

# ניהול מיזוגים ורכישות

# Mergers & Acquisitions

## COURSE DESCRIPTION & OBJECTIVES

The acquisition, possibly the most difficult strategic activity a firm can undertake, plays a major part of global business and can be viewed from many different perspectives. This course takes a strategic perspective, with a focus on how acquisitions can be used as a strategic tool by managers.

The course will provide a broad overview of the acquisition process, an understanding of the conceptual framework and a review of empirical evidence. The course builds on prior basic courses in Strategy, Corporate Finance and Accounting. The goal of the course is to cover key aspects of the Acquisition business process from corporate strategy, to target evaluation, to deal negotiation, close, and integration. We will focus our study on current practices including the key tools, techniques and trends embraced by the modern deal maker. Students may also get a chance to analyze recent transactions to understand how deals are identified, valued, structured, and closed.

## **Structure, Assignments and Projects**

A significant amount of the class time will be spent as lectures by the instructor. In addition, there will be a number of individual based assignments (to be submitted by e-mail at the end of a determined date. Uncoordinated delays may reduce the assignment grade):

### **Individual Case Write-Ups (15% of evaluation grade)**

As noted, the course will include detailed discussions on several actual transactions. Each student will be asked to prepare his / her own 1-2 page analysis of a case.

### **Bonus Presentation**

Students who wish to improve their grade may present their case analysis as a PPT slideshow to the class. Presentation will be approved and coordinated by the lecturer.

### **Sector Comparable Analysis (15%)**

Each student will research and compute key market multiples and comps. Using publicly available market data each student will prepare market comparable valuation metrics for various sectors (including P/E, TEV/EBITDA, etc.)

### **Historical Transaction Analysis (20%)**

A 3-5 page analysis plus exhibits will be prepared evaluating the consolidation strategy of a chosen firm. Students will categorize deals by type/size to identify disruptive versus "fold-in" deals. Analysis will center on assessment as to the effectiveness of the acquisition for the firm. In addition to the analysis, students may be called upon to present their findings to the class as part of a short presentation.

### **Deal Proposal Exercise (40%)**

Self-selected teams of up to four will prepare an oral presentation and supporting pitch book proposing the combination of two actual firms. The analysis will cover the strategic motives for the deal, target valuation, suggest a deal design, and survey issues likely to be encountered in negotiation and integration of the firms.

### **Class Participation - Individual (10%)**

This course will be highly interactive. Student minimal attendance is a baseline requirement. In addition, each student is responsible to prepare for and participate in each class session. Students may be randomly called on to ensure that materials have been read or to facilitate class discussion.

| # | Topics   | Readings   | Objectives  |
|---|--|--|---|
| 1 | Course Introduction<br>M&A Basics  | - Bruner Ch. 1,2,4<br>- "Are You Paying Too Much for That Acquisition?", Eccles, Lanes & Wilson, HBR, 1999 | - Why M&A?<br>- Familiarize with M&A Process and Key Terms<br>- Ethics in M&A<br>- Define Lead Roles (Buyers / Sellers) vs. Supporting Roles (Management, BOD, Investors, Advisors, etc.)   |
| 2 | Acquisition Motives and Drivers  | - "Not All M&As Are Alike", Bower, HBR<br>- Bruner Ch. 6   | - Review Acquisition motivation and reasoning   |
| 3 | Synergy  | - Bruner Ch. 11  | - Valuing Synergies   |
| 4 | M&A as a part of Corporate Strategy  | - Bruner Ch. 6, 17<br>- "Do early birds get the returns?", Kenneth, Heron & Saxton, SMJ, 2004              | - Explore and understand Deal Strategy and Rationale<br>- Define Variants and Alternatives to M&A (Buy-Build-Partner, JV, Minority Investment, Etc.)<br>- Understand buyer / seller interests & Motivations<br>- Discuss other influencing factors (Timing, Ego, Greed) |
| 5 | Intro to Negotiation<br><br>- (submit individual case write-ups)                           | - A. Galin, Dynamics of Negotiating, (1996)  | - Review some fundamentals of negotiation theory.<br>- How to succeed in a negotiation.   |
| 6 | Introduction to M&A Calculus: Preliminary Analysis, Target Selection and Initial Valuation | - Bruner Ch. 7, 9  | - Understand M&A Valuation Metrics and Techniques<br>- Discuss "First Contact" (Buyer / Seller Options / Auctions)<br>- Define Deal Structure Alternatives  |
| 7 | Introduction to M&A Calculus (continued)   | - Bruner Ch. 13, 15  | - Discuss Early Negotiation Strategies and Techniques<br>- Deal Success Criteria and Sources of Value   |
| 8 | Method of Payment<br><br>- (submit sector comp. analysis)                                  | - Bruner Ch. 20<br>- "Stock or Cash?", Rappaport & Sirower, HBR, 1999                                      | - Payment options (cash, stock, performance-related)  |

| #     | Topics   | Readings   | Objectives  |
|-------|--|--|---|
| 9     | <b>M&amp;A Integration and Managing Employee Interests</b>   | - Bruner Ch. 24, 36  | - Understand the key employee/management issues<br>- Discuss key negotiation points around employee sensitive matters( non-competes, options, employment agreements)<br>- Review integration Planning<br>- Discuss integration practices                        |
| 10    | <b>Advanced M&amp;A Concepts: LBOs, Divestitures, and Private Equity</b><br><br>- (submit historical transaction analysis) | - "The Fine Art of Friendly Acquisition", Watkins & Aiello, HBR 2000<br>- Bruner Ch. 13, 34                    | - Understand emerging trends and developments in Private Equity<br>- Understand the role of debt in M&A transactions<br>- Define and discuss MBOs / Take-Private Transactions<br>- Debate potential areas of M&A conflicts of interest (Fairness Opinions etc.) |
| 11    | <b>Creating Value Through M&amp;A and Restructuring</b>  | - "Factors influencing wealth creation from M&A", Datta, Pinches, & Narayanan, SMJ, 1992<br>- Bruner Ch. 6, 17 | - Review potential ways to enhance value (spin-offs, split-ups, equity carve-outs)<br>- Value creation through M&A  |
| 12,13 | <b>Deal Proposal Presentations</b>   | - None   | - Student presentations and discussions regarding strategic deal motives, valuation & deal design   |

## Required Reading Materials

**Textbook:** Applied Mergers & Acquisitions, Robert F. Bruner (2004) Wiley Finance

**Other articles will include:**

Eccles, Robert G., Kerstein L. Lanes and Thomas C. Wilson (1999), "Are You Paying Too Much for That Acquisition?", Harvard Business Review, 77(4): 136

Bower, J. (2001). "Not All M&A's Are Alike - and That Matters", Harvard Business Review, 79(3): 92.

Kenneth Carow, Randall Heron & Todd Saxton (2004), "Do early birds get the returns? An empirical investigation of early-mover advantages in acquisitions" Strategic Management Journal 25 (6): 563.

Rappaport, Alfred, and Mark L. Sirower (1999), "Stock or Cash? The Trade-Offs for Buyers and Sellers in M&A", Harvard Business Review, 77 (6): 147.

Aiello, Robert J. and Michael D. Watkins (2000), "The Fine Art of Friendly acquisition". Harvard Business Review, 78(6): 100.

Deepak K. Datta, George E. Pinches, V. K. Narayanan (1992), "Factors influencing wealth creation from mergers and acquisitions: A meta-analysis", Strategic Management Journal 13(1): 67

The Dynamics of Negotiating – From Theory to Practice, Amira Galin (1996), Ramot

## A few noteworthy Remarks

- I plan to be prepared and I hope you will do the same. At times, I may call on individuals whose hands are not raised. Please let me know before the start of the class if some emergency has made it impossible for you to be prepared adequately for that class. This avoids embarrassment for us all.
- Please turn off cell phones during sessions. External distractions disrupt class and lower the quality of discussions and interactions.
- I will be happy to discuss the course or any other issues of interest to you on an individual basis. Please see me in class to set up an appointment. E-mail is the surest way to track me down - [yair@friedman.org.il](mailto:yair@friedman.org.il), and I will typically respond within 48 hours.
- For numerous reasons, I utilize my own website as the course website – [www.friedman.org.il](http://www.friedman.org.il). Each student will receive a user name and password that will be valid until the termination of the semester.