THE COURSE

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 conceptual approach based on academic papers. The emphasis here will be on how transactions take place including mergers, LBOs, distressed reorganizations. We will also analyze their role in the economy, and how they perform from a shareholders’ perspective and other contractual parties. Second, there will be a strong institutional flavour that will be described through papers. Third, visiting speakers will provide an important part of the transactions part of the course.

We will in some classes discuss for 10 minutes a current transaction, e.g. a takeover or an LBO that has recently been announced. The choice of transaction should help to provide further illustrations of relevant institutions and ideas covered in the course.

ASSIGNMENTS AND GRADING

There is a final examination that accounts for 60% of the course grade. There will be no opportunity 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.

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.

OFFICE HOURS

Students are encouraged to see me out of class. They may make an appointment or simply drop in.
Session 1
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
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
Submit Assignment 2: Vodafone Mannesmann Takeover
Discuss Vodafone Mannesmann

Speaker: Warren Finegold (Director of Strategy of main board of Vodafone: (5.00 pm & 8.15 am)

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)

Session 4
Discuss Deutsche Bourse case study

Visiting speaker: Glen Suarez and David Trenchard of Knight Vinke (15.45 and 9.45)

Session 5
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

Visiting Speaker: Peter Zinkin, Director of Strategy at Balfour Beatty (5.15 pm & 8.15 am)

M&A Valuation

Readings


Discuss Kohler Company

Session 7

Visiting speaker on Private Equity: Stefan Schreiter CEO of Vorsitzender der Geschäftsführung Wednesday at 3.45 pm and Humphrey Battcock Managing Partner of Advent International at 9.45 am on Thursday November 8.

Bank debt restructuring and problems in debt overhang

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

Readings?

Session 8

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

Submit and discuss Assignment 3: Flagstar Corporation
Conglomerate Valuation

Readings


*********************************

Session 10:

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

*********************************