



FINA3316 Investment Banking: Valuation, LBOs, and M&A
First Semester of 2022-23

| GENERAL INFORMATION | |
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| <p>Instructor: Dr. BUEHLMAIER, Matthias</p> <p>Email: buehl-teaching [at] hku [dot] hk Office: Room 1106, 11/F, K.K. Leung Building Phone: +852 2219 4177</p> <p>Consultation times (tentative): Wednesdays from 4:00 p.m. to 7:00 p.m. To allow for better preparation, students should email the instructor a brief description of the consultation topics they wish to discuss at the latest on the day before the consultation. Students who cannot attend the consultation hours due to a time clash with other courses/tutorials may request a separate consultation time.</p> <p>Tutor: TBD Email: TBD Office: TBD Phone: TBD Consultation times: By appointment</p> <p>Course website: Moodle via HKU Portal Other important details: None</p> | |
| COURSE DESCRIPTION | |
| <p>This course is designed to develop a solid understanding of commonly discussed and applied issues in investment banking, in particular valuation, leveraged buyouts (LBOs), and mergers and acquisitions (M&As). The topics covered in this course include the M&A process, methods of valuing a target firm, valuing synergies, the form of payment and financing, assessing highly levered transactions (i.e. LBOs), governance in M&A, and M&A negotiations. M&A cases will be used in discussing these topics. By going through analyses and discussions of real-life M&A, students will gain experience in the application of financial theories and techniques to evaluate M&A decisions and transactions commonly arising in investment banking.</p> <p>Pre-requisite(s): None Co-requisite(s): None Mutually exclusive: None</p> | |
| COURSE OBJECTIVES | |
| <ol style="list-style-type: none">1. Cultivate a deep and rich understanding of the M&A process from inception to completion.2. Foster awareness of potential pitfalls in M&A.3. Develop analytic competence to empower students to advance their careers in M&A, investment banking, and related fields. | |
| FACULTY LEARNING GOALS (FLGs) | |
| <p>FLG1: Acquisition and internalization of knowledge of the programme discipline FLG2: Application and integration of knowledge FLG3: Inculcating professionalism FLG4: Developing global outlook FLG5: Mastering communication skills FLG6: Cultivating leadership</p> | |
| COURSE LEARNING OUTCOMES (CLOs) | |
| Course Learning Outcomes | Aligned Faculty Learning Goals (FLGs) |
| CLO1: Understand the fundamental concepts and processes in M&A. | FLG 1&4 |
| CLO2: Value a target company using several valuation methods. | FLG 2 |

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| CLO3: Discern the conceptual and technical differences between between strategic mergers and leveraged buyouts. | FLGs 1-3, 6 | |
| CLO4: Construct detailed financial models such as merger consequences analysis. | FLGs 1-3, 6 | |
| CLO5: Convincingly communicate and present one's evaluation and analysis of a proposed merger deal. | FLGs 4-5 | |
| COURSE TEACHING AND LEARNING ACTIVITIES | | |
| Course Teaching and Learning Activities | Expected Study Hours | Study Load (% of study) |
| T&L1: Lectures | 39 | 28% |
| T&L2: Cases & homework | 30 | 22% |
| T&L3: Group project | 30 | 22% |
| T&L4: Presentations | 8 | 6% |
| T&L5: Self-study | 30 | 22% |
| Total | 137 | 100% |
| Assessment Methods | | |
| | Weight | Aligned Course Learning Outcomes |
| A1: Written case reports | 10% | CLOs 4&5 |
| A2: Midterm | 25% | CLOs 1-4 |
| A3: Group project presentation (individually evaluated) | 10% | CLOs 4&5 |
| A4: Group project report (evaluated on group level) | 30% | CLOs 4&5 |
| A5: Final | 25% | CLOs 1-4 |
| Total | 100% | |
| Coursework / Examination Ratio: <u>75</u> % / <u>25</u> % | | |
| STANDARDS FOR ASSESSMENT | | |
| Course Grade Descriptors | | |
| A+, A, A- | Exhibited high level of understanding of the course materials through excellent performance in class discussion, assignments, presentations and exams. | |
| B+, B, B- | Exhibited reasonably high level of understanding of the course materials through good performance in class discussion, assignments, presentations and exams. | |
| C+, C, C- | Exhibited fair level of understanding of the course materials. | |
| D+, D | Evidence of basic familiarity with the subject. | |
| F | Candidate has demonstrated a poor grasp of the subject with evidence of largely inaccurate understanding of principles, concepts and arguments presented within this course. | |
| Assessment Rubrics for Each Assessment | | |
| Lecture Attendance, Participation, and Cases (a separate sheet with detailed requirements for the cases will be distributed): | | |
| A: Well prepared for class discussion, very active in sharing views. | | |

- B: Reasonably prepared for class discussion, quite active in sharing views.
C: Not well prepared for class discussion, limited sharing of views.
D: Not well prepared for class discussion, no sharing of views.
F: No preparation for class discussion, no sharing of views.

Assignments and exams:

- A: Excellent or very good replies to all criteria.
B: Good to very good replies to some or all criteria.
C: Fair to good replies to some or all criteria.
D: Poor replies on some or all criteria.
F: Very poor replies to some or all criteria, or failure to submit the assignment(s)/exam(s).

Group Project (a separate sheet with detailed requirements will be distributed):

- A: Excellent or very good ratings on all criteria.
B: Good to very good ratings on some or all criteria.
C: Fair to good ratings on some or all criteria.
D: Fair ratings on all criteria.
F: Absent from presentation or fail to submit the group report.

COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

Lecture: Content

- 1: Overview of M&A; sell-side M&A
- 2: Sell-side M&A; trading comps
- 3: Trading comps; transaction comps
- 4: Transaction comps; DCF
- 5: DCF; Case 1
- 6: LBOs
- 7: LBOs; LBO analysis
- 8: LBO analysis; buy-side M&A
- 9: Midterm (tentative); group project proposal presentations (not evaluated, just to provide early feedback)
- 10: Buy-side M&A; Case 2
- 11: Buy-side M&A; group project presentations (depending on class size)
- 12: Group project presentations

REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS

Recommended textbook: "Investment Banking: Valuation, LBOs, M&A, and IPOs" by Joshua Rosenbaum and Joshua Pearl (Wiley, third edition, 2020). If possible, please obtain the university edition since it contains additional materials such as end-of-chapter questions. (Copies of end-of-chapter questions will also be provided on the Moodle course website.)

MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- Conducting mid-term survey in addition to SETL around the end of the semester
- Online response via Moodle site
- Others: _____ (please specify)

COURSE POLICY

Class Conduct

Students are required to attend all classes on time. If you miss a class, it is entirely your responsibility for what you have missed. In case you have to leave the class early, please inform the instructor beforehand and leave quietly. No use of mobile phone or chatting is allowed when the class is in session. Remember to turn off or mute the phone before each session. The instructor has the discretion to give penalty in case of class misconduct. Respect your instructors and your fellow students. Be considerate to others.

Academic Dishonesty

Plagiarism and misconduct cases will be permanently recorded in the Faculty of Business and Economics for future reference.

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism>

Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

1. Plagiarism: The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references.
2. Cheating on In-class Exams: The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.
3. Academic dishonesty is any act that misrepresents a person's own academic work or that compromises the academic work of another. It includes (but not limited to) cheating on assignments or examinations; plagiarizing, i.e., representing someone else's ideas as if they are one's own; sabotaging another's work.

If you are caught in an act of academic dishonesty or misconduct, you will receive an "F" grade for the subject. The relevant Board of Examiners may impose other penalties in relation to the seriousness of the offense.

To avoid intellectual property and copyright infringement, and/or violation of the Personal Data (Privacy) Ordinance, **DO NOT upload** HKU teaching-related materials including but not limited to course materials, marking schemes, examination papers, etc. to websites. If you have done so in the past, you are asked to take steps to take down relevant materials immediately.

ADDITIONAL COURSE INFORMATION

1. Announcement, assignments, and lecture slides will be posted on the course website. Hard copy of lecture notes will not be provided.
2. No late assignments will be accepted.
3. Special examinations are not granted to students taking up summer internships. Please avoid starting your internships before the end of the examination period.