



ECON*3360: The Strategy of Mergers & Acquisitions F 2014

0.5 Credit weight

General Course Information

Instructor:	Nancy Bower
<i>Email</i>	nbower@uoguelph.ca
<i>Office Location</i>	MacKinnon 708
<i>Office Hours</i>	Monday 9:30 - 11:00, Thursday 1:30 - 3:00
<i>Department/School</i>	Department of Economics and Finance
Class Schedule:	Monday and Wednesday 4:00 – 5:20
Pre-requisites:	ECON*2310, ECON*2410, ECON*2560

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.

Course Assessment

			Associated Learning Outcomes	Due Date/ location
Assessment 1:	10%	Assignment	7, 8, 12	Wednesday, Oct 15, at start of class
Assessment 2:	25%	Midterm	1, 2, 3, 4, 7, 8	Monday, Oct 20, in class
Assessment 3:	30%	Group M&A Project: Written Report Presentation	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12	Nov 19 Nov 10 - 19
Assessment 4:	35%	Final Exam	1, 2, 3, 4, 7, 8	Friday, Dec 5, 8:30-10:30 Location TBA
Total	100%			

Teaching and Learning Practices

Lectures Lectures will discuss the assigned readings. It will be important for you to do the readings before class and attend lectures. In addition, there will be guest speakers in the class from time to time.

Course Resources

Required Texts:

This course will not use a specific textbook. Course materials will consist of journal articles or chapters from texts. Materials will be available online and/or on library reserve.

Course Policies

Grading Policies

Final Exam Conflicts: Any student who has a time conflict with the final exam may not register for this course. Note the final exam day and time in the Course Assessment section above. Please check immediately to make sure you do not have a conflict.

Assignment: There will be a written assignment (problem set) due at the start of class on Wednesday, October 15. If you do not turn in an assignment you will receive a **zero**. The weight will **not** be placed on the final, except in cases of illness or another compassionate reason, so it is imperative that you complete it on time. I will only allow assignments to be turned in after the due date in **exceptional** circumstances (a prolonged illness or sudden death in the family for instance - having work in other courses is **not** an exceptional circumstance – I expect that to be the case). Given the class size a TA may not be assigned to this course and the grading of the assignments will focus only on several sections (determined by myself). A detailed answer key will be posted. The assignment will be algorithmically generated using your student ID number – all students will get a different version of the assignment as a result. I encourage you to work together on the assignments. I normally would caution you to not copy work from your study partners but in this case every student will have a different set of problems so that will not be possible. However, the topics and solution techniques will be the same so study groups should be formed.

Group Project: 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.

The group assignment has two parts, a written and an oral component. The written report will be at most 6 pages (double-spaced). Groups will present their reports during the weeks of November 10 and November 17 and will be given approximately 20-25 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 be given in class on Monday, October 20. Make-up exams will only be given if the student has a documentable illness or compassionate reason for missing the exam. The midterm will consist of short-answer questions covering the material from the first part of the course.

See the following university policies:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml>

Please note that these policies are binding unless academic consideration is given to an individual student.

Course Policy on Group Work:

This course has a group project. Groups should consist of 3 students. I will initially let the class form their own groups during the first 3 weeks of the term – until the conclusion of class on the Wednesday of the third full week of class. I will also open a discussion group to facilitate individuals seeking group members. If you have formed a group you must submit (in class or via email) a list of students (first and last names) in the group by the deadline above. If you are not in a group by the submission deadline for groups I will create groups from those not yet in a group and post all groups on the Friday at the end of the third full week of class. Once groups are formed they can only be changed with my permission and the permission of the affected groups.

It is expected that all group members will contribute to the project. Groups should meet together, in person if possible, at least once a week to discuss what members have accomplished and to make sure everyone knows what their contribution to the final project will be. All group members will receive the same mark with one exception. That exception is if the other group members contact me and assert that one or more group members have not substantially contributed to the project. I will want proof to back up this assertion. To that end all group members should maintain a paper trail (and email record) of work done and any correspondence between group members. If an assertion is made that a group member did not substantially contribute to the project I will want to see evidence of it. If there is no evidence to back up the claim all students will receive the same mark. Your best practice should be to email your other group members regularly with what you have accomplished on the project, and to attach any spreadsheet results or written text you might have completed. If a group feels that a member is not completing work or is not communicative (doesn't answer emails for example) please contact me so I can contact them to see what the reason might be.

Course Policy regarding use of electronic devices and recording of lectures

Electronic recording of classes is expressly forbidden without consent of the instructor. When recordings are permitted they are solely for the use of the authorized student and may not be reproduced, or transmitted to others, without the express written consent of the instructor.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact the Centre for Students with Disabilities as soon as possible.

For more information, contact CSD at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.csd.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to: <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is October 31, 2014. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Course Learning Outcomes

Knowledge and Understanding:

- 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.

Discipline/Professional and Transferable Skills:

- 5) **Written Communication:** Students will prepare a written report **analyzing** a takeover, which will be graded using the usual essay writing criteria.
- 6) **Oral Communication/Presentation:** Students will **present** their reports to the class. Presentations will be evaluated based on content, organization, communication, and presentation.
- 7) **Numerical Problem Solving:** Students will have to perform a variety of financial **calculations** including **valuations** of target firms. This will be assessed through the assignment, the exams and in the written report.
- 8) **Analytical Problem Solving:** Students will perform calculations to **evaluate** and **compare** alternative purchasing methods. This will be assessed through the assignment and the exams.
- 9) **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. This will be assessed in the written report and presentation.
- 10) **Group Work:** Students will work in groups to **analyze** a takeover and will be assessed through the written report and oral presentation.
- 11) **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.

Attitudes and Values:

- 12) **Professional and ethical awareness and conduct:** There will be no extensions on assignments in order to develop **time management** skills. Assessed using the assignment and the group project.