

IB3H7-15 Mergers and Acquisitions

21/22

Department

Warwick Business School

Level

Undergraduate Level 3

Module leader

Nickolay Gantchev

Credit value

15

Module duration

10 weeks

Assessment

20% coursework, 80% exam

Study location

University of Warwick main campus, Coventry

Description

Introductory description

This is an elective module available for WBS and non-WBS students.

The principal module aims are:

1. To equip students with a solid understanding of the economic motivations for combining two companies and the key drivers of value creation in M&A, including how the method of payment, sales process, participation of private equity and hedge fund investors, and broad market conditions influence the outcome of a deal.
2. To provide students with an applied framework for evaluating M&A as an investment decision and understand common approaches for valuing potential targets.
3. To engage students with real-world application and business case studies.

[Module web page](#)

Module aims

The principal module aims are:

1. To equip students with a solid understanding of the economic motivations for combining two companies and the key drivers of value creation in M&A, including how the method of

payment, sales process, participation of private equity and hedge fund investors, and broad market conditions influence the outcome of a deal.

2. To provide students with an applied framework for evaluating M&A as an investment decision and understand common approaches for valuing potential targets.
3. To engage students with real-world application and business case studies.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

The module will cover the following topics:

- History of M&A - merger waves
- Economic motives for M&A
- Deal structure and consideration
- M&A valuation
- Leveraged buyouts and private equity
- Abnormal returns and merger arbitrage
- Hostile takeovers and anti-takeover defences
- Hedge fund activism

Learning outcomes

By the end of the module, students should be able to:

- Understand the economic drivers of corporate M&A activities.
- Be able to assess the advantages and disadvantages of alternative M&A deal structures and M&A approaches.
- Understand the role of private equity and hedge funds in the takeover process.
- Critically reflect on the acquisition process as a complex situation where both the buyer and the seller have to assess many issues (such as payment method, hostility, deal initiation, auction design).
- Recognize merger waves, identify the key characteristics of past merger waves and provide theoretical explanations for their occurrence.
- Identify the relevant issues in accounts of M&A activity in the financial press and relate these to theoretical explanations discussed in lectures.
- Assimilate the findings of key research papers in the area of M&A, and critically reflect on the contribution of these papers to our understanding of the M&A process.
- Evaluate and interpret market reaction to a particular M&A deal for the target, bidder and in combination.

Indicative reading list

Four required case studies. No core textbook. Three textbooks recommended as general references on M&A:

1. Mergers, Acquisitions, and Other Restructuring Activities, 10th Edition, Donald M. DePamphilis, Academic Press (2019).
2. Mergers, Acquisitions, and Corporate Restructurings, 7th Edition, Patrick A. Gaughan, John Wiley & Sons Inc. (2018).
3. Investment Banking: Valuation, LBOs, M&A, and IPOs, 3rd Edition, Joshua Rosenbaum and Joshua Pearl, John Wiley & Sons Inc. (2020).

Subject specific skills

Learn how to apply different valuation techniques and modelling tools.
Understand how to perform an event study.
Develop the skills to construct a merger arbitrage trading strategy.

Transferable skills

Demonstrate effective problem solving and team working skills.

Study

Study time

Type	Required
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	48 hours (32%)
Assessment	73 hours (49%)
Total	150 hours

Private study description

Private Study.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group D3

	Weighting	Study time
Group Presentation (15 CATS) Group Presentation (15 mins) with slides.	20%	15 hours
Online Examination Exam	80%	58 hours
~Platforms - AEP		

- Online examination: No Answerbook required

Feedback on assessment

Feedback will be provided via my.wbs.

[Past exam papers for IB3H7](#)

Availability

Pre-requisites

IB266 Fundamentals of Finance (for WBS students) or IB253 Principles of Finance 1 (for non-WBS students).

To take this module, you must have passed:

- Any of
 - [IB235-15 Finance 1: Financial Markets](#)
 - [IB253-15 Principles of Finance 1](#)
 - [IB266-15 Fundamentals of Finance](#)

Courses

This module is Optional for:

- UIBA-MN34 Law and Business Four Year (Qualifying Degree)
 - Year 3 of MN34 Law and Business Studies Four Year (Qualifying Degree)
 - Year 4 of MN34 Law and Business Studies Four Year (Qualifying Degree)
- UECA-3 Undergraduate Economics 3 Year Variants
 - Year 3 of L100 Economics
 - Year 3 of L100 Economics
 - Year 3 of L100 Economics
 - Year 3 of L116 Economics and Industrial Organization

- Year 3 of L116 Economics and Industrial Organization
- UECA-4 Undergraduate Economics 4 Year Variants
 - Year 4 of L103 Economics with Study Abroad
 - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
 - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
- UECA-LM1D Undergraduate Economics, Politics and International Studies
 - Year 3 of LM1D Economics, Politics and International Studies
 - Year 3 of LM1D Economics, Politics and International Studies
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- Year 3 of UIBA-MN32 Undergraduate Law and Business Studies
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
 - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
 - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
 - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
 - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)

This module is Unusual option for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
 - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
 - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
 - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)

This module is Option list G for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
 - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
 - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
 - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)