**Basic Information**

**Location:** San Ramon Campus (San Francisco Bay Area Working Professionals Program)

**Time:** *Alternating weekends commencing September 26/27th*
- Friday, 6:00 pm – 9:00 pm
- Saturday, 1:00 pm – 4:00 pm
  (office hours by appointment)

**Instructor:** David F. Petroni (MBA)
- 925-984-6048 (mobile)

**Maximum:** 30 students

**The Course**

**Summary**

This course provides a comprehensive introduction to mergers and acquisitions (M&A) in the technology sector. It is designed for any UC Davis MBA candidate regardless of background. The goal of the course is to cover key aspects of the M&A business process from corporate strategy, to target evaluation, to deal negotiation/valuation, due diligence, close, and integration. We will focus our study on current M&A best practices including the key tools, techniques and trends embraced by the modern deal maker. Students will also get a chance to look behind the headlines at recent blockbuster tech M&A transactions to understand how deals are identified, valued, structured, and closed. In addition to a textbook, course pack, and in-class lectures/discussions, students will have an opportunity to hear from numerous outside speakers including leading corporate development, investment banking, legal and private equity executives.

**Description**

It’s Monday morning at 5 am. You turn on your computer and do a quick scan of business news. Your heart skips a beat as you read the following headline: “Local hi-tech business, ABC Corp., announced that it will be acquired by big, bad XYZ Inc. in a cash and stock merger valued at $10 billion.” As you fumble for your ABC Corp. coffee mug, your heart starts to race as you speculate what this might mean to you. Will you get rich? Will you be part of the acquisition team? Will you have a job?

Welcome to fast paced world of hi-tech M&A! A world riddled with sophisticated jargon, highly compensated advisors and complex financial models. Traditionally hi-tech M&A was the exclusive realm of strategic acquirers, venture capitalists and brilliant entrepreneurs. The business case for acquisition was simple: growth, innovation, talent-en-masse and spreadsheets that show revenues (and ultimately profits) up and to the right. The hi-tech M&A environment has changed.
Today, hi-tech business models are maturing and as such, a new category of buyer has entered the game: financial sponsors. These parties – which include private equity firms, hedge funds, activist shareholders, sovereign funds, and bulge bracket investment banks – are playing a large and increasingly important role in M&A activity throughout the technology sector. Had it not been for the speed bump that hit the credit markets in mid-to-late 2007, financial sponsor deal volume may have eclipsed that of strategics. The strategic implications of this land grab, sea change, tsunami (insert hyperbole here) has had a permanent impact on the behavior of corporations of all sizes across the technology sector.

This course takes a look inside the M&A business process. What drives M&A strategy? How is a target selected? What determines valuation? What other terms are up for negotiation? Who does what? And perhaps most importantly, what drives a successful integration?

These and other questions will form the core of your study. The class will expose you to a number of different perspectives within the M&A ecosystem. Not only will you understand motivations of hi-tech buyers and sellers, you will hear from investment bankers, M&A lawyers, integration consultants, and financiers. We will investigate key hi-tech acquirers (the consolidators) and will dissect recent blockbuster transactions.

The course will also explore emerging trends in hi-tech M&A such as private equity backed ‘take private’ transactions (aka, LBOs), hostile takeovers, and will attempt to keep pace with the deal du jour.

The modern enterprise – be it a venture-backed startup or mature business – is constantly under pressure to gain market share. Often organic growth is insufficient. M&A can serve as a valuable source of inorganic growth. In addition, given current weakness in the IPO market, the struggling US economy, and volatile capital markets, M&A may very well prove to be the best (if not only) path to liquidity for investors.

This course will have relevance for students of all backgrounds. Specifically, students with an interest in corporate strategy, business development, and financial management are encouraged to enroll.

In addition to lectures and in-class exercises, the course will include several outside speakers with particular functional expertise or insights on the M&A business process.

About the Instructor

David Petroni has over 10 years of executive experience in hi-tech M&A including 20+ completed transactions valued at over $4 billion. Mr. Petroni has served corporate development and/or finance roles at Activant Solutions, PeopleSoft, Vignette/OnDisplay and General Electric Company.

Acknowledgement

In preparing this course the instructor spoke with multiple professors, lecturers, and individuals. Of particular note, Gary Blemester with Georgetown University proved invaluable in identifying certain ‘tried and true’ approaches to the course. Special thanks goes out to Gary and the rest of the contributors here.

Structure, Assignments and Projects

This course is being offered for the third time. Based on student feedback from the inaugural sessions, the course will focus on lectures, in-class exercises, and topical speakers (where available). In addition, there will be a number of individual and team based assignments:
**Individual Assignments**

**Case Write-Ups (2)**
As noted below, the course will include detailed discussions on several actual transactions. For certain deals we will be using case studies. Each student will be asked to prepare his/her own 1-2 page (single spaced, normal font) analysis of each case. These write-ups will typically be in response to instructor provided questions provided two weeks in advance of the case discussion in class. All assignments must be delivered in soft copy to the instructor via email prior to the start of class on the date the case is to be discussed.

**Class Participation – Individual**

This course will be highly interactive. Your attendance is a baseline requirement. In addition, each student is responsible to prepare for and participate in each class session. Indicative reading assignments can be found in the syllabus and will be updated from time to time. Students will also be randomly called on (the dreaded “cold call”) to ensure that materials have been read or to facilitate class discussion. Please notify the instructor of any planned absences in advance of their occurrence.

**New Team Project**

*** Students will be asked to form teams of 3-5 individuals prior to the start of the second session of the class.

The best way to learn M&A is to do M&A. Accordingly, each team will be given a set of basic facts early on in the course (to be supplanted from week-to-week) about a hypothetical M&A transaction. Certain teams will represent the buyer, while others will represent the target. Individual team members will be asked to divide themselves along functional lines (nominations will be made as to which team member will play the CEO, CFO, BOD, etc. roles for their respective organizations). The goal of the project is to track and drive a deal from initiation through to close (integrate course lectures, readings, and discussions) into each step. Teams will be graded on the level of preparation and sophistication in class discussions and/or team deliverables.

Team deliverables will include:

**A: Target Valuation and Industry Comparable Analysis**

Based upon the sector in which the hypothetical transaction competes (ie. software, security, hardware, etc) each team will research and compute key market multiples and comps. Teams will research key public transactions in the sector over the past 5 years. Using publicly available market data each team will prepare market comparable valuation metrics for each sector (including price/earnings, EV/sales, price/EBITDA, etc)

**B. Pre-LOI Deal Approval Pitch and Presentation**

Each team will submit and present a 8-10 page PPT plus background exhibits/spreadsheets “recommending” a set of actions in support of a M&A transaction between the hypothetical buyer and target company. These recommendations – which apply both for team’s of the buyer and target – will be presented to the board of directors of your respective firms. Presentations will include, among other things, the basic terms of the transaction (structure, valuation, etc.), strategic rationale, synergies, plans for management and goals for integration.
Class Participation – Team
No free rides! The only way to make a course of this type succeed is to have strong and effective teams. Students must actively participate in class and team activities. To ensure that team participation is fairly distributed, each team member will be asked to give a confidential assessment of the contributions of the rest of the team on a 1-5 scale (5 being best). History has shown that highly-effective, cohesive teams score each member the same. Dysfunctional teams score all over the map. Try your best to fall in the former category please.

Final Exam

Given the importance of the text, lectures, speakers and cases to the learning experience, each student will be required to sit for a final exam. The final exam will include a number of deal related analysis (essay format) plus selected questions to test reading comprehension and to validate certain points/themes explored during the class.

Grading

The course will be graded on a point basis with 1000 available points.

A = 950 and above
A- = 900 – 949
B+ = 875 – 899
B = 850 – 874
B - = 825 – 849
C and below = < 825

Points will be allocated as follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percentage</th>
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<tr>
<td>Individual Case Write-Up # 1</td>
<td>10%</td>
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<tr>
<td>Individual Case Write-Up # 2</td>
<td>10%</td>
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<tr>
<td>Team Comparables Analysis</td>
<td>10%</td>
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<tr>
<td>Team PPT and Presentation</td>
<td>25%</td>
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<tr>
<td>Final Exam</td>
<td>20%</td>
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<tr>
<td>Class Participation</td>
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Honor Code

The rigors of an Executive MBA program can be quite demanding. Turning in assignments, preparing for lectures, and ensuring you are up to date on reading materials are difficult tasks. Regardless of these challenges, each student is reminded of his/her commitment to academic integrity. Given the nature of this course – multiple individual/team based assignments – following the class honor code is of acute importance.

All assignments are to be turned into the instructor when due. Students are asked to send all written assignments via soft copy (email) to create an electronic record of the time and date of submission. Any assignments received after they are due (generally after class starts) may be subject to penalties and deductions (at the sole discretion of the professor)

All assignments must be original work and are not to be discussed, shared, copied, or reviewed with or from other students/teams prior to submission. This applies to both individual and team
assignments. Part of your grade is tied to your ability to problem solve individually or as a team. There will be plenty of time to compare notes and learn from each others analysis after the assignment is turned in. Students may not leverage course materials or work product prepared for a prior session of the course. Any incidents of cheating will not be tolerated. At the least, incidents will result in a zero for the assignment and may involve escalation to the assistant dean of the Graduate School of Management pursuant to the Student Code of Ethics.

Unless otherwise instructed, students must rely solely on materials provided in the written cases for their assignments. While it is quite easy to research the actual facts in a given case, the learning process is most effective when you limit yourself to the materials provided. Accordingly, students are asked to rely solely on case study materials for their assignments.

Please consult with the instructor directly concerning any questions you may have about this honor code.

**Required Reading Materials**


*Relevant sections highlighted for each class session*

**Course Pack:**

**CASES (C)**

1. “Hanspring and Palm, Inc.: A Drama in Five Acts” (STAN E-189)
2. “TA Associates – MetroPCS (A/B) (HBS 9-208-042)
3. “Cisco: Early If Not Elegant (A)” (UVA-BP-0446)
4. “Oracle’s Hostile Takeover of PSFT (A) (STAN CG-4A)

**ARTICLES/NOTES (AN)**

2. “Making Smart Acquisitions” (Harvard Business Review)
3. “Corporate Valuation and Market Multiples (HBS 9-206-039)
5. “Methods of Valuation for Mergers and Acquisitions (UV 0112 – Schivu)
7. “M&A Legal Context: Standards Related to Purchase or Sale of Company” (HBS 9 – 904 – 004)
9. “Managing the Strategic Dynamics of Acquisition Integration: Lessons from HP and Compaq” (CMR 336)
**Course and Assignment Schedule**

The course schedule is as follows. Cases are spelled out. Readings are referred to by code (T = Textbook; AN = Article/Note). The AN number refers back to the list above. Speakers will be announced on a case by case basis. Students should also anticipate 45-60 minute lectures during each session. Handouts and lecture notes will be provided as and when available. Students are welcome – in fact encouraged – to bring anecdotal M&A questions, deal announcements, and discussion points to each session as well.

A note on reading assignments: The instructor recognizes that the volume of reading listed below is significant. Accordingly, the lecturer will provide guidance on priority and importance of suggested reading assignments. Students seeking a deep understanding of M&A should attempt to read all assigned materials.

<table>
<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Core Topics</th>
<th>Cases/Readings (Be Prepared to Discuss in Class)</th>
<th>Assignments (Due Prior to Class Start via email)</th>
<th>Key Learning Objectives</th>
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</table>
| 1 (WK1) | Friday       | Course Introduction and M&A Basics                   | Case (1) Handspring and Palm, Inc.               | None (Just be prepared to discuss cases and reading materials) | 1. Familiarize class to M&A Process and Key Terms  
2. Define Lead Roles in M&A Dance (Buyers and Sellers)  
3. Define Supporting Roles (Management, BOD, Investors, Advisors, etc.)  
4. Review Recent M&A Activity and Trends  
5. Survey Student Background/Interests and Potentially Adjust Syllabus to Match |
|         | Sept. 26     |                                                        | Readings (T) Chapters 1, 2, 4 (AN) - 1           |                                                  |                         |
| 2 (WK1) | Saturday     | Understanding M&A as a Corporate Strategy             | Readings (T) Chapter 6, 17 (AN) -- 2             | None (Just be prepared to discuss reading materials) | 1. Explore and understand Deal Strategy and Rationale  
2. Define Variants and Alternatives to M&A (Buy-Build-Partner, JV, Minority Investment, Etc.)  
3. Understand Buyer Interests & Motivations  
4. Understand Seller Interests & Motivations  
5. Discuss the “Invisible Hands” of M&A (Timing, Ego, Greed) |
|         | Sept. 27     |                                                        |                                                  | *Class will be split into teams of 3-5 students by end of session* |                         |
| 3 (WK2) | Friday       | Starting the M&A Dance: Preliminary Analysis, Target Selection and Initial Valuation | Case (2) TA MetroPCS (A & B)                     | *MetroPCS Case Write-Up (Respond to questions provided during Class #2)* [This is an individual assignment] | 1. Understand M&A Valuation Metrics and Techniques  
2. Discuss “First Contact” (Buyer Options and Seller Options/Auctions)  
3. Define Deal Structure Alternatives  
4. Discuss Early Negotiation Strategies and Techniques  
5. Starting with the End in Mind (Deal Success Criteria and Sources of Value) |
<p>|         | Oct. 10      |                                                        | Readings (T) Chapter 7, 9, 13, 15                |                                                  |                         |
|         | (6-9 pm)     |                                                        |                                                  |                                                  |                         |</p>
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<td>4</td>
<td><strong>WK2</strong>&lt;br&gt;Saturday&lt;br&gt;<strong>Oct. 11</strong>&lt;br&gt;(1-4 pm)</td>
<td>Upfront Negotiations: Making the Numbers Work</td>
<td><strong>Readings</strong>&lt;br&gt;(T) Chapter 11</td>
<td>None (Just be prepared to discuss cases and reading materials)</td>
<td>1. Introduce key upfront agreements (NDA, LOI)&lt;br&gt;2. Game play strategies around optimizing price&lt;br&gt;3. Develop strategies to bridge value (structure types, contingent payments)&lt;br&gt;4. Discuss deal consideration and financing approaches to M&amp;A&lt;br&gt;5. Define and quantify deal based synergies and show how they impact price negotiations</td>
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<td>5</td>
<td><strong>WK3</strong>&lt;br&gt;Friday&lt;br&gt;<strong>Oct. 24</strong>&lt;br&gt;(6-9 pm)</td>
<td>Doing the Deal (P1): Due Diligence &amp; Integration Planning</td>
<td><strong>Readings</strong>&lt;br&gt;(T) Chapter 8, 18, 31</td>
<td><strong>Team Assignment #1: Comparable Analysis</strong></td>
<td>1. Discuss due diligence best practices&lt;br&gt;2. Explore methodology to link diligence to other elements of deal process (valuation, definitive agreement, integration)&lt;br&gt;3. Discuss the implications of diligence and bidding during an auction&lt;br&gt;4. Discuss internal approval processes and controls&lt;br&gt;5. Explore integration planning activities pre-deal signature</td>
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<td>6</td>
<td><strong>WK3</strong>&lt;br&gt;Saturday&lt;br&gt;<strong>Oct. 25</strong>&lt;br&gt;(1-4 pm)</td>
<td>Doing the Deal (P2): Negotiating the Agreement &amp; Announcing the Deal</td>
<td><strong>Readings</strong>&lt;br&gt;(T) Chapter 16, 19-23, 29, 35&lt;br&gt;(AN) 3-5</td>
<td>None (Just be prepared to discuss cases and reading materials)</td>
<td>1. Understand key aspects of the merger or purchase Agreement&lt;br&gt;2. Provide additional structural guidance&lt;br&gt;3. Explore communication strategies around announcement&lt;br&gt;4. Understand accounting/tax implications of the deal&lt;br&gt;5. Discuss strategies to manage deal fever</td>
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<td>7</td>
<td><strong>WK4</strong>&lt;br&gt;Friday&lt;br&gt;<strong>Nov. 7</strong>&lt;br&gt;(6-9 pm)</td>
<td>The Pre-Close Process: Deal Approval and Corporate Governance</td>
<td><strong>Readings</strong>&lt;br&gt;(T) Chapter 25-28&lt;br&gt;(AN) 6</td>
<td><strong>Team Assignment #2: PPT Deal Proposal</strong>&lt;br&gt;(Team’s will be given time slots for presentations – some Fri/some Sat)</td>
<td>1. Discuss key corporate duties obligations in the M&amp;A process&lt;br&gt;2. Explore key hurdles between deal signature and close&lt;br&gt;3. Review key anti-trust/regulatory (SEC) requirements&lt;br&gt;4. Discuss debt or alternative deal financing&lt;br&gt;5. Compare time to close across various deal types (particularly public vs. private target deals)</td>
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<td>Cases/Readings (Due)</td>
<td>Assignments (Due)</td>
<td>Objectives/Outline</td>
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| 8      | Saturday Nov. 8 (1-4 pm) | M&A Integration and Managing Employee Interests | Case (3) Cisco       | None (Just be prepared to discuss cases and reading materials) | 1. Understand the key employee/management issues from a merger  
2. Discuss key negotiation points around employee sensitive matters (non-competes, options, employment agreements)  
3. Review integration planning (who does what, what is involved)  
4. Explore integration planning limitations given pre-close regulatory constraints  
5. Discuss integration best practices |
| 9      | Friday Nov. 21 (6-9 pm) | Advanced M&A Concepts: LBOs, Divestitures, and Private Equity | Case: (4) PSFT/ORCL (Respond to questions provided during Class #8) This is an individual assignment | PSFT/ORCL | 1. Understand emerging trends and developments in Private Equity  
2. Understand the role of debt in M&A transactions  
3. Define and discuss MBOs/Take-Private Transactions  
4. Debate potential areas of M&A conflicts of interest (Fairness Opinions, PE Club Deals)  
5. Discuss ecosystem motivations and interests (bankers, advisors, etc) |
| 10     | Saturday Nov. 22 (1-4 pm) | Hostile Takeovers and M&A Best Practices | Readings (T) 32-34 (AN) 8-10 |  | 1. Discuss the motivations behind predatory M&A  
2. Review basic hostile defenses  
3. Revisit corporate governance concepts  
4. Discuss M&A best practices  
5. Summarize course into 5 easy to remember M&A rules |
| 11     | Saturday Dec. 13 (1-4pm) | FINAL | None | FINAL EXAM | TBD |