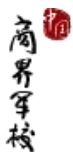




# PHBS

北京大学汇丰商学院



## FIN 535

# Mergers and Acquisitions Module 1, 2022-2023

## Course Information

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### **Instructor: Seungjoon Oh**

Office: PHBS Building, Room 749

Email: [sjoonoh@phbs.pku.edu.cn](mailto:sjoonoh@phbs.pku.edu.cn)

Office Hour: Tuesday 12:30-1:30pm (or by appointment via email)

### **Teaching Assistant: TBD**

### **Classes:**

Lectures: Tue & Fri 8:30-10:20

Venue: PHBS Building, Room TBD

## 1. Course Description

### 1.1 Context

Course overview:

The primary objective of the course is to develop a comprehensive understanding of mergers and acquisitions (M&A) in both academic and practical perspectives. This course will cover all major elements of the acquisition process focusing on financing decisions, valuation, restructuring options, cross-border acquisitions, and regulatory intervention. It will cover seminal theoretical and empirical literature and current research works in this field. It will also use cases and real-world applications to develop skills necessary to prepare and evaluate the rationale for a proposed transaction.

Prerequisites:

The course presumes that students have taken basic courses in accounting, economics, finance and econometrics before taking this course. Students are recommended to have completed the following courses: "Corporate Finance".

### 1.2 Textbooks and Reading Materials

Lecture notes, assignments, academic articles and other useful information will be posted on the course web page.

**Reference Text:** *Investment Banking* by Rosenbaum and Pearl

**Reference Text:** *Applied Mergers and Acquisitions* by Robert F. Bruner, University Edition

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)

1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	
	5.3. Our students will demonstrate competency in critical thinking.	

## **2.2 Course specific objectives**

## **2.3 Assessment/Grading Details**

<b>Assessment task</b>	<b>Weighting</b>
Mid-term Exam	30
Final Team Project	40
Quiz	10
Case study discussion and Assignments	12
Class participation	8
Total	100

### **Team Project:**

Students will be asked to form teams of 5 individuals prior to the start of the second session of the class to prepare a class presentation on a pre-specified topic. Presentations will be arranged during the last week of the class (week 9). Your team project includes a final report which should be turned in electronically by the one week after the week 9. Each team should choose one of the following topics:

Topic 1: Cross-Border Acquisitions

The objective of this project is to understand cross-border acquisition process by identifying an overseas target and analysing it. Your group will prepare a proposal on cross-border investment

and present your valuation results and investment plan to the class. An outline of the topics your project should cover will be provided.

#### Topic 2: Technological and Political Shock-Driven Acquisitions

Economic, regulatory and technological shocks drive industry merger waves. (Harford 2005). Particularly, many recent acquisitions are driven by synergies from innovation capability or in response to a new government policy. The objective of this project is to investigate recent changes in technological trends or government policies and build an investment plan. An outline of the topics your project should cover will be provided.

#### Topic 3: Study of Distressed Target Acquisitions

The objective of this project is to investigate a M&A transaction that includes financially or economically distressed target. Firms that face a severe liquidity constraint may be forced to sell some or all of their assets to avoid bankruptcy. Thus, distressed acquisitions play an important role as a restructuring mechanism. Your group will prepare a proposal on distressed target acquisition and present your valuation results and investment plan to the class. An outline of the topics your project should cover will be provided.

## 2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

## 3. Topics, Teaching and Assessment Schedule

Week	Topic
1	<b>Introduction: M&amp;A Activity</b> Organic growth vs. Inorganic growth Theory of Takeovers Drivers of M&A activity and merger waves Merger negotiation v. Public tender offer Method of Payment and Financing M&A Leveraged buyout (LBO)  <u>Case Study &amp; Reference</u> - The Wolf in Cashmere: LVMH's Bid to Acquire Tiffany by Stuart C. Gilson and

	<p>Sarah L. Abbott</p> <ul style="list-style-type: none"> <li>- TransDigm in 2017: The Beginning of the End or the End of the Beginning? by Benjamin C. Esty and Daniel Fisher</li> </ul> <p><u>Reading List</u></p> <ul style="list-style-type: none"> <li>- Jovanovic and Rousseau (2002), The Q-theory of mergers, <i>American Economic Review</i></li> <li>- Harford (2005), What drives merger waves?, <i>Journal of Financial Economics</i></li> </ul>
<b>2-3</b>	<p><b>Does M&amp;A create value?</b></p> <p>Measurement of performance (calculating abnormal return) Tender offers and the free-rider problem Drivers of profitability Synergy creation</p> <p><u>Reading List</u></p> <ul style="list-style-type: none"> <li>- Betton, Eckbo, Thorburn (2008), Corporate Takeovers: Chapter 3 and 4</li> <li>- Bena and Li (2014), Corporate Innovations and Mergers and Acquisitions, <i>Journal of Finance</i></li> </ul>
<b>4-5</b>	<p><b>M&amp;A Valuation</b></p> <p>Valuation and financial modeling Building the financial model Estimating the cost of capital Financial accounting for M&amp;A</p> <p><u>Case Study</u></p> <ul style="list-style-type: none"> <li>- H. J. Heinz M&amp;A by David P. Stowell and Nicholas Kavar</li> <li>- Intellectual Asset Valuation by Lynda M. Applegate and Gavin Clarkson</li> </ul>
<b>6</b>	<p><b>Cross-Border M&amp;A</b></p> <p>Cross-Border M&amp;A activity Drivers and returns from cross-border M&amp;A Valuation of cross-border firm Taxation of cross-border M&amp;A Reverse mergers</p> <p><u>Case Study &amp; Reference</u></p> <ul style="list-style-type: none"> <li>- DuPont's CEO on Executing a Complex Cross-Border Acquisition by Ellen Kullman</li> <li>- Sany's Cross-Border Acquisition, Integration, and Strategic Renewal by Libo Fan, Paul W. Beamish, Bess Huifang Geng</li> </ul> <p><u>Reading List</u></p> <ul style="list-style-type: none"> <li>- Ahern (2014), Lost in Translation? The Effect of Cultural Values on Mergers Around the World, <i>Journal of Financial Economics</i></li> </ul>
<b>7</b>	<p><b>M&amp;A and Corporate Restructuring</b></p> <p>Valuing distressed businesses Bankruptcy auctions and fire-sales Divestitures, spin-offs, and equity carve-outs Distressed debt investments</p>

	<u>Reading List</u> - Oh (2018) Fire-Sale Acquisitions and Intra-Industry Contagion, <i>Journal of Corporate Finance</i>
<b>8-9</b>	<b>Takeovers, competition and antitrust</b>  Efficiency vs. market power Effects of merger on rival firms Effects of merger on suppliers and customers Some implications for antitrust policy