
Mergers and Acquisitions Corporate Restructuring

Professor 1: Jacobo Cuadrado

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Professor 2: Gyöngyi Loranth

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Office hours: by appointment

Course Type: Elective

Course Description

This course has two modules:

- Module 1: Mergers and Acquisitions (M&A)
- Module 2: Corporate Restructuring

Evaluation Criteria

Each of the modules will account for 50% of the final grade.

It is necessary a minimum grade of 5/10 in both modules to pass the course.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

Students who fail the course during the regular evaluation are allowed ONE re-take of the evaluation, in the conditions specified above. If the course is again failed after the retake, the student will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the "Retake" period). In the meantime, the student will get an "incomplete", which will be replaced by the actual grade after the final exam is taken. The "incomplete" will not be reflected on the student's Academic Transcript.

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Plagiarism is to use another's work and to present it as one's own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the "Honor Code," students acknowledge that they understand the schools' policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.

Module 1: Mergers and Acquisitions (M&A)

Professor: Jacobo Cuadrado Arévalo

Objectives

This module will empower participants with the tools and methodologies most commonly used to analyze M&A deals from start to finish, and assist them in selecting the best transaction in order to create value for shareholders.

Students will learn the process steps involved in successfully completing deals, how to analyze and achieve synergies and the different deal financing options available, depending on the specifics of the transaction and the situation in financial markets.

During this course, we will also learn how to build a M&A financial model in Excel and examine how the model is impacted as we modify the implied assumptions (sensitivity analysis), as well as various tips and advanced tricks used to introduce scenario analysis in Excel.

In summary, this module is designed to consolidate essential aspects of financial decision-making in business and apply them in real life situations. It aims to refine techniques that cover investment decisions, financing decisions and dividend decisions.

The course is perfectly oriented at those students preparing for selection processes in Corporate Finance, Investment Banking and M&A.

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Methodology

An important aspect of this module will be the case studies, where we will **analyze real deals** in depth, such as the acquisition of WhatsApp by Facebook, the acquisition of O2 by Telefonica etc.

We are also going to learn how to build a M&A financial model in Excel so that we can show whether or not the deal is going to create value, what the most appropriate financing strategy is and how to decide if a particular merger or acquisition fits a given company's corporate strategy.

Evaluation criteria

The evaluation will be based on the following items:

80% Case study work (in groups) – in class and take-home

20% Participation

Calendar and Contents

1. Introduction and Process steps

- 1.1. M&A environment: The rise of SPACs and technology industry.
- 1.2. Process steps: Teaser, Non-disclosure agreement (NDA), Infomemo, Non binding offer (NBO), Due Diligence (DD), Binding offer (BO), Signing.
- 1.3. Types of Mergers: Horizontal (Facebook&Instagram), Vertical (Telepizza&Luxtor), Conglomerate (Berkshire Hathaway&Lubrizol)

2. Synergy analysis and impact on EPS

- 2.1. Types of synergies
- 2.2. What is accretion / dilution analysis?
- 2.3. Case study: Dilution analysis
- 2.4. Case Study: Acquisition of WhatsApp by Facebook.

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3. Types of transactions

- 3.1. Friendly Transactions
- 3.2. Unfriendly Transactions
- 3.3. Takeover Defenses
- 3.4. Case Study: Acquisition of O2 by Telefonica

4. M&A Modeling: Projections for the Acquiror and the Target, Projections for NewCo, Deal structure (cash vs stock), accretion/dilution analysis.

Reading Materials/ Bibliography/Resources

Slides provided by the professor.

The main reference textbooks for the course are:

- “Masterminding the Deal: Breakthroughs in M&A Strategy and Analysis,” Peter Clark and Roger Mills.
- “Creating Value from Mergers and Acquisitions: The Challenges,” Sudi Sudarsanam.

Bio of Professor

Jacobo Cuadrado

Jacobo worked for Telefónica S.A. for 11 years as a Controller at Fonditel (pension fund with more than € 5 bn of assets under management) and as Corporate Finance Manager, conducting financial valuations of both internal business lines (including brand valuation) and target businesses with different models. He participated in many international deals in different countries. He currently works as Senior Consultant in valuations, M&A and project finance transactions for small to medium-sized medium companies.

Jacobo is a associate professor at Pompeu Fabra University, associate professor at IEB, visiting professor at University of Monterrey and senior consultant in ESIC

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Business & Marketing School. Previously, he held teaching and research positions at the University of Navarra and the University of León.

He has also executed many ad-hoc in-company projects in numerous IBEX companies (Santander, Repsol and Sabadell among them), as well as with institutions such as CABEL (Central American Bank for Economic Integration).

Jacobo has directed many research projects in the field of valuations, and in 2013 he co-authored a book, *Manual de Corporate Finance y Banca de Inversión* (Corporate Finance and Investment Banking Manual), which was published by Delta Publicaciones.

About his academic background, he completed a Bachelor Degree in Economics at Valladolid University, followed by a Master in Banking and Finance at Analistas Financieros Internacionales (AFI), as well as an Advanced Program in Corporate Finance at Instituto de Empresa (IE). He has also been certified as a European Financial Advisor by EFPA España.

Module 2: Corporate Restructuring

Professor: Gyöngyi Lóranth

Objectives

We will consider different financial transactions involving the in-depth restructuring of a company's business and/or capital structure. The emphasis will be on the valuation techniques and execution stages of a diverse set of restructuring transactions, but we will also discuss some aspects of the strategic rationales underlying these transactions.

Main themes

- Conglomerate Valuation (Divestitures and Spinoffs)
- Leveraged buyouts (LBO) and management buyouts (MBO)
- Distressed Restructuring

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- Initial public offerings (IPO)

Sessions

- Lectures on background and techniques,
- Team work on case studies
- Discussions of team case studies

Upon completing this course students should be able to understand

- the need and scope of corporate restructuring
- the various modes of restructuring (M&A, Spin-offs, LBOs, IPOs, Distressed Restructurings, Leveraged Recapitalization)
- the planning and execution of various restructuring strategies
- the feasibility and trade-offs employed in the different forms of restructuring
- the appropriateness of the different valuation models used in restructurings

Methodology

The course involves four 2,5-hour sessions. Sessions consist of lectures, cases, take-home exercise, and will involve class discussion. Case studies are the bread and butter of this course. Before each session, please read the corresponding case study and study questions. Thinking about the questions ahead of time will help you hit the ground running.

The students are required to purchase the case studies discussed in the course.

Evaluation criteria

Note that participation in the course is COMPULSORY. As this is a blocked course with only 4 meetings, no session can be missed, without any exception! Not being able to attend all sessions will result in failing the course.

The evaluation will be based on the following items:

80% Case-study work (in groups) –in class and take-home

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20% Participation

Calendar and Contents

Topic 1: Conglomerates

In this session we will look at specific issues related to the valuation of conglomerates that consist of firms operating in different industries.

Case study: *USX (CASENET)*

Topic 2: Leveraged Buyouts

Next, we will discuss leveraged buyouts (LBOs) and management buyouts (MBOs) again in terms of their possible rationales, specific valuation methods, execution, and performance. We will start with a case set from the viewpoint of a MBO target before going through a step-by-step projection and valuation exercise from the viewpoint of the acquirer in a LBO.

Case study: *Apex Capital: The NOVA LBO*

Topic 3: Distressed Restructuring

We will discuss the case of a company in financial distress following a period of extremely fast growth through acquisitions and discuss how and why it got into financial distress and its options for resolving the situation.

Case study: *Loewen (HBS)*

Topic 4: Initial Public Offerings (IPO) and Spinoffs

Last, we will focus on a company's decision to undertake an initial public offering (IPO), the process of "going public", including the structuring and pricing of the offering. Time permitting, we will conclude with a discussion of spin-off, carve-outs and other transactions in which a multi-business company separates fully or partially from a business unit.

Case study: *Prada's Hong Kong IPO*

Reading Materials/ Bibliography/Resources

DONALD DEPAMPHILIS: MERGERS, ACQUISITIONS AND OTHER RESTRUCTURING ACTIVITIES (ACADEMIC PRESS, 2ND ED.)

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OTHER RECOMMENDED BOOKS:

- PATRICK GAUGHAN, **MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURINGS (3RD ED, WILEY)**
- STUART GILSON, **CREATING VALUE THROUGH CORPORATE RESTRUCTURING (WILEY FINANCE)**
- FRED WESTON AND SAMUEL WEAVER, **MERGERS AND ACQUISITIONS (MC GRAW-HILL)**
- FRED WESTON, KWANG CHUNG, JUAN SIU, **TAKEOVERS, RESTRUCTURING, & CORPORATE GOVERNANCE (2ND ED., PRENTICE-HALL)**

Bio of Professor**Gyöngyi Loranth**

Gyöngyi Loranth is a Professor of Finance at the University of Vienna. She joined the university in 2009 after her employment at the Judge Business School, University of Cambridge. She previously held a postdoctoral position at the London Business School. She received her PhD in Economics from Universitat Autònoma de Barcelona (1999) and from Université Libre de Bruxelles (2003).

Loranth's research interests focus on financial intermediation, corporate finance and corporate governance. Her research has been published in leading academic journals such as the Review of Financial Studies, Review of Finance, Management Science and Journal of Financial Intermediation among others. She has taught several courses in Corporate Finance at the Judge Business School, Manchester Business School, Central European University, Humboldt University, ESADE Business School as well as tailor-made executive courses for banks.

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