

## Fall 2021 : FINA 7370 Cases in Corporate Finance

Instructor: Prof. Hiten Mehta

### Learning Objectives

The Class is designed as an applied finance class. A focus of the class will be to expose students to applying finance theory in real world settings with special emphasis on financing and its effects on risks and returns. The course will utilize a combination of lectures, cases and student projects, including team negotiation projects. Most of the learning will be from case discussions, with some of the cases derived from actual transactions worked on by the instructor. A key objective of this course is to provide sufficient in class and outside class spreadsheet based DCF analysis practice so that students can feel confident in their ability to handle simple asset valuations in a variety of settings and businesses back at their workplace. The Class will be structured in four modules:

1. Capital Budgeting – This module will refresh WACC, DCF analysis and will provide hands on spreadsheet modeling exposure to capital investment decisions. It will also provide a good foundation for the modules to follow
2. Financing – This module will seek to highlight why companies choose to finance, how it affects value and risks, and what amount of debt is optimal. Project financings will be covered in detail – what is project financing, why do companies use it, how does the process work in practice, what are the pros and cons of this method of financing versus more conventional financing options.
3. Joint Ventures – This will be a short module covering why firms choose to form JVs and what issues are encountered in practice in functioning and setting up JVs. In addition to the strategic considerations, the module will also highlight some accounting issues and considerations that play an outside role in deciding structure and control of JVs
4. Acquisitions and Divestments – This module will provide exposure to A&D processes, how to value assets and how to structure, finance and negotiate transactions. We will cover key issues that affect value and risk for buyer and seller and the role of various stakeholders in the transactions (bankers, lawyers, advisors, consultants and financiers). Students will participate in an in-class team valuation exercise and will then in teams negotiate a sale and purchase price and key terms for a producing oil field. The module will end with a leveraged buy-out case worked on in class, that ties together the capital budgeting, financing and A&D modules, and gives insight on how private equity firms evaluate and acquire assets.

### Draft Lesson Plan

<u>Week, day</u>	<u>Topics covered and to be prepared</u> (numbers refer to sections in the lecture notes)
Week 1:	1: Introductions

	2: Lecture: Review of valuation techniques (WACC, DCF analysis, Capital Budgeting)
Week 2:	[Team lists due!] 3: Group Class Case Assignment – Fuel Marketing Investment case 4: Lecture: Theory review and how Capital Budgeting Process works in practice in large corporations with multiple opportunities
Week 3:	<i>CASE: Airbus A3XX (HBS Case)</i> 5: Case discussion 6: Lecture: introduction to debt
Week 4:	7: Lecture: Discussion on Debt, capital structure, Optimal capital structure 8: Class group problems
Week 5:	<i>CASE: Wrigley JR Company (Darden School)</i> 9: Case Discussion 10: Lecture: Instructions and review of PSV case
Week 6:	<i>CASE: Sale and Leaseback of PSVs (writeups Due!)</i> 11: <i>Team Negotiations</i> 12: <i>Report Back – Team Presentations</i>
Week 7:	Project Financing Module 13: Differences between project and corporate financing. How project financing process works in practice – costs, process, players, considerations 14: Review of Actual Confidential Info Memo of a project financed methanol plant
Week 8:	<i>CASE: BP Amoco financing Policy – Guest Speaker from BP Treasury</i> 15: <i>Case Discussion</i> 16: <i>Guest Speaker presentation on how BP manages Treasury, debt funding and overall project finance policy</i>
Week 9:	<i>CASE: Bp Amoco - Financing Development of Caspian Oil Fields</i> 17: <i>Case Discussion</i> 18: <i>Presentations by Teams?</i>
Week 10	Case: Eli Lilly in India (Ivey Publishing) 19: Case Discussion

	20 Lecture on JVs and financial drivers
Week 11	Case: Sale and Purchase of a Shale Oil Field (Guest Speaker) 21: Work in Team to arrive at deal range – submit team valuation report 22: Lecture: Guest Lecture – Walk through of a wind farm divestment. Review of Confidential Info Memo, bid process and negotiations on an actual transaction to understand the A&D process, the role of various parties such as banks, IEs, lawyers etc.
Week 12	Case: Sale and Purchase of a Shale Oil Field (continued) (Guest Judge) 23: Team Negotiations – Arrive at Sale/Purchase price 24: Results - Team Presentations
Week 13	Case: Du Pont Corporation: Sale of Performance Coatings (Darden School) (Leveraged Buy out) 25, 26: Team work in class to solve case questions
Week 14	Flex Week

**Grading:** Class participation 25%, Written report 25%, Negotiation Cases & Presentations 50%  
Regular preparation of assigned readings and cases, class attendance, and active participation in class discussions are required.

**Pre-requisites:**

This is an advanced level finance course. Students should have completed a course in Corporate Finance and Financial Accounting, should be comfortable with discounted cash flow analysis and with basic valuation techniques. Familiarity and comfort with use of Excel spreadsheets for valuations is required. Completion of a Valuation class may be a prerequisite.

**Instructor Qualifications:** I have over 25 years of experience in the energy industry and have held a number of senior Executive and Finance roles in BP in Exploration and Production, Treasury and Integrated Supply and Trading, including assignments in Cairo, Port of Spain (Trinidad), London, Anchorage, Chicago and Mumbai. In my previous assignment I was CEO of India Gas Solutions, a 50-50 BP RIL JV for gas and LNG marketing based in Mumbai, and currently I am a project manager in BP's Mergers and Acquisitions group based in Houston. I intend to bring my experience into the classroom lessons and discussions and use my network to bring in some interesting speakers from industry to give short presentations on relevant topics through the semester.