

M.Fin. F711 C01
Mergers, Restructuring, and Corporate Control
Fall 2019 Course Outline

Finance Area
DeGroot School of Business
McMaster University

COURSE OBJECTIVE

This is an advanced Corporate Finance course, which builds on your previous learning in the areas of Financial Management and Investments. The purpose of this course is to provide you with the tools to analyze, evaluate and design corporate restructuring programs, including mergers, acquisitions, LBOs, MBOs, leveraged recaps, and stock repurchases.

INSTRUCTOR AND CONTACT INFORMATION

Wednesday 8:30 –11:20 AM

Dr. Sudipto Sarkar

Instructor

sarkars@mcmaster.ca

Office: DSB 302

Office Hours: TBA

Tel: (905) 525-9140 ext. 23959

Class Location: DSB 505

Sima Fallah

Teaching Assistant

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Office: TBA

Office Hours: TBA

Tel: (905) 525-9140 ext. TBA

COURSE ELEMENTS

Avenue:	Yes	Leadership:	Yes	IT skills:	No	Global view:	Yes
Participation:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Evidence-based:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Experiential:	Yes	Guest speaker(s):	No	Final Exam:	No		

COURSE DESCRIPTION

This course examines the various forms of corporate restructuring, and how restructuring affects corporate values and control issues. Restructuring is broadly defined, and includes restructuring of liabilities (e.g., leveraged recapitalizations, LBOs), restructuring of assets (e.g., acquisitions, divestitures), or both (e.g., mergers accompanied by changes in capital structure). Important components of the course include valuation of a corporation and its securities (debt and equity), theoretical rationales for and empirical evidence on restructuring of assets and liabilities, and specific topics such as LBOs and stock repurchases. The course should be of interest to students planning careers in corporate finance and investment banking.

This is an advanced corporate finance course. It requires familiarity with number crunching and a solid understanding of the concepts of introductory finance, particularly capital budgeting and capital structure. The material includes a substantial amount of theory, and numerical examples are very important in illustrating the concepts to be covered in this course. The format will be predominantly lecture-oriented, supplemented by a set of cases; you can work on the case(s) in groups of 4 (maximum) members. Class participation is strongly encouraged.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- analyze the effect of any type of corporate restructuring on firm value;
- analyze the effect of corporate restructuring on the components of firm value – equity and debt;
- analyze how restructuring affects corporate control; and
- design a financing package for a restructuring proposal.

REQUIRED COURSE MATERIALS AND READINGS

Takeovers, Restructuring, and Corporate Governance (4th Edition) by J. Fred Weston, Mark L. Mitchell and J. Harold Mulherin, Pearson Educational International (hereafter WMM); ISBN 0131407376.

- purchase a copy at the bookstore

Custom Courseware

- purchase a copy at the bookstore

EVALUATION

All work will be evaluated on an individual basis except for case reports where group work is expected. For these case reports, group members will receive the same grade. Your final grade will be calculated as follows:

Components and Weights

Test 1	25%
Test 2	35%
Test 3	30%
Case report and presentation	10%
Total	100%

NOTE:

1. Only the use of a McMaster standard calculator (Casio FX-991) is allowed during tests in this course.
2. For the tests, you will be allowed to bring one page (one side) of formulas.
3. For the case, the students will work in groups (maximum group size to be announced, and will depend on class size). Each group will submit a report and present their recommendations on the allotted case. The case report will be 4-5 pages in length (plus exhibits) and should contain recommendations and supporting arguments. Any doubts/questions/uncertainties regarding the case will ideally be addressed by the group members themselves. Where necessary, make reasonable assumptions based on information given in the case. Please do not use information that would not have been available to the decision maker(s).

Grade Conversion

At the end of the course your overall percentage grade will *generally* (subject to exceptions) be converted to your letter grade in accordance with the following conversion scheme.

Grade (Points)	Percentages
A+ (12)	90-100
A (11)	85-89
A- (10)	80-84
B+ (9)	75-79
B (8)	70-74
B- (7)	60-69
F (0)	00-59

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC DISHONESTY

It is the student's responsibility to understand what constitutes academic dishonesty. Please refer to the University Senate Academic Integrity Policy at the following URL:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf>

This policy describes the responsibilities, procedures, and guidelines for students and faculty should a case of academic dishonesty arise. Academic dishonesty is defined as to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. Please refer to the policy for a list of examples. The policy also provides faculty with procedures to follow in cases of academic dishonesty as well as general guidelines for penalties. For further information related to the policy, please refer to the Office of Academic Integrity at:

<http://www.mcmaster.ca/academicintegrity>

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the MBA Academic Services Office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the MBA Academic Services Office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the MBA Academic Services Office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by the MBA Academic Services Office.

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the MBA Academic Services Office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the MBA Academic Services Office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the MBA Academic Services Office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the MBA Academic Services Office.

In such cases, the request for a deferred examination privilege must be made in writing to the MBA Academic Services Office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F721 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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WEEK	DATE	STUDY / EVENT
1	Wed Sept 11	Introduction; Capital Budgeting (Ch. 1, Course Packet).
2	Wed Sept 18	Capital Structure (Ch. 2, Course Packet).
3	Wed Sept 25	Agency Problems (Ch. 3, Course Packet).
4	Wed Oct 2	Test 1.
5	Wed Oct 9	Signalling (Ch. 4, Course Packet).
6	Wed Oct 16	Basics of M & A (Chapter 5, Course Packet).
7	Wed Oct 23	Valuation (Chapters 9 & 10, WMM).
8	Wed Oct 30	Test 2.
9	Wed Nov 6	Corporate Restructuring (Chapters 11, 12 & 13, WMM).
10	Wed Nov 13	LBOs (Chapter 16, WMM).
11	Wed Nov 20	Stock Repurchase (Chapter 18, WMM).
12	Wed Nov 27	Merger Arbitrage (Chapter 21, WMM).
13	Wed Dec 4	Test 3. Case presentations. (i) ScoreE-Store, (ii) Empire