

**8/28/2018 Version**  
**Mergers & Acquisitions Analysis**

**Brandeis University**  
**International Business School – Fall 2018**

Prof. K. Tibor Toth, CAIA  
e-mail: [ttoth@brandeis.edu](mailto:ttoth@brandeis.edu)  
Cell: (508) 808-1937

**Mergers & Acquisitions Analysis**  
Finance 232a  
Class Location: **Lee Hall (Lemberg 180)**

**Classes:** **Wednesday, 6:30-9:20 PM**

**Office hours:** Monday, 7 – 9:00 PM, Room: **S-001B** (by appointment!)

**Teaching Assistants:** Qinghan Shen, [shenqh0525@brandeis.edu](mailto:shenqh0525@brandeis.edu)  
Indira Sunkara, [indirasunkara@brandeis.edu](mailto:indirasunkara@brandeis.edu)

**Course description:** Merger and acquisition (M&A) activity moves with global markets, financial liquidity and the outlook for individual countries / industries / companies. Mergers have been a very important part of company growth over the past several decades; domestically, overseas, and across markets. The study of M&A involves a complex set of accounting, legal, operational, governance, strategic, and financial / economic issues. Implementation of a company's growth and development strategy drives the assumptions behind the value and deal negotiation. We will therefore start with the big picture and dig into the details.

The **overarching questions** are: Why do companies engage in M&A activities? Does M&A add value? Why is it that many transactions do **NOT** work well? How do companies and investors improve the success of their M&A activities?

This class is an introduction to Mergers and Acquisitions and thus functions as a primer on the most salient issues in M&A rather than as a comprehensive or in-depth exploration. You will be introduced to core M&A concepts including valuation, negotiation, deal structuring, corporate strategy, and financing. The class will be built around lectures, readings, cases and guest speakers. Readings and cases are assigned for their own pedagogical value and as a resource for additional reference.

**Why me?** I have over 20 years of experience in investment banking, private equity (buyout) investing, venture capital investing and entrepreneurship, and have invested over \$250MM in over 50 investments and acquisitions, aggregating over \$1B in transaction values and spanning across many sectors, including industrial manufacturing, consumer products, business services, high tech hardware and software, and clean energy. Currently, I head the Investments Division at the Massachusetts Clean Energy Center and serve on several corporate and non-profit boards. I bring this experience into the classroom lessons and discussions, and use my network to bring in some very dynamic speakers from investment banking, private equity and corporate development positions in industry.

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**Pre-requisites:**

This is an **advanced level** finance course (second year). Students should have completed **Fin 202a: Corporate Finance**, which covered basic valuation concepts.

This course assumes a sophisticated level of knowledge about business and finance. Please talk to me if you feel underprepared. This is a discussion-based course yet, due to popularity, enrollment has been expanded to **sixty (60)** students, so it will be incumbent upon you to be proactive in class participation, which I expect from each of you.

**Course material:**

1. Required course textbook:  
Bruner, Robert F., *Applied Mergers & Acquisitions*, Wiley Finance, 2004.
2. Required Case Packet at HBS with online instructions:  
**M&A Fall 2018**  
<https://hbsp.harvard.edu/import/562627>

You need to register on the course site to create a username if you do not already have one. Once you have registered, you can log in to see the course materials. You will have access to these materials for 6 months.

After you register, you can get to the course again by doing the following:

1. Visit [hbsp.harvard.edu](https://hbsp.harvard.edu) and log in.
2. Click My Courses, and then click this course name: M&A Analysis

For technical assistance, please contact Harvard Business Publishing Customer Service at 1-800-810-8858 or 617-783-7700 from 8am-8pm ET. [techhelp@hbsp.harvard.edu](mailto:techhelp@hbsp.harvard.edu).

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**Course structure / requirements:**

Class sessions will be devoted to a **discussion** of the topics covered in assigned readings, lecture (short), case discussion, and review of M&A concepts. Most classes will include a guest speaker. It is expected that each student will **come prepared** to class ready to discuss the readings and the case, and engage with the guest speaker.

**THINKING critically is very important. Ask the dumb questions, again and again!**

The focus / learning objectives of the class are:

1. Analyzing M&A transactions: generating financial cash flow forecasts and valuation models, and performing sensitivity analysis on key assumptions
2. Evaluating M&A strategy: what is the theory of the deal; analyzing markets,

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competitors, growth opportunities, synergies, profit models, etc.

3. Understanding the M&A deal process: how to structure, finance and negotiate transactions; legal and accounting issues; what is the role of various stakeholders in transactions.

Finally, since we know that many M&A transactions do not add value or fail, “*What could go wrong?*”

### **General guidelines and structure of class:**

**Deal of the Week:** Classes will generally begin with a quick discussion of a notable current or recent M&A transaction. Students will work in pairs to present a single slide on their chosen “Deal of the Week.”

**Lecture and readings:** The purpose of the lectures and readings in the course is to provide students with theories, tools, and concepts that are used in the practice of M&A. I will summarize the main points of the readings.

The chapter assignments are required reading and provide a basic overview of M&A theory and applications that I will review quickly in class.

**Cases:** I will usually start each case discussion by asking a student to “**open**” the discussion. M&A students will be expected to clarify the big issues and arguments made in the case. We will discuss some of the cases in DEPTH (numbers, assumptions, forecasts, profit model) and other cases we will focus more on the key STRATEGIC issues / value assumptions. What is happening and what do you believe?

The goal for each class is to (1) understand the issues raised in the case and the associated readings – generally this will involve digging into the numbers, but sometimes we may just discuss company strategy / industry trends and (2) achieve active involvement / participation by most of the students in the case discussion. There will be a great deal of interaction in our case discussions.

**Guest speakers:** I will be inviting various M&A professionals (corporate development professionals, investment bankers, private equity investors, etc.) to give short presentations on relevant topics or experiences throughout the semester. The schedule will evolve over the course of the semester and additional background readings or research will be assigned to prepare for these presentations. I will ask you to fill out a survey at the end of the semester, providing feedback on the speakers.

### **General guidelines and structure of assignments:**

**Weekly Questions:** Every week I will post a few short questions through Latte or by e-mail,

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covering the readings and/or the case. These questions are designed to stimulate your thinking rather than structure or limit your analysis of each case. The case discussion is structured to stimulate your thinking and familiarize you with the basic tools of finance, and **not** necessarily to give you the right answer. Assignments should be generally submitted via Latte, or by e-mail to me and the TAs if there is any difficulty with Latte, being sure to include your name in the filename and the content of the document.

**Quizzes:** During the semester there will be two (2) take-home quizzes to provide an opportunity to gain experience performing deeper analysis. Assignments should be generally submitted via Latte, or by e-mail to me and the TAs if there is any difficulty with Latte, being sure to include your name in the filename and the content of the document. Make sure that any spreadsheets are properly formatted and labeled for clear understanding (points are deducted for poorly formatted spreadsheets).

**Final Project:** The major project for the class is an M&A analysis, comprising both an in-class presentation (with PowerPoint) and final paper (with detailed exhibits and analysis). Students will first form groups (5 – 6 students), pick a topic, submit a project outline, deliver a live presentation in the last class, and then submit your final paper during finals week. There will be no separate final exam.

Groups will identify a public company trading on a USA-based stock exchange (for the purpose of ease of access to public information) and analyze this company as an acquisition target, either playing the role of a corporate or financial buyer.

Groups will prepare a presentation to be delivered live in the last class of the semester and are expected to prepare a 15 – 20 page analysis of the deal. Essentially, students will analyze the logic of the transaction: the economics, the profit model, the strategy, and the value of the combined company.

To evaluate the merger and potential value (price) students will have to forecast the target company's performance over at least the next five years, plus the value of any synergies, and evaluate the present valuation.

**Class participation:** Regular preparation of assigned readings and cases, class attendance, and active participation in class discussions are required. *Students who are unable to attend class for any reason are expected to call or notify me of their absence prior to the class and submit any assignments prior to the class being missed. Any late assignments will not receive ANY credit because solutions will be discussed during class.*

**Group work policy:** All class work is to be prepared and submitted individually, except the Final Project and other tasks as noted, which will be performed in groups of 5 – 6 students. If a group member is not participating well, please discuss it with him or her, and bring to my attention (if necessary). Try to have a group that has a good mix of talents, experiences,

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perspectives, etc., and those who can meet / communicate regularly and conveniently. Convenience and capacity are important to team makeup.

You are encouraged to discuss weekly questions with other students, but your submission should be your own product. Take-home quizzes should NOT be discussed with other students.

At the end of the semester, I will ask each group member to evaluate the group and each member of the group. This means that those who do extra work in the group or are free riders are likely to be noted by other members of the group. Grades may be adjusted.

**Schedule of Assignments:**

|              |         |  |
|--------------|---------|--|
| Class 2      | Sept 5  | Weekly Questions                               |
| Class 3      | Sept 12 | Weekly Questions                               |
| Class 4      | Sept 26 | Weekly Questions                               |
| Class 5      | Oct 3   | Weekly Questions, Quiz 1                       |
| Class 6      | Oct 10  | Weekly Questions                               |
| Class 7      | Oct 17  | Weekly Questions, Deadline to Form Groups      |
| Class 8      | Oct 24  | Weekly Questions, Submit Final Project Topic   |
| Class 9      | Oct 31  | Weekly Questions, Quiz 2                       |
| Class 10     | Nov 7   | Weekly Questions                               |
| Class 11     | Nov 14  | Submit Simulation Valuations                   |
| Class 12     | Nov 28  | Weekly Questions                               |
| Class 13     | Dec 5   | Live presentations in class, submit PowerPoint |
| Final papers | Dec 15  | Final papers due (NO FINAL EXAM)               |

**Grading:**

Course grades will be determined according to the following schedule:

|                     |     |
|---------------------|-----|
| Weekly Questions    | 20% |
| Quizzes             | 20% |
| Class Participation | 15% |
| Deal of the Week    | 5%  |

Final Project:

- Final presentation (graded on both quality of live presentation and PowerPoint) 10%
- Final paper and supporting analysis 30%

**Final Note on Workload:**

Finally, this course is a good deal of work, but it can be great **fun if** you put in the time, and discuss the fascinating issues / cases that we cover during the semester. There are NO EASY

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answers which is why M&A is worth the effort. Success in this four- credit course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, reading and preparing cases, homework, projects, quizzes, papers, etc.).

And remember to read the press because the world is our classroom! **Ask questions!!**

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Academic Integrity:

You are expected to be honest in all of your academic work. Please consult [Brandeis University Rights and Responsibilities](#) for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at [LTS - Library guides](#).

Disabilities:

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately.

| Date   | Topics  | Readings  | Case to Prepare  | Assignments   |
|--|---|---|--|---|
| 1. <u>August 29</u>                                  | <b>Introduction to Mergers &amp; Acquisitions Class</b>   | Presentations and handouts in class                                     | In class   | N/A   |
| 2. <u>September 5</u>                                | <b>Ethics</b><br><b>Does M&amp;A Pay?</b><br><b>M&amp;A Activity</b><br><b>Cross Border M&amp;A</b> | Bruner:<br>Ch. 1<br>Ch. 2<br>Ch. 3<br><i>[Ch. 4, optional]</i><br>Ch. 5 | <b>Anheuser-Busch</b><br><b>("This Bud's for Who?")</b>                        | 1. Weekly Questions                                     |
| 3. <u>September 12</u>                               | <b>Strategy</b><br><b>Deal Origination</b>  | Bruner:<br>Ch. 6<br>Ch. 7   | <b>Bright Food</b><br><b>("China's Bright Food Overseas M&amp;A Strategy")</b> | 1. Weekly Questions                                     |
| <b>No class</b><br><b>September 19<sup>th</sup>!</b> | <b><i>Yom Kippur holiday</i></b>  |   |  |   |
| 4. <u>September 26</u>                               | <b>Due Diligence</b><br><b>Valuation</b>  | Bruner:<br>Ch. 8<br>Ch. 9   | <b>Mercury Athletic</b>  | 1. Weekly Questions<br>2. Quiz 1 Handed Out (Take Home) |

| Date                 | Topics   | Readings   | Case to Prepare   | Assignments   |
|----------------------|--|--|---|---|
| 5. <u>October 3</u>  | <b>Valuing Synergies</b><br><br><b>Highly Leveraged Transactions</b><br><br><b>Valuing Liquidity &amp; Control</b> | Bruner:<br>Ch. 11<br>Ch. 13<br>Ch. 15<br><br>Background for guest speaker? | <b>Martin Smith</b>   | <ol style="list-style-type: none"> <li>1. <b>Quiz 1 DUE</b></li> <li>2. Weekly Questions</li> </ol>   |
| 6. <u>October 10</u> | <b>M&amp;A Accounting</b>  | Bruner:<br>Ch. 16<br><br>Background for guest speaker                      | <b>Bausch &amp; Lomb<br/>("Doctor My Eyes")</b>             | <ol style="list-style-type: none"> <li>1. Weekly Questions</li> </ol>   |
| 7. <u>October 17</u> | <b>Deal Design</b><br><br><b>Form of Acquisition</b><br><br><b>Form of Payment &amp; Financing</b>                 | Bruner:<br>Ch. 18<br>Ch. 19<br>Ch. 20<br><br>Background for guest speaker  | <b>Berkshire Partners<br/>("Bidding for Carter's")</b>      | <ol style="list-style-type: none"> <li>1. Weekly Questions</li> <li>2. Deadline to Form Teams for Final Project</li> </ol>  |
| 8. <u>October 24</u> | <b>Risk Management</b><br><br><b>Postmerger Integration</b>  | Bruner:<br>Ch. 23<br>Ch. 36  | <b>In-Class M&amp;A Simulation<br/>(Buyout negotiation)</b> | <ol style="list-style-type: none"> <li>1. Hand in Simulation Valuations</li> <li>2. Submit Final Project Topic</li> <li>3. Quiz 2 Handed Out (Take Home)</li> </ol> |

| Date  | Topics  | Readings  | Case to Prepare                                  | Assignments   |
|---|---|---|--|---|
| 9. <u>October 31</u><br><br><b>HAPPY HALLOWEEN!</b> | <b>Deal Process</b><br><br><b>Governance</b>  | Bruner:<br>Ch. 25<br>Ch. 26<br><br>Background for guest speaker | <b>Sanofi-Aventis's Tender Offer for Genzyme</b> | 1. <b>Quiz 2 DUE</b><br>2. Weekly Questions   |
| 10. <u>November 7</u>                               | <b>Securities Law</b><br><br><b>Antitrust Law</b>                                     | Bruner:<br>Ch. 27<br>Ch. 28<br><br>Background for guest speaker | <b>Offer for Valspar Corporation</b>             | 1. Weekly Questions<br>2. <b>Final Project Outline DUE</b><br>3. Hand out M&A Simulation Target<br>4. Assign Simulation Teams |
| 11. <u>November 14</u>                              | <b>Documenting the Deal</b><br><br><b>Negotiating the Deal</b><br><br><b>Auctions</b> | Bruner:<br>Ch. 29<br>Ch. 30<br>Ch. 31                           | <b>Monmouth</b>                                  | 1. Weekly Questions   |
| <b>No class November 21<sup>st</sup>!</b>           | <b><i>Thanksgiving holiday</i></b>  |   |  |   |
| 12. <u>November 28</u>                              | <b>Hostile Takeovers</b><br><br><b>Takeover Defense</b>                               | Bruner:<br>Ch. 32<br>Ch. 33<br><br>Background for guest speaker | <b>Men's Wearhouse ("Suit Wars")</b>             | 1. Weekly Questions   |

| Date   | Topics                             | Readings | Case to Prepare | Assignments  |
|--|------------------------------------|----------|-----------------|--|
| 13. <u>December 5</u><br><i>(Depending on size of class, may need to schedule second day of presentations)</i> | <b>Final Project Presentations</b> | N/A      | N/A             | 1. Live Presentations<br>2. Hand in Hardcopy & Electronic Copy of Final Project Presentation |
| <u>Saturday, December 15</u><br><i>(by MIDNIGHT)</i>   | <b>NO FINAL EXAM</b>               |          |                 | 1. <b>Final Project DUE</b>  |