

FINA 7370 CASES IN CORPORATE FINANCE
FALL 2024
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. 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.
4. 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 outsize role in deciding structure and control of JVs

Draft Lesson Plan

Week, day Topics covered and to be prepared
(numbers refer to sections in the lecture notes)

Week 1: 1: Introductions

2: Warm up mini case exercises (DCF analysis, Capital Budgeting)

Week 2: [Team lists due!]

1: Icebreaker

2: Lecture: Applied Economic evaluations. DCF Practice Refinery case

Week 3: 1: Lecture: Applied Economic Evaluations continued

2: CASE: Fuel Marketing case in class
Homework Assignment for Week 4 – Airbus A3XX (HBS case)
Week 4: CASE: Airbus A3XX (HBS Case)
1: Case discussion
2: Lecture: Introduction to debt
Week 5 CASE: BP Amoco financing Policy Case A – Guest Speaker from BP Treasury
1: Case A Discussion
2: Lecture on financing considerations
Week 6: CASE: Bp Amoco - Financing Development of Caspian Oil Fields
1: Case Discussion, Presentations by Teams?
2: Guest Lecture: How project financing process works in practice – costs, process, players, considerations. Confidential info memo review
Instructions PSV case
Week 7: Teams to use the class time for negotiations with counterparty and preparing presentations
1: Team Negotiations – PSV project
2: Report Back
Homework Assignment for Week 8 – HB Publishing – Cost of Capital & Capital Structure Theory
Week 8: 1: Lecture: Discussion on Debt, Capital structure, Optimal capital structure
2: Class group problems
Homework Assignment for following week– Wrigley JR Company case
Week 9: CASE: Wrigley JR Company (Darden School)
1: Case Discussion
2: Homework Case introduction for Sale and Purchase of Oil Field
Week 10 Homework Assignment – submit team valuation report prior to class time
No Formal Class – Class time to be used by teams to achieve signed negotiated deal – with key deal terms specified
Week 11 Case: Sale and Purchase of an Oil Field – Guest Speaker
1: Team Presentations, and case discussion
2: 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.
Homework Assignment – Read Du Pont Case
Week 12 Case: Du Pont Corporation: Sale of Performance Coatings (Darden School) (Leveraged Buyout)
1,2: Team work in class to solve case questions
Homework assignment : Read Eli Lily case
Week 13 Case: Du Pont continued
1: Complete Du Pont case
2: Lecture: Walk through of actual Shale oil field evaluation, acquisition and bid process
Week 14 Case: Eli Lily in India (Ivey Publishing)
1: Case Discussion

2: Lecture on JVs and financial drivers
Week 15 Flex Week – TBD

Grading: Class participation 30%, Written report 30%, Negotiation Cases & Presentations 40%

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 beneficial.

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 I Supply and Trading, including assignments in Cairo, Port of Spain (Trinidad), London, Anchorage, Chicago and Mumbai. My last few assignments were CEO of India Gas Solutions, a 50-50 BP RIL JV for gas and LNG marketing based in Mumbai, project manager in BP's Mergers and Acquisitions group based in Houston, and CFO of Azule Energy based in Luanda. 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 throughout the semester.