

Tentative Syllabus
Finance 728 – Corporate Valuation - WEMBA
Summer 2016
Prof. Michael R. Roberts

Description and Format

This is a course on corporate valuation and financial modeling. The emphasis will be on valuation problems in the context of the firm (e.g., capital budgeting, M&A, LBO, equity valuation). While there is some overlap of topics with other classes this class differs significantly in terms of its emphasis on practical application, institutional details, and financial modeling.

Class time will be spent on cases and lectures. The former are useful for conveying specific lessons quickly and with minimal fuss. As such, they allow us to explore valuation in a variety of contexts (e.g., industries, transactions, time periods).

However, cases do much of the legwork for you – gathering, cleaning, organizing, and distilling the data. In practice, you rarely have this luxury. As such, lectures will revolve around valuation problems that start from scratch. We will discuss where to gather the relevant data, how to organize it, how to spread key statistics, ratios, and trading multiples, how to calendarize data and compute last twelve-month figures, and how to scrub data to understand performance on a normalized basis. We will discuss how to construct a financial model consisting of forecast drivers, articulating pro forma accounting statements, and supporting schedules. Excel will be the primary tool and you should get comfortable with it.

This course is dynamic, hence, the tentative nature of this syllabus. Let me emphasize this point. I like to explore valuation issues that arise in practice over the course of the semester. Further, we will explore different topics more or less deeply as we see fit; and, I encourage the discussion of workplace related questions, subject to relevance and time constraints. Likewise, I encourage the discussion of current events, again subject to relevance and time constraints. Thus, it is best to view the syllabus and schedule as a rough guide of the topics we will be investigating.

What is not subject to change are the assessment method, due dates of assignments, and rules for the course as outlined in this syllabus. I do not make exceptions to the rules, as doing so would require me to make exceptions for everyone, a practical impossibility. I repeat: ***There are no exceptions to the rules so please do not ask.***

Pre-Requisite Knowledge

I will assume that you have a working knowledge of finance (i.e., Finance 601) and accounting (Accounting 620). This knowledge is essential because there is limited time to review this material.

Materials

I rely on a variety of materials to construct this course including spreadsheets, lecture slides, textbooks, articles, and cases. You are not expected to read all of the material. Doing so would be inefficient as many readings are redundant. I offer them because each student learns differently. Read what you need and what resonates with you. (Most of the readings are for reference and reinforcement.)

- 1) Cases: Cases are listed below and are available on Study.net via Canvas
- 2) Articles: I sometimes post relevant articles (**ART**). These can be found on Study.net or Canvas depending on their copyright status.
- 3) Slides and Supporting Material: Any lecture slides or other materials will be made available on Canvas.
- 4) Texts:
 - a. Primary:
 - i. **HZ**: Holthausen and Zmijewski, *Corporate Valuation: Theory, Evidence, and Practice*
 1. The most comprehensive and accurate guide to doing valuation. Blends rigorous academic principles with institutional details.
 - ii. **BD**: Berk and DeMarzo (BD), *Corporate Finance*, 3rd ed.
 1. An outstanding introduction to the principles of finance with a careful towards applications.
 - b. Supplemental:
 - i. Martin and Titman, *Valuation: The Art and Science of Corporate Investment Decisions*, 3rd Ed.
 - ii. Rosenbaum and Pearl, *Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions*, 2nd Ed. (University Edition)
 1. A practitioner's take on valuation with useful spreadsheet illustrations
 - iii. Training the Street: <http://trainingthestreet.com>
 - iv. Wall Street Prep: <https://www.wallstreetprep.com>
 - v. Breaking into Wall Street: <https://breakingintowallstreet.com/biws/homepage/>
 - vi. Macabacus, LLC <https://www.macabacus.com>
 1. A practitioner's take on valuation with helpful illustrations of accounting concepts and spreadsheet samples

Assessment

Grades will be based on the following criteria

- 1) 20%, Class participation: To get the most out of the class you must not only attend but actively participate in the class discussion. This will require advance preparation including reviewing lecture slides, completing the background reading, and preparing case solutions.
- 2) 40%, Cases: There are several cases required for the course. Their due dates are detailed in the schedule below.

Students should work in groups of **no more** than four (no exceptions so please don't ask).

Deliverables consist of one Excel workbook per group. The first sheet should contain the names of the groups' members and brief answers to the case questions. In your answers, please clearly reference any supporting material, all of which should be included in the same workbook on subsequent sheets. The workbook should be self-contained with any and all material that you used to answer the case questions. The more organized and clearly annotated your answers and work, the easier to grade and the less scope for confusion.

Cases must be emailed to the TA and me before 12:00 AM on the day in which they will be discussed. (See schedule below.)

The TA and I will not answer or respond to any questions related to the case prior to the due date so please do not ask. The motivation for this policy is to mimic real life situations in which you will face difficult and ambiguous valuation tasks for which there is no TA or professor to answer questions. Late submissions will not be accepted and will result in a score of zero for the case. You have one week from the time that the case is returned to the class to request a re-grade of the case. The case will be regarded in its entirety. As such, your score may increase, decrease, or remain unchanged.

- 3) 40% Final Assignment. ***You may not engage anyone to help you with the final assignment.*** You are free to use any resources at your disposal (e.g., texts, slides, notes, etc.), however, you may not use solutions or “tips” that are specific to the case found on the web or from previous students in the course.

The project deliverable is similar to that for the cases – one excel workbook in which the first sheet contains your name, answers to the assignment questions and references to supporting material contained in subsequent sheets.

The project must be emailed to the TA and me before 12:00 AM on the tenth day after the last class. (See schedule below.) I strongly encourage you to avoid running up against this deadline because there are ***no*** acceptable excuses (e.g., technical problems, server issues, etc.)

Your solution should mimic that of the case assignments and may be emailed to the TA upon completion. The TA and I will not discuss any aspect of the individual project prior to the due date so please do not ask. Failure to turn in an individual project before the deadline will result in a failing grade.

Late assignments will not be accepted under any circumstances so please do not ask.

Class Schedule and Topics (Tentative)

A tentative outline of each class is provided in the table below. I strongly encourage you to do the readings before class. You need not memorize or completely understand the material read but coming to class with a familiarity of the concepts will make the lectures significantly easier. We will be discussing the issues in class and so the readings can be viewed as reference and reinforcement of what you have seen in the core.

Class	Day	Date	Time	Topics	Readings	Assignments Due
1	F	8-Jul	1:30 - 3:00	Advanced DCF	Discount Rates and Valuation article, slides, spreadsheet; B&D Ch. 18; H&Z Ch.s 4,5,6	
2	F	8-Jul	3:00 - 4:30	Advanced DCF		
3	Sa	9-Jul	9:00 - 10:30	Comps in practice	H&Z Ch.s 13,14	
4	Sa	9-Jul	10:30 - 12:00	Comps in practice		
5	Th	21-Jul	1:30 - 3:00	M&A: Guest Speaker Ben Frost, Morgan Stanley	H&Z Ch 16	Guest Case TBD
6	Th	21-Jul	3:00 - 4:30	M&A		
7	F	22-Jul	9:00 - 10:30	Advanced Valuation Concepts		Apple Data Sheet
8	F	22-Jul	10:30 - 12:00	Advanced Valuation Concepts		
9	F	5-Aug	1:30 - 3:00	LBO: Guest Speaker Mike Delaney, Court Square Capital Partners	H&Z Ch. 15	Guest Case TBD
10	F	5-Aug	3:00 - 4:30	LBO		
11	Sa	6-Aug	9:00 - 10:30	Investment Management		Valuing Yahoo
12	Sa	6-Aug	10:30 - 12:00	Investment Management		