

## MASTERTHESIS

Fall Term 2024

(As of 3. September 2024)

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: Reddit Inc. IPO

### Supervisor: Bastian Koch

Reddit Inc., a social media platform that hosts millions of online forums, went public on March 21, 2024. The company priced its IPO at \$34 per share, the top of its planned \$31 to \$34 price range. This values the offering of 22,000,000 shares of its Class A common stock at \$6.4 billion.

Reddit enables users to form online communities, share ideas, photos, and videos, and vote on content posted by other users. The website is known for its discussion forums, including its popular “Ask me Anything” format. With 267.5 million weekly active users, Reddit is one of the most popular social media platforms. Reddit's popularity rose to new heights during the "meme-stock" saga of 2021 in which a group of retail investors collaborated on its forum "*wallstreetbets*" to buy shares of highly shorted companies like GameStop. The company generates revenue through advertising and ad-free premium membership plans. Reddit is currently unprofitable. In the last three months of 2023, Reddit posted net income of roughly \$18.5 million. For all of 2023, the company posted a net loss of \$90.8 million.

The goal of this thesis is to value Reddit and determine whether the offer price of \$34 per share was fair. To do so, the candidate should perform a comprehensive analysis of the industry. The candidate should also perform a cash-flow-based valuation and a multiples-based valuation. To assess the market reaction to the announcement, the candidate is required to perform a study of Reddit's competitors. The candidate should elaborate on the first-day return, referring to the relevant literature on IPO first-day returns.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

### Introductory Literature:

<https://www.reuters.com/markets/deals/reddit-set-hotly-anticipated-debut-after-pricing-ipo-top-range-2024-03-21/>

<https://investor.redditinc.com/news-events/news-releases/news-details/2024/Reddit-Announces-Pricing-of-Initial-Public-Offering/default.aspx>

<https://www.sec.gov/Archives/edgar/data/1713445/000162828024010137/reddit-sx1a1.htm>

## Topic 2: SAP SE acquires WalkMe Ltd.

### Supervisor: Bastian Koch

On June 5, 2024, SAP SE (NYSE: SAP) announced that it had reached a definitive agreement with WalkMe Ltd. (NASDAQ: WKME) to acquire the latter for \$14 per share in an all-cash transaction, representing an equity value of approximately \$1.5 billion. The offer price represents a 45% premium to WalkMe's closing share price on June 4, 2024. "By acquiring WalkMe, we are doubling down on the support we provide our end users, helping them to quickly adopt new solutions and features to get the maximum value out of their IT investments," said Christian Klein, CEO and member of the Executive Board of SAP SE.

SAP SE is a German multinational software company based in Walldorf, Baden-Württemberg. It develops enterprise software to manage business operations and customer relations. The company is the world's leading enterprise resource planning software vendor. As of July 2024, SAP is the largest German company by market capitalization. WalkMe, founded in 2011, has developed a platform for adopting digital technologies without the need to write additional code. The concept behind WalkMe's solution is to help organizations measure, promote, and act to maximize the impact of digital transformation processes, thereby improving the efficiency of the software the organization uses. WalkMe went public at a \$2.5 billion valuation in June 2021.

The goal of this thesis is to evaluate the acquisition deal and to determine whether the acquisition terms were fair. To that end, the student should first perform a comprehensive industry analysis. Next, the student should conduct a DCF valuation and a multiples-based valuation for WalkMe and discuss potential synergies. To examine the stock market reaction to the acquisition announcement, the candidate should analyze the two companies and their competitors using event-study methods.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

### Introductory Literature:

<https://news.sap.com/2024/06/sap-enters-agreement-to-acquire-walkme/>

<https://techcrunch.com/2024/06/05/sap-to-acquire-digital-adoption-platform-walkme-for-1-5b/?guc-counter=1>

### Topic 3: Maplebear Inc. (Instacart) IPO

#### Supervisor: Rongrong Wang

On August 25, 2023, Maplebear Inc., operating under the brand name Instacart, announced the filing of a registration statement on Form S-1 with the U.S. Securities and Exchange Commission (SEC) for a proposed initial public offering (IPO). On September 19, 2023, it debuted on the Nasdaq Global Select Market (Nasdaq) under the symbol “CART.” The company priced its IPO at USD 30 per share, valuing the offering of 22 million shares of its common stock at USD 660 million.

Instacart is a leading online grocery delivery platform that facilitates the ordering of groceries and essentials from various local stores through its app and website. The company collaborates with a diverse range of retailers, including major supermarket chains and local grocers, to provide a broad selection of products. Instacart’s platform employs sophisticated algorithms to optimize delivery routes, ensuring efficient and punctual service. Founded in 2012 and headquartered in San Francisco, California, Instacart has emerged as a significant player in the e-commerce and logistics sectors.

In 2022, the fiscal year preceding its IPO, Instacart reported approximately USD 2.5 billion in revenue, marking a 39% increase compared to 2021. The company also reversed a net loss of USD 73 million in 2021 to a net income of USD 428 million in 2022, demonstrating robust growth driven by heightened demand for online grocery delivery services. The IPO provided Instacart with substantial capital to expand its operations, invest in technology, and enhance its service offerings.

This thesis aims to assess the valuation of Instacart and evaluate the fairness of the USD 30 per share offer price and elaborate on the first-day return. To achieve this, the candidate should conduct comprehensive analyses of both the industry and the company and employ fundamental and multiples-based valuation methods. To assess the market reaction to the IPO announcement, the candidate is required to perform an event study of Instacart’s competitors.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

#### Introductory Literature:

Press releases:

<https://www.instacart.com/company/pressreleases/instacart-files-registration-statement-for-proposed-initial-public-offering/>

<https://www.instacart.com/company/pressreleases/instacart-announces-pricing-of-initial-public-offering/>

SEC filing:

<https://www.sec.gov/Archives/edgar/data/1579091/000119312523235646/d55348ds1a.htm>

#### Topic 4: Pfizer acquires Seagen

##### Supervisor: Rongrong Wang

On March 13, 2023, Pfizer Inc. (NYSE: PFE) announced a definitive agreement to acquire Seagen Inc. (NASDAQ: SGEN). Under the terms of the agreement, Pfizer would pay USD 229 per share of Seagen, in cash, bringing the estimated enterprise value to USD 43 billion. Based on the closing share price of USD 172.61 on March 10, 2023, the last trading day before the announcement, this offer represents an announced bid premium of 32.67%. Compared to the closing share price of USD 146.78 on June 16th, 2022, the last trading day before the rumor, the offer represents a bid premium of 56.02%. Dr. David Epstein, CEO of Seagen, stated, "Pfizer shares our steadfast commitment to patients, and this combination is a testament to the passion, dedication, and talent of the Seagen team to achieve our mission to discover, develop, and commercialize transformative medicines that make a meaningful difference in people's lives."

Seagen Inc. is a biotechnology company dedicated to discovering, developing, and commercializing transformative medicines. Headquartered in Bothell, Washington, Seagen focuses on cancer therapies, with a portfolio that includes innovative antibody-drug conjugate (ADC) technologies. The company is known for developing targeted therapies that aim to improve outcomes for patients with various types of cancer.

Pfizer Inc., one of the world's premier biopharmaceutical companies, is a research-based firm involved in the discovery, development, manufacture, marketing, sale, and distribution of biopharmaceutical products globally. The company has a worldwide presence and consists of two business segments: Pharmaceutical and Animal Health.

This thesis aims to evaluate the acquisition deal and determine whether the acquisition terms were fair. To achieve this, the candidate should first perform comprehensive industry and firm analyses. Subsequently, the candidate should conduct both a cash-flow based and a multiples-based valuation for Seagen Inc., and discuss potential synergies. Furthermore, to assess the stock market reaction around the merger announcement, the candidate is required to analyze the two companies and their competitors using event-study methods.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

##### Introductory Literature:

Press release:

<https://www.pfizer.com/news/press-release/press-release-detail/pfizer-invests-43-billion-battle-cancer>

SEC filing:

<https://www.sec.gov/Archives/edgar/data/1060736/000119312523068474/d467472dex991.htm>

## Topic 5: The Carve-out of Kenvue

### Supervisor: Rongrong Wang

On January 4, 2023, Johnson & Johnson (NYSE: JNJ) filed a preliminary prospectus to carve out its consumer health business, Kenvue, through an IPO. Rumors about the deal began circulating as early as late 2022. Johnson & Johnson planned to list Kenvue on the New York Stock Exchange, offering a minority stake to the public while retaining a controlling interest. Initial reports indicated that the Board and management team believe that the separation of the Consumer Health Business is the optimal strategy to enhance service delivery and accelerate growth. This decision aligns with J&J's broader strategy of focusing on its pharmaceutical and medical device divisions.

Johnson & Johnson, a global leader in healthcare, was founded in 1886 and has expanded its market presence through numerous acquisitions. Before the carve-out, Kenvue was a significant subsidiary of Johnson & Johnson, specializing in consumer health products. Kenvue's portfolio includes well-known brands such as Aveeno, Tylenol, Listerine, and Neutrogena. The creation of Kenvue was part of Johnson & Johnson's strategic decision to streamline operations and focus on its core segments of pharmaceuticals and medical devices, aiming to enhance shareholder value and operational efficiency.

On May 3, 2023, Kenvue announced the IPO involved listing 172.8 million shares at an offering price of USD 22 per share, raising approximately USD 3.8 billion. On May 4, 2023, Kenvue Inc. began trading on the New York Stock Exchange (NYSE) under the symbol "KVUE" and completed the offering on May 8, 2023.

The goal of this study is to evaluate the carve-out and determine whether the offer price of USD 22 was fair. To achieve this, the candidate is required to perform comprehensive industry and company analyses and apply a fundamental valuation and a multiples-based valuation. To assess the market reaction around the announcement of the IPO, the candidate should examine Johnson & Johnson and its competitors, as well as the competitors of Kenvue, in an event study. Furthermore, the candidate should examine the medium to long-term effects of the divestiture by comparing the stock price movements of these two companies with the stock price movement of Johnson & Johnson before the carve-out.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

### Introductory Literature:

Press releases:

<https://www.kenvue.com/media/kenvue-trading-on-nyse>

<https://www.jnj.com/media-center/press-releases/trading-for-kenvue-to-begin-on-new-york-stock-exchange>

SEC filing:

<https://www.sec.gov/Archives/edgar/data/1944048/000162828023000234/kenvues-1.htm>

## Topic 6: Boeing acquires Spirit AeroSystems

### Supervisor: Minrui Gong

On Jan 5, 2024, a door plug blew off from an Alaska Airlines-operated Boeing 737 Max 9 aircraft mid-flight, marking a significant safety incident rooted in years of persistent quality issues at Boeing. Just weeks after the alarming incident, Boeing announced its intention to acquire Spirit AeroSystems, the long-standing supplier responsible for manufacturing fuselages for the 737 Max and 787 jets.

Spirit AeroSystems, based in Wichita, Kansas, was originally spun off from Boeing in 2005 as part of an outsourcing strategy. Over time, Spirit became the focal point of a severe quality control crisis. A whistleblower revealed widespread fraudulent practices within Spirit, including systematic underreporting of defects in its manufacturing processes. These revelations triggered investor lawsuits and federal investigations, adding to the challenges of a company already struggling financially.

On July 1, 2024, Boeing announced its final agreement to acquire Spirit AeroSystems in an all-stock deal valued at \$37.25 per share. This price reflects a 13% premium over Spirit's share price before the agreement was finalized and a 30% premium over its value before the initial report of the acquisition talks. As part of the deal, Spirit will divest all non-Boeing operations. However, satisfying the buyers proved challenging: Airbus, Spirit's second-largest customer after Boeing, agreed to take over Spirit's sites manufacturing Airbus jets only after receiving \$599 million in compensation.

The goal of this thesis is to evaluate the acquisition deal and to determine whether the acquisition terms were fair. To that end, the student should first perform a comprehensive industry analysis. Next, the student should conduct a DCF valuation and a multiples-based valuation for Spirit and discuss potential synergies. To examine the stock market reaction to the acquisition announcement, the candidate should analyze the two companies and their competitors with event-study methods.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

### Introductory Literature:

First report of acquisition talks: <https://www.bloomberg.com/news/articles/2024-03-01/boeing-said-to-be-in-talks-to-buy-ex-unit-spirit-aerosystems>

Official announcement: <https://investors.boeing.com/investors/news/press-release-details/2024/Boeing-to-Acquire-Spirit-AeroSystems/default.aspx>

## Topic 7: KKR acquires Encavis

### Supervisor: Minrui Gong

The EU is accelerating its green transition. In 2023, renewable energy sources accounted for over 40% of the EU's total energy production. In the first half of 2024, this share exceeded 50% for the first time, marking a significant milestone.

Against this backdrop, on March 24, 2024, KKR & Co Inc., a New York-based private equity firm, initiated a strategic acquisition of Encavis AG, a Hamburg-based renewable energy company, for €17.5 per share in cash through a voluntary public takeover offer. The acquisition also includes a pooling agreement to purchase 31% of Encavis' shares from major shareholders. The offer price represents a bid premium of 55% based on the closing share price before the first rumors of the deal (Bloomberg on March 6, 2024), and 30% compared to the share price before the official announcement. Both the management and supervisory boards of Encavis have unanimously endorsed the offer.

Founded in 2001, Encavis AG is a leading independent producer of electricity from renewable energy sources in Europe. The company's portfolio includes 190 solar photovoltaic plants and 40 on-shore wind farms, with a combined operating capacity of 2.2 GW across ten European countries.

The goal of this thesis is to evaluate the acquisition deal and to determine whether the acquisition terms were fair. To that end, the student should first perform a comprehensive industry analysis. Next, the student should conduct a DCF valuation and a multiples-based valuation for Encavis and discuss potential synergies. To examine the stock market reaction to the acquisition announcement, the candidate should analyze Encavis and its competitors with event-study methods.

**Preliminaries:** Ability to conduct company valuations and event studies in Excel or Stata.

### Introductory Literature:

First report of acquisition talks: <https://www.bloomberg.com/news/articles/2024-03-06/kkr-said-in-talks-to-buy-energy-firm-encavis-for-over-2-billion>

Official announcement: <https://www.encavis.com/en/green-capital/investor-relations/strategic-partnership>

## Topic 8: Do managers matter for firm policies and performance?

### Supervisor: Minrui Gong

Do managers significantly influence firm policies and performance? While this question may appear straightforward, it has sparked debate among scholars and practitioners for over a century. Some argue that managers play a crucial role, wielding significant discretion in decision-making and shaping organizational culture. Others contend that the impact of managers is limited, constrained by various organizational and environmental factors.

Bertrand and Schoar (2003) demonstrate that managers have distinct attributes (“style”) that significantly influence a wide range of firm decisions. These managerial imprints can be identified by observing (1) policy shifts within the same firm upon leadership turnover and (2) consistent policy patterns across different firms under the same leadership. Empirically, they are captured by a manager “fixed effect.”

However, if firms consistently select managers with similar attributes, it may appear that managers have no distinct “style,” as an incoming manager’s policies would closely resemble those of their predecessor. This selection process can empirically bias estimates of managerial impact downward. This thesis tackles this issue by focusing on firms with limited options in the managerial labor market. These firms are compelled to accept greater variation in managerial attributes across managers as a perfect match is not available. Such labor market frictions thus allow for a cleaner identification of managerial impact.

The thesis has three main objectives. First, the candidate should replicate the key findings of Bertrand and Schoar (2003) using more recent data from Compustat and Execucomp. Second, the candidate should gather data and develop measures of the managerial labor constraints, which may include factors such as firm size, industry size, and IPO-driven CEO demand shocks (see Nickerson, 2017). Third, the candidate should extend the baseline analyses to investigate whether firms facing greater constraints in the managerial labor market demonstrate stronger managerial impact.

**Preliminaries:** Basic knowledge in Stata, regression analyses (esp. panel models), and hypothesis testing (esp. F-tests); ability to deal with large datasets; ability to design and execute empirical tests

### Introductory literature

Bertrand, M., & Schoar, A. (2003). Managing with style: The effect of managers on firm policies. *The Quarterly journal of economics*, 118(4), 1169-1208.

Mackey, A. (2008). The effect of CEOs on firm performance. *Strategic management journal*, 29(12), 1357-1367.

Nickerson, J. (2017). Market forces and CEO pay: Shocks to CEO demand induced by IPO waves. *The Review of Financial Studies*, 30(7), 2272-2312.

Baltrunaite, Audinga, and Egle Karmaziene, 2023, Trainspotting: Board Appointments in Private Firms, *Bank of Italy Temi di Discussione* 1278, <https://papers.ssrn.com/abstract=3659493>.

Knyazeva, Anzhela, et al., 2013, The Supply of Corporate Directors and Board Independence, *Review of Financial Studies* 26:6, pp. 1561-1605, <http://rfs.oxfordjournals.org/content/26/6/1561.abstract>.