

CORPORATE FINANCE II

Degree in Finance

Code: 12521

Main Scientific Area: Finance

Lecturer: Maria do Carmo Castro Correia

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 60h Total Workload: 108h

ECTS: 6,0

Objectives

This course aims to:

- analyze the theories of capital structure;
- analyze the theories of the dividend policy, as well as their payment methods;
- know the various types of Mergers and Acquisitions, as well as the defence mechanisms against hostile Public Acquisitions Offers;
- calculate the value of synergies and corresponding premiums;
- evaluate companies and businesses, based on different approaches;
- use preventive management tools.

Learning Outcomes

This course allows to know how to choose the most appropriate capital structure, based on the sources of financing available and the level of leverage. To highlight the theories of the dividend policy when making the strategic decisions of the company and choosing the most appropriate way of paying dividends. To learn about the value creation and structural evolution of companies throughout their life cycle, as well as, which are the main restructuring and defence mechanisms against hostile takeover bids. Evaluate the company/business based on different approaches. And, finally, use preventive management tools to measure the risk of bankruptcy.

Course Contents

I - Capital Structure

1.1 Basic concepts

1.2 Theories of capital structure

1.3 Valuation and capital budgeting for leveraged companies

II - Dividend Policy

2.1 Basic concepts

2.2 Theories of dividend policy

2.3 Dividend payment methods

III - Corporate Mergers, Acquisitions and Restructuring

3.1 Introduction

3.2 Fundamental aspects: Concepts, Modes of Financing and Settlement of Acquisition and the corresponding Prizes

3.3 Horizontal, Vertical, Conglomerate and Concentric Mergers and Acquisitions

3.4 Restructuring and Deconsolidation. Spin-offs, Transformations and Divestments

3.5 LBOs - MBOs - Special Purchases with High Debt

3.6 Main Defense Mechanisms Against Hostile Public Acquisition Offers (OPA)

IV - Evaluation of Companies and Businesses

4.1 Balance Sheet Approach

4.2 Discounted Cash Flow Approach

4.3 Valuation based on multiples

V - Business Risk

5.1 Bankruptcy risk - Preventive management tools

5.2 Credit rating systems

Recommended Bibliography

- Bastos, C., 2018, "Finanças Empresariais - Teoria e Prática", 2.º Edição, Edições Sílabo.

- Brealey, R.A.; Myers, S.; Allen, F., 2017, "Principles of Corporate Finance", 12.ª Edição, McGraw-Hill College Division.

- Fernandes, C.; Peguinho, C.; Vieira, E.; Neiva, J., 2016, Análise Financeira – Teoria e Prática, Edições Sílabo, 4.ª Edição.

- Ferreira, D., 2018, "Fusões, Aquisições, Cisões e Outras Reestruturações de Empresas", Vol. 1, 2, 3, 1.ª Edição, Rei dos Livros.

- Pacheco, L.; Lobão, J.; Madaleno, M.; Soares, V.; Tavares, F., 2021, "Avaliação de Empresas",

1.ª Edição, Edições Sílabo.

Learning and Teaching Methods

Chapter I presents the capital structure theories;

Chapter II includes the analysis of the theories of dividend policy, as well as their payment methods;

Chapter III provides information on the various types of mergers and acquisitions, as well as the defence mechanisms against hostile takeover bids. This chapter also explores the calculation of the value of synergies and the corresponding premiums;

Chapter IV sets out the valuation of companies and businesses, based on different approaches;

Chapter V allows the use of preventive management tools.

Assessment Methods

The assessment methodology for the degree in Finance will be as follows:

1. To students enrolled in all the Curricular Units (CU) of the 2nd year, for the first time:

Final Classification CU = 85% Assessment CU + 15% Project, in Continuous Assessment and 2nd semester Examination Period (the grade of the Project to be considered is that obtained in continuous assessment).

Final Classification CU = 100% Assessment CU, in the Special and Exceptional Period of Examination and Grade Improvement.

Validity of the Project: Continuous assessment and 2nd semester Examination Period of the academic year in which it was performed.

Assessment of CU (50h): 85%

- Presentation and defence of 1 group assignment during class (in person) - weighting 25%.

- 1 test (in person) - weighting 60%, minimum mark 7.0.

Project (10h): 15% - The project is mandatory, as well as the attendance to Skills classes and the classes (from 27.05.2024 to 07.06.2024). Groups must be formed by 14.03.2024.

2. For Students who are not enrolled in all 2nd year CU, for the first time, the Evaluation Methodology referred to in point 1 applies. However, instead of the project, these students must do substitute work. These students must communicate to the teacher of the CU, until 14.03.2024, that they will perform the substitute work, so the teacher can define the groups and the topic of the work. In the absence of communication, it is assumed that the student does not intend to do the substitute work, being automatically failed in the continuous assessment.

3. For students with student-worker status issued by the academic services the Evaluation Methodology referred to in point 1 applies. However, these students may choose to do the project or the substitute work. The option must be communicated by 14.03.2024 to the teacher of the CU. In the absence of communication, it is assumed that the student does not intend to do the project/substitute work, being automatically failed in the continuous assessment.

4. For students who do not do the project/substitute work, the following rules apply:

· Continuous Assessment: the student has missed an element of assessment and thus the Final Classification CU= Failed;

· 2nd semester Examination Period: Zero is considered in the component of the evaluation concerning the project/substitute work, so Final Classification CU = 85% Assessment CU.