

INVESTMENT BANKING SYLLABUS

Course

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Prof. Ya Tang (唐涯)

Tel: 62757900

Email: yatang@gsm.pku.edu.cn

Course Description

This course provides a broad overview of investment banking and of the forces that are continuing to change it worldwide. It examines the primary functions of investment banking such as mergers & acquisitions (M&A), leveraged buyouts (LBO) and corporate restructuring. These topics will be explored from the perspective of the corporation's survival and desire for continued prosperity and expansion. Corporate restructuring and internally redeploying resources to activities within the business with more attractive growth potential is an internal method to attain growth. The application of the investment banking activities through external mergers & acquisitions and leveraged buyouts is often a quicker more powerful way to expand and grow the corporation. The examination of these internal and external activities is the focus of this course.

Course objectives

The main objective of the course is to provide students with the necessary theoretical and conceptual tools used in investment banking. This course will provide an introduction and general understanding of investment banking activities and the mechanics and financial analysis required to successfully value, negotiate and close transactions. The course will provide the intellectual framework used in the investment banking process: financial analysis, valuation and the mechanics of deal structuring. Other learning objectives include analysis and valuation in M&A and LBO settings and understanding the sources of capital in the context of these transactions. The final objective of this course is to show how corporate governance, ethics and legal considerations factor into investment banking deals.

Appropriate for Students Pursuing:

This course is suitable for students who have a general knowledge of corporate finance and who wish to broaden their understanding finance by applying financial concepts and techniques to analyze activities and transactions in the realm of investment banking.

Course Evaluation

The grading of the course will be based on the following weighting scheme:

- 20% Class Participation
- 30% 1st Group Presentation
- 30% 2nd Group Case Presentation
- 20% Final Exam

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The course will be taught in the form of lectures and case studies intended for in class discussion together with interactive discussion of current events based on articles from financial news media. Each student will be part of a study group made up of at least three members. Weighting for class participation will be derived from individual quizzes and class discussion of case studies and financial articles.

Teaching Method

This course will have a number of different dimensions including:

- Lectures
- Case Analysis
- Interactive discussion of current events
- Group Presentations and guest speakers

Course Textbook and Recommended Readings

No required textbook. But you are recommended to read the following books

- 伟大的博弈：华尔街金融帝国的崛起
- 投资银行、对冲基金和私募股权投资
- 门口的野蛮人

Daily reading of leading financial newspapers is also required for the interactive class discussions of current events.

SCHEDULE

	Date	
1	Feb 20	Introduction - History of Investment Banking: Past, Present, and Future - Lecture
2	Feb 27	Investment Banking Deal Mechanics - Lecture and Case <i>This session examines due diligence, the legal agreement, corporate acquisitions, merger transactions, tender offers and proxy contests.</i>
3	Mar 6	Guest Speech – A Junior Investment Banker’s Life
4	Mar 13	The Role of Valuation - Lecture and Case (Marriott Corp.: The Cost of Capital) <i>Through the mechanics of applying the Capital Asset Pricing Model (CAPM) and the Weighted Average Cost of Capital (WACC) formula, students will gain insight into how a company computes its cost of capital</i>
5	Mar 20	Discounted Cash Flow Analysis Applied to Valuation - Lecture and Case (Baidu.com, Inc.: Valuation at IPO)

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- Since its official launch in January 2000, Baidu.com, Inc. quickly grew to become the leading Internet search engine in China, and on August 5, 2005 Baidu registered to go public on the NASDAQ Stock Market. Financial statements and Discounted Cash Flow (DCF) techniques will be applied to value this high-growth company.
- 6 Mar 27 1st Project
The first project will be a study group activity, and the deliverable shall be a group presentation. Each study group will pick one international investment bank and one Chinese investment bank, and each group shall give a presentation to demonstrate their understanding of the two investment banks. The duration of presentations shall not exceed 30 minutes per group.
- 7 Apr 3 Mergers & Acquisitions
- Lecture and Case (Bank of America Acquires Merrill Lynch).
This case provides background on the financial crisis and the chain of events between September and December of 2008 during which Bank of America (BoFA) had agreed to acquire Merrill Lynch. Negotiations for the investment bank had begun a few months earlier, and initially both Merrill and BoFA viewed their agreement favorably, but in the intervening months, as Merrill's anticipated losses ballooned and the government stepped in with such programs as the TARP, BoFA found itself tied to a financial anchor with a hard-line from the government that prevented BoFA from abandoning ship.
- 8 Apr 10 Leveraged Buyout Analysis
- Lecture and Case Study (RJR Nabisco)
In this case RJR Nabisco is valued under different operating strategies, and this case gives students the opportunity to explore issues facing the board of directors in a leveraged buyout. As an outcome of the analysis, the source of gains in leveraged buyouts is stressed.
- 9 Apr 17 Corporate Restructuring
- Lecture and Case Study (Kmart, Sears, and ESL: How a Hedge Fund Became One of the World's Largest Retailers)
Case examines a number of compelling issues related to Kmart's bankruptcy, restructuring, and rebirth under the control of ESL, a large hedge fund. The case focuses on the role of investment bankers and the increasingly important position that hedge funds and LBO funds have carved out in the M&A market. Two deals are covered: the first deal illustrates the decision-making process for a financial buyer, including the downside protection of Kmart's real estate holdings, whereas the second deal represents a traditional strategic acquisition. Furthermore, this case illustrates the innovative use of real estate as a "hedge" for ESL in the event
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	<i>that the retail combination does not produce the required financial results.</i>
10 Apr 24	2 nd Project <i>The second project will also be a study group activity, and the deliverable shall be a group presentation. Each study group's presentation will require research, analysis and a presentation of the concepts and key issues in a particular investment banking transaction. Time permitted for each group presentation is restricted to 30 minutes.</i>
11 May 1	(Holiday)
12 May 8	Final Exam
