

**The Wharton School – University of Pennsylvania
FNCE 402/887
Corporate Governance and Shareholder Activism**

**Fall 2020
Preliminary Course Syllabus**

(Please note that this syllabus is subject to change over the duration of the course; however, the general structure and content of the course will remain the same.)

Professors

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Classroom & Time

FNCE 887 001 – M/W at 1:30 p.m. – 2:50 p.m. – online
FNCE 887 002 – M/W at 3:00 p.m. – 4:20 p.m. – online
FNCE 402 001 – M/W at 4:30 p.m. – 5:50 p.m. – online

Course Description

The aim of the course is to provide an introduction to shareholder activism. The course makes use of lectures and case studies. The lectures expose the students to the institutional and empirical facts as well as approaches followed by leading shareholder activists. The case studies are designed to provide students an experience on identifying potential opportunity for value creation through active engagement.

An essential element of the course is learning how to estimate the value of the activism target, and how to assess the potential for value creation through alteration of the company strategy, operations, or financial policy. This potential for unlocking value needs to be assessed, and the resulting value compared to the existing price to assess the quality of the investment thesis. The course assignments require students to develop and practice skills on fundamental analysis.

Reading Materials:

- Case materials and lecture notes on course webpage (Canvas)
- Additional background reading materials will be distributed
- Recommended (but not required) background reading:

“The Blue Line Imperative,” by Kaiser and Young, 2013

“Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences,” by David Larcker and Brian Tayan

Format:

The structure of the course includes lectures, case discussions, and guest speakers. The major objective of the case method in finance is to **use the logic of financial theory to arrive at sensible conclusions** when faced with real world problems. However, one should **keep in mind that there is not one absolutely right answer to a case; different assumptions can lead to different solutions**. While there are no “right” answers, there are good arguments and bad arguments. The process of this course will help distinguish between sensible and senseless arguments. Considering the professor’s analyses as the correct solution defeats the purpose of this course and contributes to the silly notion that in the “real world” there is a single correct recipe to be followed.

Student Responsibilities and Assessment:

1. Case Study Assignments: (60% of the course grade).

Students will organize themselves into groups of three to five members to work on all cases. Groups must be fixed throughout the course. Diverse background within the group is beneficial. Since group work is a cooperative undertaking, students are urged to ensure that they form groups that are able to work effectively as a group. Although brief discussions across different groups are allowed, exchange of analysis and calculations is not. The major objective of the case method in finance is to **use the logic of financial theory to arrive at sensible conclusions** when faced with real world problems. Therefore, demonstration of the key concepts of financial theory is imperative in these cases.

There are 8 case studies in the course and each group must submit a report for each case study. However, only 4 of the submitted reports will be graded. Each group must select from among the 8 case studies which of their reports will be graded and submit a “long report” for those case studies they select.

Submission and Grading of cases:

- Each group must select 4 of the 8 cases for which they will submit a "long report" of maximum 3 pages (pdf) plus exhibits which will be carefully graded
- Each group must submit a "short report" of maximum 1 page (pdf) for the remaining 4 cases for which they did not choose to submit a long report. The short reports will only be graded for "received" or "not received".

Supporting computations and tables can be described in the text of the report or in an appendix and submitted in Excel format. All of the inputs and formulas used should be provided. Some of the case assignments contain questions that need to be addressed, however you will also be graded based upon how well you identify the relevant questions and issues to be addressed. Therefore, whether there are questions for the case or not, please consider what the relevant questions are in the context of each case and discuss why and then perform the necessary analysis to address these questions. The raw data and relevant information for cases will be made available on the course webpage. **A subset of groups may be chosen to lead the discussion by presenting their analysis.**

2. Class Participation and Attendance: (15% of the course grade)

A goal of this course is to provide students with the opportunity to learn how to best contribute to discussions about complex financial issues. Therefore, this class depends and thrives on class participation. It is an important and essential part of this course. Because so much learning in this course occurs in the classroom, it is important that you attend every class. **Voluntary class participation is encouraged. "Cold calls" will be made as to ensure that the class enjoys the benefit of every student's contribution.** Inadequate class participation combined with several absences can lead to a failing grade. Performance will be judged based on the quality of comments/answers. **Students are expected to prepare for each case and participate actively in class.** To facilitate recording of class participation, please keep the same sitting arrangement throughout the semester.

3. Topical research paper: (20% of the course grade)

Each participant should endeavor to increase her/his awareness of activist events and corporate governance news during this course. In order to ensure participants exercise their own curiosity and pursue and apply knowledge outside of the case studies and lecture/speaker sessions presented in the classroom, each participant is responsible for writing an original paper on a corporate governance or shareholder activism issue or event. This "Topical/Reflection Paper" is an opportunity for summarizing your individual and team learning from the course and applying those learnings to a self-selected topical issue/event related to the corporate governance/shareholder activism. Each group will present their original work to the class in the sessions 25-27 of the course.

4. Individual Reflection paper (5% of the course grade)

Learning is an effortful process and I have added this assignment in place of a final exam. The purpose of this exercise is to ensure that each individual devotes some time (a couple hours or more) to reflecting back on this course and trying to recall and deepen your understanding of the many topics and concepts covered. You are expected to submit (along with the group paper) your individual reflections on what you learned during this course and the insights you gained. It is expected to be between 2-5 pages and address the following elements: (1) Summarize and demonstrate understanding of the concepts taught in this course, (2) Summarize the insights you gained, and (3) Describe how these insights will impact you/your behavior going forward.

Please do not be evaluative (e.g., please avoid statements such as "I really loved the session when we talked about..." or "I found the discussion around xxx to be very confusing...")

Simply emphasize your learning by structuring your reflections as, "What I learned was" Grading will be based on the depth and quality of your reflections as reflected in the depth and quality of the learning and insights you share in this report.

Code of Ethics:

Submitted assignments for grading should be your own or your team's own work only. Most cases in this course involve actual companies. You may use firm specific or market data that are publicly available for your analysis. You cannot, however, use analysis originating/belonging to others e.g. banks, hedge funds. Failure to observe this rule may result in an automatic failing grade for the course.

Office Hours and Contact Information:

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Course Schedule All dates, including due dates of assignments, are subject to change to accommodate speakers

Class #	Date	Topic	Assignment
1	Wednesday, September 2, 2020	Course Intro & Who are Activist Investors?	no assignment today
	Monday, September 7, 2020	NO CLASSES _ LABOR DAY	no assignment today
2	Wednesday, September 9, 2020	Value Investing Foundations	no assignment today
3	Monday, September 14, 2020	Activist Toolkit - Proxy advisors and campaign	Apple: Corp Governance & Carl Icahn
4	Wednesday, September 16, 2020	Proxy proposals and Proxy fights	Apple, continued
5	Monday, September 21, 2020	Intro and Overview of Activist HF	no assignment today
6	Wednesday, September 23, 2020	Activist Hedge Funds	no assignment today
7	Monday, September 28, 2020	Legal Framework - Approaching the Target	Speaker?
8	Wednesday, September 30, 2020	Legal Framework - Defending the Target	Speaker - Sullivan & Cromwell
9	Monday, October 5, 2020	Defending against a Shareholder Activist	Speaker - Schulte, Roth & Zabel
10	Wednesday, October 7, 2020	Valuing Yahoo!	Yahoo! 2013 - report due date
11	Monday, October 12, 2020	AOL	AOL - report due date
12	Wednesday, October 14, 2020	AOL	AOL - continuation
13	Monday, October 19, 2020	Valuation and Activism - Where's the value?	no assignment today
14	Wednesday, October 21, 2020	Valuation and Activism - Measuring the value	Speaker/pre-recorded
15	Monday, October 26, 2020	Valuation and Activism - Creating the value	no assignment today
16	Wednesday, October 28, 2020	Applying the activist toolkit	ZAYO
17	Monday, November 2, 2020	Applying the activist toolkit	Marvell - report due date
18	Wednesday, November 4, 2020	Applying the activist toolkit	Marvell
19	Monday, November 9, 2020	Investment Banking Support	Speaker - Credit Suisse
20	Wednesday, November 11, 2020	Darden	Darden
21	Monday, November 16, 2020	Lululemon	Darden
22	Wednesday, November 18, 2020	Activism in Japan	Alp Ercil (?)
23	Monday, November 23, 2020	Multinational Activism: Canada	Canadian Pacific
24	Wednesday, November 25, 2020	Activism & Culture: Japan	FANUC Japan
25	Monday, November 30, 2020	Reflection	Research Papers due
26	Wednesday, December 2, 2020	Topical Paper presentations	Group presentations
27	Monday, December 7, 2020	Topical Paper presentations & wrap-up	Group presentations
28	Wednesday, December 9, 2020	Topical Paper presentations	Group presentations