# Corporate Finance

### Assignment topic:

An analysis of Hella GmbH & Co. KGaA[[1]](#footnote-1)

### Learning Outcomes assessed

### Discuss the theoretical models of financial management

### Apply theoretical understanding to practical problems

### Evaluate financial decisions made by company management

### Formulate practical solutions to real-life business problems

### Manipulate financial information to achieve various results

### Solve problems related to the analysis of financial information

### Use information technology to summarise, manipulate and present financial information.

### Objectives

The assignment accounts for 100% of the marks for this module.

This assignment asks you to analyse Hella GmbH discussing theory in a practical situation.

The assignment encourages

* critical reading of peer-reviewed academic articles;
* developing and demonstrating an understanding of the topic area of the goals of financial management and of companies generally;
* applying theoretical understanding to the analysis of a practical example of a company

**The Company**

Hella is a German company listed at the Frankfurt stock exchange. From the company’s website:

“HELLA is a listed, internationally positioned automotive supplier operating under the umbrella brand FORVIA. Within this de facto group, HELLA stands for high-performance lighting technology and automotive electronics. At the same time, the Company covers a broad service and product portfolio for the spare parts and workshop business as well as for manufacturers of special-purpose vehicles with its Lifecycle Solutions business group. HELLA has around 36,000 employees at more than 125 locations worldwide and generated consolidated sales of € 6.3 billion in the fiscal year 2021/2022.”

<https://www.hella.com/hella-com/en/HELLA-at-a-glance-723.html>, accessed 08/10/2022).

Information on the company’s operations is available from the company website:

[www.hella.com](http://www.hella.com)

Information on the company’s finances is available from the company website, by following the link to Investor Information

Share price data, charts and other technical information are available on [uk.finance.yahoo.com](file:///Users/aaronreonmanuel/Downloads/uk.finance.yahoo.com).

Hella’s current corporate bond prices can be viewed on <https://www.boerse-frankfurt.de/en>

More information on Faurecia’s takeover incl the detailed offer can be found on <https://www.hella.com/hella-com/en/Offer-from-Faurecia-17177.html>

### Required

1. Assess how attractive Hella GmbH was as an investment to shareholders in the 5 years prior to the acquisition by Faurecia AG in 2022. Undertake appropriate calculations to support your discussion.
2. Calculate the WACC for Hella GmbH at 31 May 2022 (date of most recent financial year end).
3. Comment on Hella’s capital structure in the light of financial theory.
4. Attempt a valuation of Hella at 31 May 2022 using two of the valuation methods discussed in this module. Critically evaluate your valuations in the light of the (i) traded share price and (ii) purchase price agreed by Faurecia. How good do you think Faurecia’s offer was from the buyer’s and the seller’s perspective?

### Additional Guidance

* All calculations must be undertaken in Excel and submitted together with your discussion. Please clearly state any assumption you make (e.g. due to limited data availability).
* Make sure that your spreadsheet is laid out clearly and fully labelled. Please ensure that you clearly state the source of all figures (e.g. annual report).
* At Masters level you are expected to read widely with a strong emphasis on high quality journals. This is particularly important for the more theoretic aspects like in task 3.

### Suggested readings

Harris, M. and Raviv, A. (1991) The Theory of Capital Structure, Journal of Finance 48(1): 297-355

Myers, S. C. (1984) Capital Structure Puzzle, Journal of Finance 39(3): 575-592

It is very important that you include your student number in the submission title for both parts, so that we can match your spreadsheet to your report. Failure to do so means that we cannot mark your work anonymously.

Please ensure you submit your assignment no later than the deadline set above. If you are not able to meet this deadline due to exceptional circumstances as defined by the University please follow the guidance available <https://www.brookes.ac.uk/students/your-studies/exceptional-circumstances/> to seek an extension.

### Assignment length

The maximum length of this assignment is 4,000 words. This specified word count refers to the main body of the report and does not include front cover, title page, contents page, executive summary, reference list, bibliography or appendices. The word count does include headings, tables and in-text citations, but not equations or diagrams. The Excel spreadsheet does not contribute to the word count.

The length of an assignment is limited by a set number of words to contribute towards the development of writing skills and to ensure all work is assessed equitably. We therefore require you to complete your assignments within the number of words specified in the assignment brief.

You will need to think carefully about how best to explain your case within the permitted number of words using, for example, an appropriate mix of text, drawings, diagrams and tables, supplemented by information contained in appendices.

Please also remember that a report can be enhanced or damaged through layout, for example, placing all tables and drawings in appendices can hamper the flow of discussion. Decisions therefore need to be made about the most appropriate place to use tables etc, to support your case.

Appendices themselves will not be marked. However, appropriate use of appendices will be taken into consideration when awarding the final mark.

Words that exceed the maximum allowed will not be marked. If in doubt, you should discuss this with the Module Leader **before** submission.

### Presenting coursework for assessment

Your assignment must be presented in the following format:

* It must be word-processed in 11 point Arial font and 1.5 spaced
* All pages must be numbered
* Margins must be as follows: Top: 1 inch, Bottom: 1 inch (2.5 cm), Left: 1.25 inches, Right: 1.25 inches (3.2 cm)
* It should not contain your name(s)

### Referencing

It is expected at this level that referencing will be complete and accurate, using the Harvard method. Guides to using the Harvard method are available on the library website ‘Cite them Right’: <https://www.brookes.ac.uk/library/library-services/information-skills/citing-references-in-your-work-and-plagiarism/>

### Marking criteria

## *Use of literature:*

## *A very good piece of work should show up-to-date, comprehensive and detailed knowledge of the subject area and where appropriate relevant literature that integrates theory with practice.*

## The *extent* and *quality* of your sources will be assessed. You are expected to demonstrate that you have undertaken an independent literature search so your list of references should include more than the sources to which you have been directed. You are also expected to be able to distinguish *authoritative* sources: these are books and journal articles which have academic authority. You are expected to review other journal articles, textbooks, trade journals and newspapers and professional publications and websites if relevant but should not comprise the majority of your references. Only academic sources using English language are to be included. 12 marks.

## *Critical approach to sources:*

## *A very good piece of work must show the student can effectively critically review evidence, draw conclusions and suggest ideas to enhance organisational processes and/or theory whilst recognising contextual limitations.*

## Your ability to reflect on the literature you have read will be assessed. You should be able to identify similarities and differences between authors’ arguments and methods and to use such comparisons to support your arguments. You should be able to demonstrate your own thinking where the questions set require this by presenting an argument and supporting it by reference to evidence that you have collected. You should draw conclusions that are logically connected to your argument. 12 marks.

## *Problem solving, application of theory to issues and practice:*

## *A very good piece of work will show the student has developed his/her own ideas based on a wide range of evidence that has been thoroughly analysed, applied and discussed. The work should be entirely focused on the assignment question and objectives.*

## Your ability to demonstrate understanding of issues raised in the literature, including methodological issues, will be assessed, primarily in your approach to answering the questions set. Your discussion of the issues posed in the question should reflect your understanding: you should be able to present an argument, outlining alternative views (derived from your reading) and presenting evidence that supports these and arriving at a conclusion which you have justified from the literature and from examples. Your answer to the question should be clearly focused: read the question carefully and refer back to it frequently while writing your answer to ensure that you are not wandering off the point and including irrelevant material. 66 marks.

Breakdown of marks:

Task 1: 14 marks

Task 2: 8 marks

Task 3: 24 marks

Task 4: 20 marks

## *Presentation:*

## *The assignment must be presented professionally, communicate key messages and arguments with convincing substantiation and contain accurate referencing in appropriate format.*

## This includes consideration of general presentation issues such as the inclusions of a sensible introduction, page layout, use of paragraphs, accurate spelling, fluency of language and compliance with presentation instructions. This also covers the layout, labelling and presentation of the spreadsheet.

## The presentation of citations in the text and accurate referencing must also be in the correct format. If you cite sources in the text and do not include them in the list of references, the assumption will be made that you have not in fact consulted these sources but have copied material from another text which included them. This is plagiarism and attracts severe penalties. It is therefore essential that you check your text very carefully to ensure that *all* citations are listed as references. 10 marks

1. GmbH & Co. KGaA indicates a limited company based on shares [↑](#footnote-ref-1)