FIN 294.3 MW 2:00 p.m. – 4:00 p.m. (03600) R. Parrino (CBA 6.262, 471-5788) Parrino@mail.utexas.edu Spring 2013 CBA 3.202 Office hours W 11:00 a.m. – noon and by appointment

# Global Financial Strategies Course Objective

Finance 294.3 is the capstone course for the Master of Science in Finance (MSF) program. It exposes students to the types of issues that they are likely to encounter as a financial professional in a corporate environment. Finance 294.3 is intended to provide students who already have a basic understanding of financial theory and the related analytical techniques with experience in the application of that theory and those techniques. This experience is obtained through the analysis of issues frequently encountered by financial decision-makers. The main emphasis is on the identification of value creating strategies and investments for the firm in a global environment.

#### **Course Packet and Useful References**

The course packet, which is available at the University COOP, contains daily assignments, readings, and the cases that will be discussed during the course. **The course packet is the only required text.** However, students may find the following books to be useful references at various times during the course.

## **General references:**

Higgins, Robert C., Analysis for Financial Management (9th ed.), New York, NY, McGraw Hill/Irwin, 2007.

Ross, Stephen A., Randolph W. Westerfield, and Jeffrey Jaffe, <u>Corporate Finance</u> (8<sup>th</sup>, 9<sup>th</sup>, or 10<sup>th</sup> ed.), New York, NY, McGraw Hill/Irwin, 2008, 2010, or 2012.

# Valuation, restructuring, and M&A references:

Bruner, Robert F., Applied Mergers and Acquisitions, New York, NY, John Wiley& Sons, Inc, 2004.

Gaughan, Patrick A., <u>Mergers, Acquisitions, and Corporate Restructurings</u> (4<sup>th</sup> ed.), New York, NY, John Wiley& Sons, Inc, 2006.

Koller, Tom, Marc Goedhart, and David Wessels, <u>Valuation: Measuring and Managing the Value of Companies</u> (5<sup>th</sup> ed.), New York, NY, John Wiley& Sons, Inc, 2010.

Course-related information, including the syllabus and handouts, will be posted on Blackboard.

## Grading

Final grades will be determined as follows:

Weight

Final case 50%

The final exam in this course will consist of an <u>individually</u> prepared written case analysis. The case will be distributed on the last day of class, May 1, 2013, and the analysis will be due by 9:00 a.m. on Wednesday, May 8, 2013. The report will not exceed six pages (including exhibits). See page 5 of this syllabus for additional details.

Class participation 40%

This portion of the grade will be based on the contribution of each individual student to the class discussion throughout the term. It will be based on the quality and quantity of class participation. Quality will be the far more important of the two dimensions. While each comment will be judged on its merits, worrying about each comment is counterproductive. What is important is your overall contribution to moving the class forward during the term. Relatively frequent contributions to the discussion that demonstrate logical and thorough analysis will be required to earn 40%.

Peer evaluation 10%

At the end of the course, I will ask each member of the class to evaluate the contribution of other class members to the quality of the class discussion throughout the term.

To be fair to other students, I will not give any extra-credit assignments.

Course grades will be determined solely by the system described above. At the end of the course, each student will be assigned a letter grade of A, A-, B+, B, B-, C+, C, C-, D+, D, D-, or F for the course.

#### **Course Policies**

#### Class attendance

All students are expected to be seated and ready at the beginning of class. If you miss a class, you are responsible for any material that you miss, including any administrative announcements.

## Policy on scholastic dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty in this MSF course are identical to those described the Statement detail **BBA** program Scholastic on http://www.mccombs.utexas.edu/BBA/Code-of-Ethics.aspx. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sis/ to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

## Students with disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssd/.

## Religious holy days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

## Campus safety

• Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: http://www.utexas.edu/emergency.

# **Class Schedule/Readings**

## **Managing Short Term Assets and Liabilities**

Mar 18 Lecture: Course overview and introduction to working capital management

*Reading Assignment:* Read Chapter 26 from Corporate Finance (2nd Ed.) by Berk and DeMarzo (in the course package).

20 Case 1: Dell's Working Capital [working capital management]

## **Financial Policies**

- 25 Case 2: Hill Country Snack Foods Co. [debt/equity choice]
  - Supplemental Reading Assignment: Read Chapter 16 from Fundamentals of Corporate Finance (2nd Ed.) by Parrino, Kidwell, and Bates (in the course package).
- 27 Case 3: Aluminium Bahrain (Alba): The Pot Line 5 Expansion Project [project finance]

  Supplemental Reading Assignment: Read Introduction to Islamic Finance (in the course package).
- 29 Case 4: Primus Automation Division, 2002
  - Supplemental Reading Assignment: Read Appendix to Chapter 16 from Fundamentals of Corporate Finance (2nd Ed.) by Parrino, Kidwell, and Bates (in the course package).
- Apr 1 Case 5: Ford Motor Company's Value Enhancement Plan (A) [payout policy]

## **Investment Decisions and Valuation**

3 Case 6: Tottenham Hotspur plc [valuation]

*Supplemental Reading Assignment:* Read Parrino, R., Choosing the Right Valuation Approach, 2005 CFA Institute Conference Proceedings, pp. 15-24.

8 Case 7: IBP [valuing an LBO]

Reading Assignment: Read the following (all in the course package):

Dillon, Nancy, DLJ Knows Where the Beef Is, New York Daily News (October 3, 2000).

Mehring, Jaine I., Analyst Report on IBP, Inc., SalomonSmithBarney, October 2, 2000, pp. 1–4.

McMillin, John. M. and Jeffrey G. Kanter, Analyst Report on IBP, Inc., Prudential Securities, October 3, 2000, pp. 1–5.

Mehring, Jaine I., Analyst Report on IBP, Inc., SalomonSmithBarney, October 4, 2000, pp. 1–9.

10 Case 8: Investing in Sponsor-Backed IPOs: The Case of Hertz [valuing an IPO]

## **Corporate Restructuring and Reorganization**

Apr 15 Lecture: Restructuring and reorganization basics

Reading Assignment: Read: Corporate Restructuring and Reorganization, James K. Seward, Chapter E8, in Warren Gorham & Lamont Handbook of Modern Finance, edited by Dennis Logue and James Seward (1999) (in the course package).

- 17 Case 9: WL Ross and Plascar [financial restructuring]
- 22 Case 10: Service Corporation International [value drivers]
- 24 Case 11: Dow's Bid for Rohm and Haas [evaluating acquisition transactions]
- 29 Case 12: Transportation Displays Incorporate (C) [alternative exit strategies following a successful corporate turnaround]

## Course Review and Wrap-Up

May 1 Lecture: Course review and wrap-up

Assignment: Review your course notes.

# **Instructions for Preparing Written Case Analyses**

## **Case Analysis**

- 1. Read the case carefully. Identify the significant points and relations. Use the exhibits to help you understand and/or interpret the text.
- 2. Analyze the data presented in the case and evaluate it in light of the situation. Try to understand not only the present situation, but also its historical origin and how it developed.
- 3. Decide what the major problems are and, if appropriate, prioritize them.
- 4. With the problems in mind, identify the feasible alternative courses of action. Determine what additional information is necessary to evaluate the alternative courses of action. Obtain that additional information.
- 5. Decide what your specific recommendation is to be. In doing so, use your understanding of the alternatives to frame a solution to the problem(s), and predict and evaluate the probable consequences of your solution.
- 6. Decide how you will organize the presentation of your solution to the case.

## **Document Organization**

- 1. **Problem Statement:** Identify the problem(s) concisely, using whatever case facts are necessary to show significance and/or priority.
- 2. **Analysis:** Avoid generalities. Be as specific as possible. Express your ideas clearly, supporting them adequately with evidence, explanation, and references to appropriate exhibits. The strengths and weaknesses of alternative courses of action should be developed. The analysis should build to support your recommendation. Reasons for accepting or rejecting alternatives should be stated and, if necessary, defended.
- 3. **Recommendation:** State your recommendation clearly and in detail sufficient to guide implementation. Discuss both the positive and negative results of following your recommendation and why you think that it is the appropriate course of action. Make sure that the recommendation follows logically from your analysis.

#### **Document Format**

The case solution will be written as a report to senior management. The first page should provide a short executive summary that is no more than two paragraphs long. The detailed analysis should be presented on the following pages. All pages should be numbered and the document typed with one-inch margins and double spacing. Use a 10 point font or larger. Tables, Charts, spreadsheets, or any other supporting materials may be attached as exhibits. Each exhibit must be referred to in the text and clearly labeled.