Professor: Heitor Almeida  
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Office Hours: I have an open door policy. However, it is a good idea to email me first to confirm that I am available.  
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**BRIEF DESCRIPTION**

This course focuses on identifying ways to increase firm value through mergers and acquisitions (M&A) and corporate restructurings. We will develop your skills in the design and evaluation of transactions. Specific topics addressed in the course are the valuation of companies, structuring of transactions, deal tactics and strategy, valuation of leveraged buyouts, 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.

**COURSE METHOD**

The course involves a combination of teaching and learning methods.

(i) lectures addressing specific M&A topics. These lectures will be posted online in Compass. There will be one lecture for each week of the course. Students are responsible for watching all posted lectures.

(ii) a weekly assignment or case study which students must complete and deliver to Compass. The deadline for delivery of assignments and cases will be every Wednesday, at 9am. Assignments are individual work, and cases must be done together with your work group.

(iii) readings of book chapters and assigned articles.

(iv) a weekly meeting on Wednesdays, during regular class time, to discuss the weekly lecture and the weekly assignment or case. Students are responsible for attending this meeting and participating of the class discussion. The class will not meet on Monday.

(v) an in-class exam.

(vi) 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 on the date of our final to the rest of the class (15-minute presentation). This project must be done together with your work group.
WHY BLENDED LEARNING?

This course will be a blended (or hybrid) learning course in that it will combine face to face instructional pedagogy with computer-mediated activities to form an integrated pedagogical approach.

Specifically, in this course, we will meet once a week for face-to-face instruction. The remaining time should be used for individual work with the online lectures, assignments, and group meetings. The instructor is also available for individual meetings with students or work groups during the week.

Some learning activities that otherwise would have taken place during classroom time will be moved online to allow students to enter more deeply into the material and new concepts, and come to class better prepared to work with their peers and instructor. Students will spend a significant portion of time every week interacting with content including lectures on focused topics and class assignments. Face-to-face time in the classroom will be spent primarily on interactive dialogs between the faculty member and students by discussing cases and assignments, and highlighting the applicability of academic concepts to the real-world. So preparation for each class session is critical in order to appropriate the best learning in this class.

TEXT AND MATERIALS

1. Textbooks: I will assign chapters of this book on several topics that we will cover. I recommend that you do all the readings.


2. Online lectures distributed via Compass.

3. Articles available via Compass.

4. Cases. A case packet is available at the bookstore with all of our case write ups. Case questions will be posted on compass.

5. Assignments (distributed via Compass)

GROUP AND INDIVIDUAL WORK

The case reports and the final project of this course are group assignments. Meeting and discussing these 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.

I will assign students to groups. The group assignments will be available on the first day of classes.

The assignments and the exam are individual work.

Class participation (10%): Regular attendance and participation on the weekly Wednesday meeting 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 a 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.

**Assignments (15%):** I will post assignments on our website. The problems may 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 assignments 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 to grade the assignments. It is ok to work on assignments together with your group members or other students, but please submit your own individual version of the assignment.

**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. Case reports must be done with your group members, and only one copy should be delivered per group. 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). Reports will be graded based on the effort put in, not on whether your answers are the same as mine.

**Exam in class (25%):** The exam will take place in class. This is individual work. I will provide a bank of questions (with answers) that are similar to the questions I will ask in the exam. A review session for the exam will be posted online prior to the exam.

**Final project (25%):** 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. Projects will be presented at the date of the final. Project write ups are due on the last day of the semester, at 11:59pm.

**Peer evaluation (10%):** A portion of your grade will be based on peer evaluations for your contribution to group and project work for the course at the conclusion of the course. Peer evaluation forms will be due on May 10, together with the project write up. Each group member fills up a separate form. You will be given 15 points for each of your group members (other than yourself). The total points that you will allocate will be:

<table>
<thead>
<tr>
<th>Number in group, including yourself</th>
<th>Total Points You Will Allocate</th>
</tr>
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<tbody>
<tr>
<td>4</td>
<td>45</td>
</tr>
<tr>
<td>5</td>
<td>60</td>
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</tbody>
</table>

You will assign points to each of your group members based on your assessment of that person's level of effort during the course and contribution to your group course-related activities. No group member may receive more than 30 points, or less than zero. The total assigned points should equal the total points you have for distribution. You will also be asked to describe each group member's contribution to the study group.

You will receive the comments and point allocations given to you by your group members, along with summary statistics. You will not know which of your group members gave each comments or point allocation, just as your group members will not know which comments and point allocations you gave them. For grading purposes, your point allocation will be the average of the allocations given by your group members.

**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/. Any violation of academic integrity as described in Rule 33 of the code will be pursued according to the University’s procedures.

**SCHEDULE & READINGS**

**WEEK 1**

**Online material**
Overview of syllabus

**Topic 1: Overview of M&A Topics and Evidence**
Development of basic terminology and concepts
Overview of empirical evidence on M&A, and lessons from history

Readings: Bruner Ch. 3, 4

**Meeting**

**Assignment 1**
Discuss class logistics and syllabus
Discuss topic 1

**WEEK 2**

**Online material**

**Topic 2: Target valuation**
Review of DCF (discounted cash flow) and comparable-based valuation

Readings: Bruner Ch. 9; Rosenbaum and Pearl, Ch. 1 to 3

**Meeting**

**Case 1: Mercury Athletic Footwear: Valuing the Opportunity**
This case provides a vehicle for reviewing the basic tools of valuation applied to M&A.
Discuss topic 2

**WEEK 3**

**Online material**

**Topic 3: Hostile Takeovers**
Preparing a hostile bid in light of competition and arbitrage.
Synergy valuation.
Anti-takeover measures and tactics in hostile takeovers, including poison pills, staggered boards, restructurings, recapitalizations, share buybacks.
Readings: Bruner Ch. 11, 32, 33

Meeting
Assignment 2
Discuss topic 3

WEEK 4

Online material
Topic 4: M&A Deal Design
Exchange ratios
Considerations in selecting the form of payment
Accounting treatment of M&A
Form of reorganization and taxation of M&A deals
Contingent payments in M&A

Readings: Bruner Ch. 16, 18, 19, 20, 21, 22; Rosenbaum and Pearl, Ch. 6

Meeting
Case 2: 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.
Discuss topic 4.

WEEK 5

Online material
Topic 5: Leveraged Buyouts & Corporate Restructurings
Optimal capital structure
How to value recapitalizations and leveraged buyouts (LBOs).

Readings: Bruner Ch. 13; Rosenbaum and Pearl, Ch. 4 and 5

Meeting
Case 3: 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.
Discuss topic 5.

WEEK 6

Online material
Review for Exam
I will go over all problems from the exam test bank.

Meeting
Exam in class
The exam will cover material up to and including Topic 5.

WEEK 7

Online material
Topic 6: Corporate Restructurings
Unlocking shareholder value, via divestitures, carveouts, spin-offs and other techniques.

Readings: Bruner Ch. 6

Meeting
Assignment 3
Discuss topic 6
Class evaluation

WEEK 8

Final meeting
Presentation of Final Projects in Class
Each group should prepare a 15 minute presentation on the date of the final