

Shaping Expectations & Enrolling Committed Students

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Day 2 8:30-9:45 am
S480



"Well, class, now that we can agree on the work load this term"

Goodson's Bias and Discussion Caveats

Goodson's Bias

The first class is the only time where ...

- course expectations are shaped
- conditions are agreed to
- student decides to enroll or opt out for another course

A time for candor and clarity as my course is not for everybody

The vast majority of Hass students crave to ...

- be challenged
- be worked hard
- maximize the return on their investment
- further their career perspective and skill sets

A minority of underachievers or poorly motivated students ...

- should not lower the teaching standard at all and be politely tolerated...
- focus on those that invest in the learning and discourage the rest from taking the course

We owe the students a chance to withdraw if the fit is not right...

- I am brutally candid as to the course shortcomings
- stress the heavy work load per unit
- hammer the very tough rules of the road

Want a friend buy a dog. Respect comes from delivering value in the classroom

Discussion Caveats

Comments are aimed at electives, probably to tough for core cores as the students have to take the offering without choice

Assume that the course is test marketed carefully and designed to be a popular elective (if not, redesign it)

Assumed that the teacher would be effective at pre-marketing course

Pardon the typos and grammar

Today's Agenda... The Five C's

1. Clarity:

Who the course is designed for?
What the course is and what it is not.

2. Challenge:

A 3 unit work load for a 2 unit course delivers high value but at a cost.

3. Conditions of Enrollment:

The rules are the rules- be clear on the way the class works

4. Class Room Confrontation:

Training in the real world atmospheredemanding classroom tension

5. Open Criticism Of The Course:

Enrollment insight from negative student comments from past evaluations

Clarity:

Course Is Aimed at Future Decision Makers

The class is taught primarily for students who want to be decision makers whose career aspirations include...

- ✓ Top level executive positions (CEO, CFO),
- ✓ Partner in a M&A advisory firm- investment bank
- ✓ Partner in a management consulting firm
- ✓ Partner in private equity firm
- ✓ Entrepreneur or start up founder
- ✓ Partner in venture capital firm

Clarity...

Survey Course Organized Into Stand Alone Disciplines And Applications

- ✓ It is a survey course covering 9 topics, each of which could be taught as an entire course. Topics are divided into disciplines (basics)and applications...

Three Disciplines

1. Determining Price and Value
2. Structuring Transactions ... legal, tax and accounting
3. The Deal Process and Smart Negotiation

Six Applications

1. Un-negotiated Transactions (Arbitrage)
2. Private Equity Deals
3. Finance In Acquisitions
4. Technology
5. Integration
6. Managing After Closing

- ✓ Each topic is discreet and much of the value of the course is provided in classroom interaction
- ✓ Attendance of all sessions is therefore critical

Clarity:

Deliverable In Terms Of Career Perspectives & Skill Set

The career benefit of the course is to offer experience-based lessons to enhance the students ability to create shareholder value and avoid costly pitfalls in buying and selling businesses!

The course design is aimed at...

- Developing judgment ...Sharing lessons in distinguishing practices that create value from those that result in loss
- Exploring leadership ...Directing an insightful acquisition process geared to mitigate risk in order to capture return followed by lessons in managing after closing to operationally improve the results of the acquired business
- Polishing acquisition negotiation-related skills ...Capturing the advantage in the tradeoffs inherent in doing a deal and in establishing a win-win scenario with the CEO and top managers of the acquired company after the transaction has been completed

Clarity:

The Course is not a Bunch of Canned Formulas Nor A List of Equations That
When Applied Produce Value

We provide practical approaches to problem solving in ambiguous settings as well as leadership practices that have proven to be successful in the real world

- ✓ The "human factor" is dominant, the variables independent, and logic is frequently trumped by blind ambition and/or self-interested advisors.
- ✓ This is not a corporate strategy course analyzing business combination rationale slogans but rather focusing on measures that create incremental shareholder value in measureable terms.
- ✓ It is a domain where learned experience proves to be much more valuable than textbook niceties.
- ✓ Therefore, sharing the hard earned lessons gained by the Professor in participating in thousands of mergers and acquisitions over the last forty years is a course cornerstone.

In this field, the most important insight is to teach you to know what to do when you don't know what to do.

Challenges:

A 3 Unit Work Load In A 2 Unit Course Delivers High Value But Demands A Significant Investment of Your Time

✓ To deliver the full course value a serious time commitment is necessary

<u>Assignment #</u>	<u>Due 6 p.m.</u>	<u>Format</u>	<u>Description</u>	<u>Credit & Comments</u>
1 Valuation	Monday September 14	Email Individual	Simple evaluation employing DCF and weighing pro forma financial impact	20% of grade Core accounting/finance necessary Drop date
2 Negotiation & Deal Structure Cooper-Nicholson File	Monday October 5	Email Team	Advising a CEO in acquiring a business as to tactics, valuation and closure	30% of grade Requires advanced problem solving in ambiguous situation No one right answer Negotiating with multiple interests and competing priorities
3 Hostile Takeover	Monday November 2	Email Team	Conducting a hostile takeover of a NYSE traded company and defense advisory for Yahoo	30% of grade Dealing in the role of the "bad guy" Evaluation and hostile tactics
4 Private Equity	Monday November 23	Email Team	Private Equity Ducati	20% of grade
5 Final	December 4	Final	Final	Democracy in action

4 cases... 3 of which students present in class

3 additional case studies to be discussed in class and students are intensely grilled

"This course is a little like drinking from a fire hose in its breadth and velocity" ... A former student

Challenges:

Cold Calls And Consequences

I give students "cold calls" in advance so there is focus on what we want them to specifically master in the reading material.

14. Given the assumptions below, calculate the Y to Y change in NWC. Would this amount be added to, or subtracted from, FCF?

(\$ in millions)

Assumptions

2008 Current Assets	\$ 300.0
2009 Current Assets	324.0
2008 Current Liabilities	\$ 200.0
2009 Current Liabilities	216.0

15. How would you approximate the cost of debt for a company with public debt?

16. Given the FCF projections below, a terminal value of \$1,500 million, an exit multiple of 7.0x, and WACC of 10.0%, determine enterprise value using end of year discounting.

(\$ in millions)

Free Cash Flow Projections

Year 1	Year 2	Year 3	Year 4	Year 5
\$100.0	\$110.0	\$120.0	\$130.0	\$140.0

Everybody uses cold calls so what is different than some in my class is what happens if the student is not prepared.

- ✓ It been expressed by former students that being unprepared is a highly uncomfortable experience in front of your peers
- ✓ I then role play a unprepared response with a student skill... Silly but very effective and rarely do we find an unprepared student going forward

Conditions of Enrollment:

The Rules Are the Rules- Be Clear on the Way the Class Works

No Such Thing As A Late Assignment...any assignment turned in late results in a failure and will not be graded. There are no exceptions.

3 On A Team... free riders will balk but you will learn more. Time tested.
Not optional!

Not A Correspondence Class... individual answers from the GSI's are not given. We organize a web spot and answer questions collectively and share with the whole class... adds value... trust us

No Computers or Cell Phones ...the PowerPoint's provide ample notes; computers are not allowed in class nor are cell phone calls

Name Plates Required...to better personalize a large class, enable cold calls and comfort for visiting speakers each session

Be On Time... be in your seat at the beginning of class or wait to rejoin at the break. We take the view that it is a requirement to be prompt in most workplaces so we shouldn't give you bad habits here

Attendance Required... be here - much is taught via the case method and the value is in person exchange . Two unexcused absences carries a huge penalty

Class Room Confrontation:

Training in the Real World Atmosphere ...

Instructive Classroom Tension

- ✓ Settings And Styles Vary... But one of the distinctions in this course is that three assignments are framed in a way that the student is the advisor or principal making a case in a presentation either for or against a deal.
- ✓ Context... The audience is either a CEO, a board or a group of investors. Realize that outside advisors usually face tension packed settings where their findings are openly and forcefully challenged.
- ✓ Intellectual Tension ... We create a tension by training your peers to drill down on the supporting logic of your point of view. When you are not thought-out it becomes very obvious.
- ✓ Conflict at Haas... This style of active interrogation and free for all argument is not often experienced in the Haas environment. Students seem uncomfortable in navigating a seemingly "aggressive" atmosphere. Hence we give them some practice at real world disputes involving big money and huge stakes.

Criticism:

Professor Too Tough On Students In Front Of Peers..
Slides Too Crowded ... Lectures Loaded With M&A Slang

- "Embarrassing students who were not prepared was not necessary" (2008)
- "Too much information on slides which made following the lecture difficult" (2004)
and "frequently flipped through slides too rapidly" (2004)
- "The jargon of the industry was particularly difficult to comprehend as it was very different than the academic vocabulary of most classes" (2004)
- "The American slang was very difficult to follow for an International student" (2005)

On the other hand ...

- "Wish more professors were openly tough on the unprepared ... we pay too much to put up with someone who has not read the material and wants us to slow down or wants to shift topic and tell us how great they are" (2009)
- "Unique opportunity to understand how practitioners refer to their trade" (2004)
- "Slides were a great resource of information distinguishing concepts on a standalone basis" (2005)

Criticism:

Not Much Hand Holding On Assignments

"Did not provide detailed step-by-step instructions for assignments" (2009) and "Not obvious how to do projects" (2004)

"Could have spent more time teaching modeling" (2004)

"Did not walk through the 'details' of any of the assignments" (2008)

On the other hand ...

"If you like formulas and step-by-step certainty, this course is not for you"

"If you like advanced problem solving and tackling ambiguity as it exists in deal making in the real world, get comfortable and stay a while ... great course for the top executive/ownership aspirant" (2005)

Criticism: More Breadth Than Depth & Very Fast Paced

"Would have been great to have as a three-unit course" (2004) and
"I would have loved to have another five weeks" (2005)

"Moved over some questions too fast and sometimes glossed over
material leaving us to read from the text" (2010)

On the other hand ...

"If you didn't get Core Finance and Accounting when you took it and
struggled with simple modeling, this course will be tough"
(2004)

"Loved the pace ... fast and furious ... don't slow down with irrelevant
questions from students speaking without preparing" (2005)

"Got much out of the time at Henry's asking '*ad nauseum*' [sic] questions
after class ... unique experience to provide those with interest to
unlimited access to Professor" (2005)

"Each topic could have been a course ... you cut to the chase - great
overview!"