Required Course Materials:

Students must have the following materials for this course:

1. **Case Materials for Mergers and Acquisitions** (Donna M. Hitscherich © 2000-2016) (the “M&A Case Materials”)

2. Articles posted to the courseware site or distributed by the professor prior to the class sessions (collectively, the “Articles”)

The M&A Case Materials along with the associated Articles are designed to be self-contained and to serve as lecture notes for the designated classes. A text that students have found useful as a reference on certain topics is Reed & Lajoux, *The Art of M&A: A Merger Acquisition Buyout Guide* (McGraw-Hill) (the “Art of M&A”). You will find a copy of the *Art of M&A* on reserve in the library.

Required Prerequisites and Connection to the Core:

This course builds upon the introductory courses in corporate finance and connects with many aspects of the Columbia Business School core curriculum. The prerequisites for this course include Corporate Finance (6300) and Capital Markets and Investments (8306). Students have found the M&A class to be a useful complement to the elective course Advanced Corporate Finance (8307). The M&A class will connect and depend upon your understanding of many aspects of the Columbia Business School core. Examples of some connections to the core curriculum are set forth below. Students will be expected to have mastered these concepts and be in a position to apply them throughout the course.

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<th>Core Course</th>
<th>Connection / Application to M&amp;A</th>
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<td>Corporate Finance</td>
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Course Description:

This course is designed to be an **applications oriented course and will draw heavily upon real world change of control case studies**. The course builds on the prior courses in corporate finance. The course
will not introduce significantly new finance principles or analytical techniques other than those to which the student previously has been exposed to in the prerequisite introductory courses in finance at Columbia. The course will apply basic finance principles and analytical techniques to actual problems likely to be encountered by senior management of major corporations or those who are the advisors to such management in the context of an M&A transaction.

Course Objectives:

The student should expect at the conclusion of this course to have gained a level of competency in M&A commensurate with an entry-level associate position in investment banking / private equity. Whether or not the student “practices” M&A, the course will afford the student with an insider’s look into what is an undeniable major force on today’s corporate landscape. Accordingly, students who are interested in investment banking, private equity, corporate development, consulting, equity research, corporate lending, asset management, strategic planning, leveraged finance, or proprietary trading may wish to consider this course.

Major topics covered will include:

• **INTRODUCTION TO M&A:** What exactly is M&A? What are the major forces driving each of domestic and international M&A activity? What is the likely future of M&A activity? Who are the major players on the M&A landscape and what are the incentives for the players? What, if any, value do M&A bankers bring to a transaction? What are the “rules” governing the M&A playing field and do such rules sufficiently “protect” shareholders?

• **STRATEGIC AND PRACTICAL CONSIDERATIONS:** What is the process timeline for an M&A transaction? What is the origination process for an M&A idea and what is the process from origination to closing? What role do synergies play in M&A analysis? Why is it important to perform a pro forma “merger consequences” analysis? What are the important tactical considerations before approaching a potential target?

• **VALUATION BASICS:** How is a company valued? What is the purpose of valuation analysis, including stand-alone value, “synergy” value and break-up value? How do marketplace dynamics impact valuation? What factors may cause “intrinsic” value and “realizable” value to diverge?

• **DUE DILIGENCE:** How do you conduct effective due diligence? What should you ask for? What is the target likely to be looking for in terms of Confidentiality and Standstill Agreements? What should you be looking for in the documents produced? Who is responsible for what and how can accountants, bankers, consultants, and lawyers help? How do the results of due diligence impact valuation?

• **FINANCING DECISIONS:** How does the transaction get financed? What macro and micro factors impact M&A financing? What are the major financing alternatives from senior secured debt to high yield? How will an acquisition impact the acquiring company’s debt rating, EPS and stock price and why does it matter?

• **TRANSACTION STRUCTURES:** What forms can a transaction take and how do they differ? What is a tender offer? What is the difference between a one-step and two-step deal? How do tax factors
influence the choice of transaction structure?

• **ANATOMY OF A MERGER AGREEMENT:** What are the basic components of the Merger Agreement? How does the Merger Agreement relate to the due diligence process? Can you “protect” a friendly deal from interlopers?

• **RESTRUCTURING OPTIONS:** What are the alternatives available to the firm to “unlock” shareholder value, including mechanics of the divestiture process and maximization of after-tax proceeds, straight sale, leveraged joint ventures, letter stock, rights offerings, spin-offs, Morris Trusts, spin-outs, and split-offs? When should a firm consider “going private,” including mechanics of an LBO, what constitutes a good LBO candidate and exit strategies for the LBO?

• **TAKEOVER DEFENSE:** What makes a company vulnerable? What are the major “defense” mechanisms and do they work? How do you launch a hostile bid?
Class Work:

Class topics will be imparted through lectures, assigned reading materials, required individual assignments, required written group case studies, and presentations by various investment banking and legal professionals. Students will be expected to complete each of the assigned readings prior to class and consequently, be in a position to participate meaningfully in class discussions. Class lectures will focus on the "mechanics" of M&A, while student discussions will focus on the implications of the "mechanics" on practical and real world issues associated with an M&A transaction.

Examinations:

This course will require completion (all as more fully described on the Course Schedule and Assignment Due Dates posted on the course website) of each of: (1) individually prepared assignments (the “Foundational Materials”) (25%); (2) individually prepared valuation exercises, including an inter-active course mid-term and final exam (the “Valuation Exercises”) (30%); (3) group prepared written case studies (collectively, the “Case Studies”) (25%); and (4) individually prepared comprehensive take home final exam (the “Final Exam”) (20%). The case study that will form the basis for the Final Exam will be distributed forty-eight (48) hours before the due date of the Final Exam. The due date for the Final Exam shall be no later than the date and time established by the Office of Academic and Student Affairs.

In lieu of the Final Exam, at the sole discretion of the professor and based in part on the student’s performance in class, select students will be eligible to complete a group presentation (the “Group Presentation in Lieu of Final Exam Option”). The Group Presentation in Lieu of Final Exam Option will require the student group to: (1) evaluate the possible M&A alternatives available to a public company, (2) present the analysis of the alternatives from the perspective of an investment banking team hired to advise the board of directors of the public company and (3) present the completed analysis during the last class session.

Due dates for the class work will be posted to Canvas in the Class Schedule. All assignments are due on the date indicated. Late assignments will not be accepted for credit. Students eligible for the Group Presentation in Lieu of Final Exam Option will not be determined until class session 10. Accordingly, students must insure that they are available to take the Final Exam in the event the student is not eligible for the Group Presentation in Lieu of Final Exam Option.

Evaluation of Performance:

Student grades will be based on the following formula: (1) Foundational Materials (25%); (2) Valuation Exercises (30%); (3) Case Studies (25%); and (4) Final Exam or Group Presentation (20%).

All assignments are due on the date indicated. Late assignments will not be accepted for credit.
Readings:

Reading assignments must be completed prior to class. Before the next class, class time will be devoted to previewing the next assignment and the key concepts thereof. Reading assignments are designed to support the case materials, which will form the basis of the class discussions. Class discussions constitute an integral part of the course and prior preparation of the assignments is essential. Class participation, while not separately graded, is essential to attain a satisfactory grade in this course. Class participation will be evaluated in part through in class questions that will be answered individually by the student using interactive response ware.

Review Materials:

Students are encouraged to contact the professor with any questions or problems that may arise during the course. Students may set up an appointment a mutually convenient time. Contact information is as follows:

Donna M. Hitscherich
Room 313 Uris Hall
Tel: 212-854-0763
E-mail: dmh9@gsb.columbia.edu
Twitter: @dmhcbspe

Course Schedule and Assignment Due Dates:

The Course Schedule and Assignment Due Dates are posted to Canvas. Please note that while the materials covered in each class session is subject to change due to the scheduling of presentations by outside M&A professionals, the assignment due dates will not.