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**Course Syllabus**

| | | | |
|---|---|---|---|
| Title of the course | **Mergers and Acquisitions** | | |
| Title of the Academic Programme | Master's programme "Finance" | | |
| Type of the course | Elective | | |
| Prerequisites | Theory of Finance, Financial Markets and Institutions, Corporate Finance | | |
| ECTS workload | 4 | | |
| Total indicative study hours | Directed Study | Self-directed study | Total |
| | 40 | 112 | 152 |
| Course Overview | The course is aimed at the better understanding of companies' motives to merge and acquire the other businesses; it also provides the students with the methodology of valuation and the principles of companies' integration at the post-merger stage | | |
| Intended Learning Outcomes (ILO) | To clarify the importance of mergers and acquisitions in the terms of the company's value;<br>- To show the ways of capturing the value drivers through mergers and acquisitions;<br>- To achieve skills in evaluation of target companies and the deals' value;<br>- To understand sources of funding for mergers and acquisitions<br>- To demonstrate innovative financial decisions in mergers and acquisitions;<br>- To demonstrate how ethical principles are implemented in corporate acquisition programmes;<br>- To find the ways of value growth through integration of merging companies;<br>- To give some ideas about the defense strategies in the cases of the hostile takeovers attempts.<br><br>It is supposed that the students after learning the course would acquire the following competencies:<br>The knowledge of: the basic principles of mergers and acquisitions valuation, the sources of synergies, the types of risks inherent in this type of activity, the main methods of funding mergers and acquisitions and methods of protection against hostile takeovers; new approaches to M&A deals implementation in the digital era.<br>The abilities: to analyze mergers and acquisitions of various types, to determine the optimal structure for such transactions, to choose methods for deals' funding, to determine the sources of synergies and the risks of mergers and acquisitions, to compose consolidated balance of the merged company, to assess risks of mergers and acquisitions.<br>The skills: to work with existing accounting, to evaluate target companies, to make decisions on taking strategic investments, to structure the deals; to be prepared for taking ethical and reasonable, data-driven decisions on mergers and acquisitions, timely and in a persuasive manner | | |

| Teaching and Learning Methods | Lectures, seminars, self-guided studies, cases |
|---|---|

Content and Structure of the Course

| № | Topic / Course Chapter | Total | Directed Study | | Self-directed Study |
|---|---|---|---|---|---|
| | | | Lectures | Tutorials | |
| 1 | Mergers and acquisitions as a part of strategic development of a company: motives, benefits, risks | 24 | 4 | 4 | 16 |
| 2 | Valuation of M&A deals | 36 | 4 | 4 | 28 |
| 3 | Organisation of mergers and acquisitions. Post-merger integration | 20 | 2 | 4 | 16 |
| 4 | Hostile takeovers and defense strategies | 24 | 4 | 4 | 16 |
| 5 | Structuring the deal | 24 | 4 | 4 | 16 |
| 6 | Leveraged buyouts | 24 | 2 | - | 20 |
| **Total study hours** | | 152 | 20 | 20 | 112 |

Indicative Assessment Methods and Strategy

| Control forms | Weight in the course grade |
|---|---|
| Final exam | 0.4 |
| Assessment of academic progress | 0.6 |

**Assessment of academic progress**

| **Assignment** | **Weight in the assessment of academic progress** | **Assignmentdescription** |
|---|---|---|
| Individual project | 0.40 | Individual assignment, real-life deal analysis |
| In-class activity | 0.20 | Individual and group assignments, problem solving, discussions and case studies (weekly) |
| Home assignments | 0.40 | 3 home assignments (individual and group real-life cases, projects and problem-solving tasks) |

**Final exam**
Form: case study
Length: 120 minutes plus 40 minutes for the preparatory reading at home
Format: in-class, closed-book

Readings / Indicative Learning Resources

Mandatory
DePamphilis, Donald D. (2015). Mergers, Acquisitions and Other Re-structuring Activities. 7th Edition. Academic Press Advanced Finance Series, Elsevier, Burlington, MA, USA

Optional[1]

[1] The updated list of papers is provided by course instructor and available in the LMS directory

| | | | |
|---|---|---|---|
| | Bauer, F. and Matzler, K. (2014), "Antecendents of M&A success: The role of strategic complimentarity, cultural fit, and degree and speed of integration", *Strategic Management Journal*, 35, pp. 269-291.<br>Morck, R., Shleifer, A., and Vishny, R.W. (1988), "Management Ownership and Market Valuation: An Empirical Analysis", *Journal of Financial Economics*, vol. 20, no. 1-2, pp. 293-315.<br>Mulherin, J.H., and Boone, A.L. (2000), "Comparing Acquisitions and Divestitures", *Journal of Corporate Finance*, 6, pp. 117-139. | | |
| Indicative Self- Study Strategies | **Type** | **+/–** | **Hours** |
| | Reading for seminars / tutorials (lecture materials, mandatory and optional resources) | | 20 |
| | Assignments for seminars / tutorials / labs | | 50 |
| | E-learning / distance learning (MOOC / LMS) | | |
| | Fieldwork | | |
| | Project work | | 40 |
| | Other (please specify) | | |
| | Preparation for the exam | | 2 |
| Academic Support for the Course | Academic support for the course is provided via LMS, where students can find: guidelines and recommendations for doing the course; guidelines and recommendations for self-study; learning materials, additional reading | | |
| Facilities, Equipment and Software | Computers/laptops with Excel software | | |
| Course Instructor | Elena Rogova, Professor, erogova@hse.ru | | |

**Intended Learning Outcomes (ILO) Delivering**

| **Course ILO(s)** | **Teaching and Learning Methods for delivering ILO(s)** | **Indicative Assessment Methods of Delivered ILO(s)** |
|---|---|---|
| To analyze mergers and acquisitions of various types,<br>To determine the optimal structure of such transactions,<br>To choose methods for deals' funding,<br>To determine the sources of synergies and the risks of mergers and acquisitions,<br>To work with existing accounting,<br>To make decisions on taking strategic investments | Group projects and their discussion<br>Real-life tasks<br>Individual projects<br>Problem solving<br>Case analysis | Reports on projects<br>Tests<br>Individual assignments<br>Reports on case studies<br>Exam |
| To know the basic principles of valuation of mergers and acquisitions, the sources of | Additional reading<br>Group projects and their discussion | Reports on projects<br>Exam |

| | | |
|---|---|---|
| synergies, the types of risks inherent in this type of activity, the main methods of financing mergers and acquisitions and methods of protection against hostile takeovers | Individual projects | |
| To evaluate target companies<br>To make decisions on taking strategic investments<br>To compose consolidated balance of the merged company | Problem solving<br>Individual projects<br>Group projects and discussions<br>Real-life tasks<br>Cases | Reports on projects<br>Individual assignments<br>Exam |
| To assess risks of mergers and acquisitions,<br>To structure the deals | Additional reading<br>Problem solving<br>Group project and discussion | Reports on projects<br>Individual assignments |
| To be prepared for taking ethical and reasonable, data-driven decisions on mergers and acquisitions, timely and in a persuasive manner<br>To know new approaches to M&A deals implementation in the digital era | Individual projects<br>Real-life tasks<br>Cases | Reports on projects<br>Reports on case studies |

**COURSE CONTENT**

**Topic 1. Mergers and acquisitions as a part of strategic development of a company: motives, benefits, risks**

The concept of mergers and acquisitions (M&A). Criteria of definition of M&A deals. M&A in the Russian legislation (specific features): the forms of reorganization of legal entities. Classification of mergers and acquisitions: the acquisition of control, the degree of control, way of integration, attitude to the target company. Basic requirements for the legal viability of mergers and acquisitions. The M&A market: the cycles of development, distribution by countries and sectors of economy. Russian market of mergers and acquisitions: the stages of development, performance, specific features. The main objectives and motives of mergers and acquisitions: operational, financial, investments, strategic and specific objectives. Research overview of M&A.

**Topic 2. Valuation of M&A effectiveness**

The concept of synergy. Operational and financial synergies. Types of operating synergies. Types of financial synergies. Valuation of the company in the process and after the merger / takeover. The impact of M&As at the performance of the company: market capitalization, book value, earnings per share, economic value added. Determining the intrinsic value of the target company. Forms of payment in mergers and acquisitions: payment in cash vs payment of shares. Advantages and disadvantages of different forms of payment, and their impact at the effectiveness of mergers and acquisitions. Options to purchase shares. Calculation of exchange rates. Evaluation of the effects of mergers and acquisitions (economies of scale, tax revenues, lower cost of capital)."Pitfalls of growth" and their assessment. Formation of the consolidated balance sheet of the company after the merger / takeover. Reflection of mergers and acquisitions in various financial reporting standards. Accounting for intangible assets (goodwill) by the purchase method and pooling method packages. Effect of mergers and acquisitions in the tax burden of companies. M&A impacts on the dividend policy of the company.

**Topic 3. Organization of mergers and acquisitions. Post-merger integration**

The goals which the company puts in the process of mergers and acquisitions.The main procedures of mergers and acquisitions. The role of investment banks in organization of the deals of mergers and acquisitions. Creating value through mergers and acquisitions. Integration of companies in mergers and acquisitions. Compatibility issues of production, financial, organizational structure, personnel, organizational culture. The reasons for failures of mergers and acquisitions. Basic principles of integration. Due diligence.

**Topic 4. Hostile Takeovers**

Criteria of hostile takeovers. The causes for hostile takeovers. Impact of hostile takeovers on the performance of the company, its market costs. The theory of "performance management". Costs of hostile takeovers. Methods of defense against hostile takeovers. Government efforts aimed at combating the illegal seizure of enterprises-appropriate interventions. Protecting the interests of investors in privatization transactions. Protection of minor shareholders' interests.

**Topic 5. Structuring the deal**

M&A deal structuring process. Risk allocation. Legal and payment considerations. Contingent payments. Tax and accounting considerations. Deals funding. Funding from retained earnings and its effect on the shareholders' interests. Funding from the new (additional) issuance. Raising funds through initial public offering (IPO) and through private placement. Funding from credit sources and loans. Mezzanine funding. The applications of mixed methods of financing and financial engineering. Joint ventures and strategic alliances as an alternative to mergers and absorption.

Topic 6. **Leveraged buyouts**

Features of LBO. Classification of buyouts. Management buyouts. Effects of MBO and LBO and their effectiveness. The motives of managers. The procedure for redemption and its relationship with the dividend policy of the company.

**A SAMPLE PLAN OF SEMINARS**

**Seminar 1. Mergers and acquisitions as a part of strategic development of a company: motives, benefits, risks**

The discussion on the main aspects of the definition of mergers and acquisitions, criteria of deals consideration as mergers / acquisitions, special issues of the restructuring of enterprises in Russia, singularities of Russian market of mergers and acquisitions. For the practical part, students are invited to fulfill a mini-case related to the definition of such transactions, its potential benefits and potential risks.

*Individual project is given to students by the course instructor (this part is reported in a month).*

**Seminar 2. Valuation of M&A effectiveness**

We discuss the concept of synergy, the various sources and types of synergy, which can be obtained in various transactions in M&A. We consider the concept of projected performance of M&A targets, indicators that can be considered as performance criteria (synergy, net present value, earnings per share, market value stocks, etc.). We try to apply different approaches to assessing the target company: market multiples and cash flows valuation approach. We also solve the problems related to the evaluation of mergers and acquisitions effectiveness.

*Home assignment 1 is given by the course instructor (due to a fortnight). It is a task to solve a complex problem on deal valuation*

**Seminar 3.Organization of mergers and acquisitions**

Meet the challenges of drawing up the consolidated balance sheet of the new company in accordance with different methods and financial reporting standards.

The problems of integrating the companies, the principles on which such integration is based upon.We discuss the problem of creating a unified organizational culture, the organizational structure and leadership style.

*Home assignment 2 is given by the course instructor (due to a fortnight). It is a task to analyze successful and unsuccessful deals and to compare them. This is a team assignment.*

**Seminar 4. Hostile Acquisitions**

We discuss the signs of hostile takeovers, their differences from the friendly ones, the criteria for consideration a transaction as a friendly or hostile takeover. Methods of protection against hostile takeovers, the possibility of their application in a certain cases, their impact on the value of companies are to be discussed. We consider the possibility of applying methods of protection against hostile takeovers in the modern business environment.

*Home assignment 3 is given by the course instructor (due to a fortnight). It is a task on anti-takeover defense and its impact on stakeholders of the company.*

**Seminar 5. Structuring the deal. Methods of M&A deals funding**

The advantages and disadvantages of different sources of financing of mergers and acquisitions: retained earnings, new issue,

We discuss the particular redemption of the company managers (MBO) and redemption of the company on credit (LBO), their effectiveness, the motives of managers, and the possibilities and limitations of application procedures for redemption in the Russian context. As a practical part of the proposed solution of the problems associated with various forms of financing of mergers and acquisitions, their impact on the performance of companies. We consider joint ventures and strategic alliances as alternatives to mergers and acquisitions.

*Individual project is given to students by the course instructor (this part is reported due to a fortnight and devoted to the deal structure).*

## Assessment Methods and Criteria

### Assessment Methods

| Types of Assessment | Forms of Assessment | Modules | | |
|---|---|---|---|---|
| | | 1 | 2 | 3 |
| Formative Assessment | Problem solving, tests | * | | |
| | Home assignments (3) | * | | |
| | Project | * | | |
| | In-class Participation | * | | |
| Summative Assessment | Exam | * | | |

### AssessmentCriteria

### In-class Participation

| Grades | Assessment Criteria |
|---|---|
| «Excellent»( 8-10) | A critical analysis which demonstrates original thinking and shows strong evidence of preparatory research and broad background knowledge. |
| «Good»(6-7) | Shows strong evidence of preparatory research and broad background knowledge. Excellent oral expression. |
| «Satisfactory» (4-5) | Satisfactory overall, showing a fair knowledge of the topic, a reasonable standard of expression. Some hesitation in answering follow-up questions and/or gives incomplete or partly |

| | |
|---|---|
| | irrelevant answers. |
| «Fail»(0-3) | Limited evidence of relevant knowledge and an attempt to address the topic. Unable to offer relevant information or opinion in answer to follow-up questions. |

**Project Work**

| Grades | Assessment Criteria |
|---|---|
| «Excellent»( 8-10) | A well-structured, analytical presentation of project work. Shows strong evidence and broad background knowledge. In a group presentation all members contribute equally and each contribution builds on the previous one clearly; Answers to follow-up questions reveal a good range and depth of knowledge beyond that covered in the presentation and show confidence in discussion. |
| «Good» (6-7) | Clearly organized analysis, showing evidence of a good overall knowledge of the topic. The presenter of the project work highlights key points and responds to follow up questions appropriately. In group presentations there is evidence that the group has met to discuss the topic and is presenting the results of that discussion, in an order previously agreed. |
| «Satisfactory» (4-5) | Takes a very basic approach to the topic, using broadly appropriate material but lacking focus. The presentation of project work is largely unstructured, and some points are irrelevant to the topic. Knowledge of the topic is limited and there may be evidence of basic misunderstanding. In a group presentation, most of the work is done by one or two students and the individual contributions do not add up. |
| «Fail»(0-3) | Fails to demonstrate any appropriate knowledge. |

**Written Assignments (Essay, Test/Quiz, Written Exam, etc.)**

| Grades | Assessment Criteria |
|---|---|
| «Excellent»(8-10) | Has a clear argument, which addresses the topic and responds effectively to all aspects of the task. Fully satisfies all the requirements of the task; rare minor errors occur; |
| «Good»(6-7) | Responds to most aspects of the topic with a clear, explicit argument. Covers the requirements of the task; may produce occasional errors. |
| «Satisfactory»(4-5) | Generally addresses the task; the format may be inappropriate in places; display little evidence of (depending on the assignment): independent thought and critical judgement include a partial superficial coverage of the key issues, lack critical analysis, may make frequent errors. |
| «Fail»(0-3) | Fails to demonstrate any appropriate knowledge. |

**Recommendations for students about organization of self-study**

Self-study is organized in order to:

- Systemize theoretical knowledge received at lectures;
- Extending theoretical knowledge;
- Learn how to use legal, regulatory, referential information and professional literature;
- Development of cognitive and soft skills: creativity and self-sufficiency;
- Enhancing critical thinking and personal development skills;
- Development of research skills;
- Obtaining skills of efficient independent professional activities.

Self-study, which is not included into a course syllabus, but aimed at extending knowledge about the subject, is up to the student's own initiative. A teacher recommends relevant resources for self-study, defines relevant methods for self-study and demonstrates

students' past experiences. Tasks for self-study and its content can vary depending on individual characteristics of a student. Self-study can be arranged individually or in groups both offline and online depending on the objectives, topics and difficulty degree. Assessment of self-study is made in the framework of teaching load for seminars or tests.
The outcomes of self-study are highlighted in the assignments given by course instructor. Please be careful and respectful to deadlines. Plan your time in advance. The proposed distribution of your individual workload is given in "Indicative Self- Study Strategies" section.

**Special conditions for organization of learning process for students with special needs**

The following types of comprehension of learning information (including e-learning and distance learning) can be offered to students with disabilities (by their written request) in accordance with their individual psychophysical characteristics:

1) *for persons with vision disorders:* a printed text in enlarged font; an electronic document; audios(transferring of learning materials into the audio); an individual advising with an assistance of a sign language interpreter; individual assignments and advising.
2) *for persons with hearing disorders: a* printed text; an electronic document; video materials with subtitles; an individual advising with an assistance of a sign language interpreter; individual assignments and advising.
3) *for persons with muscle-skeleton disorders: a* printed text; an electronic document; audios; individual assignments and advising.