



Indian Institute of Management

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MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING (MACR)

Course Outline: 2015-16

Term: PGP II, Slots 9 & 10 in the academic session 2015-16 (i.e. 5th term for the class of 2014).

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1) What the course is about?

The course is about possibly the most exciting and complex phenomenon impacting the global economic landscape. An M&A (mergers and acquisitions) or a restructuring transaction such as the failed Apollo-Cooper 2013; Arcelor-Mittal formation in 2006 or a Bharti Airtel-MTN combination tends to enjoy high profile media coverage, far beyond the underlying industrial or business logic. At the moment Berkshire Hathway is undertaking \$32 b takeover of Precision Castparts (An Aerospace supplier) bucking recent trends. Beneath the veneer of hype and hoopla and the facade of shareholder value, strategic compulsions, financial wizardry, legal acrobatics, organisational dilemmas, plain clash of giant CEO egos and old style politics-all play themselves out. This course seeks to offer a comprehensive and in-depth treatment into this multi-faceted phenomenon-something which would figure at the top of any CEO's agenda.

The course is NOT a pure finance course, nor does it claim to offer new fundamental knowledge or concepts. Rather it is a multi-functional course, seeking to help develop and garner insights and perspectives in a variety of M&A and restructuring situations spanning different industries, competitive environments and regulatory regimes, building essentially on the already familiar concepts and tools. The prospective course registrants are expected to be comfortable in dealing with the "softer" strategic and organisational issues and different shades of grey, and not just the valuation or financing aspects of deal making.

2) Introduction

It is widely recognised that any growth-seeking company would have to embrace the M&A (mergers and acquisitions) route to corporate development at some stage in its corporate life cycle. This is indeed so despite the none-too-inspiring track record of success in M&A. Most empirical studies indicate that only about a quarter to a third of the M&A transactions could be termed successful in creating value, the avowed goal of every deal. Yet the global M&A

transactions remain a multi-trillion dollar business, though with sharp year-on-year variations mirroring the broader economic and technological trends.

Besides seeking growth through M&A, companies across the world also pursue the opposite—contraction through divestiture and de-merger (spin-off) as they constantly endeavour to realign and rebalance their business portfolios and refocus their energies and resources. A severe downturn, like the one the global economy has been going through for some time now, imposes only additional pressure on companies to restructure—to achieve lighter balance sheets, simpler organisation and leaner business portfolios. Indian environment, relatively placid historically, is no more impervious to this restructuring trend as Indian companies also rework their growth strategies to achieve superior market position and greater global presence. Given the sheer sweep of the restructuring phenomenon, most of us also tend to be impacted by these forces, be it as investors or investment bankers, or as employees of the companies involved, or as members of the society at large. It is equally important to understand the key macro-economic and firm-level forces driving the restructuring initiatives at individual companies that could eventually lead to massive structural transformation of industries and even economies at large.

It is in this setting that the course on **Mergers, Acquisitions and Corporate Restructuring (MACR)** is being offered as an elective. The course, as indicated earlier, would seek to capture the multi-dimensional -- strategic, financial, organisational, human and legal -- facets of this complex phenomenon.

While it is acknowledged that the restructuring phenomenon could be studied from a variety of perspectives such as those of the industrial and financial economists or of the behavioural scientist, the focus of this course is firm-oriented and the view point predominantly managerial. Creation and sustenance of shareholder value is the central theme that runs through the course. Consistent with this theme, the course seeks to offer useful insights into and help develop broad perspectives on such issues of contemporary relevance as linkage between corporate strategy, financial policy and shareholder value, company/business valuation and corporate governance dimensions of restructuring transactions.

3) Course Objectives: The possible takeaways from the MACR course include the following:

- a) Familiarity with different types of restructuring transactions-both business combination and break-up transactions (such as merger, acquisition, LBO, de-merger, divestiture etc.) and their rationale.
- b) Enhanced understanding of corporate growth and renewal strategies - expansion, diversification and shrinkage - through mergers acquisitions and divestments. (Motives)
- c) Sharper insights into the process of value creation by firms and businesses, and to the sources of the value.
- d) Stronger analytical foundations for evaluating the impact of corporate strategic decisions on shareholder value.

- e) Better appreciation of the importance of organisational process issues such as pre-transaction planning, deal execution and post-merger integration.
- f) Broad awareness of the applicable legal, tax and capital market issues and their implications for deal structuring.
- g) Some exposure to the working of the market for corporate control and corporate governance dimensions of corporate restructuring.

4) Course Pedagogy

Pedagogy would include analysis of, and in-depth discussions involving a number of cases, faculty-presentations and discussions and student assignments.

The cases/faculty presentations will examine strategic restructuring and repositioning strategies both in the Indian as well as international contexts exposing the participants to transactions in a variety of industries, economic, regulatory environments and strategic contexts.

Detailed session-wise outline is given later in this outline.

5) Evaluation:

Evaluation is based on class preparation and meaningful participation, student presentation and examinations with the following indicative weights for the various components.

a)	Attendance and Class participation (CP)	15%
b)	Group Assignments ¹ /In-class quizzes	25%
c)	Negotiations Exercise (group)	20%
d)	End-term examination	40%

¹ Two group assignments are to be submitted (each 10% weight). The assignments are due on October 29 and November 19.

There is also a group project in the form of M&A negotiation exercise. The course faculty would form and announce groups for the purpose in good time and circulate detailed guidelines for the negotiation exercise.

6) Detailed Sessions Plan

Session-wise details are given below.

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Date	Sn #	Module	Required / Suggested Readings		
Oct 1	1& 2	MACR: Overview Terms and Concepts	Faculty Presentation		Mergers, Acquisitions and Corporate Restructuring: Introduction
			Read	a)	Introduction (<i>Gaughan, Chapter 1</i>)
				b)	Corporate Restructuring and Divestitures (<i>Weston, et. al., Chapter 11</i>)
				c)	Giving Great Advice: An Interview with Bruce Wasserstein (R0808G, HBR, January 2008)
Oct 3	3& 4	<i>Strategic drivers: Portfolio (product) expansion</i>	Case		Monmouth Inc
			Read	a)	Quest for Strategic Advantage through Mergers and Acquisitions (<i>Clemente et. al, Chapter 2</i>)
				b)	Playing at Serial Acquisition (CMR-470)
			Additional	a)	Acquisitions for Corporate Growth (<i>Freier, Chapter 1</i>)
				b)	Growth through Acquisitions: A Fresh Look
				c)	Giving Great Advice: An Interview with Bruce Wasserstein (R0808G, HBR, January 2008)
Oct 9	5& 6	<i>Portfolio expansion-sources and estimation of shareholder value</i>	Case		Buffets Bid for Media General Newspapers (9-213-142)
			Read	a)	The Discounted Cash Flow Approach (<i>Cornell, Chapter 5</i>)
				b)	Business Valuation in Mergers and Acquisitions (UV 6759)
			Additional	a)	Valuing Firms (Bruner, Chapter 9)
				b)	Estimating the Continuing Value at the Terminal Date (<i>Cornell, Chapter 6</i>)
Oct 10	7 & 8	<i>Strategic drivers- Vertical integration/ diversification</i>	Case		The Walt Disney Company and Pixar, Inc: To Acquire or Not to Acquire? (9-709-462)
			Read	a)	Note on Corporate Strategy (9-705-449)
				b)	Applying Financial Modelling Techniques to Value and Structure Mergers and Acquisitions (<i>DePamphilis, Chapter 8</i>)
				c)	M&A As Competitive Advantage (McKinsey & Company, Corporate Finance, August 2013)
Oct 29	Group Submission due: (5 pm): Case: Gulf Oil – Takeover (9-285-053)				

Oct 30	9 & 10	<i>Value creation through industry consolidation</i>	Case		Mellon Financial and the Bank of New York
			Read	a)	Evaluating M&A Deals: Equity Consideration (9-208-077)
			Additional	a)	Evaluating M&A Deals: Introduction to Deal NPV (9-208-060)
				b)	Evaluating M&A Deals: Accretion Vs. Dilution of Earnings-per-share (9-208-059)
Oct 31	11 & 12	<i>Complex mergers/ synergy valuation and completing the deal</i>	Case		Dow's Bid for Rohm and Haas (9-211-020)
			Read	a)	Evaluating M&A Deals – Announcement Effects, Risk Arbitrage and Event Risk (9-208-103)
			Additional	a)	M&A Legal context: Standards Related to the Sale and Purchase of a Company (9-904-004)
				a)	How I did it: Rohm and Haas's former CEO on Pulling off a Sweet Deal in a Down Market" (R1011A)
				b)	When to Walk Away from a Deal?
Nov 6	13 & 14	<i>LBOs and private equity acquisition</i>	Case		Bidding for Hertz: Leveraged Buyout (UV1056)
			Read	a)	If Private Equity Sized Up Your Business
				b)	Capital Cash Flows: A Simple Approach to Valuing Risky Cash Flows
				c)	Using APV: A Better Tool for Valuing Operations
Nov 7	15 & 16	Divestiture and Restructuring	Case		Seagate Technology Buyout
			Read	a)	Corporate Restructuring (<i>Gaughan, Chapter 10</i>)
				b)	Divestiture: Strategy's Missing Link
				c)	Valuing Companies in Corporate Restructuring, Technical Note (9-201-073)
Nov 19	Group Submission due: (5 pm): Case: To be announced				
Nov 20	17 & 18	<i>Acquisition process and Takeover regulations</i>	Faculty-led discussion		Doing the Deal: Due Diligence and Deal Documentation Market Regulations and Takeovers (Capital market and competition regulations)
			Read	a)	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 www.sebi.gov.in/cms/sebi_data/attachdocs/1316778211380.pdf

Nov 21	19 & 20	<i>Post-merger integration</i>	Case		Proctor and Gamble in the 21st Century (B): Welcoming Gillette (9-309-031)
			Read	a)	Making Mergers Work
				b)	Making the Deal Real: How GE Capital Integrates Acquisitions
			Additional	a)	Managing the Strategic Dynamics of Acquisition Integration: lessons from HP and Compaq
Nov 22	21 - 24	Negotiations Workshop – Case to be Announced			
Nov 26	25	<i>Cross Border Acquisitions</i>	Faculty-led discussion		Growing Out of India
			Read	a)	The Internationalization Of Indian Companies: The Case Of Tata
				b)	Cross-border mergers and acquisitions between industrialized and developing countries: US and Indian merger activity

7) Course Materials

It may be noted that under each module/topic, a broad set of additional reading materials is included in the course pack. This is done consciously with the expectation that besides providing essential conceptual inputs for the various topics, these would also serve as handy reference guides for those keen to pursue the MACR theme, perhaps, beyond the immediate academic requirements.

8) References

References to Suggested Readings (Chapters from books, other than Journal articles)

1	<i>Bruner</i>	<i>Bruner, Robert F, Applied Mergers and Acquisitions</i> , John Wiley and Sons, 2004.
2	<i>Clemente et. al.</i>	<i>Clemente, Mark N., and David S. Greenspan, Winning at Mergers and Acquisitions</i> , John Wiley and Sons, 1998.
3	<i>Cornell</i>	<i>Cornell, Bradford, Corporate Valuation</i> , Irwin Professional Publishing, 1993.
4	<i>Damodaran</i>	<i>Damodaran, Aswath, Damodaran on Valuation</i> , 2 nd Edition, Wiley India Private Limited, 2008
5	<i>DePamphilis</i>	<i>DePamphilis, Donald, Mergers, Acquisitions and Other Restructuring Activities</i> , 6 th Edition, Academic Press, 2012
6	<i>Freier</i>	<i>Freier, Jerold, Successful Corporate Acquisitions</i> , Prentice-Hall, 1990.
7	<i>Gaughan</i>	<i>Gaughan, Patrick A., Mergers, Acquisitions and Corporate Restructuring</i> , 5 th Edition, Wiley India Private Limited, 2011
8	<i>Harding et. al</i>	<i>Harding, David and Sam Rovit, Mastering the Merger: Four Critical Factors That Make Or Break The Deal</i> , Harvard Business Press Books, 2004.
9	<i>McKinsey and Company</i>	<i>Koller, Tim, Marc Goedhart and David Wessels, Valuation: Measuring and Managing the Value of Companies</i> , 5 th Edition, John Wiley & sons, 2010

Additionally the following books offer deep and comprehensive insights in to *all* the dimensions of M&A

1	<i>Wasserstein, Bruce</i>	Big Deal , Warner Books, Inc, 2000
2	<i>Bouquet, Tim and Byron Ousey</i>	Cold Steel: Lakshmi Mittal and the Multi-Billion-Dollar Battle for a Global Empire , Little, Brown, 2008