Introduction

This course shall develop a comprehensive understanding of the mergers and acquisitions (M&A) process. We will cover the major elements of the acquisition process including corporate strategy, valuation, due diligence, financing decisions, takeover defense and post-merger integration. We will use both lectures and real-world cases to develop the tools and skills necessary to prepare and evaluate M&A transactions.

Many finance professionals participate in M&As. Managers continuously review acquisition opportunities and, quite frequently, proposals to sell part or all of their business. Start-up entrepreneurs evaluate exit prospects and consider buy-side growth possibilities. Investment bankers and management consultants spend a large part of their time advising M&A clients. Private equity investors finance transactions and analyse relatively complex LBO models. People in every corporate function are needed in post-merger integration processes.

Objectives

The objectives of the course are to (i) analyse M&A transactions (how do we generate financial cash flow forecasts and prepare valuation models?), (ii) evaluate the strategy (what are the reasons behind the deal?) and understand the deal process (how to structure, finance and negotiate the transactions?).

Required Background Knowledge

Graduate knowledge of corporate finance, as provided in the corporate finance course in the first term.

Learning Outcomes

Provide students the necessary theoretical and practical background to successfully work with M&As, in particular:

1. Understanding key M&A concepts
2. Strategy, process and negotiations in M&A
3. Valuation in M&A
4. Ability to identify legal and accounting issues in M&A
5. Key principles of post-merger integration management
Methodology

The class format consists of a short lecture on each topic, followed by a case focusing on that topic. Students shall work in groups to solve the cases. For each case, two groups of students will be presenting their findings. Presentations should be approximately 30 minutes in length. After the presentation, the case will be further reviewed. The goal with cases is to apply the valuation techniques and do so in a setting mimicking reality. An important lesson of this course is the ability to ask appropriate questions of valuation exercises.

Evaluation

(i) Participation in class: 20%
(ii) Case presentations: 80%

Course contents (preliminary)

1. Introduction to M&As and empirical evidence
2. Strategy and deal origination
3. Due Diligence and Valuation
4. Valuation: synergies, leverage, liquidity and control
5. Deal design: form of payment and financing
6. Risk Management and post-merger integration
7. Deal process and governance
8. Legal and accounting issues
9. Hostile takeovers and takeover defenses

Bibliography

DePamphilis, Donald M.: Mergers, Acquisitions, and Other Restructuring Activities (7th edition)

Professor’s Biography

Albert Banal-Estanol is Associate Professor at the Universitat Pompeu Fabra, programme director of the MSc in Corporate Finance and Banking at the UPF-Barcelona School of Management, affiliated Professor at the Barcelona Graduate School of Economics (BGSE), affiliated Professor at City University London, visiting professor at the IFP-Energies Nouvelles in Paris and research fellow at the DIW Berlin and at the IESE Business School. Previously, he has held teaching and research positions at the University of Western Ontario in Canada, Northwestern University in the US, University of Cambridge, UCL, and London Business School in the UK, and the University of Munich in Germany. His main research interests are in the fields of corporate finance, competition and regulation, and innovation. His academic articles have been published in leading international peer-reviewed...
journals such as Management Science, Review of Financial Studies and Journal of Industrial Economics. He has also delivered executive training courses for government agencies such as the UK’s Department of Trade and Industry, regulators such as the UK’s Ofgem and private companies such as Gaz de France.