



The Leon Recanati Graduate School of Business Administration

1231.3641.01 – Strategic Aspects in Mergers and Acquisitions

(Prerequisites: Principles of Strategy; Introduction to Financial Accounting; Principles of Finance)

Second Semester – 2018/19

Section	Day	Hour	Grade Formation	Lecturer	Email	Telephone
01	Tuesday	15:45-18:30 (First half)	Group presentation, during last session	Dr. Yair Friedman	yair@friedman.org.il	

Office Hours: By appointment

Course Units

1 course unit = 4 ECTS units

The ECTS (European Credit Transfer and Accumulation System) is a framework defined by the European Commission to allow for unified recognition of student academic achievements from different countries.

Course Description

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.

Course Objectives

Upon completion of the course, the student will be able to:

1. Understand the conceptual framework of M&A.
2. Analyze key aspects of the acquisition business process
3. Understand current practices, especially in the Israeli context, including the key tools, techniques and trends embraced by the modern deal maker
4. Successfully analyze and discuss recent transactions to understand how deals are identified, valued, structured, and closed

Evaluation of Student and Composition of Grade

Percentage	Assignment	Date	Group Size/Comments
10%	Class Participation	-	Individual
30%	Historical Transaction Analysis	TBD	2-3 students
60%	Deal Proposal Exercise	TBD	Groups of four

* According to University regulations, participation in all classes of a course is mandatory (Article 5).

* Students who absent themselves from classes or do not actively participate in class may be removed from the course at the discretion of the lecturer. (Students remain financially liable for the course even if they are removed.)

Course Assignments

Historical Transaction Analysis (30% of evaluation grade)

As noted, the course will include detailed discussions on several actual transactions. Each 2-3 students will prepare their own 1-3 pages analysis of a transaction, involving an Israeli firm, as well as compute key market multiples and comparable valuation metrics (including P/E, TEV/EBITDA, etc.) for the chosen acquisition using available market data.

Deal Proposal Exercise (60%)

Self-selected teams of four will prepare an oral presentation and supporting presentation 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

To encourage students to improve their presentation skills, a presentation bonus is available. Students who 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.

Students who are unable to complete an assignment or any course requirement must notify the Lecturer in advance via email

Grading Policy

In the 2008/9 academic year the Faculty instituted a grading policy for all graduate level courses that aims to maintain a certain level of the final course grade. Accordingly, this policy will be applied to this course's final grades.

Additional information regarding this policy can be found on the Faculty website.

<https://coller.tau.ac.il/MBA-students/programs/2018-19/MBA/regulations/exams>

Evaluation of the Course by Student

Following completion of the course students will participate in a teaching survey to evaluate the instructor and the course, to provide feedback for the benefit of the students, the teachers and the university.

Course Site (Moodle)

The course site will be the primary tool to communicate messages and material to students. You should check the course site regularly for information on classes, assignments and exams, at the end of the course as well.

Course material will be available on the course site.

Please note that topics that are not covered in the course material but are discussed in class are considered integral to the course and may be tested in examinations.

Course Outline*

#	Topics	Readings	Objectives
(1)	Course Introduction: M&A Basics	- Bruner Ch. 1,2,4 - "Are You Paying Too Much for That Acquisition?", Eccles, Lanes & Wilson, HBR, 1999	- Why M&A? - Familiarize with M&A Process and Key Terms - Define Lead Roles vs. Supporting Roles
(2)	Acquisition Motives and Drivers	- "Not All M&As Are Alike", Bower, HBR - Bruner Ch. 6	- Review Acquisition motivation and reasoning
(3)	Synergy	- Bruner Ch. 11	- Valuing Synergies
(4)	M&A as a part of Corporate Strategy	- Bruner Ch. 6, 17 - "Do early birds get the returns?", Kenneth, Heron & Saxton, SMJ, 2004	- 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 Valuation	- Bruner Ch. 7, 9	- Understand M&A Valuation Metrics and Techniques - Discuss Deal Structure Alternatives

<u>#</u>	<u>Topics</u>	<u>Readings</u>	<u>Objectives</u>
(6)	M&A Integration and Managing Employee Interests	- Bruner Ch. 24, 36	- Understand key employee / management issues - Review integration Planning and discuss integration practices
(7)	Advanced M&A Concepts: LBOs, Divestitures, and Private Equity	- "The Fine Art of Friendly Acquisition", Aiello & Watkins, HBR 2000 - Bruner Ch. 13, 34	- What is Private Equity? - Understand the role of debt in M&A transactions - Define and discuss MBOs / Take-Private Transactions - Debate potential areas of conflicts of interest (Fairness Opinions etc.)
(8)	Case Study Discussion* [compulsory attendance]	- TBD	- Students will prepare relevant questions. Then, 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) [Submit EX1]	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)	Deal Proposal Presentations [compulsory attendance]	- None	- Student presentations and discussions regarding strategic deal motives, valuation & deal design

*Subject to change

Required Reading

Textbooks:

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

Recommended Reading

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 be as well. 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 24 hours.