

European Management Track: ESSEC Business School, Paris

Specialisation title: Corporate Finance

EMT cohort-specific courses

- Mergers and Acquisitions (5 ECTS, syllabus below)
- Firm Valuation and Value Creation (5 ECTS, syllabus below)
- Strategic and Financial Assessment (5 ECTS, *syllabus will follow shortly*)

Further details:

- EMT students should have foundational knowledge in corporate finance.
- EMT students can take up to 25 ECTS in total, i.e. EMT courses plus two further courses from the MiM offer.

Firm Valuation and Value Creation

Master in Management

Objectives

This course is a natural extension of the Principal of Finance and Corporate Financial Management courses. The objective is to present the different methods used to estimate the value of a firm, their theoretical foundations and their link with existing theoretical models. In addition, we discuss problems arising in valuing specific assets such as intangibles and issues such as the treatment of minority interests, pension funds and leasing.

Equity analyst report

Each team consists of no fewer than three (3) and no more than four (4) members. The objective is to write an equity analyst report on a company of their choice, conduct a thorough financial, strategic and valuation analysis in order to make a recommendation to investment professionals. If two teams select the same company, the first arrive - first serve rule prevails.

The format to follow is the same as the one used for the CFA Institute Research Challenge (see below)

The work is expected to be delivered following a multi-step process:

- Team composition and the selection of the firm
- Presentation of the company and corporate governance
- Industry Overview and Competitive Positioning
- Financial analysis
- Valuation and investment risks
- Final report with investment summary
- Presentation (Power Point or other)

Each part will be graded individually based on the following evaluation form:

Research Report Evaluation Form

Section	Max Points
Investment Summary	10
Business Description	5
Corporate Governance	5
Industry Overview and Competitive Positioning	15
Financial Analysis	20

Valuation	30
Investment Risks	5
Overall quality of the paper	10
Total	100

The presentations will be graded based on the following scoring sheet:

Presentation Scoring Sheet

Criteria	Max Points
Financial Analysis How thorough is the industry, company and competitors' analysis?	20
Valuation Are the different valuation methodologies appropriate and well conducted	25
Presentation Is the presentation convincing and effective? Is the recommendation supported by the arguments?	20
Q&A Are the answers effective, relevant and convincing?	20
Team involvement Are all the team members involved in the presentation and Q&A?	5
Quality of material	10
Total	100

The final grade is a weighted average of the equity analyst report (60%) and the presentation (40%)

Written Report Guidelines

- Each team must prepare a written research report on the subject company chosen by the local host.
- The written report must
 - be no longer than 10 pages on A4-sized paper, although you may include an appendix no longer than 20 A4-sized pages;
 - be properly cited using a generally accepted citation system. Generally accepted citation systems include, but are not limited to, the Chicago Manual of Style, the Harvard referencing system, and MLA (Modern Language Association) style.
 - include the following information in a header on the first page:

- Company name o Exchange
- Ticker symbol
- Sector/Industry
- Recommendation (buy/sell/hold)
- Current price (as of __ date)
- Target price (% increase/decrease)
- contain only publicly available information;
- be the original work of the team members;
- be prepared from the perspective of an independent research analyst;
- contain but not limited to the following sections:
 - Business description
 - Industry overview and competitive positioning
 - Investment summary
 - Valuation
 - Financial analysis
 - Investment risks
 - Corporate governance
- You may also include other headings for important information not otherwise covered in the previously listed sections.

FINE31253 Mergers and Acquisitions

Master in Management

Objectives

This course studies corporate merger and acquisition activity from a financial perspective. At the end of the course, you should:

- Understand how valuation plays a central role in the strategic decision-making process
- Carry out valuation analysis of complex corporate/financial structures
- Be familiar with the most common forms of corporate restructuring, as well as understand their different costs and benefits
- Analyze the terms of a restructuring deal in a knowledgeable way, understanding its value implications as well as the incentives and motivations of the major participants

Background

Before registering, students must have completed Principles of Finance. It is recommended that students have completed Corporate Financial Management and Financial Markets and Institutions).

Organization

The course consists of a series of 9 lectures (including five cases) and a final exam. There are no regular office hours. Send me an email and we can fix an appointment if necessary. An hour-and-a-half review session will take place before the final exam. You need a calculator throughout the course (usually, any calculator with memory and yx, 1/x, ex and ln buttons is sufficient).

Cases

The cases are handed in by groups of students. Reports must be submitted on **Moodle** in Word, PowerPoint, or PDF format. Originality of thinking and clear, professional reports will be rewarded. The **first page** of the report should be an **executive summary** of the analysis and the recommendations proposed by the students. The remainder of the text **should be no more than 6 pages long in Word format or 15 PowerPoint slides**. Tables, figures, graphs etc. that support the analysis can be added without limit. Each case will be discussed on the class their delivery is due. **A group of students may be randomly selected to present their work on the case**, so all groups are expected to be ready to present their report. The presentation counts towards the grade and all elements of the group will be graded according to their contribution. **WARNING: copying and/or plagiarism from any source without acknowledgement are not tolerated and are penalized severely.**

Grading

- The grade for the cases C is equal to the arithmetic mean of the grades of the 3 cases.
- The participation grade P can take the values $\{-1, 0, 1\}$.
- The final grade is equal to the exam grade E plus P if $E+P < 10$, and is equal to $0.5 \times C + 0.5 \times (E + P)$ otherwise.

Readings

The textbook of the course is

- [B] Bruner, Robert, 2004, Applied Mergers and Acquisitions, Wiley: New Jersey.

Complementary material is taken from

- [G] Gaughan, Patrick, 2002, “Mergers, Acquisitions and Corporate Restructurings” (4th edition), John Wiley & Sons: New York.
- [R] Rosenbaum, Joshua & Joshua Pearl, 2013, “Investment Banking” (2nd edition), John Wiley & Sons: New York.

Students are strongly encouraged to read / watch

- Burrough, Bryan, and John Helyar, 2003, “Barbarians at the Gate: The Fall of RJR Nabisco”, HarperCollins Publishers.
- Freud, David, 2008, "Freud In The City: 20 Turbulent Years at the Sharp End of the Global Finance Revolution", Bene Factum Publishing Ltd: London.
- Bruner, Robert, 2009, "Deals From Hell: M&A Lessons that Rise Above the Ashes", Wiley: New Jersey.
- “Wall Street”, 1987. Oliver Stone, director; 20th Century Fox, producer.

Course Outline

Session 1

Introduction to M & A. Valuation using DCF models.

Session 2

Valuation using multiples. Further topics on valuation: multi-divisional businesses, privately held firms.

Session 3

Theories of merger activity: “good” and “bad” reasons to do M&A.



Session 4

Empirical Evidence on M&A activity. The holdout problem.

Case #1: Delivery and discussion of "Vodafone AirTouch's Bid for Mannesmann HBS Case 9-201-096

Session 5

Deal negotiation tactics. Takeover defenses.

Session 6

Structuring the deal: financing method, form of payment

Session 7

The M & A process wrap-up, Leveraged Buyouts

Case #2: Delivery and discussion of "Tesla-SolarCity" HBS Case 9-218-108

Session 8

Leveraged Buyouts (LBOs) contd.

Session 9

Divestitures, Wrap-up

Case #3: Delivery and discussion of "Apax Partners and Xerium S.A." HBS 9-804-084

Session 10

Final Exam. The exam lasts for 2h30 hours. You are allowed to bring one A4 sheet of paper written on both sides. Don't forget to bring a calculator. **WARNING #1: Don't forget to bring a calculator. You cannot use any networked device (including your cell phone) as a calculator. WARNING #2: The final exam cannot be replaced by any assignment, project, etc. if you do not attend.**