



# **MERGERS AND ACQUISITIONS**

## **BUSI4H315**

### **MODULE HANDBOOK**

*2019 - 2020*

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# MERGERS AND ACQUISITIONS

## Module Handbook 2019-2020

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N.B. This handbook is intended for the guidance of students taking this module in 2019/20. Whilst the details contained in this handbook represent teaching staff intentions at the time of writing, it is in the nature of higher education that some module information, such as syllabus, reading lists and assignments, may be subject to modifications during the teaching of a module. Teaching staff reserve the right to make such minor changes in the matters covered by this publication and will endeavour to publicise any such changes as widely and timely as possible.

# MERGERS AND ACQUISITIONS

## Module Handbook 2019-2020

### TEACHING STAFF:

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### MODULE INFORMATION:

In the *Mergers and Acquisitions* module, students are challenged to think in an integrated manner; like an *investment banker/analyst*, a strategist, a financier, a *Private Equity* manager, and a CEO. *Mergers and Acquisitions* play a vital role in corporate financial strategy. An understanding of *Mergers and Acquisitions* as a discipline is increasingly important in modern business. The dynamism of today's global economy requires corporations to restructure their business to remain competitive. A glance at any business newspaper or business news web page will indicate that *Mergers and Acquisitions* are big business and are taking place all the time. Notably, the field of *Mergers and Acquisitions* has undergone tumultuous changes over the past two decades. Some sectors, such as banking, finance, oil, pharmaceuticals, telecommunications, IT and chemicals, have been transformed since 1994 by the occurrence of very large-scale *Mergers and Acquisitions*.

The module aims to:

- enable students to acquire and demonstrate a specialist knowledge and understanding of the different elements of systems of mergers, acquisitions and other corporate restructurings.
- to develop students' ability to master the knowledge and understanding at an advanced level of key issues in M&A;
- to provide students with the opportunity to develop their ability to critically understand current theoretical and empirical research in the field of M&A;

- to provide students with the ability to critically review this specialised complex area of knowledge with a view to undertaking a dissertation in the field of M&A and potentially future research work in this area.

## **LEARNING OBJECTIVES:**

By the end of the module students should have:

- an advanced knowledge and critical understanding of the principles and practice of corporations involved in M&A, including those associated with cross-border acquisitions and risk;
- an understanding of the implications of agency considerations, and modes of payment including the complexity and contradictions inherent in managerial decisions relevant to M&A decisions;
- explored, understood and appreciated the complexity and contradictions of the current academic literature on M&A and its implications for professional practice.
- the ability to learn and work independently in the area of M&A, exercising critical judgement and discrimination in the resolution of complex problematic situations;
- the ability to apply problem solving and analytical skills in the context of M&A.
- advanced skills in valuing targets and assessing the potential sources of gains from M&A;
- highly specialised and advanced technical, professional and academic skills in the analysis of relevant specific problems in the area of M&A.

Key Skills:

- Written Communication;
- Planning, Organising and Time Management;
- Problem Solving and Analysis;
- Numeracy;
- Computer Literacy.

In addition, students will have the opportunity to develop the following key skills:

- *Written Communication* - e.g. through summative assessment.

- *Interpersonal Communication* - e.g. by working in teams to prepare for group presentations; using e-mail to communicate with other students and class leaders; discussing prepared material in lectures and seminars with both the class leader and other students in the group.
- *Oral Presentation* - e.g. by giving group presentations and explaining the answers to seminar questions to other students and the class leader; in general, by actively participating in discussion during classes.
- *Planning, Organisation and Time Management* - e.g. by working in teams; preparing for seminars; downloading OHPs and course notes from DUO; revising relevant material before lectures and seminars; preparing for examinations.
- *Problem Solving and Analysis* - e.g. by applying the necessary analytical skills, as well as the ability to manipulate concepts in Mergers and Acquisitions, in answering seminar questions and undertaking assessed work.
- *Using Initiative* – e.g. in conducting research for seminars and the group presentation.
- *Computer Literacy and Information Retrieval* - e.g. by valuation models using spreadsheets and planning research schemes; accessing, and downloading teaching material from DUO; participating in computer based student self-assessment exercises, using e-mail to communicate with the class leader and other students; undertaking bibliographical search and information retrieval for the preparation of formative and summative assessment.

## **TEACHING METHODS:**

Through a mixture lectures and seminar classes as follows:

	<b>Number</b>	<b>Frequency</b>	<b>Duration</b>
Lectures	9	1 per week	2 hours
Revision Lecture	1	Last Week of Term	2 hours
Seminars	4	Fortnightly	1 hour

## LECTURES:

Attendance is not enforced, but I would really like you (students) to be here. Lectures are designed to provide you with a structured treatment of the more technical material and are a framework to facilitate your private study. They are also meant to stimulate your intellectual interest in the subject. However, **lectures are by no means substitutes of private study**. Private study is a key element of your success in the module and I expect you to spend several hours per week in private study on each topic. You have a tremendous amount of freedom. No one is monitoring your progress. No one is checking to see if you are going to lecture class, and no one enforces you to do your assignment. You are responsible for your own academic progress.

Teaching material will be uploaded prior to the lectures on DUO, and **students are expected to study them before attending the class. Students will get much more out of classes if they have read the relevant teaching material before attending the class.** Lectures will be easier to follow; you will be able to understand class discussions, real-world examples and case studies, etc.

## SEMINARS:

Seminars are designed to help you understand the material and its applications, to encourage independent study, to translate academic knowledge into practice, to give you the opportunity to actively participate in the course, and to enhance your learning experience. The questions for these will be posted on DUO. **All students are expected to prepare answers to all questions** for each seminar and be prepared to enter into discussion and presentation of the issues. Therefore, you should work on the seminar materials before the meetings. The tutor's role is to help you develop a correct understanding of the relevant issues, to deal with your problems and more generally to lead a constructive discussion during seminars. Indicative solutions to the questions will be posted on DUO ONCE ALL seminar classes have taken place. Seminar's timing, content and assignments will be posted on DUO.

## STUDENT WORKLOAD:

There are nine lectures and four seminars, however the course expects that students should be highly skilled and able to undertake extensive extra reading around the topic.

Furthermore, having undertaken study on this topic, you should:

- be able to undertake bibliographic searches in order to be able identify and retrieve key references related to the debate about the operation of as well as the advantages and disadvantages of different valuation techniques and acquisition methods;
- be able to undertake analysis of M&A data to perform a cross sectional or event study.

Group learning is encouraged, however, the course is designed to create financial analysts, investment bankers and private equity analysts that can undertake extensive work in the area of mergers, acquisitions and other forms of corporate restructuring (such as leveraged buyouts, divestitures and bankruptcies).

In addition to attending lectures and seminars and undertaking preparation for classes and formative and summative assessments, **you are expected to undertake independent reading and learning**. This module represents one-sixth of the modules you take during the year and you should therefore devote approximately one-sixth of your (full-time) working week to teaching and learning for this module. Obviously, there will be some weeks in which you devote more time to one module and less to others, but on average about one-sixth of your work time should be devoted to this module.

As a guide, the University Teaching and Learning Handbook defines a single undergraduate module as a study unit comprising 200 hours of Student Learning Activity Time (SLAT) annually. SLAT hours include all formal contact hours (lectures, classes, seminars, workshops, etc.), the time devoted to background reading, and all preparation and reading time associated both with the formal contact hours and the formative and summative assessments (including essays, other assignments and examinations).

## **FORMATIVE ASSESSMENT:**

The main aim of the formative assessment is to help you, in a structured way, to understand the taught material and its applications, consolidate your knowledge and further develop relevant skills. Formative assessment, and feedback, takes a number of forms in this module, such as oral feedback on the work prepared by students for seminars; answers to questions discussed during the seminar, and the lecture. Also, verbal formative feedback will be given to students for presentations on ad-hoc exercises and questions.

Therefore, the interactions over the course of the lecture and seminar series provide the main medium for feedback. Each seminar will have a set of solutions and guidance to ensure that you are properly prepared for the examination.

## **SUMMATIVE ASSESSMENT:**

The summative assessment is one written assignment which will require students to demonstrate their understanding of key issues in M&A and their ability to analyse specific problems in M&A. More details will be discussed in the class.

## **ASSESSMENT CRITERIA:**

Performance in the formative and summative assessments for the module is judged against the following criteria:

- ✓ Relevance to questions
- ✓ Organisation, structure and presentation
- ✓ Depth of understanding
- ✓ Analysis and discussion
- ✓ Use of sources and referencing
- ✓ Overall conclusions

More details will be provided in the class.

## **STAFF – STUDENT COMMUNICATION:**

The lecturer will communicate with the students via announcements in lectures, seminars, e-mails and the announcement board on DUO. You should check your e-mail and announcement on DUO regularly, possibly once a day. You should also check regularly the module entry on DUO, where teaching material will be updated on a regular basis.

**Do not hesitate to contact your lecturer whenever you have a concern, problem, or question.** While I will be happy to help you, **you must initiate the contact.** You should, of course, respect your lecturers' privacy and personal time; talk to me after class, and see me during my office hours. If you need to meet me during term time, simply send an e-mail to check my availability and to book an appointment during the office hours described in page 3. If you cannot do so because of timetable constraints, or because it is an urgent matter, you can arrange to see me outside my consultation hours. The most effective way to arrange a meeting is by e-mail; alternatively, briefly talk to me after lectures and seminars.

## **The following material will be available on DUO:**

- ✓ A copy of this handbook
- ✓ Lecture notes / slides
- ✓ Seminar questions and outlined solutions
- ✓ Formative assessment question and deadlines
- ✓ Timetable changes and other announcements
- ✓ Additional references and Web links

You should consult the module entry on DUO as often as possible on a regular basis.

## **OBTAINING HELP:**

You are always welcome to talk to your lecturer whenever you wish to discuss any aspect of the module. The first port of call for any general enquiries relating the module's outline, lecture material and readings should be the module leader. However, if there are specific problems related to the understanding of the material, the class lecturer (if different) should

be contacted first. Students should however feel free to contact the module leader if they wish to have a 'second opinion' or to discuss any aspect of the module.

## **READING LIST:**

The main **textbook** for this module is:

**Donald M. DePamphilis (2017), *'Mergers, Acquisitions and Other Restructuring Activities'*, 9<sup>th</sup> ed., Academic Press.**

**Or the 8<sup>th</sup> edition, which is almost the same with little differences:**

**Donald M. DePamphilis (2015), *'Mergers, Acquisitions and Other Restructuring Activities'*, 8<sup>th</sup> ed., Academic Press.**

About the author, Don is a Professor at Layola Marymount, Los Angeles who has specialised in M&A for many years, I met him at Layola College Chicago about ten years ago and I have been a big believer in the project underlying this textbook since then. The idea is to ensure that there is an up-to-date record of the current M&A environment, as you can imagine this has changed out-of-site since 2004, when financing was relatively easy and yields high. The current edition also has an assessment of the impact of the Dodd-Frank act and to my mind this is currently the best assessment in print. I am generally not in favour of using a single source for a course, but this is a very good source and we will stick fairly rigidly to the structure of the book for our nine lectures.

### **Other useful textbook:**

As an additional source you can also refer to the following book:

**Patrick A. Gaughan (2015). *Mergers, Acquisitions and Corporate Restructuring*. 6<sup>th</sup> ed., Wiley Corporate F&A.**

### **Other useful resources:**

Ideally this module helps you to enhance and expand your foundational knowledge in Corporate Finance and in Analysing Financial Statements. For example the following books:

- **J. Berk, P. DeMarzo (2016). Corporate finance. 4<sup>th</sup> global ed., Pearson.**
- **J. Tirole (2006). The theory of corporate finance. Princeton University Press**
- **S.H. Penman (2013). Financial statement analysis and security valuation. 5<sup>th</sup> ed., McGraw Hill.**

Other useful books which are related with mergers and acquisitions:

- **J. Rosenbaum, J. Pearl (2013). Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions. 2<sup>nd</sup> ed., Wiley & Sons.**
- **Sudi Sudarsanam (2010). Creating Value from Mergers and Acquisitions, 2<sup>nd</sup> Edition, Prentice Hall/FT.**

*This book is very different from Don's book in that it focuses very much on the target identification and optimal deal structure, rather than a scientific analysis of M&A in general. It provides a five stage guide to M&A with an extensive set of examples. The key point is that this is almost exclusively centered on case study examples whereas the main textbook has more of a balance. This book is also updated more rarely than the course text and contains fewer details on the background of M&A. Use this book if you want to have a greater variety of case studies for your extended answers, however, it is not a substitute for the course text.*

- **Robert F. Bruner, (2009). Deals from hell: M&A lessons that rise above the ashes. 1<sup>st</sup> ed., John Wiley & Sons.**

*This book makes a detailed look at the worst M&A deals ever and the lessons learned from them. It addresses the key factors to M&A success and failure, and therefore can be used as a comprehensive guide to analyse, design and implement M&A deals.*

- **David Luenberger (2009). Investment Science, International Edition, Oxford University Press.**

*This book is not about M&A, but is, to my mind, the definitive background text on finance. The book does not pull any punches in carefully describing the basic financial instruments: debt,*

*equity, commodities and all of the basic derivatives. If you feel that any of the financial terms used in the course are somewhat new to you, I strongly suggest you get this book, it is brilliant.*

You are also strongly encouraged to browse through finance journals available in the library. Most of these can also be obtained in electronic format in one of the links provided in the e-journals section of the library at:

<http://www.dur.ac.uk/library/resources/online/ejournals/>

## **MODULE OUTLINE AND SULLABUS:**

The following outline gives an overview of the topics covered in this module. In addition to the relevant chapters from the recommended textbooks, an indicative additional reading list for each topic is also provided.

Further information will be provided on DUO as the module progresses. It should be noted that each topic does NOT necessarily correspond to a single lecture.

### **Lecture 1: The Mergers and Acquisitions Environment**

DePamphilis (2015) Section I: Chapters 1 to 3.

- Introduction to M&A.
- The Regulatory Environment.
- The Corporate Takeover Market.

### **Lecture 2: The Acquisition Process: The phases of an acquisition**

DePamphilis (2015) Section II: Chapters 4 to 5.

- The phases of an acquisition.

### **Lecture 3: The Acquisition Process: Implementing Deals**

DePamphilis (2015) Section II: Chapters 5 to 6.

- Implementing deals.
- A series of examples.

### **Lecture 4: Valuation and Modelling Part I**

DePamphilis (2015) Section III: Chapters 7 and 9.

- Cash Flow Valuation.
- Financial Modelling
- Real-Time Application
- Practical Examples.

### **Lecture 5: Valuation and Modelling Part II**

DePamphilis (2015) Section III: Chapters 8 to 10.

- Alternative valuation models.
- Real Options Valuation
- Valuing firms that are not publicly listed.
- Examples.

### **Lecture 6: Deal Structuring, Leveraged Buyouts and Financing Strategies**

DePamphilis (2015) Section IV: Chapters 11 to 14.

- Deal Structuring and Financing Strategies.
- Financing the deal.
- Highly leveraged transactions.
- Real-Time modelling for financing a deal

### **Lecture 7: Alternative Business and Restructuring Strategies.**

DePamphilis (2015) Section V: Chapters 15 and 16.

- Business alliances.
- Alternative corporate structures.

**Lecture 8: Divestiture, Bankruptcies, and Cross-Border M&As.**

DePamphilis (2015) Section V: Chapters 17 and 18.

- Bankruptcy as a corporate restructuring activity.
- Alternative business exits.

**Lecture 9: Cross – Border M&As**

- Cross sectional studies.

**Lecture 10: Revision Class**

**SEMINARS:**

**Seminar 1: Understanding M&A activity.**

**Seminar 2: Financing Takeovers.**

**Seminar 3: M&A Tactics.**

**Seminar 4: Valuation.**

**Timetable of lectures and seminars:**

**Lectures:**

Wednesdays 9:00 to 11:50 Durham University Business School (BUSC): 452, Weeks 26-34

Wednesday 9:00 to 11:50 REVISION LECTURE: BUSC 452, Week 35

**Seminar Groups (subject to any changes, please check DUO for updates):**

Group 1: Fridays	15:00 to 15:50	BUSC 223	Weeks 27,29,31,33
Group 2: Fridays	15:00 to 15:50	BUSC 223	Weeks 28,30,32,34

**Term Weeks:**

26	13-Jan-20	Teaching week 11
27	20-Jan-20	Teaching week 12
28	27-Jan-20	Teaching week 13
29	03-Feb-20	Teaching week 14
30	10-Feb-20	Teaching week 15
31	17-Feb-20	Teaching week 16
32	24-Feb-20	Teaching week 17
33	02-Mar-20	Teaching week 18
34	09-Mar-20	Teaching week 19
35	16-Mar-20	Teaching week 20