Course Description

The objective of the course is to discuss corporate valuation tools and to illustrate their use.

The course follows the main components of corporate valuation:

- Understanding the firm – adjusting the balance-sheet to the economic balance sheet.
- Valuation with multiples.
- Industry analysis and revenue projection.
- Financial statement analysis for pro-forma financial models.
- Cost of capital estimation.
- Debt valuation.
• Valuation of convertible securities (as time allows).

The underlying assumption in this course is that students have learned all relevant financial tools. Therefore, the objective of the course is not to introduce new tools; rather, this course discusses and illustrates the application of financial tools to actual data. This is done in a detailed valuation, in stages, of one firm (chosen in class).

This course differs from traditional corporate finance courses in that it emphasizes the generation of all data used in valuations and not just their use. In addition, I insist on getting specific values for each assignment even in the absence of full information.

PREREQUISITES

I assume that you are well acquainted with:

• Financial accounting,
• Introductory finance,
• Introductory statistics, and
• Excel.

Course Goals

The objective of the course is to discuss corporate valuation tools and to illustrate their uses.

Grading

Grading in the course is based on three components:

1. Class participation and assignments (20%). The assignments are not graded.
2. A final submission (80%) – an analyst report on a company with a Buy/Hold/Sell recommendation – is due three weeks after the last class.

All reports are group assignments. You should work in groups of three to four and you are responsible for making up the groups in the first week of class. All members of a group receive the same grades on all written assignments. Team member names should appear on the cover page.

The assignments should be submitted (via Moodle) before the beginning of the class. For obvious reasons, late reports will not be accepted.
Each of the assignments should not exceed four double-spaced pages. The last report (final submission) should not exceed eight double-spaced pages. There can be an unlimited number of supporting tables and figures; all tables of figures should be pertinent to the discussion in the body of the report.

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**Learning Outcomes**

Below you find a list of the topics that we cover and the corresponding readings in the textbook organized by weeks. This organization is tentative since the pace and depth of discussion of different topics is tuned to class interest.

<table>
<thead>
<tr>
<th>#</th>
<th>Topic</th>
<th>Readings (D)</th>
<th>Assignment</th>
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<tr>
<td>1.</td>
<td>Principles of Valuation – valuation approaches</td>
<td>• Ch 1,3</td>
<td>• Gulf Oil case study</td>
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<td>2.</td>
<td>Valuation with Multiples</td>
<td>• Ch 17-20</td>
<td>• HW1</td>
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<td>3.</td>
<td>Proforma models</td>
<td>• Ch 9-11</td>
<td>• HW2</td>
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<td>4.</td>
<td>Capital structure, firm value, and cost of Capital</td>
<td>• Ch 7-8</td>
<td>• HW3</td>
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<td>5.</td>
<td>Other valuation methods (excess earnings approaches, options)</td>
<td>• Chapter 5</td>
<td>• HW4</td>
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<td>6.</td>
<td>Flexibility valuation</td>
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**Additional Notes**

I do not allow late entries to class!

Any use of cellular phones is prohibited during class.

I expect you to bring your **name plate** to class.

Additionally, my presentations are available on the course’s web site.