

MASTER THESIS

Fall Term 2020

(As of 3. September 2020)

Prerequisites:

- Proficiency in Microsoft Excel and willingness to become acquainted with statistical analysis software (e.g., Stata)
- Solid command of English
- Ability to conduct own data research
- Good knowledge of methods in Corporate Finance (company valuation etc.)

Topics are either case studies or empirical studies in corporate finance. Therefore, conducting literature research in research journals and especially in books is generally less important compared to data research in newspapers, databases and/or homepages.

The thesis can be written in German or English. Specific requirements are noted in the individual topic descriptions.

Please refer to the information available on our homepage at <https://www.bwl.uni-mannheim.de/maug/lehre/masterlehre/masters-thesis/>, especially the document “How to Write a Thesis”.

For case studies, please regard the following references:

Company valuation:

- In general: see literature references for the course Corporate Finance 1 on our homepage
- Banks: Copeland, T. E., Koller, T., Murrin, J., 2000, Valuation, 3rd Ed., Wiley, Chapter 21
- Implementation in Excel: Benninga, S., 2008, Financial Modeling, 3rd Ed., MIT Press

Event studies:

- Lecture Slides, Corporate Finance 1, Event Study Methodology
- Example: Weston, J. F., Siu, J. A., Johnson, B. A., Takeovers, Restructuring, and Corporate Governance, 3rd Ed., Prentice Hall, Appendix B, pp. 171-185
- Formal representation: Campbell, J. Y., Lo, A. W., and MacKinlay, A. C., 1997, The Econometrics of Financial Markets, Chapter 4
- Additional Method for very (!) many events: Dittmann, I., Maug, E., Schneider, C. (2008), How Preussag became TUI: A Clinical Study of Institutional Blockholders and Restructuring in Europe, Financial Management, 37 (3), pp. 571-598

Topic 1: JDE Peet's Coffee IPO

Supervisor: Marc Gabarro

JDE Peet's served about 130 billion cups of coffee and tea in 2019 in over 100 countries. JDE Peet's brands include both global leaders such as Jewels of Peet's, Jacobs, L'OR, Senseo, and regional leaders such as Douwe Egberts, Stumptown, Kenco. JDE Peet's revenue in 2019 was 6,945 million EUR, with an operating profit of 1,043 million EUR.

JDE Peet's IPO raised 2.25 billion EUR in an Amsterdam listing, valuing the company at 15.6 billion EUR. This listing was crucial to JAB Holdings, the investment group that manages the German Riemann's family wealth. JAB Holding invests in brands such as Pret A Manger restaurants, Calvin Klein fragrances, Peet's Coffee, Krispy Kreme donuts, and Panera Bread.

JDE Peet's IPO on May 29th, 2020 took place during the COVID-19 pandemic that slammed global economies and closed restaurants and cafes around the world. However, JDE Peet's argues coffee is a recession-proof business. Importantly, JDE Peet's makes most of its revenue from coffee consumed at home, a segment that has significantly grown during the corona virus pandemic, with millions of people quarantined at home.

The goal of this thesis is to value JDE Peet's to determine whether the offer price of 31,50 EUR per share was fair. To do so, the student should perform a comprehensive analysis of the industry. Then, the student should perform a fundamental valuation and a multiples-based valuation. To assess the market reactions to the announcement, the student is required to perform a study of the JDE Peet's competitors. The student should elaborate on the first day return by looking at the relevant academic literature on the first day IPO returns. Additionally, the student should discuss the effect of COVID-19 on IPOs in the long run, such as road shows and the length of the book building process.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

<https://www.jdepeets.com/IPO-Related-Documents/>

<https://www.jdepeets.com/siteassets/documents/prospectus.pdf>

Topic 2: NACON IPO

Supervisor: Marc Gabarro

Nacon is a French video game company established in 1981. Nacon designs and distributes AA-level video games and accessories and specializes in the search for niches left by the industry majors. Nacon's main markets are France, Germany, Belgium, Luxembourg, and the Netherlands. Nacon reached 113.1 million EUR in sales in 2019, with a 11.1% EBIT margin.

Nacon consists of 8 integrated studios specialized in racing, sports, simulation, adventure and action games plus 12 partner studios. Nacon employs 430 people in 8 countries, of which nearly 300 are developers. It launches between 10 and 15 games per year and has a portfolio of over 100 games. Furthermore, Nacon develops and distributes premium video game accessories making use of its 35 accessories-related patents.

Overall, the video game industry reached 120 billion EUR global revenue in 2019. Furthermore, the raise in e-sports and professional players has increased significantly over the last few years. They now attract hundreds of millions of viewers and have revenue of over 1 billion EUR.

On March 4th, 2020, Nacon shares issued at 5.50 EUR. Through the IPO, Nacon raised 100 million EUR, for a total market capitalization of 458 Million EUR. Nacon's IPO was the latest development in a restructuring process involving Bigben Interactive SA and Big Ben holding, the parent company of the conglomerate, which invests in several industries.

The goal of this thesis is to value NACON to determine whether the offer price of 5.50 EUR per share was fair. To do so, the student should perform a comprehensive analysis of the industry. Then, the student should perform a fundamental valuation and a multiples-based valuation. To assess the market reactions to the announcement, the student is required to perform a study of the Nacon competitors. The student should elaborate on the first day return by looking at the relevant academic literature on the first day IPO returns. Additionally, the student should discuss the effect of COVID-19 on IPOs IPOs in the long run, such as road shows and the length of the book building process.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

https://corporate.nacongaming.com/wp-content/uploads/2020/02/NACON-Slideshow-IPO_EN.pdf

Topic 3: Walnut Bidco acquires Oriflame

Supervisor: Luisa Unda

On May 22nd 2019, the founders of Oriflame, a Swedish beauty products company, made an offer to buy out all the remaining shares of the company for 227 Swedish crowns per share (\$23.49), valuing the acquisition at 12.9 billion crowns (\$1.3 billion). Oriflame's main owner, the af Jochnick family, said it made a cash offer to the remaining shareholders, representing a 35% premium to the closing price for Oriflame's stock on May 20th 2019. The founding family, which controls 31% of Oriflame, said the company "needs to undertake a repositioning in key geographies, and that achieving this repositioning has challenges in the public market."

In a separate statement, Oriflame formed a bid committee composed of independent board members, without af Jochnick family board members, to evaluate the offer. Two weeks before the expiry of the acceptance period, the committee recommended the bid, pointing to an uncertain outlook for the company, which has been facing deteriorating conditions in several key markets. On June 26th 2019, other owners representing 60.5% of shares accepted the bid during the initial acceptance period. On September 30th 2019, Oriflame Holding AG was merged into Walnut Mergeco AG (the acquiring company).

Oriflame is a multilevel marketing cosmetics company founded in Sweden in 1967. Its products range from makeup and skin and haircare to accessories and food additives and are sold by direct-selling agents in about 60 countries.

Walnut Bidco is a newly formed entity wholly owned by the members of the families of Robert af Jochnick and the late Jonas af Jochnick. Walnut Bidco's only business purpose is to hold the shares in Oriflame.

The goal of this thesis is to value Oriflame and to determine whether the offer price of \$23.49 per share is fair. To that end, the student should first conduct a comprehensive industry analysis. In the next step, the candidate should perform a fundamental and a multiples-based valuation of the stand-alone firm, as well as potential synergies. To assess the market reactions to the announcement, the student is further required to analyze the stock market reactions of the companies involved in the deal and their competitors. Exploring the role of Oriflame's governance, in particular the decision-making process of the independent bid committee, is encouraged.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

- Bloomberg news by Hanna Hoikkala, Niklas Magnusson, and Anna Molin: [Oriflame gets 1.3 billion takeover offer from Jochnick family](#)
- Reuters news by Anna Ringstrom: [Oriflame founders make offer to buy out Swedish cosmetics company](#)
- Oriflame investors press release: [Statement by the Independent Bid Committee of Oriflame in relation to the public offer from Walnut Bidco](#)

Topic 4: Piolin BidCo acquires Parques Reunidos

Supervisor: Luisa Unda

On April 26th 2019, the investment vehicle Piolin BidCo, announced a voluntary tender offer for the shares in Parques Reunidos Servicios Centrales at €14 per share in cash, which was later adjusted to €13.753, following a dividend distribution by the company. The National Securities Market Commission authorized the offer on July 24th 2019, and the acceptance period ended on September 6th 2019.

Piolin BidCo now owns 86.4% of the Madrid-headquartered leisure park operator. This comprises: 26.62% of shares owned by shareholders that accepted the tender offer, a 15.58% stake it acquired outside of the offer, and 44.21% of shares held by Alba and Miles Capital through its parent Groupe Bruxelles Lambert (GBL), which were rolled into Piolin BidCo immediately before the offer settlement.

Parques Reunidos is the second largest operator of recreational infrastructure in Europe and the tenth largest globally, with over 20 million visitors in 61 sites across 45 regional parks in 12 countries across Europe, North America and Australia. Parques Reunidos is headquartered in Madrid, and it operates regional parks, owned or under long term contracts, with strong recognition and roots within their communities.

Piolin BidCo is a special purpose company, which was incorporated in order to facilitate the investment by EQT Infra IV in the target company Parques Reunidos. Piolin BidCo is 50.01% owned by the investment company EQT, 23.96% owned by Miles Capital (GBL) and 26.03% owned by Alba Europe.

The goal of this thesis is to value Parques Reunidos and to determine whether the offer price of €13.753 per share is fair. To that end, the student should first conduct a comprehensive industry analysis. In the next step, the candidate should perform a fundamental and a multiples-based valuation of the stand-alone firm, as well as potential synergies. To assess the market reactions to the announcement, the student is further required to analyze the stock market reactions of the companies involved in the deal and their competitors.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

- EQT group press release: [EQT, through Piolin BidCo, successfully completes voluntary tender offer for Parques Reunidos](#)
- Parques Reunidos investor relevant facts: <https://www.parquesreunidos.com/en/investors/cnmv-official-registers/>
- Yahoo Finance news by Patrick Whyte: [Theme park operator Parques Reunidos gets \\$703 million takeover approach](#)

Topic 5: Anglo American acquires Sirius Minerals

Supervisor: Luisa Unda

On 8th January 2020, Anglo American Plc offered to buy Sirius Minerals for about 386 million pounds (\$507 million), representing a cash offer of 5.5 pounds per share. This merger announcement followed Sirius Minerals plan to build one of Britain's biggest mining projects. The plan included a huge fertilizer mine below a national park on the North York Moors. It was considered as the UK's biggest mining project in a generation that could generate many jobs for the local community.

Sirius Minerals is a fertilizer development company based in the United Kingdom, exploring the potential for potash mining. Sirius focuses on the development of the world's largest and highest-grade polyhalite deposit.

Anglo American is a global mining company. The Company's mining portfolio includes iron ore, manganese, and metallurgical coal, base metals such as copper and nickel and precious metals and minerals including platinum and diamonds. Anglo American has mining operations in Africa, Europe, North and South America, Asia, and Australia. The company is headquartered in London.

On 19th February, Sirius Minerals said its board was unanimous in recommending shareholders vote for Anglo American's bid to acquire its fertilizer project in northern England and if the deal failed there was a high risk the business would fail.

On 29th February, Sirius' small shareholders tried to raise 460 million pounds through a bond issue in an attempt to thwart a takeover bid by the mining company Anglo American. Sirius said there was no other alternative and if the Anglo takeover was blocked, the company was likely to be placed into administration, which would result in shareholders "potentially losing all of their investment."

The goal of this thesis is to value Sirius Minerals and to determine whether the offer price of 5.5 pounds per share is fair. To that end, the student should first conduct a comprehensive industry analysis. In the next step, the candidate should perform a fundamental and a multiples-based valuation of the stand-alone firm, as well as potential synergies. To assess the market reactions to the announcement, the student is further required to analyze the stock market reactions of the companies involved in the deal and their competitors. Exploring the role of Sirius' governance, in particular the decision-making process of the board and the actions of the minority shareholders, is encouraged.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

- Financial times news: [Sirius shareholders in last-ditch effort to block Anglo takeover](#)
- Reuters news by Yadarisa Shabong and Barbara Lewis: [Anglo American in talks to buy Britain's biggest mine project](#)
- Bloomberg news by Thomas Biesheuvel: [\\$4 billion U.K. mine wins reprieve as Sirius investors back Anglo buyout](#)

Topic 6: Covivio acquires Godewind Immobilien

Supervisor: Mengqiao Du

The management board of Godewind Immobilien AG with the approval of the supervisory board signed a business combination agreement with Covivio X-Tend AG on 13th, February 2020. On the same day, Covivio X-Tend AG announced its intention to make a public takeover offer and delisting offer for Godewind Immobilien AG at a price of EUR 6.40 per share in cash.

Godewind Immobilien AG is a Frankfurt real estate company. The company has a pure office property portfolio, which includes buildings in Frankfurt, Düsseldorf, Hamburg and Munich. The property portfolio's real estate value from the 2018 financial statements was EUR 301 million. In 2019, Godewind took over the City Gate skyscraper in Frankfurt am Main for 85 million euros.

Covivio X-Tend AG, headquartered in Frankfurt am Main, a company of the Covivio Group, is a company specializing in German office real estate. As an active portfolio and asset manager, Covivio strives to achieve a sustainable increase in earnings and income. Covivio currently has an office property portfolio of more than EUR 1 billion. Based on the inhouse portfolio- and asset management, Covivio is able to manage its office properties cost-efficiently, to close long-term rental contracts, and to realize the value added potential of the real estate portfolio.

The goal of this thesis is to value Godewind Immobilien and to determine whether the offer price of EUR 6.40 per share is fair. To that end, the student should first conduct a comprehensive industry analysis. In the next step, the candidate should perform a fundamental and a multiples-based valuation of the stand-alone firm, as well as potential synergies. To assess the market reactions to the announcement, the student is further required to analyze the stock market reactions of the companies involved in the deal and their competitors.

Preliminaries: Ability to conduct company valuations and event studies in Excel

Introductory Literature:

- Bloomberg news: <https://www.bloomberg.com/press-releases/2020-02-13/dgap-news-covivio-x-tend-ag-announces-launch-of-a-voluntary-takeover-offer-godewind-immobilien-ag-intends-delisting>
- Corporate news from Covivio: <https://www.godewind-ag.com/en/covivio-x-tend-ag-announces-launch-of-a-voluntary-takeover-offer-godewind-immobilien-ag-intends-delisting-2/>

Topic 7: Lawyer-directors and corporate litigation

Supervisor: Hamed Davari

The number of lawyer-directors (LD's) has increased considerably in the US since the turn of the century. While this phenomenon may have various causes, this project focuses on its consequences. Lawyers bring their knowledge, expertise, and networks to the firm, which potentially adds to the firm's human capital. They could reduce litigation risk and better represent the firm in the court of law, or screen and select the lawyers who have this capability. In addition, since they are mostly independent directors, they could provide better monitoring and thus reduce the agency costs, which is advantageous to the shareholders. On the other hand, LD's counsel could get distorted, because as compared to an independent counsel, they have a vested interest in the firm. Moreover, the firm having a lawyer on board arguably benefits from a better network of lawyers and thus could either side-step or bend the law, hoping to secure less severe outcomes, if litigated at all.

The candidate is expected to review the literature on lawyer-directors and provide an extensive overview. Next, (s)he is expected to investigate the market reaction to LD appointments and provide a summary of LDs presence as a function of firm characteristics. Further, (s)he should analyze the relationship between the probability of being litigated and severity of the verdict, settlement amount etc. with having a lawyer on board and see whether these measures are affected by appointing a LD. The candidate is required to develop and employ a plausible identification strategy, yet the two options at the outset are (1) board members unexpected turnovers and (2) enactment of Sarbanes-Oxley Act, which mandated employing independent directors.

The two main databases are Boardex and Federal Judicial Center data set that has all federal, civil, criminal, bankruptcy, and appellate court case information reported by the courts to the Administrative Office of the U.S. Courts and covers mid-1969 through to the present. The standard datasets like CRSP and Compustat, among others if necessary, are also available and will be given to the candidate. The candidate is expected to match all the datasets and provide a conclusive answer to the question in the first paragraph, namely, whether LD's are value-adding or value-destroying and determine if this effect materializes via the litigation channel.

Preliminaries: Solid econometrics skills. Ability to work with large datasets, matching in any common data analysis language, preferably R, however, Stata, or Python are also fine.

Introductory Literature:

Litov, L., Sepe, S. and Whitehead, C., 2014. *Lawyers And Fools: Lawyer-Directors In Public Corporations*. Georgetown Law Journal. DOI: [10.2139/ssrn.2218855](https://ssrn.com/abstract=2218855)

Henderson T, Hutton I, Jiang D, 2018, "Lawyer CEOs", DOI: ssrn.com/abstract=2923136

Burak Güner A, Malmendier U, Tate G, JFE; 2008, "financial expertise of directors", DOI: 10.1016/j.jfineco.2007.05.009

Topic 8: M&A antitrust and political connections of suppliers and customers.

Supervisor: Hamed Davari

Merging firms need to convince antitrust agencies in the US (Federal Trade Commission and Department of Justice) before they could consummate their merger. This is to ensure that the merger does not lead to market power for the merged entity or less innovation in the industry. A merger could positively or negatively affect suppliers and customers of the merging parties along the supply chain. Neither is an increase in output prices desirable for customers, nor an excessive bargaining power for the supplier. On the other hand, an efficiency-increasing merger is beneficial to the customer, which in turn, could lead to higher sales and profits for the supplier. As such, both the suppliers and customers of the merging parties have incentives to support or forestall a merger. This project aims to investigate whether politically connected suppliers and customers affect merger review outcomes, depending on their interests.

The candidate is expected to get the merger data from SDC terminal in 1998-2018 and subsequently identify direct suppliers and customers of the merging parties from Bureau of Economic Analysis Benchmark and Customers input and output tables. Next, (s)he should match all these firms with their political connection measures, including but not limited to: having a representative or a senator in the house, lobbying, campaign contributions, and having a politician on the board. Further, (s)he is expected to analyze suppliers and customers market reactions to the merger and infer their interest regarding the merger. The candidate is also required to develop an identification strategy to tease out the effect of the political connection of interest (may it be lobbying or any other measure), which could be using turnover shocks to the committees with supervision over governmental antitrust bodies in the house and senate.

The data on mergers come from SDC terminal, lobbying and campaign contribution data are from Center for Responsive Politics, and data on politicians on the board is available from Boardex. CRSP and Compustat and the other standard databases are available and will be given to the candidate, if necessary. Lastly, I will provide the data on merger review outcomes.

Preliminaries: Solid econometrics skills. Ability to work with large datasets, name matching in any common data analysis language, preferably R, however, Stata, or Python are also fine.

Introductory Literature:

Mehta, Mihir, N. Srinivasan, Suraj, Zhao, Wanli 2020, "Politics of M&A antitrust", Journal of Accounting research. DOI: 10.1111/1475-679X.12291

Fidrmuc, Jana P., Roosenboom, Peter, Zhang, Eden Quxian, 2018, "Antitrust merger review costs and acquirer lobbying", Journal of corporate finance, DOI: 10.1016/j.jcorpfin.2018.05.001

S. Betton, B. E. Eckbo and K. S. Thorburn, 2007, "*Handbook of corporate finance*", North Holland, Chapter 15.6