

Syllabus

Course Title	CORPORATE RESTRUCTURING
Instructor	Christian Schopper
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Office Hours	For consultations, approach me either before or after class.
Credits	2 US credits (4 ECTS credits)
Module	TBD
Term	Spring 2023
Course Level	TBD
Prerequisites	TBD

Course description

Corporate restructuring involves significant and substantial change in a company's financial structure, ownership, control, or business portfolio, designed to increase the value of the firm. The Course in Corporate Restructuring (the "Course") will focus on identifying situations that call for non-standard Corporate Finance-related solutions, addressing among others corporate performance under financial distress, changes in business strategy and corporate policy, and information gaps between the firm and the capital markets. Frequently, resolving these issues will require structured solutions, such as the design of debt, equity and hybrid financing techniques in order to resolve particular issuer or investor problems that cannot be addressed via conventional methods.

At the core of the Course are case studies which will require participants to make analytically sound and thoughtful executive management decisions in complex constellations whereby various investor views and interests, limitations imposed by stakeholders, possibly legal and corporate governance constraints and aspects of value creation alternatives will have to be considered.

Stretching over 3 days, the Course will be highly intensive and emphasize group work as well as interaction and discussion in the class room. Thereby, Corporate Finance-related concepts already introduced and discussed in previous courses will be applied.

Course requirements, grading, and attendance policies

Participation

- Mandatory and conditional to be graded is a full and timely participation in all classes.
- To be able to actively participate, preparation of mentioned literature and handing in of all 4 Case Study Assignments are mandatory.
- Case Study Assignments will be on a group basis. However, you are incentivized to work on an individual basis which will be rewarded with additional bonus points in regards to grading.

Grading

Grading will be dependent upon the quality of your professional preparation, active participation and contribution in classroom, as well as the quality and timely delivery of your Mandatory Hand-Ins. - You can receive a maximum of 100 points, whereby the eventual grades will be as follows:

Points	Grade
0–49	5
50– 63	4
64– 77	3
77–90	2
90-100	1

- Course participants can achieve a certain maximum of points along the following criteria:
 - Quality of class room participation a maximum of 32 points.
 - 8 points over each of 3 days
 - Interim Exams / Final Exam
 - 20 points total
 - Case Study Assignments a maximum of 48 points.
 - 12 points for each of 4 mandatory group hand-ins
 - +5 bonus points for each hand-in delivered on an individual basis
 - +5 bonus points for each presentation in class

Attitude

The Course is intense and requires substantial time commitment, effort, energy and concentration, but basically we want to learn and also have fun ... - Precondition for this is a professional attitude:

- You are expected to professionally prepare, hand in the Financial Modeling Assignments and the Case Study Assignments per deadline, be in class on time and actively participate in sessions.
- In class, you will always have with you:
 - A financial calculator;
 - The Case Study Assignment; and
 - Your hand-in / presentation material on a USB stick
- Mobile phones and other mobile devices will – without exception - be switched off during the entire length of the sessions.

Case Study Assignments

- You are required to hand in Power Point format presentations for a total of 4 case studies.
- Grading will be on group basis. Groups are not to exceed 3 (three) individuals.
- Each group / individual can assume to present (at least) twice during the Course.
- Individuals delivering hand-ins (voluntarily) on an individual basis will be awarded additional bonus points.
- Volume / page numbers / structure of the presentations are up to you (ideally, though, not more than 10 slides, excl. appendices) whereby quality and creativity rules over quantity.
 - Especially in regards to restructuring assignments, creativity can be key, provided a compelling conclusion is backed up with material, analytics or else to support your arguments. Whereby, your conclusions will be substantiated with a (more or less extensive) financial model, attached in an appendix
 - A good presentation structure may look like following:
 - Analytical status quo / as-is conclusions

- Which are the major issues to resolve?
 - Which basic alternatives are available and feasible?
 - What would you recommend to do and why?
 - Next steps
- You will send the presentation hand-ins via email (christian.schopper@aon.at) by latest 24.00 the night prior to the respective session in which the Case Study Assignment will be discussed and bring a copy **on a USB stick** to class.
 - Downloading presentations during class time has frequently proven sub-optimal and consumes unnecessary valuable time we want to spent together to discuss
 - 2-3 groups / individuals will either volunteer or be chosen arbitrarily to present their conclusions in front of class (time limit: max 10mins), followed by class Q&A, whereby you will have to support your conclusion(s).
 - Please note: If you intend to voluntarily present, it may be useful to run a rehearsal prior to the session, as there will be an absolute presentation time limit of 15mins
 - A maximum of 12 points will be awarded for quality of written materials handed in for each Case Study Assignment. Individuals choosing to deliver hand-ins on an individual basis will be awarded with up to 5 additional bonus points. Those who present could expect to be awarded an additional maximum of 5 bonus points for the quality of the verbal presentation

Case Study 1: MRC must place a value on an acquisition prospect and also decide whether a deal makes sense from strategic and organizational perspectives.

Case Study 2: Deals with the decision of whether to split **Marriott** into two companies Marriott International and Host Marriott. Marriott has run into problems owing to the decline in real estate valuation. At the time of the case, it has a significant percentage of assets in hotels it planned to sell. The problem makes it difficult for Marriott to pursue growth strategies. Furthermore, the market price of the company has declined significantly. The reorganization proposed in the case is meant to deal with these problems.

Case Study 3: Acting as chief financial officer (CFO), you try to determine how **Coleco** can fend off creditors. Coleco is in default on its loans and is in a negative equity position. Your task is to:

1. Provide a full financial analysis about Coleco concluding the state of the company
2. What financing and restructuring options are available?
 - a. What can you offer to your creditors, bondholders and shareholders considering the financial performance and the asset base of Coleco?
 - b. What will be the position, interests and bargaining power of each cluster of creditors?
 - c. What will be the creditors' and bond holders' position after your proposed financial restructuring? How would you expect them to react to your proposal?
 - d. What impact will your proposal have on balance sheet and income statement (Draft an income statement and balance sheet on the basis of 1987 including your proposal)?
 - e. How would you implement your proposal considering the market environment at that time?
3. Structure a package which will ensure that the company has a solid financial basis again

4. In implementing this structure, how would you do this? Who would talk to first? What would you say and / or offer? Who comes next? How would you steer the process?

Case Study 4: USX, a large diversified steel and energy firm is pressured by a corporate raider to spin off its steel business in order to increase its stock price. As an alternative to the spinoff, management proposes replacing the company's common stock with two new classes of "targeted" stock that would represent separate claims against each business segment's cash flows, allowing the stock market to value each business separately (and more accurately).

Course contents

Content

The Course focuses on – among others - the restructuring of debt and liabilities as well as assets and equity. Thereby, we will pay particular attention on the decision-making processes of managers, creditors, investors, stockholders, suppliers, turnaround consultants, and financial advisers. The case studies that participants will work through in this course tend to focus on large companies, with complex capital structures, facing extremely challenging business situations (including threats to their survival). The Course covers restructuring across a range of countries and industries, and features companies – also investors - confronted by a range of problems and challenges. The primary pedagogical approach is case discussion

The Course includes lectures, problem solving and discussions, and case study assignments. Subjects will comprise – among others:

- Distressed
- Bankruptcy
- Spin-Offs
- Split-Offs
- Trackers
- De-mergers
- Recapitalization
- Shareholder Composition
- Corporate Governance

Learning Approach

Learning is foremost by building on already acquired know-how of Corporate Finance principles and applying these in case study constellations, with lecture elements provided as needed. Hence, learning will take place in individual preparations and then subsequently in class room.

Learning Outcomes

The Course prepares participants to deal with the restructuring challenges and opportunities they may encounter throughout their careers. Restructuring is the process by which companies renegotiate the financial contracts and commitments they have entered into with their creditors, employees, suppliers, customers, and shareholders, usually in response to some financial challenge or crisis.

By applying tools and concepts introduced in the Course, participants will learn

- How to recognize when a company can benefit from restructuring,

- How to identify the best restructuring option or strategy for dealing with the problem, challenge, or opportunity that the company faces,
- How to execute the restructuring effectively to create the most value possible, and
- How to "sell" the restructuring to the company's constituencies, who may be asked to make significant sacrifices

Often, restructurings are extremely complicated, and involve multiple issues around valuation, bond indentures, subordination agreements, bankruptcy law, employment law, taxes, litigation, regulation, etc. In analyzing the cases in the course, emphasis will also touch most of these and other issues, which often reveals the best approach for addressing the company's problems.

Schedule

	28.April 2023	29.April 2023	1.Mai 2023
	08.00 - 20.00	08.00 - 20.00	08.00 - 20.00
Hours	Session 1	Session 4	
1	Corporate Finance Concepts	Distress	To be Announced
2		Coleco	
3	Corporate Analysis		
	Session 2	Session 5	
4	Corporate Restructuring	Spin Offs	
5	MRC	USX	
6			
	Session 3	Session 6	
7	CoC Optimisation	Wrap Up	
8	Marriott		
9			
	= Group Case Study Assignment		
	= Lectures (as required)		

Course materials

Preparation

- All relevant themes and topics tackled in the Course you will find in the book: Schopper / Corporate Finance Concepts, 2n edition, 2022.
- Other good references are general Corporate Finance-related books, such as by Damodaran.
- Please note and be mindful of the intensity of the Course: You may assume that the preparation of the respective case studies for the Mandatory Hand-Ins will realistically require anything from 15-25 hours, depending upon how familiar you are with the case study method.

Bio

Information regarding my background can be found on www.christianschopper.com

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at Vienna University are not tolerated.