New York University  
Stern School of Business  
C15.0050      Professor Yakov Amihud
Mergers & Acquisitions Fall 2009 – 2H (10/28-12/14)

Time:   Mo-We 3:30-4:45, Room TBA.
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Office hours:  Monday 2:00-3:00 & by appointment
Grader:   TBA

Note: This course requires **knowledge in finance** (Foundations of Finance, Corporate Finance) and a **considerable amount of work** on homework assignments.

Course Description:
This course will present the theories and empirical evidence on corporate control transactions, the process of evaluating acquisition targets and its application in practice. Findings on the reaction of stock prices to information on control transactions will be used to analyze the effects of various policy options in such transactions. Strategies of acquisition will be studied as well as defensive measures against them, their purpose and their consequences. The class will combine lecture material, quantitative and qualitative analyses and discussions of relevant news. There will be an emphasis on fundamental concepts of valuation and other areas of corporate finance related to M&As. Students should form groups of three.
Students are encouraged to follow the M&A activity that is reported in the press during the semester and bring up issues and events associated with material covered in class. Please coordinate with me in advance.

Grading:
Homework - 40%, final exam - 60%. Class participation can help in marginal cases. The final grade distribution is expected to be as follows: 25%-30% A and A-, 5%-15% C (inc. +/-), D & F, and the balance B (+/-).

Reading material:
Textbook: *Mergers, Acquisitions and Corporate Restructurings*. 2007, by Patrick Gaughan, John Wiley Publishers. Available at reduced price at the NYU bookstore and through some Internet sites. Additional reading material will be distributed during the course.

Case study: Cooper Industries.

Assignments: Assigned readings, a case and two problem sets. There is a final exam. All three assignments are to be handed in and they will be graded.
Course Outline:

Topics:

10/28  (a) Introduction: types of business acquisitions and combinations; reasons for
   (b) Institutional framework: tax issues; regulatory issues (mainly antitrust).
       Analysis of M&A cases.
   (c) Discussion of the cases of AOL-Time Warner, Guidant-Boston Scientific, New

Readings: G – Chs. 1, [2], 3 (esp. pp 78-85, 100-113), 4, 6 (pp.240-250), 15.

Assignment (due 11/9): Valuation and determination of exchange offers.

11/9,11Solving HW problem: Valuation and determination of exchange offers
   (a) Valuation of merger targets; errors in valuation and the "bootstrap" game.
       Determining the exchange ratio. Issues in pricing takeover targets. Issues in
       valuation. The discounted cash flow method; method of comparables.
       Readings: G – Ch 14.
   (b) The effects of M&As on stockholders' wealth in target and bidding firms --
       theory and empirical evidence.
       Readings: G – Ch. 4, pp. 250-258, 555-566.

11/16,18(a) Methods of payment in acquisitions: reasons and consequences; special
   financial instruments associated with acquisitions: collars, contingent value rights,
   other contracts.
   Assignment (due 11/23): Valuation of two offers with contingent payment.

11/23,25Solving HW assignment: of two offers with contingent payment
   (a) Leverage: The effects of M&As on bondholders' wealth. Wealth transfer
       between stockholders and bondholders; bankruptcy effect; maturity effect; risk
       effects; priority effects.
       Readings: G – pp. 184, 325-328.

11/30,12/2 Solving Cooper Industries.
   Note, this is after the Thanksgiving holiday, please start working on this early.

12/7,9 Defensive measures against hostile takeovers: rationale and methods.
   Board’s responsibility. State and federal regulations and takeover laws. Major case
   laws in M&As. Empirical evidence.

12/14 Summary and integration

12/23, 4:00-5:50: Final exam.