
Mergers, Acquisitions and Reorganizations

Professor: Gyöngyi Loranth

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Office hours: by appointment

Course Type: Elective

Credits: 4ECTS

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

- Leveraged Recapitalization
- Distressed Restructuring
- Leveraged buyouts (LBO) and management buyouts (MBO)
- 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, LBOs, IPOs, Distressed Restructurings)
- 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

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Methodology

The course involves six 3,5-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 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

20% Participation

Calendar and Contents

9.02.2023 13:00-16:30

10.02.2023 13:00-16:00

23.02.2023 13:00-16:30

24.02.2023 13:00-16:00

09.03.2023 13:00-16.30

10.03.2023 13:00-16.00

Topic 1: Leveraged Recapitalization

The session will be dedicated to transactions involving a substantial restructuring of the liability side of a company's balance sheet. We will begin with a discussion of leveraged recapitalizations, whereby a company increases its indebtedness by issuing a large amount of debt and using the proceeds for repurchasing its own shares.

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Case study: *UST's Leveraged Recapitalization*

Topic 2: 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 3: Restructuring of Conglomerates (Spin-offs)

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 (Distributed in Class)*

Topic 4: Initial Public Offerings (IPO)

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 (HEC)*

Topic 5: Private Equity

Next, we will discuss leveraged buyouts (LBOs) and management buyouts (MBOs) in terms of their possible rationales, specific valuation methods, execution, and performance metrics used by private equity firms. We will go through a step-by-step projection and valuation exercise from the viewpoint of the acquiring firm.

Case study: *Antin (HEC) and China Fire (HEC)*

The case Antin I.P. is about a young private equity firm, that invests in brownfield infrastructure assets in Europe, and its acquisition of over 2,000 cell towers from French telecommunications company, Bouygues Telecom. The case enables students to understand the organization of private equity firms, the structure of private equity transactions and the rationale for investing into infrastructure assets.

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Reading Materials/ Bibliography/Resources

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

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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