

1231.3641.01 – Strategic Aspects in Mergers and Acquisitions

First Semester – 2014/2015

Lecturer: Mr. Yair Friedman
Course Time: Wednesdays, 15:45-18:30 (**Second half**)
Office Hours: on appointment
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Course Description & Objectives

The acquisition, possibly the most difficult strategic activity a firm can undertake, plays a major part of global business and can be viewed from many different perspectives. This course takes a strategic perspective, with a focus on how acquisitions can be used as a strategic tool by managers.

The course will provide a broad overview of the acquisition process, an understanding of the conceptual framework and a review of empirical evidence. The course builds on prior basic courses in Strategy, Corporate Finance and Accounting. The goal of the course is to cover key aspects of the acquisition business process from corporate strategy, to target evaluation, to deal negotiation, close, and integration. We will focus our study on current practices, especially in the Israeli context, including the key tools, techniques and trends embraced by the modern deal maker. Students will also get a chance to analyze and discuss recent transactions to understand how deals are identified, valued, structured, and closed.

Structure, Assignments and Projects

Course language - **English**.

Each weekly meeting will be divided into two parts (15:45-17:00, with a short break and then 17:15-18:30), each containing a distinct lecture. In addition, there will be two assignments (to be submitted by e-mail at a determined date). Note that uncoordinated delays may reduce assignment grade by up to 50%.

Transaction Multiples Analysis (30% of evaluation grade)

A 2-3 page analysis plus exhibits will be prepared evaluating a segment (e.g. retail, Fintech, Foodtech, etc.). Each student will categorize deals by type/size and identify relevant public and private comparable firms. Analysis will center on the segment as a whole, its representative multiples etc. In addition to the financial analysis, students will summarize an overview on firms included in the segment and similarities / differences between market players. Students may be called upon to present their findings to the class as part of a short presentation. Submission will include an xls file detailing the acquisitions and their characteristics and a short PPT presentation summarizing segment analysis.

Deal Proposal Exercise (60%)

Self-selected teams of four (or more, with my approval) will prepare an oral presentation and supporting pitch book proposing the combination of two actual firms (at least one of which must be Israeli or Israeli based). The analysis will cover the strategic motives for the deal, target selection and valuation, suggested deal design, and survey issues likely to be encountered in negotiation and integration of the firms.

Class Participation - Individual (10%)

This course will be highly interactive. Student minimal attendance and participation is a baseline requirement. In addition, each student is responsible to prepare for and participate in class sessions. Students may be randomly called on to ensure that materials have been read or to facilitate class discussion.

Bonus Presentation

In an attempt to encourage students to improve their presentation skills, a presentation bonus is available. Students who also wish to improve their grade may present their case analysis as a PPT slideshow to the class. Presentation will be approved and coordinated by the lecturer.

#	Topics	Readings	Objectives
(1)	Course Introduction: M&A Basics	<ul style="list-style-type: none"> - Bruner Ch. 1,2,4 - "Are You Paying Too Much for That Acquisition?", Eccles, Lanes & Wilson, HBR, 1999 	<ul style="list-style-type: none"> - Why M&A? - Familiarize with M&A Process and Key Terms - Ethics in M&A - Define Lead Roles (Buyers / Sellers) vs. Supporting Roles (Management, BOD, Investors, Advisors, etc.)
(2)	Acquisition Motives and Drivers	<ul style="list-style-type: none"> - "Not All M&As Are Alike", Bower, HBR - Bruner Ch. 6 	<ul style="list-style-type: none"> - Review Acquisition motivation and reasoning
(3)	Synergy	<ul style="list-style-type: none"> - Bruner Ch. 11 	<ul style="list-style-type: none"> - Valuing Synergies
(4)	M&A as a part of Corporate Strategy	<ul style="list-style-type: none"> - Bruner Ch. 6, 17 - "Do early birds get the returns?", Kenneth, Heron & Saxton, SMJ, 2004 	<ul style="list-style-type: none"> - Explore and understand Deal Strategy and Rationale - Define Variants and Alternatives to M&A (Buy-Build-Partner, JV, Minority Investment, Etc.) - Understand buyer / seller interests & Motivations - Discuss other influencing factors (Timing, Ego, Greed)
(5)	Introduction to M&A Calculus: Preliminary Analysis, Target Selection / Valuation	<ul style="list-style-type: none"> - Bruner Ch. 7, 9 	<ul style="list-style-type: none"> - Understand M&A Valuation Metrics and Techniques - Discuss Deal Structure Alternatives
(6)	M&A Integration and Managing Employee Interests	<ul style="list-style-type: none"> - Bruner Ch. 24, 36 	<ul style="list-style-type: none"> - Understand the key employee/management issues - Review integration Planning - Discuss integration practices
(7) [Submit Individual Case Write-Up]	Advanced M&A Concepts: LBOs, Divestitures, and Private Equity	<ul style="list-style-type: none"> - "The Fine Art of Friendly Acquisition", Aiello & Watkins, HBR 2000 - Bruner Ch. 13, 34 	<ul style="list-style-type: none"> - What is Private Equity? - Understand the role of debt in M&A transactions - Define and discuss MBOs / Take-Private Transactions - Debate potential areas of M&A conflicts of interest (Fairness Opinions etc.)

#	Topics	Readings	Objectives
(8)	Case Study Discussion (case study may vary) [compulsory attendance]	<u>Case study may be changed.</u> “A sweet merger? The Strauss-Elite Acquisition” (Eng). Available on Moodle & www.friedman.org.il	- Students will read the case study beforehand and a class discussion will take place. - The case will illustrate the advantages of M&A as a strategic tool.
(9)	Method of Payment	- Bruner Ch. 20 - "Stock or Cash?", Rappaport & Sirower, HBR, 1999	- Payment options (cash, stock, performance-related)
(10)	Creating Value Through M&A and Restructuring	- “Factors influencing wealth creation from M&A”, Datta, Pinches, & Narayanan, SMJ, 1992 - Bruner Ch. 6, 17	- Review potential ways to enhance value (spin-offs, split-ups, equity carve-outs) - Deal Success Criteria and Sources of Value
(11)	The 3D analysis of M&A	- None	- Review model origination and deal analysis methodology and utilization
(12,13)	Deal Proposal Presentations [compulsory attendance]	- None	- Student presentations and discussions regarding strategic deal motives, valuation & deal design

***** Note that the second part of the session before the case study discussion will not include a frontal lecture. Student groups should utilize this session for discussion and preparation for the case study.**

Required Reading Materials

Textbooks:

Applied Mergers & Acquisitions, Robert F. Bruner (2004) Wiley Finance

Other articles may include:

Eccles, Robert G., Kerstein L. Lanes and Thomas C. Wilson (1999), "Are You Paying Too Much for That Acquisition?", Harvard Business Review, 77(4): 136

Bower, J. (2001). "Not All M&A's Are Alike - and That Matters", Harvard Business Review, 79(3): 92.

Kenneth Carow, Randall Heron & Todd Saxton (2004), "Do early birds get the returns? An empirical investigation of early-mover advantages in acquisitions" Strategic Management Journal 25 (6): 563.

Aiello, Robert J. and Michael D. Watkins (2000), "The Fine Art of Friendly acquisition". Harvard Business Review, 78(6): 100.

Deepak K. Datta, George E. Pinches, V. K. Narayanan (1992), "Factors influencing wealth creation from mergers and acquisitions: A meta-analysis", Strategic Management Journal 13(1): 67.

A few noteworthy Remarks

- I plan to be prepared and I hope you will do the same. At times, I may call on individuals whose hands are not raised. Please let me know before the start of the class if some emergency has made it impossible for you to be prepared adequately for that class. This avoids embarrassment for us all.
- Please turn off cell phones during sessions. External distractions disrupt class and lower the quality of discussions and interactions.
- I will be happy to discuss the course or any other issue of interest to you on an individual basis. Please see me in class to set up an appointment. E-mail is the surest way to track me down - yair@friedman.org.il, and I will typically respond within 48 hours.