**Professor:** Heitor Almeida  
**Class Time:** Mondays & Wednesdays 2:00-3:20  
**Class Location:** 2043 1BIF  
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**Office:** 4037 BIF  
**Office Hours:** I have an open door policy. However, if possible I ask you to please email me first to set up an appointment.  
**Website:** UIUC compass, https://compass.uiuc.edu

**BRIEF DESCRIPTION**

This course focuses on identifying ways to increase firm value through mergers and acquisitions (M&A) and corporate restructurings. We will survey the drivers of success (failure) in M&A transactions and develop your skills in the design and evaluation of transactions. Specific topics addressed in the course are the valuation of companies, the strategic and other motivations underlying mergers, structuring of transactions, deal tactics and strategy, leveraged buyouts, cross-border M&As, and spin-offs/carve-outs. We will also delve into issues of law, accounting and taxation and how they affect the structuring and outcome of merger transactions. Knowledge about M&A is an important component of any corporate finance professional and is the foundation for effective work in a wide range of fields including corporate development, investment banking, consulting, and advising senior management. Lectures, class discussions, case analyzes, and readings will help you master these important skills.

**COURSE METHOD**

The course involves a combination of teaching and learning methods:  
(i) cases designed to illuminate the key issues and problems underlying merger transactions;  
(ii) lectures addressing specific topics relating to valuation, structure and tactics, and legal, tax and accounting issues;  
(iii) readings of book chapters and assigned articles;  
(iv) problem sets to be solved as the course progresses;  
(v) a midterm exam;  
(vi) application of the skills learned in the course preparing a final project in which you will have to identify a good candidate for a merger and acquisition deal and design the proposed deal. You will then present your deal proposal in the final week of classes to the rest of the class (15-minute presentation).

There are readings each week that will be imperative to your understanding of the material. Please come prepared to class. For each case, I will assign study questions concerning the case. For a significant portion of the class period, we will consider these questions and the material in the cases.
TEXT AND MATERIALS

1. Textbook: *Applied Mergers and Acquisitions* by Robert Bruner (2004), John Wiley & Sons. The textbook is a comprehensive guide to the M&A practitioner. I will assign chapters of this book on several topics that we will cover. I recommend that you do all the readings.

2. Lecture slides distributed via Compass.

3. Articles available via Compass.

4. Cases (to be distributed in class)

5. Problem sets (distributed via Compass)

GRADING

Class participation 10%
Problem sets 15%
Case reports 15%
Midterm exam 30%
Final project 30%

All of the class activities, homeworks, and the final project of this course are group assignments. Meeting and discussing the course assignments with a small set of your classmates is crucial in developing skills necessary to succeed in your professional career. Among other things, these interactions represent a chance to learn new ideas (insights from others you haven’t contemplated) and develop interpersonal skills, such as the ability to propose and defend ideas in a convincing way. You should work in groups of 4 students. We should have a total of 10 groups. Please let me know as soon as possible which students are in your group. I can help you find a group if needed.

Class participation (10%): Regular attendance and participation is expected. I will judge your performance based on the quality and quantity of your comments. To help me out in giving you credit for your participation, you should bring your name card to each class. Constant absences from classes will materially affect the class participation grade. I tend to memorize students’ names and faces, but do not formally take class attendance. If you miss a class, it is your responsibility to check with a classmate on what took place during that class.

Problem sets (15%): During the year I will post some problem sets on our website. The problems will include simple numerical exercises that allow you to practice the concepts in the course, and also small write ups about ongoing events in the M&A world to allow you to link the class to the real world of finance. These problem sets will not be graded based on whether you have the correct answer or not. Rather, I will check whether you have done a serious attempt to answer the questions, and give a pass/fail grade for each problem set.

Case reports (15%): For each case you will be provided with a list of questions designed to help guide and focus your analysis. It is imperative for your understanding of the class that you have read and analyzed the cases in advance of class discussion. Groups should turn in a report at the beginning of the class. The report consists of a maximum of 3 pages (12-point type, double-spaced) plus an appendix with attached spread sheets, figures and tables with supporting material (outline or bullet format is acceptable). As long as the report is turned in before the class meets, and it reflects the main points involved, all members of the group will receive full credit. If either of these conditions are not satisfied, no credit will
be given. Therefore, reports will be graded based on the effort put in.

**Midterm Exam (30%)**: The midterm examination will count for 30% of the final grade. It will take place in class at a time to be determined later.

**Final project (30%)**: Each group will deliver a deal proposal for a merger or acquisition deal, and present the proposal to the class. The goal of this assignment is to develop your ability to conceive and design a proposed deal. It exercises the broad range of skills developed in the course. I will give more details about this project later in the year.

**ACADEMIC HONESTY**
Strict adherence to the highest standards of academic honesty is essential for a trusting and productive learning environment. I expect that you will explicitly inform me (via proper references, etc.) of any ideas, calculations, etc. which appear in your work but which have been produced by someone else. I expect that you will work with others only when stated in this syllabus. Any violations of academic honesty will be dealt with severely under University of Illinois’ regulations. Plagiarism, cheating, or any other form of academic dishonesty will result in a course final grade of “F.” You are responsible for knowing and abiding by the “Code of Policies and Regulations Applying to All Students.” The code is available at [http://www.uiuc.edu/admin_manual/code/](http://www.uiuc.edu/admin_manual/code/). Any violation of academic integrity as described in Rule 33 of the code will be pursued according to the University’s procedures.

**SCHEDULE & READINGS (tentative)**

Notes:
- Please check Compass regularly for any updates in the schedule and readings. The list below is tentative and may change during the course.
- I will prepare slides on each topic we will cover. I expect that you go over those slides before class, and skim through the readings below.
- All required readings below and lecture slides, except textbook chapters, are only available via Compass

**Topic 1: Introduction to the Course**
Overview of M&A
Development of basic terminology and concepts.
Bruner Ch. 3, 4

**Case 1: Mercury Athletic Footwear: Valuing the Opportunity**
This case provides a vehicle for reviewing the basic tools of valuation applied to M&A.

**Topic 2: Valuation**
DCF (discounted cash flow) and multiple-based valuation
Bruner Ch. 9

**Topic 3: Valuation of synergies**
Bruner Ch. 11

**Topic 4: Hostile Takeovers**
Discussion of anti-takeover measures and tactics in hostile takeovers, including poison pills, staggered boards, restructurings, recapitalizations, share buybacks.
Preparing a hostile bid in light of competition and arbitrage.
Bruner Ch. 32, 33
Case 2: The Hilton/ITT Wars
This case provides a vehicle for discussing analytical approaches to understanding bidding strategies in a hostile-tender-offer setting.

Topic 5: M&A Deal Design
Accounting treatment of M&A
Form of reorganization and taxation of M&A deals
Exchange ratios
Considerations in selecting the form of payment
Contingent payments in M&A
Bruner Ch. 16, 18, 19, 20, 21, 22

Case 3: The Merger of Hewlett-Packard and Compaq
This case discussion will assess the specific terms of merger of HP and Compaq. Are these terms right for this deal? Use all of the tools and concepts we have surveyed to assess the attractiveness of this term sheet.

Topic 6: Leveraged Buyouts & Corporate Restructurings
Review of optimal capital structure
How to value recapitalizations and leveraged buyouts (LBOs).
Bruner Ch. 13

Midterm exam
Date to be determined.

Case 4: Seagate Technology
A group of private investors and senior managers were negotiating a deal to acquire the disk drive operations of Seagate Technology. The motivating factor for the buyout was the apparently anomalous market value of Seagate's equity. The investor group had to decide how much to offer for the operating assets, as well as how to finance the transaction.

Topic 8: Corporate Restructurings
Unlocking shareholder value, via divestitures, carveouts, spin-offs and other techniques.
Readings:
Bruner Ch. 6

Topic 9: Cross Border M&A
Exchange rates and international parity conditions
How to conduct cross-border valuations
Readings:
Bruner Ch. 5, 12

Presentation of Final Projects in Class
Each group should prepare a 10-15 minute presentation.