

M&A FNCE 4430

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COURSE OBJECTIVES

Students will

- Investigate what corporate restructuring is and why it occurs (Topic 1);
- Analyze how value is created (or destroyed) as a result of corporate mergers, acquisitions, divestitures, spin-offs, bankruptcy, liquidation, etc., through in-depth analysis of how to “do a deal” (Topics 1, 3 and 5);
- Understand commonly used takeover tactics and defenses (Topic 1);
- Learn how to manipulate financial models to value, structure, and negotiate deals (Topic 2);
- Learn how to assess the implications of alternative deal structures using financial models (Topics 2 and 4);
- Assess the practical limitations of the various valuation techniques (Topic 2);
- Understand how human emotions can lead CEOs to make bad deals (Topic 6); and
- Understand the history and language of M&A (Numerous topics).

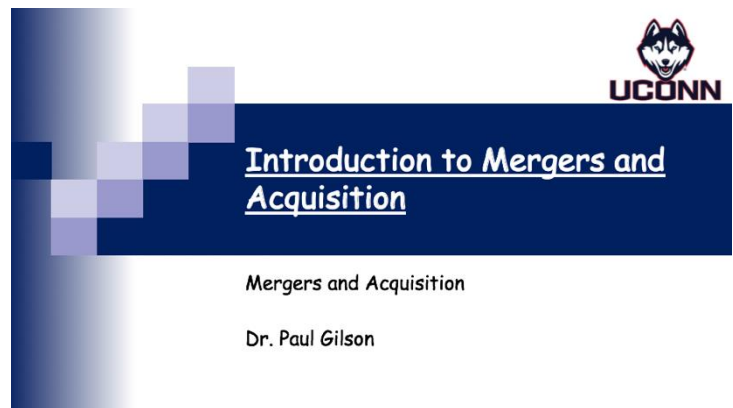
COURSE MATERIALS

I will use many different materials and texts during this course. I have used material from five books – NONE of which are REQUIRED. I will refer to the source of material where I can, but often the ideas I express will be an amalgamation of ideas taken from many different sources and from my own 20-year career in finance. The five books are:

- Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions, 8th edition, Donald M. DePamphilis (referred to as “DePamphillis”) 6

- Valuation, Measuring and Managing the Value of Companies, 6th edition, Tim Koller, Marc Goedhart, and David Wessels, (referred to as “KGW”)
- Mergers & Acquisitions from A to Z, 3rd edition, Andrew Sherman, (referred to “Sherman”)
- Mergers, Acquisitions and Corporate Restructurings, 6th edition, Patrick Gaughan, (referred to as “Gaughan”)
- Mergers & Acquisitions, Valuation and Structuring, 2nd edition, Alan Gasiorek, (referred to as “Gasiorek”)

The main document for each (sub) topic will be a “Topic PowerPoint” I will create and post. You should use these decks as your main source of information on a topic. It is unlikely I will cover an entire slide deck in class time – much information is background and easily understood by the diligent student. Rather, I will spend class time covering difficult or challenging topics or demonstrating worked examples. Often, I will create a slide deck for that particular class – I will post these decks before class, but it is not necessary to READ these decks before the particular class. The capture above is for the first sub-topic – the title slide of the Topic PowerPoint.



Motivation

UCONN

- ◉ There are many ways we can describe the concept of “M&A”
 - I like this “loose” description from an Investopedia article by Barclay Palmer, [What Investors Can Learn From M&A Payment Methods](#) *
 - “M&A is the general term used to describe a consolidation of companies
 - In a merger, two companies combine to form a new entity
 - Whereas, in an acquisition, one company seeks to purchase another
 - In the latter case, the acquiring company is making the purchase, and the target company is being bought”
- ◉ Before we get into the details and definitions, let’s look at databases we have at UCONN where we can look at what’s happening today (July 19 2020)
 - Bloomberg [MA<GO>](#)
 - ThomsonOne

In these slide decks, you will find various readings, often from Investopedia – you are expected to read those readings! Not wanting to offend senior students from UCONN, but please, when you read articles I reference, make sure you don’t simply read. ALWAYS create a key takeaways list for any article you read. NOTE – most Investopedia articles have a “Key Takeaways” section; this is certainly a good start. But, when reading

an article I reference, make sure you understand the context – why am I asking you to read this article given the concepts I was discussing in the slide deck?

MAKE SURE, you read the notes in notes view – I will often include additional contents in the notes of each slide.

I will tell the class which Topic PowerPoints to read before each week, and if you checkout the course outline below, you will see details of what to read and when!

Deal Status Breakdown			Geographic Breakdown			Industry Breakdown		
Current Status	Value	Count	Target Region	Value	YoY(%)	Target Industry	Value	YoY(%)
All	1.5T	14,385	All	1.5T	-35.5 ↓	All	1.5T	-35.5 ↓
10 Pending	560.2B	4,175	20 North America	754.5B	-44.8 ↓	50 Financial	465.8B	-4.8 ↓
10 Completed	288.2B	9,077	20 Europe	376.4B	-36.9 ↓	50 Consumer Cyclical	275.8B	-43.8 ↓
13 Terminated	60.2B	85	20 Asia Pacific	338.1B	-7.5 ↓	50 Communications	187.2B	-80.3 ↓
18 Proposed	547.2B	984	20 Middle East & Africa	46.1B	-63.2 ↓	50 Industrial	142.1B	-51.6 ↓
19 Withdrawn	87.7B	64	20 LATAM & Caribbean	32.6B	-58.3 ↓	50 Consumer Cyclical	140.3B	-34.6 ↓

Deal List		Acquirer	Value	Payment Type	Status
1010 M&A	02/17/20 Portfolio of energy loans/Hs.	Goldtree Capital Management LP	497.0M	Cash	Pending
1012 M&A	02/17/20 Multiple Targets	Luxshare Precision Industry Co.	471.9M	Cash	Pending
1013 M&A	02/17/20 US Bank Tower/Due Ltd	USBT Property Owner LP	430.0M	Cash	Pending
1015 M&A	02/17/20 Portfolio of 12 office proper	GORE German Office Real Estat.	228.3M	Cash	Completed
1019 M&A	02/17/20 Berk. Tek.	Leviton Manufacturing Co Inc.	202.0M	Cash	Pending
1020 M&A	02/17/20 Inlandskraft AS	Fjordkraft Holding ASA	151.9M	Cash	Pending
1021 M&A	02/17/20 807 unit garden style multif.	Private Investor	81.5M	Cash	Completed
1022 M&A	02/17/20 Land & Building 10 pieces	Samty Residential Investment	80.6M	Cash	Pending
1023 M&A	02/17/20 Trinidad Drilling International	Ensign Energy Services Inc.	33.4M	Cash	Completed
110 M&A	02/17/20 Entrepreneur Resorts Ltd	Genius Group Ltd	32.6M	Cash	Pending
111 M&A	02/17/20 Zhongjiagang Chengyang Ele.	Zhongjiagang Free Trade Zone	24.6M	Cash	Completed

I love crazy screens from Bloomberg like this. The next slide, I have narrowed the selection to just COMPLETED DEALS ytd.

Depending on the topic, I will also include PDFs or in some cases, Excel spreadsheets. This content, plus any other content I will share using One Drive.

COMPUTER SKILL REQUIREMENTS

Students will need to know how to use spreadsheet software (e.g., Microsoft Excel).

COURSES REQUIREMENTS AND GRADING

Your grade for the course is based on a final exam, homework and projects. I have no requirements for attendance. Although I am always happy to see you in class, it is entirely up to you as to whether or not you attend class in-person, virtually, or asynchronously.

I envisage that your grade will be based 30-40% on a final exam, and 60-70% on homework and projects. I expect there to be six of these, thus each will be worth 10% to 15%. The difference between homework and projects is the following. For projects, I will assign teams of 4 to 5 students; teams will change each project. The team will hand in a single submission, and each team member will receive the same score. For projects, if possible, I will cover a similar problem in class; the student team will then work on a similar problem for the project.

For homework, students must submit a virtual report. Note: Although homework must be completed individually, it is acceptable (and encouraged) for you to discuss homework problems with fellow classmates if this helps you to learn the material. If you do so, you only need to submit one homework per team.

The final exam will be virtual, and likely time controlled – but I am open to student input. The exam will be MC, TF and short calculations.

There are no extra credit opportunities in this class.

Grades will be available through Blackboard.

Occasionally, I am asked to reconsider a grade on an assignment. While I am open to such requests assuming there is a compelling argument for review, please be aware that reconsidered grades can go down, as well as up. All requests should be made in person so that you can explain your concern. Do not email concerns related to grading; such matters must be discussed face-to-face. Furthermore, I will not

entertain grading discussion within 48 hours of receiving a grade; you must wait 48 hours before talking with me about your grade.

Deadlines are important. Assignment should be turned in by the days and times listed below unless otherwise indicated. You are seniors – I will not treat you like children and penalize you for late submission of work.

At the end of the semester, I will assign a letter grade for each student base on the following rubric.

Grade	Evaluation
A	Superior Performance
B	Above Satisfactory Performance
C	Satisfactory Performance
D	Very Poor Performance
F	Failure

IMPORTANT TOPICS

There are a number of policies that I consider important across all of my classes The policies governing the following topics can be found at the following links:

[Absences from Final Examinations](#)

[People with Disabilities, Policy Statement](#)

[Policy Against Discrimination, Harassment, and Related Interpersonal Violence](#)

[The Student Code](#)

COURSE OUTLINE (DRAFT)

Week	Topic	Materials and Comments	Class Topics
1	<p>1. INTRODUCTION TO THE COURSE AND THE M&A MARKET</p> <p>Introduction to Mergers and Activity.pptx (1)</p> <p>M&A Structures and Other Definitions.pptx (2)</p> <p>Reasons for M&A Activity.pptx (3)</p> <p>Historical M&A Activity.pptx (4)</p>	<p>In this (long) section, we cover the basics of M&A – an overview of the concepts, ideas, terms and historical trends.</p> <p>I have broken this long topic into smaller “bite-sized” sections. The first four are included in this week.</p> <p>You will see two textbook chapters posted to this section: The Mergers and Acquisition Market.pdf (1) and The Corporate Takeover Market.pdf (2).</p> <p>Make sure you read these two chapters by the end of this first topic. The chapters contain detail and examples beyond what I cover in the Topic PowerPoint – my SUGGESTION – read the chapters, find the associated PowerPoint, and add notes.</p> <p>Also, I refer to the following readings in the Topic PowerPoint.</p> <p>A zeal for deals; Buttonwood.pdf (3)</p> <p>All my bags are packed; Tax inversions.pdf (4)</p> <p>Since we discuss Anti-Trust laws in our review of historical M&A activity; please read this recent article on anti-competitive behavior:</p> <p>From hospitality to hipsterism – The Economist.pdf (5)</p> <p>I am LOATHED to set readings before the semester begins BUT IF you are so inclined.... Please read PPTs (2) and (3) before our first class, and (4) before second class of week. (Of course, this includes the readings therein.)</p> <p>Also read the three PDFs (3) and (4) before our first class and (5) by the end of this week.</p>	<p>Class 1: I will do the basic class introductions and logistics. I will cover PPT (1) – it is unnecessary to pre-read this deck.</p> <p>Class 2: I will discuss your first group project using an actual deal to illustrate concepts discussed in the PPT readings.</p> <p>Example Deal.pptx</p>

Week	Topic	Materials and Comments	Class Topics
2	<p>1. INTRODUCTION TO THE COURSE AND THE M&A MARKET, CONT.</p> <p>Alternative M&A Tactics.pptx (5)</p> <p>M&A Defensive Tactics.pptx (6)</p> <p>The Participants in the M&A Markets.pptx (7)</p> <p>M&A Performance.pptx (8)</p>	<p>This is the second group of four in the introduction.</p> <p>The five types of successful acquisitions.pdf (6)</p> <p>The One Thing you can Get Right.pdf (7)</p> <p>Please read PPTs (5) through (8) before the second week. (Of course, this includes the readings therein.)</p> <p>Also read the two PDFs (6) and (7) before week 2.</p> <p>AT END of second week, the first project “Report on a Recent Deal” goes LIVE. This is due by 5pm Friday of week 3.</p>	<p>Class 3: Labor Day</p> <p>Class 4: I will discuss conglomerates and the fallacy of EPS Accretion</p> <p>EPS Accretion.pptx</p> <p>EPS Accretion Example.xlsx</p> <p>And I will explore many of the ideas in M&A Performance.</p>
3	<p>2. BASIC VALUATION</p> <p>Cash Flow Estimation - FTE.pptx (9)</p> <p>Cash Flow Estimation - FCF.pptx (10)</p>	<p>Valuation plays an important role in M&A. Therefore, it is important we understand the basics of valuation – we will move to more complex methods later in the semester.</p> <p>The topic spans three weeks, each dealing with a subtopic. The first is cash flow estimation: Since we will study DCF Valuation, we first need to know how to estimate cash flows.</p> <p>Please read PPTs (9) and (10) before the third week. I will be illustrating these concepts using examples in class. THEREFORE, when you pre-read Topic PowerPoints (9) and (10), DON'T devote much time to the examples!</p> <p>The first project “Report on a Recent Deal” is due by 5pm Friday of week 3 – this week.</p> <p>AT END of third week, the second project “Cash Flow Estimation” goes LIVE. See FCFF and FCFE Estimation of Darden Restaurants.doc and the accompanying spreadsheet Darden Restaurant Data.xlsx This is due by 5pm Friday of week 4.</p>	<p>Class 5: I will estimate the cash flow of two companies in class examples. In the first class of the week, I will demonstrate Flow to Equity using:</p> <p>Nvidia CF Example.xlsx</p> <p>Class 6: In the second class of the week, I will demonstrate Free Cash Flow using:</p> <p>Waste Management CF Example.xlsx</p> <p>If pushed for time, read PPT (10) before this class – not necessary till second class</p>

Week	Topic	Materials and Comments	Class Topics
4	<p>2. BASIC VALUATION, CONT. <small>2. BASIC VALUATION, CONT.</small> Basic DCF Valuation.pptx (11)</p>	<p>We will discuss DCF Valuation in weeks 4 and 5. What's it worth, a general managers guide to valuation.pdf (8) Please read PPT (11) and PDF (8) before the fourth week. I will be illustrating these concepts using examples in class. THEREFORE, when you pre-read Topic PowerPoint (11), DON'T devote much time to the examples! The second project "Cash Flow Estimation" is due by 5pm Friday of week 4. The third project "DCF Valuation" will not be due until the end of week 6 – thus, if feeling lazy, students can kick back this week and do nothing. BUT if you wish to take advantage of the extra time – in the upcoming valuation project you will need to estimate a discount rate (like I demonstrate in class 8) – you could do that task this week!</p>	<p>Class 7: During this week I will cover the important concepts of DCF structure. To illustrate I will use: Nvidia Valn Example.xlsx Class 8: In the second class of the week, I will discuss the concepts of cost of capital and discount rates. I will use as an example: Waste Management Valn Example.xlsx</p>
5	<p>2. BASIC VALUATION, CONT. <small>2. BASIC VALUATION, CONT.</small></p>	<p>Whereas the last week was more "conceptual", this week we will finish our valuations of Nvidia and Waste Management. AT END of fifth week, the third project "DCF Valuation" goes LIVE. It will be due the end of week 6.</p>	<p>Class 9: During this week I will cover the important concepts of DCF structure. To illustrate I will use: Nvidia Valn Example.xlsx Class 10: In the second class of the week, I will discuss the concepts of cost of capital and discount rates. I will use as an example: Waste Management Valn Example.xlsx</p>

Week	Topic	Materials and Comments	Class Topics
6	<p>2. BASIC VALUATION, CONT. <small>2. BASIC VALUATION, CONT.</small> Multiples.pptx (11)</p>	<p>We will discuss Relative Valuation and the use of multiples in weeks 6 and 7.</p> <p>As with DCF Valuation, in the first week, I will discuss the more conceptual ideas of relative valuation and multiples. Whereas in week 7 I will apply the ideas to our two examples.</p> <p>Please read PPT (11) before the start of this week. (Of course, this includes the readings therein.)</p> <p>The third project “DCF Valuation” is due by 5pm Friday of week 6 – this week.</p>	<p>Class 11: In this class, I will give a brief guide to multiples – the class will be heavily weighted to practical examples.</p> <p>Class 12: For our two examples, Nvidia and Waste Management, I will demonstrate the curation of comparable companies and transactions.</p> <p>Waste Management Comp Example.xlsx</p> <p>Nvidia Comp Example.xlsx</p>
7	<p>2. BASIC VALUATION, CONT. <small>2. BASIC VALUATION, CONT.</small> Relative Valuation.pptx (12)</p>	<p>As with DCF Valuation, in the first week, I will discuss the more conceptual ideas of relative valuation and multiples. Whereas in week 7 I will apply the ideas to our two examples.</p> <p>PPT (12) will be very applied in nature – I will be demonstrating relative valuation with two class examples. But before this week, PLEASE read the conceptual content of the slide deck (12) and make sure you read the linked material therein.</p> <p>AT END of seventh week, the fourth project “Multiples” goes LIVE. This is due by 5pm Friday of week 8.</p>	<p>Class 13: I will prepare a full relative valuation of Nvidia.</p> <p>Class 14: I will prepare a full relative valuation of Waste Management.</p>
8	<p>3. THE LEGAL FRAMEWORK <small>3. THE LEGAL FRAMEWORK</small> The Legal Framework.pptx (13)</p>	<p>The content in this topic is very accessible and thus most content is left for the student to cover. Week 8 is kinda nice, as its in as a pressure valve.</p>	<p>Classes 15 and 16: I will discuss highlights from this slide deck.</p> <p>In class I will try and illustrate the concepts we cover in the</p>

Week	Topic	Materials and Comments	Class Topics
		<p>Please read PPT (13) before this week's classes and any readings therein.</p> <p>The fourth project "Multiples" is due by 5pm Friday of week 8 – this week.</p>	<p>Topic PowerPoint by studying an example deal.</p>
9	<p>4. LBOs AND MBOs LBOs and MBOs.pptx (14)</p>	<p>LBOs and MBOs are a subcategory of M&A. In week 9, we cover the background on this material. But note, much of the foundational material can be found in the Topic PowerPoint and is totally accessible.</p> <p>Please read PPT (14) before this week's classes and any readings therein.</p>	<p>Class 17: In this class I will go through the details of a classic LBO from history – this will be used to demonstrate the ideas in this topic.</p> <p>Class 18: In class, we will discuss the inherent conflicts of interest in MBOs.</p>
10	<p>4. LBOs AND MBOs, CONT. The APV Method.pptx (15)</p>	<p>The topic of LBOs and MBOs allows us to introduce a new valuation method – The Adjusted Present Value (APV) Method.</p> <p>PPT (15) will be very applied in nature – I will be demonstrating the method with a class example. But before this week, PLEASE read the conceptual content of the slide deck (15) and make sure you read the linked material therein.</p> <p>AT END of tenth week, the fifth project "LBO" goes LIVE. This is due by 5pm Friday of week 11.</p>	<p>Class 19 and 20: We will study an example of an LBO using the APV Method.</p>
11	<p>5. SYNERGIES Synergies.ppt (16)</p>	<p>As we (will see) saw in the in the introduction, it is unusual to find a press release from a deal that doesn't mention synergies. We will explore these ideas in this topic.</p> <p>Much of this topic can be found in the PPT (16).</p>	<p>Class 21: In the first class of this week, I will demonstrate an example of cost cutting and synergy realization.</p> <p>Class 22: In the second class of the week we will explore an</p>

Week	Topic	Materials and Comments	Class Topics
		<p>The following is a short and sweet article that I would like you to read: The Myth of M&A Synergies.pdf (9)</p> <p>The following paper has not yet been published in a peer reviewed setting. So, it cannot be taken as gospel. It is not examinable, but none the less, interesting: Evidence for the Effects of Mergers on Market Power and Efficiency.pdf (10)</p> <p>Here is another thought-provoking paper: Do M&A Deals Ever Really Create Synergies?.pdf (11)</p> <p>Please read PPT (16) before this week's classes and any readings therein. MAKE SURE you read PDFs (9), (10) and (11) by the end of this topic.</p> <p>The fifth project "LBO" is due by 5pm Friday of week 11 – this week!</p>	<p>example illustrating strategic synergies.</p>
12	<p>5. SYNERGIES, CONT.</p>	<p>I will continue our exploration of synergies focusing this week on the more "engineered" concepts of synergies – financial and tax.</p> <p>As you can see, this week we explore two cases – it makes sense to read and consider these cases before class.</p> <p>The first homework "Synergies" is due by 5pm Friday of week 14 – it goes live after class 22.</p>	<p>Class 23: We will prepare an example demonstrating financial synergies – including the fallacy of divisional discount rates.</p> <p>Class 24: We will discuss a case on tax avoidance and M&A activity.</p>
13	<p>THANKSGIVING WEEK</p>	<p>YYYYYAAAAYYYYYYY</p>	<p>None</p>

Week	Topic	Materials and Comments	Class Topics
14	6. BEHAVIORAL FINANCE <small>6. BEHAVIORAL FINANCE</small> Behavioral Finance and M&A.ppt (17)	<p>Behavioral Finance is a BROAD topic – it covers far more than M&A. But there is a particular interesting overlap between behavioral finance and M&A.</p> <p>This topic will be in the form of a traditional lecture and the content I discuss can be found in the PPT (17).</p> <p>Please read PPT (17) before this week’s classes and any readings therein.</p> <p>The first homework “Synergies” is due by 5pm Friday of week 14 – this week.</p>	<p>Class 25 and 26: In these classes I will cover the more difficult concepts in the Topic PowerPoint.</p> <p>I find that if we ANALYZE a few “headline” deals (AT&T and Time Warner as an example), the concepts become much more understandable.</p>
15	OPEN <small>OPEN</small>	Open	Single class 27: Open.

The final exam will cover all material and is during the regularly scheduled time during exam week.