Corporate Restructuring

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1. Course description

We will consider different financial transactions involving the in-depth restructuring of a company's business and/or capital structure. The emphasis will be on the valuation techniques and execution stages of a diverse set of restructuring transactions, but we will also discuss some aspects of the strategic rationales underlying these transactions.

Main themes

- Conglomerate Valuation (Divestitures and Spinoffs)
- Leveraged buyouts (LBO) and management buyouts (MBO)
- Distressed Restructuring
- Initial public offerings (IPO)

Sessions

- Lectures on background and techniques,
- Team work on case studies
- Discussions of team case studies

2. Course requirements and goals

Requirements:

Previous knowledge in Corporate Finance and Valuation is required. Please notice that this is an advanced course, and not an introduction to valuation!

<u>The precondition for the participation is the positive completion of the courses:</u>

KU Corporate Finance 1 AND KU Valuation!

Goals:

Upon completing this course students should be able to understand:

- the need and scope of corporate restructuring
- the various modes of restructuring (M&A, Spin-offs, LBOs, IPOs), the planning and execution of various restructuring strategies
- the feasibility and trade-offs employed in the different forms of restructuring
- the appropriateness of the different valuation models used in restructurings

3. Course methodology and schedule

The course involves four 5-hour sessions. Sessions consist of lectures, cases, take-home exercise, and will involve class discussion. Case studies are the bread and butter of this course. Before each session, please read the corresponding case study and study questions. There is no need to prepare a case analysis before the session as session time will be set aside for team work. However, thinking about the questions ahead of time will help you hit the ground running.

The students are required to purchase the case studies discussed in the course.

Schedule

03.06.2021	14:00 - 19:00	ZOOM
10.06.2021	14:00 - 19:00	ZOOM
17.06.2021	14:00 - 19:00	ZOOM
24.06.2021	14:00 - 19:00	ZOOM

Case Studies

The case method is one of the most effective pedagogical tools to sharpen your analytical and decision-making skills, as it requires you to be an active participant in financial decisions. The discussion constitutes an opportunity to defend your position and to learn from others, by listening to their comments and criticisms. Classrooms are our training environments to prepare you for business challenges.

Regarding the cases, each group will submit a three-page memorandum of analysis and recommendations covering the case study questions plus any accompanying tables you wish to include. Tables should be well organized and labelled. Be sure to indicate how you arrived at your conclusions. In addition, groups are required to prepare a power point presentation, including the main points of the analysis.

Topic 1: Conglomerates

In this session we will look at specific issues related to the valuation of conglomerates that consist of firms operating in different industries.

Case study: *USX (CASENET)*

Topic 2: Leveraged Buyouts

Next we will discuss leveraged buyouts (LBOs) and management buyouts (MBOs) again in terms of their possible rationales, specific valuation methods, execution, and performance. We will start with a case set from the viewpoint of a MBO target before going through a step-by-step projection and valuation exercise from the viewpoint of the acquirer in a LBO.

Case study: TBA

Case study: *Bain Capital's "Take Private" of China Fire*

Topic 3: Distressed Restructuring

Guest Lecture: KPMG (Daniel Stapelfeldt, Tobias Kirchlechner)

The guest lecture predominantly focuses on the differentiation between out-of-court and judicial restructuring proceedings and further points out differences between the most common international proceedings. Besides the general legal and economic fundamentals, various types and causes of crises are presented. In order to achieve a company's turnaround, a variety of operational and financial measures are discussed. The topics presented in the course of the guest lecture serve as the basis for a concluding case study that will be worked out from the students.

Case study: *Provided by KPMG*

Topic 4: Initial Public Offerings (IPO) and Spinoffs

Last, we will focus on a company's decision to undertake an initial public offering (IPO), the process of "going public", including the structuring and pricing of the offering. Time permitting, we will conclude with a discussion of spin-off, carve-outs and other transactions in which a multi-business company separates fully or partially from a business unit.

Case study: *Prada's Hong Kong IPO*

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4. Assessment

Note that participation in the course is COMPULSORY. As this is a blocked course with only 4 meetings, no session can be missed, without any exception! Not being able to attend all sessions will result in failing the course.

The evaluation will be based on the following items:

80%	Case-study work (in groups) –in class and take-home
20%	Participation

5. Reading

Donald DePamphilis: Mergers, Acquisitions and Other Restructuring Activities (Academic Press, 2nd ed.)

Other recommended books:

- Patrick Gaughan, Mergers, Acquisitions and Corporate Restructurings (3rd ed, Wiley)
- Stuart Gilson, Creating Value Through Corporate Restructuring (Wiley Finance)
- Fred Weston and Samuel Weaver, Mergers and Acquisitions (Mc Graw-Hill)
- Fred Weston, Kwang Chung, Juan Siu, Takeovers, Restructuring, & Corporate Governance (2nd Ed., Prentice-Hall)

Links to cases from HBS, INSEAD and HEC, which course participants are required to purchase, will be provided in due course.

6. Faculty leading the course

Gyöngyi Loranth

Gyöngyi Loranth is a Professor of Finance at the University of Vienna. She joined the university in 2009 after her employment at the Judge Business School, University of Cambridge. She previously held a postdoctoral position at the London Business School. She received her PhD in Economics from Universitat Autónoma de Barcelona (1999) and from Université Libre de Bruxelles (2003).

Loranth's research interests focus on financial intermediation, corporate finance and corporate governance. Her research has been published in leading academic journals such as the Review of Financial Studies, Review of Finance, Management Science and Journal of Financial Intermediation among others. She has taught several courses in Corporate Finance at the Judge Business School, Manchester Business School, Central European University, Humboldt University, ESADE Business School as well as tailor-made executive courses for banks.

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