1. Faculty Bio

Julian Franks BA (Sheffield) MBA (Columbia) PhD (London) is Professor of Finance and is the Academic Director of London Business School's Centre for Corporate Governance. Julian is widely published and his research focuses on bankruptcy and financial distress, corporate ownership and control, cost of capital and regulation. Recently his work on ownership and control (with Colin Mayer and Stefano Rossi) has won two international prizes. Two other papers of his have won best paper awards from the Journal of Financial Intermediation. He is Associate Editor of five finance journals, a member of various advisory boards and consults widely. He served as a member of the DTI-Treasury committee for reviewing the UK’s insolvency code and was a member of one of The Company Law Review’s committees on corporate governance. He is an advisor to Ofcom and past advisor to BAA on regulatory matters and he has advised (with Professor Brealey) The Office of Constitutional Affairs on the issue of outside equity for law firms. He is a Non-Executive Director of OXERA and is on the international advisory boards of Stern Stewart. He has been Visiting Professor at the University of California at both Berkeley and Los Angeles.

2. Aims & Objectives

This elective will be taught by Julian Franks. It will examine four forms of corporate reorganizations: mergers (and acquisitions), shareholder activism, reorganization through workouts and bankruptcy, private equity and leveraged management buyouts.

The course will have three main strands. First, there will be a strong financial economics based approach based on academic papers, and a focus on how transactions take place; those transactions include mergers, private equity, and distressed reorganizations. We will analyze their role in both the private and public capital markets, and how they perform from a shareholders' perspective. Second, a strong institutional flavour will run through the entire course. Third, there will be visiting speakers who will contribute to the transactions part of the course.

We will in some classes discuss for 10 minutes a current transaction, e.g. a takeover or a shareholder activism engagement that has been announced in the media. The choice of transaction should help to provide further illustrations of relevant institutions and ideas covered in the course.
3. Assignments & Assessment

There is a final examination that accounts for 60% of the course grade. There will be one exam for both streams. The exam will take place on Thursday, 4 December at 6:30pm and will be about 2 ¼ hours. There will be no opportunity to take this exam at any other time so you should make sure that you will be present for the exam; if you have any doubt you should not take the course.

There are three written assignments worth 30% of the final grade. Students should prepare all assignments in groups of two. The write-ups should be typed, a maximum of 3 typed pages plus exhibits. Class participation will count for 10% of the grade. There are several other case studies to be prepared for class and to be submitted but they will not be graded.

The exam will be based upon the class slides (and discussion), assignments, and those readings which are underlined (see below). Other readings are supplementary.

4. Textbook [readings and other materials]

READINGS

The course pack provides the readings for the course. I will discuss some of the readings in class; others provide background information. In addition, I have included a past examination paper to provide examples of the kind of questions you may be asked.

5. Format & Teaching Methods

Session 1: Tuesday, 23 September, 3:45pm and Wednesday, 24 September, 12:45pm

Hostile takeovers in Europe, North America and Asia

• How to make takeovers
• Levels of takeover activity in North America, Europe and Asia
• Role of hostile takeovers in correcting managerial failure
• Regulation of takeovers

Readings:


Financing of mergers, bid premia and post merger performance

• Why use debt rather than equity as the medium of exchange
• How to calculate the bid premium in a takeover

Assignment 1: Measuring the bid premium in a takeover
Session 2: Tuesday, 30 September, 3:45pm and Wednesday, 1 October, 12:45pm

Landscape of ownership across the world

- Ownership of companies across countries
- Importance of family ownership
- Determinants of successful capital markets

Readings:


Submit and discuss assignment 1

Prepare Assignment 2: Vodafone Mannesmann Takeover (HBS case)

Session 3: Tuesday, 7 October, 3:45pm and Wednesday, 8 October, 12:45pm

Submit Assignment 2: Vodafone Mannesmann Takeover
Discuss Vodafone Mannesmann

Visiting Speaker: Warren Finegold, Director of Strategy of main board of Vodafone
7 October, 5pm

Shareholder activism in US, Europe and Japan

- How extensive is activism
- Who are the activists
- How does it work and what are the outcomes
- How profitable is it

Readings:


Prepare case study on shareholder activism: Deutsche Bourse (answer to be submitted but not graded)

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Session 4: Tuesday, 14 October, 3:45pm and Wednesday, 15 October, 12:45pm

Discuss Deutsche Bourse case study

Conglomerate Valuation

Readings


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Session 5: Tuesday, 21 October, 3:45pm and Wednesday, 22 October, 12:45pm

Visiting Speaker: Paul Harris RWC Partners 21 October 3:45pm and October 22 12:45pm

Private Equity Transactions

- Who provides the finance
- A private equity case study
- Profitability of private equity
- Where does profitability come from? How much is from leverage?

Readings:


Private Companies and Family Ownership

Readings:


Prepare case study Kohler Company (answer to be submitted but not graded).
Session 6: Tuesday, 4 November, 3:45pm and Wednesday, 5 November, 12:45pm

Visiting Speaker: Peter Zinkin, Director of Strategy at Balfour Beatty
Tuesday, November 4 at 3:45pm and 12:45pm Wednesday, 5 November

M&A Valuation

Readings


Discuss Kohler Company

Session 7: Tuesday, 11 November, 3:45pm and Wednesday, 12 November, 12:45pm

Bank debt restructuring and problems in debt overhang

- Bank debt restructuring in distress
- Debt overhang and bank forgiveness
- Distressed rights issues

Readings TBC

Session 8: Tuesday, 18 November, 3:45pm and Wednesday, 19 November, 12:45pm

Visiting Speaker on Private Equity: Stefan Schreiter (12:45pm Wednesday, November 19)

Do bankruptcy codes matter and how is the pie divided

Readings


Sreedar Bharath and Tyler Shumway, 2008, "Forecasting Default with the Merton Distance to Default Model," Review of Financial Studies. [Optional reading]
Prepare Assignment 3: Flagstar Corporation

Session 9: Tuesday, 25 November, 3:45pm and Wednesday, 26 November, 12:45pm

Visiting Speaker: Mikhael Botbol, CEO of a distressed bond fund
November 25 at 3:45pm and November 26 at 12:45pm

Submit and discuss Assignment 3: Flagstar Corporation

Session 10: Tuesday, 2 December, 3:45pm and Wednesday, 3 December, 12:45pm

Review Class and review of past examination (included in the readings)

** Thursday, 4 December - Final Examination at 6:30pm **

OFFICE HOURS

I have scheduled office hours on Tuesday’s from 9am to 10am and Wednesday’s from 11am to 12pm. Students are encouraged to visit Julian Franks out of class. Also, you can arrange an appointment or pass by his office.