

Class timings: 5:30 PM to 8:11 PM on Thursdays in the Distance Learning Room.

Office Hours: 2:00 PM to 4:00 PM on Thursdays (in the Distance Learning Room in the FRE department) and 9:45 AM to 10:00 AM and 12:30 pm to 1 PM on Mondays (in the classroom before and after my 6273 class).

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Objectives: To explore and understand the rationale for, and the mechanics of, mergers, acquisitions and restructurings. We will explore the operational and financial details of 6 important corporate transactions: P&G / Gillette, HP / Compaq, RJR / Nabisco, Facebook / WhatsApp, Marvel Entertainment and Kraft / Philip Morris. The class will be taught using the case method, and will cover both the theory and practice of corporate transactions. Students will be allocated to teams that represent the various competing groups in a transaction, and will present, discuss and argue their point of view on each case.

Class Structure: Each 2 hr. 41 minute class will be broken up into three segments. We will start by going over any difficulties that students are having with the material, and then have two discussion / presentation sessions, with a short break in between.

Preparatory work: This class is unusual in that is exploratory – there are seldom any uniquely right or wrong answers in a case. It will also require significant amounts of preparatory work ahead of each class on the part of students, who will need to read all the relevant case materials and prepare their presentations and arguments ahead of each class.

Homework, project and exams: There will be homework assignments, as well as a brief quiz and a reading assignment following each class. Students are expected to read the assigned material and work with their team mates to prepare to present and argue their portion of the case in class. Each team will present its own analysis of the last transaction (Kraft / Philip Morris) at the end of the semester.

Grades: 40% Final Presentation, 30% Class participation, 20% Weekly quiz and homework, 10% Peer review of group contribution.

Textbooks: Gaughan (2018), *Mergers, Acquisitions and Corporate Restructurings*, 7th Ed., and Holthausen and Zmijewski (2018), *Corporate Valuation: Theory, Evidence and Practice*, 2nd Ed.

Software: Calcbench is useful for downloading financial statements after 2009 (go to <https://www.calcbench.com/nyutandon> to get your free student account), as is Excel.

Pre / Co – requisites: FRE-GY 6103 (Corporate Finance), FRE-GY 9713 (Financial Modeling) and FRE-GY 6273 (Valuation Theory).

Moses Center Statement of Disability

If you are student with a disability who is requesting accommodations, please contact New York University's Moses Center for Students with Disabilities (CSD) at [212-998-4980](tel:212-998-4980) or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 3rd floor.

NYU School of Engineering Policies and Procedures on Academic Misconduct

- A. Introduction: The School of Engineering encourages academic excellence in an environment that promotes honesty, integrity, and fairness, and students at the School of Engineering are expected to exhibit those qualities in their academic work. It is through the process of submitting their own work and receiving honest feedback on that work that students may progress academically. Any act of academic dishonesty is seen as an attack upon the School and will not be tolerated. Furthermore, those who breach the School's rules on academic integrity will be sanctioned under this Policy. Students are responsible for familiarizing themselves with the School's Policy on Academic Misconduct.
- B. Definition: Academic dishonesty may include misrepresentation, deception, dishonesty, or any act of falsification committed by a student to influence a grade or other academic evaluation. Academic dishonesty also includes intentionally damaging the academic work of others or assisting other students in acts of dishonesty. Common examples of academically dishonest behavior include, but are not limited to, the following:
1. Cheating: intentionally using or attempting to use unauthorized notes, books, electronic media, or electronic communications in an exam; talking with fellow students or looking at another person's work during an exam; submitting work prepared in advance for an in-class examination; having someone take an exam for you or taking an exam for someone else; violating other rules governing the administration of examinations.
 2. Fabrication: including but not limited to, falsifying experimental data and/or citations.
 3. Plagiarism: intentionally or knowingly representing the words or ideas of another as one's own in any academic exercise; failure to attribute direct quotations, paraphrases, or borrowed facts or information.
 4. Unauthorized collaboration: working together on work that was meant to be done individually.
 5. Duplicating work: presenting for grading the same work for more than one project or in more than one class, unless express and prior permission has been received from the course instructor(s) or research adviser involved.
 6. Forgery: altering any academic document, including, but not limited to, academic records, admissions materials, or medical excuses.

- 1. 4/4/2019: Overview (George Varughese). Read Chapters 1 and 5 of Gaughan.**
 - a. Statistics over time and why the level of M&A varies over time.
 - b. Motivations for M&A: Value, size, personal motivations of management teams
 - c. M&A as a process of moving assets to the owner who can extract the highest value – Coase's Theorem
 - d. Hostile vs. Friendly deals
 - e. Takeover defenses

- 2. 4/11/2019: More on M&A (George Varughese). Illustrative Case 1. Accretion / Dilution and P&G/ Gillette. Read Chapter 4 of Gaughan.**
 - a. Cost synergies
 - b. Revenue synergies
 - c. Accretion / Dilution analysis
 - d. Buyer value and seller value
 - e. Fairness opinions

- 3. 4/18/2019: Structure of deals (George Varughese). Illustrative Case 2. Floors, Caps and Collars and Hewlett-Packard-Compaq: The Merger Decision. Read Chapter 13 of Gaughan.**
 - a. Asset vs Stock deals
 - b. Currencies used in M&A; cash, stock, debt, convertibles, earn out
 - c. One step vs two step deals
 - d. No shop, reps and warranties, break up fees, appraisal rights and fiduciary outs.
 - e. Role of activists
 - f. Governance topics. Boards, shareholders, managements

- 4. Week of 4/22/2019: Accounting / Tax / Legal Modeling / Valuation aspects of M&A (Dan Gode & Thomas Philips – Day of week uncertain). Read Chapters 15 and 16 of Gaughan.**

- 5. 5/2/2019: Financial buyers (Thomas Philips). Illustrative Case 3. RJR-Nabisco. Read Chapters 8 and 9 of Gaughan.**
 - a. LBO analysis and Valuation
 - b. Use of Leverage and wealth transfers between stockholders and bondholders
 - c. Use of High yield debt
 - d. Private equity model

- 6. 5/9/2019: Post merger considerations. Why do some deals succeed and others fail? (Thomas Philips). Illustrative Case 4. Daimler-Chrysler**
 - a. Integration of two companies
 - b. Role of culture and values
 - c. Planning and execution
 - d. Exit strategies

- 7. 5/16/2019: Restructurings (George Varughese). Illustrative Case 5. Marvel Entertainment. Read Chapters 11 and 12 of Gaughan.**
 - a. Debt exceeds value
 - b. Secured and unsecured creditors
 - c. Economic owners vs legal owners
 - d. In court settlements=
 - e. Bankruptcy process

- 8. Date TBD: Final presentations of Case 6. Kraft / Philip Morris**