

Course Syllabus (1st Semester, 2017- 2018)

COURSE TITLE: Corporate Valuation

INSTRUCTOR: Prof. Yuri Loktionov

EMAIL: TBD

STUDENTS: Exchange students

TIME: Tuesdays, 17:20 – 19:10

PLACE: IB 309

OFFICE: TBD

OFFICE HOURS: TBD

I. OBJECTIVES

1. Knowledge:

Understanding what determines the value of a firm and how to estimate that value is a prerequisite for making rational business decisions. Entire industries (investment banking, securities analysis, and consulting) have grown prosperous providing valuation skills to investors and managers.

The objective of this course is to give a general grounding in the valuation approaches used by successful practitioners. We cover discounted cash flow models, market multiple models, as well as specialized models used for private companies, M&A transactions, etc. The course emphasizes practical and real-world applications of valuation methodologies and is targeted towards students interested in careers in corporate finance, investment banking, security analysis, consulting, private equity. It will also help you make better personal investing decisions.

Prerequisite courses: Principles of Accounting and Corporate Finance

2. Skills / Ability:

- ✓ Pull apart the financial statements to get at the relevant information for valuation
- ✓ Identify “red flags” that indicate manipulation of financial statements and/or an impending liquidity crisis
- ✓ See clearly how industry fundamentals and competitive forces directly affect financial results and, in the process, drive stock valuation
- ✓ Determine the valuation for any public or private company whether for purchase or sale, investment of a minority interest, going public in an IPO, or restructuring
- ✓ Assess whether a company is creating value for its shareholders
- ✓ Evaluate the reports of business valuation experts and to be able to ask the “right” questions of these experts.

II. WEEKLY ARRANGEMENTS

Week	Date	Content	Assignments
1	Sep 12	Introduction / Principles of Value Creation	
2	Sep 19	Discounted Dividend Valuation	CFA Reading
3	Sep 26	Free Cash Flow Valuation	CFA Reading / Homework

4	Oct 3	<i>NATIONAL DAY WEEK– No classes</i>	
5	Oct 10	Multiples Valuation	CFA Reading / Homework
6	Oct 17	Special Cases in Valuation I (Private & Distressed Companies)	CFA Reading / Homework
7	Oct 24	Special Cases in Valuation II (Start-ups)	CFA Reading / Homework
8	Oct 31	Midterm Exam	Preparation for the Midterm
9	Nov 7	<i>IMMERSION WEEK – No classes</i>	
10	Nov 14	Analyzing Performance and Competitive Position	Textbook Ch. 8 / Homework
11	Nov 21	Forecasting Performance	Textbook Ch. 9 / Homework
12	Nov 28	Estimating Continuing Value	Textbook Ch. 10 / Homework
13	Dec 5	Estimating the Cost of Capital	Textbook Ch. 11 / Homework
14	Dec 12	Calculating and Interpreting Results	Textbook Ch. 13 / Homework
15	Dec 19	Analyst Report Discussions	Various Reports – TBD
16	Dec 26	Valuation Presentations - Teams	Preparing the Valuation Report and Presentation
17	Exam Week		
18	Exam Week		

III. REQUIREMENTS (Requirements of course study and class discipline)

Students must come adequately prepared for class. It is vital that you spend time prior to class to prepare the relevant material.

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work, is unacceptable to the University. Where a clear violation has occurred, however, the Instructor may disqualify the student's work as unacceptable and assign a failing mark on the exam. While it is perfectly OK to prepare for exams in groups, the actual tests are to be individually attempted.

There will be no make-up exams. If a student misses a midterm exam for a satisfactory reason (e.g., medical emergency) will have the final exam count for 65% of the grade.

IV. TEACHING APPROACH

The course will be delivered as a mix of lectures, class discussion, practice assignments and cases. Some of the questions on the midterm and the final exams will be based on real-life financial statements of well-known companies.

Class participation grade will be based both on attendance and constructive participation. You are expected to participate in class discussions and you will be graded on your contribution to the classroom learning environment. You should expect to be "cold called" to discuss assigned review problems and to offer views on the assigned material.

A valuation report will to be done in teams of 3-5 people. Part of the grade for the case will be based on the evaluation by your team members of your contribution to the write-up.

Group projects provide a valuable learning experience – how to work effectively and efficiently in groups learning from others, and sharpening a student’s ability to communicate to others. However, some students may be tempted to relax and let others carry their load. To provide an incentive for all students to make maximum contributions to the team project, students will be asked to grade each team member’s contributions.

V. COURSE MATERIALS

1. Required Materials and/or Readings

- ✓ Reading: *CFA Program Curriculum: Equity Investments* – Level II
- ✓ Textbook: *Valuation: Measuring and Managing the Value of Companies* by McKinsey & Company: T. Koller, M. Goehart, and D. Wessels (5th edition, 2010)
- ✓ A financial calculator capable of performing operations with amortizing payments and uneven cash flows (e.g., Texas Instruments BA II Plus, Hewlett Packard 12C, etc.). You could use an app on your smart phone but it will not be allowed during exams. Please bring your calculator to each class.

2. Recommended Materials and/or Readings

- ✓ *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset* by A. Damodaran (3rd edition, 2012)
- ✓ *The Dark Side of Valuation: Valuing Young, Distressed, and Complex Businesses* by A. Damodaran (2nd edition, 2009)

VI. ASSESSMENT

Students’ final grade will consist of the following parts:

1. Post-class work (valuation report & presentation in groups): 35%
2. Participation and attendance: 10%
3. Midterm exam: 20%
4. Final exam: 35%