

Masters in Finance Program

Spring 2022

MFIN 852

Valuation, Mergers, Acquisitions and Corporate Restructurings

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Course Objectives:

This course introduces students the basic M&A concepts and terminology and presents the financial methods and tools commonly used in the M&A process. Interested audience for this class would be students targeting a career in the M&A division of investment banks, private equity firms, merger arbitrage desks of hedge funds, and the finance divisions of any other manufacturing/service firms that may face takeovers. Lectures are designed to combine theory and applications through case studies, and there will be a balanced emphasis on both. Students should have taken basic finance and accounting courses at the graduate level (equivalent of MFIN 850 and 851) to follow the lectures.

Learning Outcomes:

1. Describe the key players, steps and timeline of a typical corporate takeover process.
2. Perform firm and equity valuation for stand-alone firms using the discounted cash flow and the relative valuation methods.
3. Identify the sources of synergy in a merger and perform firm and equity valuation in the light of these additional sources of value.
4. Discuss the most fundamental finance-related negotiation topics between the merging firms.
5. Explain how Leveraged Buyout deals differ from the more conventional deal structures and describe its implications on firm valuation and deal structuring.

Course Material:

Textbooks:

1. Investment Valuation: Tools and Techniques for Determining the Value of any Asset, by Aswath Damodaran, Wiley, 3rd Edition (2012)
2. Mergers, Acquisitions, and Other Restructuring Activities, by Donald DePamphilis, Academic Press, 11th Edition (2021)

List of Cases:

Sabancı University has subscription to the Harvard Business Publishing Cases. Students can download the following cases free of charge from the HBP website.

Case 1	26 February 2022
Case:	The Company Sale Process, HBC 9-206-108
Type:	Case discussion
Subject:	An overview of the takeover process
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Case 2	5 March 2022
Case:	Equity Valuation: The Walt Disney Company, IES384
Type:	Note
Subject:	Valuation
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Case 3	5 March 2022
Case:	Business Valuation in Mergers and Acquisitions, UV6759
Type:	Note
Subject:	Valuation in M&As
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Case 4	5 March 2022
Case:	Valuation of AirThread Connections, HBC 4263
Type:	Case discussion
Subject:	Valuation in M&As
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Case 5	12 March 2022
Case:	Palamon Capital Partners / TeamSystem SPA, UV0091
Type:	Case discussion
Subject:	Private Equity

Optional Reading Material:

The Wall Street Journal (available @IC through ProQuest), The New York Times Business Section, Financial Times, BusinessWeek, Dealbook @NYT.

Optional Textbooks:

1. Applied Mergers and Acquisitions, by Robert Bruner, Wiley (2004)
2. Mergers, Acquisitions, and Corporate Restructurings, by Patrick Gaughan, Wiley, 7th Edition (2017).

Course Web:

SuCourse will be actively used throughout the semester. Students should check their accounts frequently to ensure that they have the most recent course materials. Course announcements, assignments and case questions will be posted on SuCourse.

Grading:

Participation to in-class and case discussions	: 15%
Quiz	: 35%
Final Exam	: 50%

Requirements:*Participation to in-class discussions*

Each class will start with a discussion of a recently announced deal. In-class discussions, which should last around 10 to 15 minutes, will focus on the key players (merging firm shareholders, managers, financial and legal advisers, and rival firms), their objectives, deal characteristics, and the issues waiting to be resolved. Students are expected to actively participate and contribute to the discussions.

Cases

Students are required to read case assignments and be ready to discuss them in detail in class. Active participation to case discussions is expected from the audience.

Quiz

The midterm exam will cover the topics completed until the midterm date.

Final exam

The final exam will cover the entire course material, including case assignments. Instructions for the final exam will be provided towards the end of the semester. In case of online exams, oral exams may be scheduled to verify the grades of the students.

Academic Honesty:

Learning is enhanced through cooperation and as such you are encouraged to work in groups, ask for and give help freely in all appropriate settings. At the same time, as a matter of personal integrity, you should only represent your own work as yours. Any work that is submitted to be evaluated in this class should be an original piece of writing, presenting your ideas in your own words. Everything you borrow from books, articles, or web sites (including those in the syllabus) should be properly cited. Although you are encouraged to discuss your ideas with others (including your friends in the class), it is important that you do not share your writing (slides, MS Excel files, reports, etc.) with anyone. Using ideas, text and other intellectual property developed by someone else while claiming it is your original work is *plagiarism*. Copying from others or providing answers or information, written or oral, to others is *cheating*. Unauthorized help from another person or having someone else write one's paper or assignment is *collusion*. Cheating, plagiarism, and collusion are serious offenses that could result in an F grade and disciplinary action. Please pay utmost attention to avoid such accusations.

Classroom policies and conduct:

Sabancı MiF Program values participatory learning. Establishing the necessary social order for a participatory learning environment requires that we all:

- Come prepared to make helpful comments and ask questions that facilitate your own understanding and that of your classmates. This requires that you complete the assigned readings for each session before the class starts.
- Keep cameras open during the lecture.
- Mute ourselves unless we are not talking.

Lectures & Attendance

Students are expected to attend all lectures and participate in discussions. Lectures start right on time. Missed lectures are at students' own responsibility. Lecture recordings will be shared with the students through SuCourse. The recordings will be available online until the final exam date.

Make-up Exams

There are no make-up exams unless a situation arises which was not foreseeable, and which was not under the control of the student. Requests for make-ups must be made directly to me as soon as possible and must be accompanied by relevant documentation (e.g., official doctor's report from the campus health center in case of health problems). Quiz policy: Contingent on legitimate justifications, the weight of the midterm exam is transferred to the final exam. A make-up for the midterm is not offered.

Final exam policy: Contingent on legitimate justifications, you will be required to take a make-up exam two to three days after the final exam date.

Grading

Students should write up their objections and submit them to me no later than a week after receiving their graded work. This document should clearly explain the basis of objection. Except for minor grading errors, no verbal objection is accepted.

Special needs students

Any student who, because of a disability, requires some special arrangements to meet course requirements should contact me as soon as possible to make the necessary accommodations.

Updates

Changes or additions to any of the policies above, if any, will be announced on the course website.

Course Schedule

Zoom meeting ID for all sessions: 945 5881 9054

Lecture 1	Date: 25 February 2022 (6:00pm-9:00pm)
	Topic: Introduction to M&As
	Readings: DePamphilis, Chapters 1 & 2
	Requirements: None

Lecture 2	Date: 26 February 2022 (9:30am-12:30pm)
	Topic: The M&A Process: From Business Plans to Deal Closing
	Readings: Case 1 (“The Company Sale Process”, HBC 9-206-108) DePamphilis, Chapters 4 & 5
	In-class Discussion: Microsoft buys Activision (link)
	Requirements: Prep for Case 1 discussion

Lecture 3	Date: 26 February 2022 (1:30pm-5:30pm)
	Topic: Firm Valuation Basics: DCF
	Readings: Damodaran, Chapters 7 to 12 and 14, 15.
	Requirements: Skim readings before class

Lecture 4	Date: 4 March 2022 (6:00pm-9:00pm)
	Topic: Firm Valuation Basics: Relative Valuation
	Readings: Damodaran, Chapters 17 to 19.
	In-class Discussion: Amazon buys MGM Studios (link)
	Requirements: Skim readings before class

Lecture 5	Date: 5 March 2022 (9:30am-12:30pm)
	Topic: Valuation Cases
	Readings: Case 2 (“Equity Valuation: The Walt Disney Company”, IES384) Practice questions on valuation
	In-class Discussion: Valuation of Tesla (link)
	Requirements: Prep for Case 2 discussion

Lecture 6	Date: 5 March 2022 (1:30pm-5:30pm)
	Topic: M&A Valuation
	Readings: Case 3 (“Business Valuation in Mergers and Acquisitions”, UV6759) Case 4 (“Valuation of AirThread Connections”, HBC 4263)
	Requirements: Prep for Case 3 & 4 discussion

Lecture 7	Date: 11 March 2022 (6:00pm-9:00pm)
	Topic: Quiz
	Requirements: None

Lecture 8	Date: 12 March 2022 (9:30am-12:30pm)
	Topic: Deal Structuring
	Readings: DePamphilis, Chapters 11 & 12
	In-class Discussion: Salesforce & Slack merger (link1 , link2)
	Requirements: Skim readings before class

Lecture 9 Date: 12 March 2022 (1:30pm-5:30pm)
Topic: Private Equity & Leveraged Buyouts
Readings: DePamphilis, Chapters 13 and 14
Case 5 discussion (“Palamon Capital Partners / TeamSystem SPA”, UV0091)
Requirements: Prep for Case 5 discussion

Lecture 10 Date: 18 March 2022 (6:00pm-9:00pm)
Topic: The Corporate Takeover Market: Bidding Tactics & Defense Strategies
Readings: DePamphilis, Chapter 3
In-class Discussion: Mergermarket Global M&A Report
Requirements: Skim readings before class

Lecture 11 Date: 19 March 2022 (9:30am-5:30pm)
Topic: Guest speakers
Gonenc Altinoklar (Alpacar): The M&A Process
Bihter Bozbay (KDK Hukuk): Legal Issues in M&As
Veysel Durur (Dora Capital): M&A Market in Turkey
Speaker TBA: Taxation Issues in M&As
Readings: Ernst & Young M&A Report Turkey 2021 ([link](#))
Deloitte M&A Report Turkey 2021 ([link](#))