

Kenan-Flagler Business School - UNC Chapel Hill
BUSI 582H – Mergers and Acquisitions
Spring Semester 2024

David J. Ravenscraft, McColl 4410, Cell (919) 824-1176, email raven@unc.edu
Adm. Assistant: Ann Kinney, McColl 4100 (919) 962-3143, anna_kinney@kenan-flagler.unc.edu

Course Objective

Mergers, acquisitions and other types of restructurings have a dramatic impact on most corporations. Managers, consultants and investment bankers will -- either directly or indirectly -- face the challenges brought on by these changes in corporate structure. Furthermore, M&A provides an opportunity for gaining insight into key business issues. This course overviews the strategic, financial and organizational aspects of merger-related challenges, while providing depth in the area of valuation. The readings, cases, projects and lectures will integrate theory and practice from your finance, accounting, economics, statistics and management courses.

Course Goals

1. To help understand the entire merger process from strategy to post-merger integration.
2. To help develop and implement a successful acquisition strategy.
3. To value any company or acquisition target using the 3 main approaches: comps, DCF and LBO.
4. To enhance skills in regression and modeling for appropriate work-related challenges.
5. To learn about corporate governance through the study of hostile takeovers, active investors & LBOs.
6. To compare different types of mergers, acquisitions, and private equity deals.
7. To gain a current real-world perspective on M&A from eight senior level M&A related executives.

Pre-requisite

BUSI 408 Corporate Finance is a co-requisite for this course. You will have a little deeper understanding of some of the material if you have already taken BUSI 407 (Financial Accounting), BUSI 409 (Advanced Corp Finance), BUSI 410 (Analytical Applications) and BUSI 411 (Strategic Management), but these courses are not pre-requisites and students have done well in the course with only BUSI 408 as a co-requisite.

Course Materials

This course does not use a textbook, course pack or Harvard like cases. We will use a breadth of mini-cases from current business press articles, great background readings from internet sites and several live cases where you use information and data from public sources. This approach should allow you to apply the course teachings to your industry/firm, where issues are not neatly packaged into a case and data is not given to you. **All readings are on Canvas and are prioritized into required, recommended, skim and background.** The required readings are kept to a minimum. Your time will be focused mainly on more active learning. Required readings will be used in class, so it is critical that you do them in advance.

I have a large library of M&A books and articles. Let me know if you want additional readings on any M&A topic. If you feel an M&A textbook would be helpful, I would be happy to recommend one that best fits your needs.

Responsibilities and Assignments

There are four components to successfully completing this class:

Class participation	(25%)
Five group projects (4 percent for each project)	(20%)
Take home midterm	(35%)
In class final exam	(20%)

Class attendance and participation are critical to learning the material, completing the group assignments and succeeding on the exam. Think of the group projects like a breakout session where you apply the material discussed in the prior class with as much help from the TAs and me as needed. The individual midterm exam will be similar to the group projects, just applied to a different deal. The more traditional final exam covers the whole class including the speakers. **Taking good notes on all the classes and especially the speakers is critical to succeeding on the final exam.** For the final, you are allowed a 3-page double sided reference sheet that you can create with up to 6 individuals. This group can be separate from your project teams. There are no font or margin constraints. Dividing the reference sheet into four quadrants gives you approximately 24 quadrants or approximately one quadrant per class.

We encourage the use of laptops or tablets for certain course-related activities. This means using your laptop or tablet to take notes, or to follow along with an Excel spreadsheet or PowerPoint presentation. The instructor will ask you to bring your laptop to class on certain days for in-class exercises. It is inappropriate to use your laptop or tablet in class for sending e-mail, for surfing the web or other non-M&A course related activities. **For all speakers, laptops, tablets, cell phones or other electronic devices are not allowed.**

The group assignments will require you to apply the class material to a **potential** target company. You should select your own group as soon as possible. To help keep the class work more manageable the required group size is between 3-5 students. There will be no exceptions made to the maximum group size of 5. The first assignment lets you value a firm using DCF. A public comparable valuation of the target comprises the second assignment. The third assignment requires transaction multiple analysis with a large sample of deals. In the fourth assignment, you will add synergies and prepare for a hypothetical negotiation to buy or sell the target. An LBO analysis will be added in the final assignment. Detailed instructions on each assignment will be put on the website. I strongly recommend that you do the assignments well in advance which will allow you to compare answers with other members of your group and seek help from the professor or TAs where needed.

A peer assessment of your group members' contribution to the team assignments will be a required part of the midterm exam. To receive credit a group member must fully participate in each project. Full participation means that everyone in the group understands the mechanics and intuition behind the assignment and contributes in meaningful ways to each assignment. **Full participation in the group projects will also be critical to your success on the exams.** All group members will receive the same grade on the project, except individuals with substantially below average participation. The grade for those individuals will be reduced in accordance to the subpar participation. My hope is that those more comfortable with the project material will assist others in the group to learn the material.

AI Usage Policy

You are welcome/expected to use generative AI tools (e.g. ChatGPT, Bing, Bard, etc.) to learn more about the concepts, industries, companies, speakers, and cases discussed in this class. Generative AI can be used to complement the course readings. Some simple AI prompts will be suggested in the syllabus, Canvas site, and/or PowerPoint slides. It might be helpful to review articles referenced by AI. Warning you will see the problem of AI giving incorrect answers especially when asking for speaker bio.

Aside from industry and company background information, AI will not be helpful on the assignments or exam and should not be used for anything besides background information. **Reading the course material into generative AI is prohibited.**

The best two sources on business related Generative AI: Ethan Mollick

<https://substack.com/@oneusefulthing> and video [Unlocking the Power of AI | Harvard Business Publishing Education](#)

Attendance

I expect to be notified in advance if you need to miss class, arrive late or leave early. I understand the need to miss class for interviews and illness, so only several excused absences will impact class participation, but any unexcused absence will have a detrimental effect. Most classes will be recorded, but recordings are an imperfect substitute for class attendance and you cannot participate in a recording. Guest speakers will not be recorded to ensure a frank and open discussion with these senior executives. If you miss several classes, you can reduce the grade impact by emailing me (before the class) brief answers to the questions for case, a brief summary of the readings and/or working any class exercise in advance. If there is no reading, case or exercise for that class, then you can submit a summary of the presentation for that day from the recording (after the class). Web surfing and other disruptive class activities will negatively impact your class participation grade.

Honor Code

Integrity is one of Kenan-Flagler Business School's core values. According to our statement of core values "we hold ourselves to the highest ethical standards." Violations of the honor code are totally inconsistent with this core value and are simply **unacceptable in any form**. In addition to plagiarism, an honor code violation would occur if you gave or received help on the midterm or final exam. For the group projects, the honor code violation would be receiving help from anyone outside your group (except for TAs and the professor) or using in any way a project from previous years. Any violation of the honor code will result in a failing grade in the course. If any part of this honor code statement is not clear, ask me for a clarification. If you are unsure about which actions violate the Honor Code, please see me or consult <https://studentconduct.unc.edu/>.

Potential Changes in the Syllabus

Since we have a large number of top executives speaking in the class, there is a strong likelihood that the schedule will change due to rescheduling requests or cancellations. Student feedback or opportunities to enhance the material may also lead to changes in the schedule. These changes could impact the start and end dates for assignments and the midterm. Any changes will be clearly announced in class and on the PowerPoint slides. Changes will also be adjusted on the website class calendar. The final exam times are set by the University and will not change.

Help

I succeed when you succeed. I have a passion for making sure you can apply the material in the course to real world situations during and after the course. Please do not hesitate to ask for help with any of the course material. I will try to respond to emails promptly and I am happy to set up a phone or Zoom appointment. If I do not respond in 24 hours, please resend and ask for a read receipt. You should also feel free to call my cell phone anytime between 8 am and 10 pm. The TAs and I can be especially helpful on the group projects, because you will get a chance to apply similar material on the midterm exam. We will not pre-read the written

portion of anyone's assignment, but we are happy to look over spreadsheets and answer any questions about interpretations.

The TAs and their assignments are: Assignment 1 Standalone DCF, Emmy Smith; Assignment 2 Public Comparable Analysis, Pete Blonkvist; Assignment 3 Transaction Comparable Analysis, Abigail Pugh; Assignment 4, DCF with Synergies and Summary, Jacob Sims; and Assignment 5 LBOs Emmy Smith.. I will hold office hours the day before an assignment is due and a TA will hold office hours the evening before an assignment is due. Specific times will be announced in class. If you have questions about an assignment that can be answered by email, please send the email to both the TA and me. If you have any suggestions for improving the course, please let me or one of the TAs know.

As a student, you may experience a range of challenges that can interfere with learning, such as strained relationships, increased stress and anxiety, substance use, feeling down, difficulty concentrating and/or lack of motivation. You may experience these challenges and others to an increased degree considering the things happening nationally and globally during this time. Unaddressed, these challenges have the capacity to diminish your overall well-being, academic performance, and/or reduce your ability to participate in daily activities.

Recognizing the signs and symptoms of mental or emotional health and wellness concerns can help you or others to seek care that can help. Please take advantage of the resources provided by the Undergraduate Business Program, Kenan-Flagler Business School and the University. I promise that I will be empathetic to any issue you face. I have a strong track record of helping students over my 35 years here and would be happy to help to the extent that I can.

Optional Background Reading

As mentioned above, I have decided to make completely optional textbook related background reading on the topics in the course. Background readings add substantial cost to the reading packet and, in general, students dislike required readings that are not explicitly used in class. Some students, however, find background readings very helpful. Any one of the following four books would provide a great background on M&A

DePamphilis, Donald Mergers, Acquisitions and Other Restructuring Activities: 11th Edition 2021

Gaughan, Patrick Mergers, Acquisitions and Corporate Restructuring: Seventh Edition 2017

Koller, Goedhart & Wessels, Valuation: Measuring and Managing the Value of Companies: 7th Edition 2020

Rosenbaum, Joshua & Joshua Pearl Investment Banking: 3rd Edition 2021

UBP Wellness coaching Services

In the UBP, Wellness Coaches work with students to co-create action-oriented goals based on the habits they'd like to change, and provide accountability and support as students work towards these goals. Wellness Coaching typically lasts for between 3 to 6 sessions and is a free service for all UBP students. Coaching may also be used as a bridge to additional services if it seems students could benefit from resources and support outside the scope of a brief, goal-oriented space. [Sign-up](#) for UBP Wellness Coaching to learn more about your wellbeing or other mental health resources on campus! You can also email wellness@kenan-flagler.unc.edu to get started. To explore additional wellness resources or a calendar of wellness events, check out the UBP SharePoint: <https://kenanflaglerunc.sharepoint.com/sites/ubp/SitePages/Student-Wellness.aspx>

Counseling and Psychological Services

UNC-Chapel Hill is strongly committed to addressing the mental health needs of a diverse student body. The Heels Care Network website is a place to access the many mental health resources at Carolina. CAPS is the

primary mental health provider for students, offering timely access to consultation and connection to clinically appropriate services. Go to their website <https://caps.unc.edu/> or visit their facilities on the third floor of the Campus Health building for an initial evaluation to learn more. Students can also call CAPS 24/7 at 919-966-3658 for immediate assistance.

Title IX

Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Reports can be made online to the EOC at <https://eoc.unc.edu/report-an-incident/>. Please contact the University's Title IX Coordinator (Elizabeth Hall, interim – titleixcoordinator@unc.edu), Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators (gvsc@unc.edu; confidential) to discuss your specific needs. Additional resources are available at safe.unc.edu.

Accessibility Resources and Services

The University of North Carolina at Chapel Hill facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability or pregnancy complications resulting in barriers to fully accessing University courses, programs and activities.

Accommodations are determined through the Office of Accessibility Resources and Service (ARS) for individuals with documented qualifying disabilities in accordance with applicable state and federal laws. See the ARS Website for contact information: <https://ars.unc.edu> or email ars@unc.edu.

Schedule, Topics, Readings and Assignment

I. Thursday Jan. 11 – Course and M&A overview, Keys to M&A Success

Required Readings: Syllabus

Begin forming a team on Canvas for the five projects. Team members do not have to be in the same section. Anyone not part of a team by Monday Jan. 22 at 9 pm will be randomly assigned to a team. Recommended minimum team size is three. Maximum is five and there will be no exception to the maximum team size. You must stay in the same team for all five projects.

Please submit your background slide. Due Monday Jan. 15 by 9 pm.

Ask AI: Summarize the evidence on merger success

What are the 10 major causes of merger failure in order of importance

II. Tuesday Jan. 16 –M&A Strategy and Creating Synergies

Required Reading: Business Press Article on Canvas

Highly Recommended: “Measuring the Moat: Assessing the Magnitude and Sustainability of Value Creation” Mauboussin, Michael, Dan Callahan and Darius Majd, Credit Suisse Global Financial Strategies, Nov 1, 2016, 72 pages. Pdf on Canvas.

Ask AI: Apply Porter’s Five Forces analysis to the Medical Device Industry

Apply Porter’s Value Chain Analysis to the Medical Device Industry

Would you classify the medical device industry market structure as competitive, oligopoly, Monopoly, hypercompetitive, disruptive innovation complexity or co-opetition?

What are the major trends in the medical device industry?

What are the advantages of size in the medical device industry?

What are Stryker’s core competencies?

What are SNN’s core competencies?

Perform a SWOT analysis on Stryker

Perform a SWOT analysis on SNN

What are the potential synergies if Stryker acquired SNN?

III. Thursday Jan 18 - Introduction to Valuation and DCF Valuation of Just Synergies

Required Readings: Business Press Articles on Canvas

Highly Recommended: Review readings and notes from finance class and textbook on DCF and WACC, or, Read <https://www.wallstreetmojo.com/dcf-discounted-cash-flow/> Pdf on Canvas.

Ask AI: How do you value synergies and make sure they are enough to cover the premium paid?

IV. Tuesday Jan. 23 - Calculating Discount Rates and Terminal Value

Optional Background Reference for those wanted more detail on ROIC: “Getting ROIC Right – New Constructs” EY.com Feb. 2018, 10 pages <https://www.newconstructs.com/wp-content/uploads/2019/06/Getting-ROIC-Right.pdf>

Ask AI: What are the key challenges in calculating WACC?

What are the key issues in calculating terminal value?

How do you measure ROIC?

V. Thursday Jan. 25 - FCF Data Sources and Projections

Optional: “Free Cash Flow (FCF): Formula to Calculate and Interpret It” Investopedia [Free Cash Flow \(FCF\): Formula to Calculate and Interpret It \(investopedia.com\)](https://www.investopedia.com/terms/f/free-cash-flow/), PDF on Canvas

Optional Skim: Hershey 2019 10k filed on Feb. 20, 2020 at:

<https://www.sec.gov/edgar/searchedgar/companysearch.html> (Go to the original source for these, since we will use this source frequently.) Pdf file of Financial Statements on Canvas

Ask AI: How do you create pro-forma for FCF?

VI. Tuesday Jan. 30 - Exploring Whole Firm DCF Valuation

Optional Skim: “Hershey Co HSY (NYSE)” Morningstar Equity Research Report March 02 2020 26 pages. Pdf file on Canvas

Important note:

- Start Group Assignment 1 (after this class) Standalone DCF Valuation of a Target. Assignment 1 due Feb 8 by Noon

VII. Thursday Feb. 1 – Guest Speaker: Paul Parker, Senior Vice President, Head of Strategy and Corporate Development, Thermo Fisher Scientific, M&A Strategy: a Corporate Perspective

Readings (if any) on speakers, their firm and topic will be on Canvas. Otherwise, explore their firm’s website and their bio.

Ask AI: Create a couple paragraph bio on Paul Parker Senior Vice President, Head of Strategy and Corporate Development, Thermo Fisher Scientific

Give me a company analysis of Thermo Fisher Scientific with a focus on their acquisitions

Important note:

Submit Optional Question for each speaker on Canvas by 9 pm the day after the talk

NO LAPTOPS or ELECTRONIC DEVICES ALLOWED IN CLASS

VIII. Tuesday Feb. 6 – Public Comparable Analysis I

Required Readings:

“Multiples analysis Industry labels don’t matter, performance does” McKinsey & Company, Strategy & Corporate Finance Practice, Sept. 2019, 3 pages.

Business Press Articles on Railroad Deal

Ask AI: What is EV/EBITDA and how do you interpret it?

What are the advantages and disadvantages of EV/EBITDA, EV/Sales and P/E ratios?

IX. Thursday Feb. 8 – Public Comparable Analysis II

Required Readings:

Profiles of comparable food companies on Canvas from <https://finance.yahoo.com/> 3 pages

Ask AI: How do you pick comparable firms in public comparable valuation?

What are the 10 best comparable firms for Hershey?

Important notes:

- Assignment 1 due at noon today
- Start Group Assignment 2
Assignment 2 due on Feb 15 noon

Tuesday Feb. 13 – No Class Wellness Day

X. Thursday Feb. 15 -- Transaction Comparable Analysis with Large Sample Statistical Evaluation

Ask AI: Explain how you would do transaction comparable analysis.

Important note:

- Assignment 2 due at noon today
- Start Group Assignment 3 Transaction Multiples for a Target
Assignment 3 due Feb. 22

XI. Tuesday Feb. 20 – Adding synergies

Ask AI: How can acquisitions create synergies?

XII. Thursday Feb. 22 – Summary valuation and other valuation details

Review recording of prior year midterm review (Link on website)

Ask AI: How do you create a football field in valuation?

Important note:

- Assignment 3 due by noon today
- Start Group Assignment 4 Adding Synergies and Summary Valuation
- Assignment 4 **due Monday March 4 by 9 pm.**

XIII. Tuesday Feb. 27 -- Guest Speaker: Tom Lutz, Global Leader, Consumer Practice, Boston Consulting Group, Dallas, M&A Strategy and Post-Merger Integration

Instructions are the same for all speakers. See Class VII.

Ask AI: Create a couple paragraph bio on Tom Lutz, Global Leader Boston Consulting Group.
Give me a company analysis on Boston Consulting Group, focus on their M&A consulting

XIV. Thursday Feb. 29 – Guest Speaker: Hadley Peer Marshall, Managing Director, Investments Infrastructure, Brookfield Asset Management, Role of Debt in Deals

Instructions are the same for all speakers. See Class VII.

Ask AI: Create a couple paragraph bio on Hadley Peer Marshall, Managing Director, Investments Infrastructure, Brookfield Asset Management
What are the key trends and advantages and disadvantages of investing in infrastructure?
How do you use debt to finance infrastructure projects and what types of debt is used?

XV. Tuesday March 5 – Merger Negotiations

Important notes:

- **Assignment 4 due Monday March 4 by 9 pm.** I need the assignments on Monday in order to match teams
- Teams will be assigned to the section where the majority of their team members are registered
- **If you cannot switch sections to the class your team is assigned, then do not come to your section.**
- Teams should not penalize someone who cannot switch sections, provided they participate fully in the working of the assignment and preparing for negotiations

Ask AI: What are the keys to being successful in business negotiations?

**Take Home Midterm Exam posted on Canvas by 5 pm Wednesday March 6.
Midterm Exam due Sunday March 24 by 11 pm**

Thursday March 7 No class. Work on Exam

March 9-17 Spring Break

XVI. Tuesday March 19 – Legal considerations

Required Readings: Business Press Articles on Canvas

XVII. Thursday March 21 - Due Diligence & Post-Merger Integration

Required Reading: Lessons learned from a pharma integration plan McKinsey & Co Aug. 2018

Recommended: “M&A with Impact: Articles 2: Due Diligence Success Factors” Implement Consulting Group ISSN: 1904-6758 – No. 9/2018, 28 pages. AND/OR
“M&A with Impact: Articles 3: Post-deal Impact” Implement Consulting Group ISSN: 1904-6758 – No. 9/2018, 17 pages. (pdfs on Canvas)

Sunday March 24 Midterm Exam Due by 11 pm

XVIII. Tuesday March 26 - Eric Andreozzi, Co-Founder McColl Partners, Managing Director, Deloitte Corporate Finance

Instructions are the same for all speakers. See Class VII

Thursday March 28 – Well-being day No Class

XIX. Tuesday April 2 – Hostile Takeovers, Activist Investors and Corporate Governance

Required Readings: Business Press Articles on Canvas

XX. Thursday April 4 – Guest Speaker: Scott Anderson Managing Director, Co-Head of Depositories Investment Banking, Keefe, Bruyette & Woods, M&A in banking industry

Instructions are the same for all speakers. See Class VII

XXI. Tuesday April 9 – LBO Analysis

Required Readings:

Important notes:

- Start Assignment 5 LBO Analysis to potential target.
- Assignment 5 due on April 18 by noon

XXII. Thursday April 11—Placeholder for a Guest Speaker:

Instructions are the same for all speakers. See Class VII

XXIII. Tuesday April 16 –Divestitures and Spin-Offs

XXIV. Thursday April 18 – Other M&A topics

Important notes:

Assignment 5 due today by noon

XXV. Tuesday April 23 – Guest Speaker Schwin Chiaravanont, Managing Director of his direct family office, 2W Group, and an independent fund manager at Blueprint Forest from Thailand

XXVI. Thursday April 25 –Course wrap up

XXVII. Tuesday April 30 – Guest Speaker: Andrew Tisdale, Senior Managing Director, Co-Head of Europe, Providence Equity Partners, Global Issues in PE, and Role of Boards

Read his bio on the Canvas website and Explore Providence Equity Partners Website

UNC Assigned Final Exam Schedule

If you cannot attend your regularly scheduled exam time, you **must** get approval to switch to the other exam time by sending me an email requesting the change and explaining why the change is important.

Friday, May 3 Noon – 3 pm: Final Exam for 2:00 pm class

Monday May 6 4 - 7 pm: Final Exam for 12:30 pm class

Assignment	Topic	Start	Due	TA
Assignment 1	Standalone DCF	Jan. 30	Feb. 8, noon	Emmy Smith
Assignment 2	Public Comps	Feb. 8	Feb 15, noon	Pete Blonkvist
Assignment 3	Transaction Comp	Feb. 15	Feb. 22, noon	Abigail Pugh
Assignment 4	Synergy & Sum	Feb. 22	March 4, 9 pm	Jacob Sims
Assignment 5	LBOs	April 9	April 18, noon	Emmy Smith

Note: Because of potential changes in speaker schedules, these dates (especially LBOs) are subject to change.