



Department of Economics and Finance

ECON*3360

The Strategy of Mergers & Acquisitions
Fall 2013



Instructor: N. Bower
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Office Hours: Monday 1:30-3:00
Thursday 1:30-3:30

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Reminder: It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of-class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<http://www.uoguelph.ca/economics/none/1115>

COURSE OUTLINE

Course Description:

This course offers an economic analysis of mergers and acquisitions. The course offers the means to assess M&A and to consider the various roles M&A can play in strategy depending on the nature of the company and the industry dynamics. We will focus on various aspects of mergers and acquisitions in markets and on the various stakeholders. Topics will include value creation in mergers, choice of payment method, valuation of contingent payments, bidding strategies, hostile takeovers, and defensive tactics. We also cover key elements of the legal and regulatory framework for takeovers, such as filing requirements, fiduciary duties of the target board of directors, and antitrust regulation.

Required Materials:

Textbook: Takeovers, Restructuring, and Corporate Governance, 4th Edition, by Weston, Mitchell, and Mulherin (Pearson, 2004).

Assessment:

Midterm – Monday, October 21 in class	25%
Group M&A report	20%
Group M&A presentation	20%
Final Examination – Wednesday, December 4, 2:30-4:30 pm	35%

Group assignments:

Students are required to write a term paper analyzing a takeover transaction from the past 5 years. The assignment should be made in groups of three. You should justify why the target is an attractive acquisition for the bidder. The paper should analyze a range of different aspects of the transaction, including the strategic and economic benefits, bid range, type of consideration, bidding strategy, legal and tax aspects, anticipated management reaction, and potential competition. Please email me your group by September 27.

The group assignment has two parts, a written and an oral component. The written report will be at most 6 pages (3 pages double-sided, double-spaced). Groups will present their reports during the last two weeks of class and will be given approximately 20 minutes for their presentations. Please inform me of your particular takeover by email and I will post the companies on Courselink so that there will be no duplication. Please check Courselink before you make your choice. More information will be available after Thanksgiving.

Midterm:

The midterm will consist of short answer questions. Should you miss the midterm for medical or compassionate reasons a make-up will take place approximately one week later.

Final:

The final exam will consist of short answer questions, of which at least one question will cover the in-class student presentations. You must be able to attend the final to take the course.

Course Evaluation: You will be asked to complete **an in class** evaluation of this course at some time during the last two weeks of the semester. The department of Economics policy regarding the conduct and use of these evaluations will be found at:

<http://www.uoguelph.ca/economis/academics/courses/course-evaluation>

The Department of Economics and Finance *Learning Objectives* (skills and knowledge competencies) for this course are:

Skills:

- 1) **Written Communication:** Students will prepare a written report **analyzing** a takeover, which will be graded using the usual essay writing criteria.
- 2) **Oral Communication/Presentation:** Students will **present** their reports to the class. Presentations will be evaluated based on content, organization, communication, and presentation.
- 3) **Numerical Problem Solving:** Students will have to perform a variety of financial **calculations** including **valuations** of target firms. This will be assessed through exams and in the written report.
- 4) **Analytical Problem Solving:** Students will perform calculations to **evaluate** and **compare** alternative purchasing methods. This will be assessed through exams.
- 5) **Problem Solving in a Real World Context:** Students will **collect** information and data and **apply** the content and **analysis** learned in the course to a takeover and will be assessed in the written report.
- 6) **Group Work:** Students will work in groups to **analyze** a takeover and will be assessed through the written report and oral presentation.
- 7) **Computer Skills:** Students will **collect** data from various financial websites and use **excel** (or some other spreadsheet program) to perform **calculations** in their takeover **analysis**. This will be assessed in the written report.

Knowledge:

- 1) **Understanding of Specific Markets:** Students will **understand** financial markets and the role they play in mergers and acquisitions. This will be assessed through exams.
- 2) **Historical and Global Context:** Students will **understand** trends in M&A activity and **analyze** the context of individual mergers and acquisitions. These will be assessed through exams and the written report.
- 3) **Economic Policy and Regulation:** Students will **understand** the legal and regulatory issues in M&A. This will be assessed through exams and the written report.
- 4) **Financial Asset Pricing, Corporate Finance and Risk Analysis:** Students will **value** target companies. Students will **understand** Corporate Finance and how risk affects valuations of mergers. These will be assessed through exams and the written report.