Mergers & Acquisitions

ECTS : 3

Description du contenu de l'enseignement :

- Introduction to Mergers & Acquisitions' issues and practice,
- Introduction to valuation methods and M&A process,
- Presentation of usual transaction structures with a special focus on tender offers, takeover bids, structured finance, and LBO transactions.

Course outline:

Class #1: Introduction to M&A

- The ecosystem of M&A (landscape of parties involved): types of transactions, framework of an M&A process, types of investors,
- For M&A, 1+1 = 3: value creation,
- Course based on Group Flo transaction: €300 million, 155 restaurants,
- How to conduct a transaction from the beginning to a final tender offer.

Class #2: Basic valuation and structure

- What's the difference between Price and (intrinsic) Value,
- The language used in finance is accounting: = basic accounting, how to read financial statements,
- Standalone financial statements vs. Consolidated accounts,
- "Qui-est ce ?" Can you identify the activity of a company using its P&L & B/S?
  (Exercise used at H.E.C.),
- France Pare Brise: financial statements of a company in a distressed situation. Are you capable of identifying the decisions that need to be made to save the company?
- Valuation methods (transaction multiples, trading multiples, DCF, DDM, LBO models, NAV),
- The course is Case study based.

Class #3: Buy-side versus sell-side M&A

- Description: who do what?
- Review of an HSBC pitch book prepared for Buffalo Grill,
- Overview of the timetable,
- Differences in modelling,
- How to purchase a company? How to structure the acquisition,
- Most common calculations (premium, FDSO, transaction values, transaction multiples …)
- Example of Provimi, a company worth €1,4 billion: review of the business plan used in the transaction (which dates back 2008), and the fairness opinion (invoiced for €200.000 for 33 pages report).

Class #4: Excel Models, business planning, auditing of a spreadsheet

- Key principles,
- Why do bankers create Business plans, and how?
- How to enlighten the key considerations on a model,
- Are assumptions realistic? Why?
- What kind of stress, and which "haircut" will the banker use to test the resistance of financial forecasts,
- Course based on very many different excel spreadsheets used in real transactions.

Class #5: Takeover Bids and LBO transactions

- Key principles
- Friendly vs. hostile bids,
- Case study: the acquisition of Gilette by Procter&Gamble,
- Rationale of "leverage", and the relationship between leverage, risk and I.R.R.
- Case study: the I.P.O. of Mr. Bricolage,
- The recent considerations on Structured finance & Leveraged Buy outs: Debt Push Down (How to relocate debt at the level of the assets rather than at the level of the holding company)

Class #6: Negotiations

- Key principles,
- Structuring and modeling a transaction. But negotiating is key,
- What are the main issues at stake,
- How to bridge a valuation gap (earn-outs, price adjustments),
- Case study based on legal documentation for a transaction,
- Possible case study from Harvard Business School: “Café Kenya”.

Compétence à acquérir :

Master usual transaction structures with a special focus on takeover bids and LBO transactions.

Mode de contrôle des connaissances :

- 45min multiple-choice questionnaire
- No documents allowed
- 1 case study

Bibliographie, lectures recommandées :

- Vernimmen P., P. Quiry et Y. Le Fur, 2016, Finance d'entreprise, 14th Edition, Dalloz, 1124 pages.
- Filippelli M. A., Mergers and Acquisitions Playbook: Lessons from the Middle-Market Trenches, 2010, 1st Edition, ? Wiley, 338 pages.
- Higgins R., ISE Analysis for Financial Management, 2022, 13th Edition, McGraw-Hill Education, 464 pages.
- Reed S. F., A. Lajoux, and H. P. Nesvold, The Art of M&A: A Merger Acquisition Buyout Guide, 2019, 5th Edition, McGraw-Hill Education, 1264 pages.
- Rosenbaum J. and J. Pearl, Investment Banking: Valuation, LBOs, M&A, and IPOs, 2020, 3rd Edition, Wiley, 512 pages.