvas.rutgers.edu) and your official Rutgers email account regularly.

LEARNING GOALS AND OBJECTIVES

The objective is to be at a level of proficiency where you can take the financials of any company and create a Merger model or an LBO model given the financing assumptions of the deal.

PREREQUISITES

It is suggested that you take "Financial Modeling for Corporate & Project Finance" (22:390:680) prior to this course though it is not a mandatory prerequisite. Also the Microsoft Excel Basics no credit certificate course that I teach is recommended but not required to familiarize yourself with Microsoft Excel.

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

- Expect me to attend all class sessions. I expect the same of you. If I am to be absent, my department chair or I will send you notice via email and Canvas as far in advance as possible. If you are to be absent, report your absence in advance at <https://sims.rutgers.edu/ssra/>. If your absence is due to religious observance, a Rutgers-approved activity, illness, or family emergency/death and you seek makeup work, also send me an email with full details and supporting documentation [within three days of your first absence].
 - For weather emergencies, consult the campus home page. If the campus is open, class will be held, unless there is an emergency on my end, in which case I will notify everyone by email at least three hours prior to the start of class.
 - Expect me to arrive on time for each class session. I expect the same of you. If you are going to be tardy, then quietly enter the room and make your way to the back of the classroom so as not to disturb the other students.
 - Expect me to remain for the entirety of each class session. I expect the same of you. If you are going to leave early, then please let me know at the beginning of class, so that I can seat you near an exit and minimize any class disruptions.
 - Expect me to prepare properly for each class session. I expect the same of you. Complete all background reading and assignments. You cannot learn if you are not prepared. The minimum expectation is that for each 3 hour class session, you have prepared by studying for at least twice as many hours.
 - Expect me to participate fully in each class session. I expect the same of you. Stay focused and involved. You cannot learn if you are not paying attention. Laptops in the classroom are for note-taking, not surfing the web.
-

CLASSROOM CONDUCT

I expect students to conduct themselves professionally at all times in my class. Students must be respectful of others and of sometimes extremely differing points of view, that may sometimes even seem offensive. That doesn’t mean that students have to agree with each other, but they do have to give each

other the opportunity to present their views in a safe, professional, and unthreatening venue. Disrespectful students will be asked to leave my classroom.

I don't mind if there is food or drink in the classroom, provided that the rules at RBS allow such things, and that the food isn't so aromatic or noisome as to be distracting to your classmates. A simple gage is that if your neighbor can smell it, then it doesn't belong in my classroom. All this notwithstanding, I strongly suggest that you eat either before or after class.

GRADING POLICY

A. Attendance accounts for 15% of the final grade

- 1) If campus is open class will be held
- 2) There are 14 classes. Attendance for each class counts as 1% and there is a 1% bonus for perfect attendance

B. Homework accounts for 60% of the final grade

- 1) There are 12 assignments and each will be worth 5% of the final grade
- 2) After each class an assignment will be given based upon what we did in class
- 3) Assignments will be e-mailed upon completion (**WARNING: IF YOU DO NOT REPLY TO THE ORIGINAL ASSIGNMENT E-MAIL, IT IS 10 PTS OFF**)
- 4) Assignments will be due by **MIDNIGHT** before the next class 5)

Grading for each assignment will be determined as follows:

- | | |
|--------------------------------------|-----|
| i) Was the assignment submitted? | 20% |
| ii) Was it submitted on time? | 20% |
| iii) Was it completed? | 20% |
| iv) Did it employ logic and thought? | 20% |
| v) Was the answer correct? | 20% |

C. The Final Project accounts for 25% of the final grade

- 1) The project will be given 2 weeks before the final class and it will consist of a model with LBO and M&A analyses
- 2) A grading rubric will be provided that explains the point scale for each part of the project
- 3) There will be a Q&A discussion a week before the project is due so all questions may be answered in an open forum
- 4) The project is due by midnight prior to the Final Class

Grading Scale

- | | |
|----|---------------|
| A | 90.00 – 100 |
| A- | 88.00 – 89.49 |
| B+ | 85.00 – 87.49 |

B	80.00 – 84.49
B-	78.00 – 79.49
C+	75.00 – 77.49
C	65.00 – 74.49
C-	60.00 – 64.49
D	50.00 – 59.49
F	Below 50

COURSE SCHEDULE

CLASS	TOPIC
1	Review of the Syllabus Intro to Excel How to properly format financial statements
2	Model Building Basics BASE Calculations (Beginning + Additions - Subtractions = ENDING Balance) 1) Property, Plant & Equipment 2) Retained Earnings 3) Intangible Assets Calculating Operating Working Capital How to Build the Cash Flow Statement and understanding the 3 components (Operating, Investing & Financing) and differentiating which items go where Linking the 3 Financial Statements The Basics of Discounted Cash Flow (DCF) analysis
3	Setting up a basic DCF model and understanding the various components
4	Building a DCF model from scratch and stress testing it
5	The basics of Mergers & Acquisitions (M&A) and Leveraged Buy Outs (LBO)
6	How to build a "back of the envelope" simple LBO and M&A model
7	Accretion / Dilution analysis based on different considerations given (Cash, Stock, a combination, etc.)
8	Building a Merger Model -Part 1
9	Building a Merger Model -Part 2
10	Building an LBO Model -Part 1
11	Building an LBO Model -Part 2

12	Building an LBO Model -Part 3 FINAL PROJECT company assigned & grading rubric explained
13	FINAL PROJECT Q&A
14	FINAL PROJECT DUE BY MIDNIGHT

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.]