

FINA 7397: Mergers and Acquisitions (Spring 2025)

Prof. Vijay Yerramilli

Class Time/ Venue: Class 25468, Wednesday 6:00–9:00pm, CBB 410

Class 21902, Wednesday 6:00–9:00pm, [ONLINE](#)

Office Hours (virtual): By appointment; **Office:** 240D MH

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Course Overview

Mergers and acquisitions (M&As) are the most important form of corporate restructuring, and have significant impact on shareholders, consumers, labor and other stakeholders. This course will provide you an in-depth understanding of the M&A market from a finance perspective. The topics we cover include: motivations underlying M&A transactions, valuation issues and risks, form of payment and deal design, corporate governance issues, leveraged buyouts, financial engineering in M&As, and exit and restructuring strategies. See the appendix for a schedule and list of topics covered in this course.

A thorough understanding of M&A transactions is important for corporate finance professionals. It lays the foundation for effective work in a wide range of fields, such as, corporate development, investment banking, private equity, and consulting.

Prerequisites

FINA 7A10 (Valuation) is a necessary prerequisite. I expect you to have a thorough understanding of all the valuation techniques covered in FINA 7A10. We will not have time to review this material.

You must be comfortable with *Microsoft Excel* because the case studies require you to build and analyze complex spreadsheets. You will be at a significant disadvantage if you are not familiar with Excel. The university provides free Microsoft Office (which includes Excel) to every student. See <https://uh.edu/infotech/services/office365/office-pro-plus/> for details.

¹Email is the best way to reach me. I may not receive phone calls because university phones are connected to Microsoft Teams which I don't use on a regular basis.

Course Material

All my lecture slides, Excel files, homework problem sets, and other material will be available on the course page on **Canvas** (<https://www.uh.edu/canvas/>). We will also use Canvas for assignment submissions and tests, and I will make all important announcements through Canvas. It is your responsibility to check this page regularly and to ensure that you are receiving all my announcements through email.

The cases studies and Excel supplements can be downloaded directly from Harvard Business School Publishing (HBSP). I will prepare a **case packet** on HBSP containing all these materials.

There is **no required textbook** for this class. If you are interested in a book that covers this material in great depth, then I recommend “*Mergers, Acquisitions, and Other Restructuring Activities,*” by Donald M. DePamphilis, Academic Press (older edition is fine). It is definitely a worthwhile investment for students specializing in finance.

Equipment/Software

We will use the **Zoom** (<https://zoom.us/>) video conferencing platform for all office hours. Online students will also use Zoom to attend lectures. You will need a computer with a microphone and a webcam in order to participate in the office hours (and lectures, in case of online students). Please utilize headphones or another secondary microphone source for communicating during class. You will find more information on distance learning resources at the following page: <https://www.bauer.uh.edu/distancelearning/students/>.

All the tests in this course will be administered online through Canvas, for both in-person and online students. You will need to download and install the **Respondus LockDown Browser** for the University of Houston on your computer in order to take the online tests through Canvas. This secure browser prevents you from printing, copying, going to another URL, or accessing other applications during an assessment. It also allows for proctoring through a webcam. *The online tests will not be accessible with a standard web browser.* Visit <https://uh.edu/fdis/technology/respondus-lockdown/getting-started-lockdown> for more information on how to download and install this browser. A student guide is available at <https://www.instruction.uh.edu/knowledgebase/how-to-take-a-canvas-quiz-with-respondus-lockdown-browser-student-guide>.

Respondus has an add-on spreadsheet tool which does not have the full functionality of Excel, but can handle basic calculations. Alternatively, if you prefer, you can use a calculator for the tests. A basic scientific calculator that does powers is fine.

Grading

Grading will be based on the following components: **two exams (40%), quizzes (25%), case studies (25%), and participation (10%)**. In order to obtain an ‘A’ grade in this class, you must do well on both the team-based case study assignments and the tests. There are no fixed cutoffs for determining the letter grades because I grade on a curve. Below is a detailed description of the individual components in the grading schedule.

Quizzes and Exams

I will use periodic quizzes to assess your understanding of specific topics, and two longer exams for a more comprehensive assessment. All tests will be administered online through Respondus Lockdown browser. These are closed-book tests but you are allowed to use a one-page “cheat sheet” to help recall essential formulas and procedures. Use the homework problem sets available on Canvas to prepare for the quizzes and exams. The homework assignments do not have to be turned in, and will not be graded.

Case Studies

There are five equally-weighted case study assignments in this class:

1. Dow’s Bid for Rohm and Haas
2. Playing the Field: Competing Bids for Anadarko Petroleum
3. Roark Capital: Buyout of Buffalo Wild Wings
4. United Technologies: Are the Parts Worth More Than the Whole?
5. The MCI Takeover Battle: Verizon versus Qwest

The specific questions for each case study are available on Canvas, and the submission deadlines are listed in the Appendix. You will work on case studies in teams of 4, and are required to submit **one report per team**. Designate a team member *to submit the report (in PDF format) electronically on Canvas* before the deadline. You will receive the team score on your case report within a week of submission. My grading will be based on your quantitative analysis and the quality of the written report. Here are some pointers on how to prepare a case report:

- Prepare concise responses to the case questions, supported by tables, figures, and quantitative analysis. Include all the exhibits that are necessary to support the written

analysis in the report, so that the reader can understand the report without having to go through your Excel spreadsheet.

- Do not use information from outside sources. Base your analysis only on the information provided to you in the case, plus any additional assumptions that I may have provided along with the case questions.
- Use font size of 11 or higher. Make sure that the tables and other exhibits are professionally formatted and are readable.

Given the importance of teamwork in this class, it is imperative that the teams are in place as soon as possible. If there are classmates that you want to work with, send me a team request by email *within 24 hours* of the first class; else, I will assign you to a team.

To avoid free-riding within teams, I require all students to: (a) *upload individual spreadsheets* of case studies on the due date to demonstrate that they made an independent attempt to solve the case; and (b) submit a *confidential and mandatory peer evaluation* of their teammates at the end of the semester. I could downgrade your final letter grade by several notches or take other corrective action if I detect any evidence of free-riding.

Participation

I expect you to attend class, and actively participate in the lectures and case discussions. Unexcused absences from class will obviously worsen my assessment of your participation. I may also assign in-class exercises to assess your understanding of material covered that day and to obtain feedback. These are not quizzes and will not be graded, but will contribute to your class participation grade.

If you are attending the online section of this course, please identify yourself clearly on Zoom (use full name instead of a nickname) and enable your device camera. Zoom offers privacy protections such as blurred/virtual backgrounds, and other features to facilitate participation in discussions.

Appendix: Course Schedule

Week 1 (Jan 15)	Broad overview of M&A transactions
Week 2 (Jan 22)	Valuation issues in M&As
Week 3 (Jan 29)	Corporate governance; takeover defense and attack strategies CASE: <i>Dow's Bid for Rohm and Haas</i>
Week 4 (Feb 5)	Deal structures; method of payment; and tax implications
Week 5 (Feb 12)	CASE: <i>Playing the Field: Competing Bids for Anadarko</i>
Week 6 (Feb 19)	Introduction to leveraged buyouts (LBOs)
Week 7 (Feb 26)	Exam 1
Week 8 (Mar 5)	LBO deal design and valuation
*** NO CLASSES DURING MARCH 10-14 (SPRING BREAK) ***	
Week 9 (Mar 19)	CASE: <i>Roark Capital: Buyout of Buffalo Wild Wings</i> Exit and restructuring strategies
Week 10 (Mar 26)	Financial engineering in M&A deals Overview of financial options, and the Black-Scholes model
Week 11 (Apr 2)	Evaluation of price-protection mechanisms CASE: <i>United Technologies: Are the Parts Worth More Than the Whole?</i>
Week 12 (Apr 9)	Evaluation of price-protection mechanisms (contd..)
Week 13 (Apr 16)	CASE: <i>The MCI Takeover Battle: Verizon versus Qwest</i>
Week 14 (Apr 23)	Exam 2

- Case assignments (team report plus individual spreadsheets) are **due by 5:00pm** on the day the case is slated for discussion in class.
- I'll assign 4-5 quizzes over the semester. These will be assigned on a Friday and kept open over the weekend so that you can attempt them at your convenience.