

**FEDERAL STATE BUDGET EDUCATIONAL
INSTITUTION OF HIGHER EDUCATION
“LOMONOSOV MOSCOW STATE UNIVERSITY”**

FACULTY OF ECONOMICS

«APPROVED»

Dean of the Faculty of Economics, MSU

professor _____ A.A.Auzan

«___» _____ 2021

COURSE SYLLABUS

Course title:

INTERNATIONAL MERGERS AND ACQUISITIONS (IN ENGLISH)

Level of higher education:

MASTER STUDIES

Field of study:

38.04.02. MANAGEMENT

Mode of study:

FULL-TIME

Course syllabus is considered and approved by
the Educational and Methodological Council of the Faculty of Economics
(minutes №_____, date)

Moscow 2021

The course syllabus is developed in accordance with the self-established MSU educational standard (ES MSU) for implemented main professional educational programs of higher education for Master's degree in the field of study 38.04.02. Management

ES MSU is approved by the decision of MSU Academic Council dated December 28, 2020, minutes №7

Year (years) of enrollment: 2021 and forthcoming

1. Place and status of the course in the structure of the Master program

Course status: *elective*

Trimester: 4th

2. Course Prerequisites

This discipline is based on the knowledge and skills acquired as a result of studying following courses:

— Financial Management in a Global Environment.

3. Intended learning outcomes (ILO) of the course associated to the required competencies of the graduates

Competencies of graduates (codes)	Indicators of achievement of competencies	Intended learning outcomes of the course (module) associated to the required competencies of the graduates
PC-9. Capable of finding, systematizing and analyzing information in the field of management consulting	PC-9.I-1. Defines the information base of research in the field of management consulting	PC-9.I-1.K-1. Knows the information base of research in the field of management consulting
	PC-9.I-2. Selects methodology and develops tools for systematization and analysis of information in the field of management consulting	PC-9.I-1.A-1. Able to collect information in the field of management consulting
		PC-9.I-2.K-1. Knows the methods of systematization and analysis of information in the field of management consulting
		PC-9.I-2.A-1. Able to analyze and systematize collected information in the field of management consulting
PC-10. Capable of carrying out consulting management projects	PC-10.I-1. Conducts consulting research	PC-10.I-1.K-1. Knows main technologies and methods of conducting consulting research
		PC-10.I-1.A-1. Able to correctly select and apply methods and tools for developing solutions to the formulated management issues
	PC-10.I-2. Presents the results of the conducted study in the form of recommendations	PC-10.I-2.A-1. Able to present the results of consulting research in the form of recommendations
PC-14. Be able to justify the choice of	PC-14.I-1. Offers management	PC-14.I-1.K-1. Know the criteria of financial and economic

management decisions options, develop and provide recommendations for improving the management activities of companies and organizations of various organizational and legal forms based on the criteria of financial and economic efficiency	decisions for companies and organizations that meet the criteria of financial and economic efficiency	efficiency and methods to assess it that are used to make management decisions
		PC-14.I-1.A-1. Be able to use various financial instruments to develop and make management decisions
		PC-14.I-1.A-2. Be able to conduct a financial and economic analysis of management decisions options for companies and organizations of various organizational and legal forms
	PC-14.I-2. Develops and formulates reasonable proposals to improve the financial and economic efficiency of management activities of companies and organizations	PC-14.I-2.A-1. Be able to diagnose opportunities to improve the management activities of companies and organizations in terms of their financial and economic efficiency
SPC-2. Capable of applying acquired knowledge in practice and using an integrated approach to real business situations in international context	SPC-2.I-1. Conducts an integrated analysis of situations related to the current activities of international companies	SPC-2.I-1.A-1. Able to conduct a comprehensive analysis of the company's activities in the foreign market considering the priorities of the internationalization strategy
		SPC-2.I-1.A-2. Able to analyze real business cases and identify strengths and weaknesses of managerial decisions in international companies
	SPC-2.I-2. Makes decisions related to international business activities based on an integrated analysis	SPC-2.I-2.A-1. Able to analyze the market potential when developing an algorithm for entering new foreign markets
		SPC-2.I-2.A-2. Able to predict and manage the risks of business activities in a foreign territory
SPC-3. Capable of elaborating and implementing international development strategies for organizations with different forms of ownership based on the analysis of international business environment and modern trends, including digitalization of economic activities	SPC-3.I-1. Formulates and implements international development strategies for companies, considering their organizational and legal form	SPC-3.I-1.A-1. Able to analyze the existing international strategies of a company in international business
		SPC-3.I-1.U-2. Able to make strategic managerial decisions in organizations / companies, considering their form of ownership and country of origin
SPC-5. Capable of applying entrepreneurial and organizational change approaches in global context that are based on the principles of sustainability	SPC-5.I-1. Reasonably uses modern approaches to starting-up new and managing existing international companies	SPC-5.I-1.K-1. Knows conditions and factors of forming the potential value of an establishing business
		SPC-5.I-1.A-1. Able to identify market needs and use modern approaches in the formation of business models of established

		and existing enterprises
		SPC-5.I-2.A-1. Able to diagnose the needs of an organization for changes that are adequate to the global dynamics of the external environment and to assess its readiness for these changes

4. Workload of the course by types of activity

The workload of the discipline is 6 ECTS: 216 academic hours, including 108 academic hours of contact work with a professor, 108 academic hours of self-directed studies.

5. Learning format

Full-time, with the use of educational platform On.Econ (use of distant learning technologies is allowed if necessary).

6. Content of the course structured by topics (sections) indicating the number of academic hours allocated to them and types of training

Title and brief content of sections and topics of the course (module), Form of assessment for the course (module)	Total (hours)	Contact work (work in contact with a professor) <i>Types of contact work, hours</i>				Student self-directed studies <i>Types of self-directed studies, hours</i>			
		Seminars	Group consultations	Individual consultations	Total	Practical home tasks	Written test	Final group project	Total
Topic 1. Mergers and Acquisitions Overview	22	8	-	4	12	5	3	2	10
Topic 2. Why Companies Merge and Acquire	26	8	4	4	16	5	3	2	10
Topic 3. The International Merger and Acquisition Lifecycle	22	8	-	4	12	5	3	2	10
Topic 4. Measuring the Success of International Mergers and Acquisitions	22	4	4	4	12	5	3	2	10
Topic 5. Valuation Methods	18	4	-	4	8	5	3	2	10
Topic 6. Free Cash Flow	18	4	-	4	8	5	3	2	10

Topic 7. Components of Free Cash Flow	18	4	-	4	8	5	3	2	10
Topic 8. Cost of Capital	18	4	-	4	8	5	3	2	10
Topic 9. International Mergers and Acquisitions - Structuring the Deal	26	8	4	4	16	5	3	2	10
Midterm assessment (control): — <i>Defense of final projects</i>	26	4	4	-	8	-	-	18	18
Total	216	56	16	36	108	45	27	36	108

Brief content of the course topics

Topic 1. Mergers and Acquisitions Overview. Definition of mergers and acquisitions. Comparison of mergers and acquisitions. Mergers and acquisitions worldwide - statistics & facts. Most active sectors for M&A deals. Mergers and Acquisitions Examples: The Largest Company M&A Deals list. Major Company M&A Types. Legal framework.

Topic 2. Why Companies Merge and Acquire. Common Theories of What Causes Mergers and Acquisitions: Operating Synergy; Financial Synergy; Diversification; Strategic Realignment; Hubris (Managerial Pride); Buying Undervalued Assets (Q-Ratio); Managerialism; Mismanagement (Agency Problems); Tax Considerations; Market Power; Misvaluation; Motivations in an Acquisition for the seller and for the buyer. Motivations in a Merger for either party. Merger professionals.

Topic 3. The International Merger and Acquisition Lifecycle. Mergers and Acquisitions as a process. Map of M&A processes and issues. M&A phases: Business plan – Acquisition plan – Search – Screen – First contract – Negotiation (Purchase decision) – Integration plan – Closing – Integration – Evaluation. Prepurchase decision activities. Postpurchase decision activities.

Topic 4. Measuring the Success of International Mergers and Acquisitions.

Topic 5. Valuation Methods. Pricing: Fair Market Value, Book Value, Liquidation Value. Basic Methods of Valuation: Market approach, asset-based method, earnings-based method. Comparable Company and Comparable Transaction Analysis. Asset Valuation Method.

Topic 6. Free Cash Flow. Discounted Future Cash Flows or Net Present Value Approach. Key advantages and disadvantages of a DCF valuation. Steps in valuing a company's equity using enterprise DCF. Defining Free Cash Flows. Estimating Terminal Value. Identifying and Valuing Debt and Other Nonequity Claims.

Topic 7. Components of Free Cash Flow. EBITDA. Capital expenditures. Net working capital.

Topic 8. Cost of Capital. Weighted Average Cost of Capital (WACC). Computing Component Costs. Cost of debt. Cost of preferred stock. Cost of equity. Acquirer's Hurdle Rate. Cross-Border Acquisitions and Risk.

Topic 9. International Mergers and Acquisitions - Structuring the Deal. Legal structures. Tax structures. Accounting.

7. Assessment tools to assess the course learning outcomes

7.1. Sample assessment tools:

Learning outcomes of the course	Types of assessment tools
PC-9.I-1.K-1. Knows the information base of research in the field of management consulting	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Written test • Final group project
PC-9.I-1.A-1. Able to collect information in the field of management consulting	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-9.I-2.K-1. Knows the methods of systematization and analysis of information in the field of management consulting	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Written test • Final group project
PC-9.I-2.A-1. Able to analyze and systematize collected information in the field of management consulting	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-10.I-1.K-1. Knows main technologies and methods of conducting consulting research	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Written test • Final group project
PC-10.I-1.A-1. Able to correctly select and apply methods and tools for developing solutions to the formulated management issues	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-10.I-2.A-1. Able to present the results of consulting research in the form of recommendations	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-14.I-1.K-1. Know the criteria of financial and economic efficiency and methods to assess it that are used to make management decisions	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Written test

	<ul style="list-style-type: none"> • Final group project
PC-14.I-1.A-1. Be able to use various financial instruments to develop and make management decisions	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-14.I-1.A-2. Be able to conduct a financial and economic analysis of management decisions options for companies and organizations of various organizational and legal forms	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-14.I-2.A-1. Be able to diagnose opportunities to improve the management activities of companies and organizations in terms of their financial and economic efficiency	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
PC-14.I-2.A-2. Be able to develop and justify measures to improve management activities of companies and organizations of various organizational and legal forms	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-2.I-1.A-1. Able to conduct a comprehensive analysis of the company's activities in the foreign market considering the priorities of the internationalization strategy	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-2.I-1.A-2. Able to analyze real business cases and identify strengths and weaknesses of managerial decisions in international companies	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-2.I-2.A-1. Able to analyze the market potential when developing an algorithm for entering new foreign markets	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-2.I-2.A-2. Able to predict and manage the risks of business activities in a foreign territory	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-3.I-1.A-1. Able to analyze the existing international strategies of a company in international business	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-3.I-1.U-2. Able to make strategic managerial decisions in organizations / companies, considering their form of ownership and country of origin	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project

SPC-5.I-1.K-1. Knows conditions and factors of forming the potential value of an establishing business	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Written test • Final group project
SPC-5.I-1.A-1. Able to identify market needs and use modern approaches in the formation of business models of established and existing enterprises	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project
SPC-5.I-2.A-1. Able to diagnose the needs of an organization for changes that are adequate to the global dynamics of the external environment and to assess its readiness for these changes	<ul style="list-style-type: none"> • In-class mini-cases • Practical home tasks • Final group project

7.2. Course assessment criteria (scores):

Types of assessment tools	Score
In-class mini-cases	60 (=6*10)
Practical home tasks	80 (=8*10)
Written test	120
Final group project	60
Total	300

7.3. Grade for the course is determined based on the following criteria:

Grade	Minimum score	Maximum score
<i>Excellent</i>	255	300
<i>Good</i>	195	254,9
<i>Satisfactory</i>	120	194,9
<i>Failed</i>	0,0	119,9

Note: in case a student's score obtained during the trimester is less than 20% of the maximum score of the discipline, the following rule of passing the course should be applied at the midterm assessment (and further re-examination): 'a student can obtain only a satisfactory mark and only in case she/he receives for the midterm assessment, including all the course material, no less than 85% of the score allocated to this assessment'.

7.4. Typical tasks and other materials necessary to assess the learning outcomes:

— *Case study*

Sample case study: ‘Consolidation in the telecommunications industry’

The blur of consolidation in the U.S. telecommunications industry in recent years illustrates dramatically how free market forces can radically restructure the competitive landscape, spurring improved efficiency and innovation. It is a process economic historian Joseph Schumpeter has described as “creative destruction”.

In 2005, Verizon acquired MCI. That same year, SBC acquired AT&T and then merged with BellSouth in 2006—later to be renamed AT&T to take advantage of the globally recognized brand name. In all, Verizon and SBC spent about \$170 billion in acquisitions during this two-year period, pushing these two firms to the top of the U.S. telecommunications industry.

Buying their long-distance rivals gave SBC and Verizon instant access to corporate customers that purchase discounted packages of telecom services, and it came at a lower cost than marketing to these customers and replicating their networks. There are other cost savings that come from eliminating overlapping functions. Buying BellSouth also gave the new AT&T full control over Cingular (later renamed AT&T Wireless), the biggest U.S. mobile phone operator. As of January 2008, 18 percent of the U.S. population were still without cell phones, so there is still room for growth that can help offset the decline in the number of “landlines.”

There is still considerable competition, particularly from nontraditional sources. Many cable companies have been racing to add phone service to their TV and Internet packages. Phone companies are responding with offers of combined cell phone, Internet, and landline phone service. The growing expansion of new fiberoptic networks is accelerating the pace at which TV services are being offered. Internet telephony services such as Vonage give consumers options besides cable and telephone companies’ calling services. Local phone companies are also expected to face increasing competition from wireless calling. In December 2004, Sprint and Nextel Communications merged to form a wireless giant in a \$35 billion transaction aimed at competing directly with traditional phone lines.

Changes in technology mean that there will likely be many more companies competing against the phone companies than just cable companies. The integration of voice and data on digital networks and the arrival of Internet calling have attracted many new competitors for phone companies, including Microsoft, Sony, Google, and others.

The implications of all this consolidation remain unclear. Some analysts believe fewer providers will leave business customers with less leverage. Cable is an ineffective alternative to phone service for business customers because the U.S. cable infrastructure was built to offer television service to homes,

so cable networks do not reach all commercial areas. Cable companies are often unwilling to invest the capital required for expansion because they cannot be clear that they will acquire the customer density necessary to achieve the desired financial returns. Other analysts see a continuation of very competitive price competition for consumers based on price. Telecom companies are rushing to sell consumers bundles of services that include local and long-distance service, cellular service, and Internet access for one monthly fee.

These competitive forces are likely to prevent higher prices for local phone service, which is already eroding at a rapid rate due to emerging technologies such as Internet calling. In fact, when adjusted for inflation, prices paid by consumers and businesses are a fraction of what they were a generation ago.

Questions for consideration:

- 1 How have technological and regulatory changes affected competition in the telecommunications industry?
- 2 How have technological and regulatory changes affected the rate of innovation and customer choice in the telecom industry?
- 3 The process of “creative destruction” has stimulated substantial consolidation in the U.S. telecom industry. Is bigger always better? Why or why not? (Hint: Consider the impact on a firm’s operating efficiency, speed of decision making, creativity, ability to affect product and service pricing, and so on.)
- 4 To determine the extent to which industry consolidation is likely to lead to higher, lower, or unchanged product selling prices, you need to consider current competitors, potential competitors, the availability of substitutes, and customer pricing sensitivity (i.e., elasticity). Explain why.
- 5 What factors motivated Verizon and SBC to acquire MCI and AT&T, respectively? Discuss these factors in terms of the motives for mergers and acquisitions.

— *Practical home tasks*

Sample practical tasks:

- Find example of the largest M&A Deal with companies from your selected country.
- Find examples of different types M&A deals the with companies from your selected country. Explain their motivations in M&A.

— *Group project*

Sample questions to be included in a group project task:

- Identify plans and resources required by M&A deal, including finance, legal, and human resources.

- Business plan financials and valuation: provide projected 3-5-year income, balance sheet, and cash flow statements for the chosen company after M&A deal and estimate the firm's value based on all available information and valuation methods. State key forecast assumptions underlying the projected financials and valuation.

7.5. Methodological guidelines and assignment requirements:

All assignments must be completed in strict accordance with the requirements set out at the course page at the educational platform On.Econ.

8. Resources

8.1. List of main and additional literature

9. Main and additional literature:

Main Literature:

1. Gaughan, Patrick A. Mergers, acquisitions, and corporate restructurings / Patrick A. Gaughan. — 4th ed. 2007.
2. Sherman, Andrew J. Mergers & acquisitions from A to Z / Andrew J. Sherman and Milledge A. Hart. — 2nd ed. 2006.

Additional literature:

1. Lajoux A.J. The Art of M&A, Fifth Edition: A Merger, Acquisition, and Buyout Guide. 5th Edition
2. Filippelli M.A. Mergers and Acquisitions Playbook. 1st Edition
3. Gaughan P.A. Mergers, Acquisitions, and Corporate Restructurings. Seventh Edition
4. Sudarsanam S. Creating Value from Mergers and Acquisitions. 2nd Edition, 2010.

8.2. List of licensed software

Package of Software 'Microsoft Office'.

8.3. List of professional databases and information referral systems

Institutional subscription resources of the Faculty of Economics, MSU.

8.4. List of Internet resources (if necessary)

- Reuters.com
- SeekingAlpha.com
- Pitchbook.com
- CNBC
- NYTimes.com
- TheMiddleMarket.com
- Genengnews.com
- FT.com
- Bizjournals.com

8.5. Description of material and technical support

For the appropriate organization of classes, the following equipment is needed:

- ‘ON.ECON’ electronic educational information environment of the Faculty of Economics, Lomonosov Moscow State University;
- multimedia class with a video projector, Internet access
- Institutional subscription resources of the Faculty of Economics, MSU.

10. Language of instruction: English

11. Professor (professors): PhD in Economics, Assoc.Prof. Tolstel M.S.

12. Syllabus authors: PhD in Economics, Assoc.Prof. Tolstel M.S.