

The Hong Kong University of Science & Technology  
Department of Finance  
FINA 547: Mergers, Acquisitions and Restructuring  
August 2008

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## Course Objective

This course examines the motives for changes in corporate control and the effect these changes have on the parties involved. The course relies on lectures, case studies and articles from the academic and the popular business press related to the course topics.

Changes in corporate control and attempts to prevent these changes usually involve both investment and financing decisions. As a result, the course will try to integrate and apply students' previous exposure to topics covered in corporate finance and investment courses to specific transactions in the market for corporate control. These topics include valuation issues in mergers and acquisition, takeover defense tactics, and corporate restructuring. A large body of evidence has accumulated on various aspects of mergers and acquisitions and this evidence will be presented and discussed in class.

## Prerequisites

FINA512 Corporate Finance or,  
FINA514 Advanced Topics in Financial Management

## Readings

Given the compressed nature of the class, there is no required text book. The course schedule below refers you to the relevant chapters in the books used in the prerequisite courses and to the 4th edition of "Takeovers, Restructuring, and Corporate Governance" by J. Weston, Mark\_Mitchell, and J. Harold Mulherin. This book provides a valuable resource for the topics covered in the course but contains much more than what we will be able to cover in 4 weeks.

Required readings of journal articles will be assigned in class. Students are also expected to read The Asian Wall Street Journal or a similar publication on a regular basis since the topics covered in this course are discussed daily in the business press. We will allocate some of the class time to the discussion of current events.

## Grading

Your grade in this course will be based on

Case submissions	45 %
Class discussions	10 %
Final exam	45 %

## Case write-ups

The assigned cases and homework should be prepared in groups of no more than 6 members. You are required to form groups in the first day of classes. Each group will consist of 6 members. The names of group members must be handed in by the end of the class. Students who are not in any group of size 6 will be combined in groups in an arbitrary manner. One group of size smaller than 6 may be necessary if the number of students enrolled in your session is not divisible by 6.

Group members are required to sit together in class, work together on case reports, and have with them a copy of the case and the report for class discussion.

Each case counts equally (15%) towards the final grade. Answer to the discussion questions should not exceed 3 pages, (plus exhibits, if required), font 12, 1" margin on the left and right hand side of the page, and handed in at the beginning of the class on due dates. No late assignment are accepted, except under extraordinary conditions, and agreement from me is required before the stated due date.

For each case, I will provide you a set of questions to guide your analysis.

Please pay attention to the following points when you prepare a case report.

1. You need to turn in a hardcopy of the report. Softcopies (disk or email-attachments) will not be graded.
2. Mark clearly the number of the question you are referring to.
3. When necessary, you should have a section called "Key Assumptions" where you list the important assumptions you have made throughout a specific answer (not for the entire case). You have to emphasize where these assumptions are necessary in your analysis.
4. Charts or tables do not constitute an answer – they are considered as supporting material for your analysis.
5. All tables and charts should have a descriptive title, should be numbered and appear at the end of the report. There must be "Explanatory Notes" following each table or chart where the calculations in the table or chart are explained in details.
6. The analysis in the report should make clear reference to the charts and tables. Including table or chart number, and the main result taken from the table or chart to support you answer.

7. The best advice for a good report is that each member of the team reads the report **before** submitting it. If you have time read it again, and if you have more time read it again and again and again.....

## Final Exam

The final exam will take place in our last meeting. You are allowed 1 page of hand written notes and a calculator.

## Schedule

The schedule below is based on my understanding of the background of the people registered for the class. Please let me know during the first class if you have any reservations regarding this schedule.

Due dates of the cases also appear in the schedule.

The optional reading assignments refer to the following text books;

1. J. Weston, Mark\_Mitchell, and J. Harold Mulherin, **Takeovers, Restructuring, and Corporate Governance**, 4<sup>th</sup> edition, Prentice Hall, 2004
2. Mark Grinblatt and Sheridan Titman, **Financial markets and Corporate Strategy**, McGraw Hill, 2<sup>nd</sup> edition, 2004
3. Ross/Westerfield/Jaffe/Jordan, Modern **Financial Management**, McGraw-Hill, 8<sup>th</sup> edition
4. Jonathan Berk and Peter Demarzo, **Corporate Finance**, Pearson Education. 2007

The reading assignments, when more than one reference is mentioned can be viewed as substitutes, but not perfect ones.

Saturday, August 9

Overview of M&A causes and consequences

Review of Valuation fundamentals

Case 1 discussion

Readings:

1. Chapter 8
2. Chapter 20, sections 20.1-20.6
3. Chapter 29
4. Chapter 28

Saturday, August 16

Valuation by comparables

Two tier offers

Takeover defenses

Case discussion

Readings:

1. Chapters 9, 10, 19
2. Chapter 20, sections 20.8-20.11
3. Chapter 29
4. Chapter 28

Case I Due:

Saturday, August 23  
Corporate restructuring  
LBO and MBO  
Case discussion

Case II Due:

Readings:

1. Chapters 11,12, 16
2. Chapter 20, section 20.7
3. Chapter 29
4. Chapter 28

Saturday, August 30  
Corporate Governance around the world

Readings:

1. Chapter 20
4. Chapter 29

Case III due:

Final Exam: