**Valuation: Measuring & Managing the Value of Companies**

Fall/Spring 201X

This course will focus on the financial analysis and valuation of companies. The course will be segmented into four major sections.

* During the first weeks of class, we discuss the drivers of corporate value, specifically return on investment and organic revenue growth. We next examine how to build an ROIC-based valuation model, and how this differs from and complements the traditional discounted cash flow model.
* The second section covers financial analysis using data from the annual report. We start with the traditional competitive benchmarking and next move to current metrics such as return on invested capital (ROIC) and economic profit. Our primary goal will be to build a true understanding of operating performance across business units and for the entire company.
* In the third section, we build an integrated valuation model using discounted cash flow. The section starts with the fundamentals of forecasting, how to determine the appropriate forecast period, and issues related to continuing value. We derive the weighted average cost of capital, focusing on how to estimate the inputs.
* In the final section, we discuss alternatives to DCF valuation, comparables analysis and options. We use multiples analysis to triangulate our DCF valuation and options analysis to handle uncertainty.

**Reading**

The course will rely on a textbook:

Valuation (5th Ed) by Koller, Goedhart, and Wessels, 2010, John Wiley & Sons, Inc, NY.

**Exams**

To be determined by instructor.

**Syllabus**

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| **Section** | **Week** | **Topic** | **Note** | **Reading** | **Case** |
| Frameworks for Valuation | 1 | Fundamentals of Measuring and Managing Value | 1 | Ch 2 |  |
| 2 | Analyzing Key Value Drivers |  |  |  |
|  |  Return on Invested Capital | 2 | Ch 4 |  |
|  |  Revenue Growth | 3 | Ch 5 |  |
| 3 | Frameworks for Valuation  |  |  | Case Due: Who are Henkel and Reckitt Benckiser? |
|  | Enterprise DCF and Economic Profit Models | 4 | Ch 6, pages 101-119 |
|  |  Adjusted Present Value | 5 | Ch 6, pages 119-129 |
| Analyzing Historical Performance | 4 | Reorganizing the Financial Statements | 6 | Ch 7 |  |
| 5 | Analyzing Performance and Competitive Position | 7 | Ch 8 |  |
| 6 | Advanced Financial Analysis |  |  | Case Due: Reorganizing the Financials |
|  | Taxes | 8 | Ch 25 |
|   | Pensions, Leases and Other Obligations | 9 | Ch 27 |
| Building the Valuation Model | 7 | Forecasting Performance  |  |  | Case Due: Competitive Benchmarking |
|  |  The Explicit Forecast Period | 10 | Ch 9 |
|  |  Continuing Value | 11 | Ch 10 |
| 8 | The Weighted Average Cost of Capital |  |  |  |
|  |  The Cost of Equity | 12 | Ch 11, pages 231-257 |  |
|  |  The Cost of Debt | 13 | Ch 11, pages 257-266 |  |
| 9 | Putting the Model to Work |  |  |  |
|  | From Enterprise to Equity Value | 14 | Ch 12 |  |
|  | Calculating and Interpreting Results | 15 | Ch 13 |  |
| Alternative Methods of Valuation | 10 | Multiples | 16 | Ch 14 | Case Due: The Cost of Capital |
| 11 | Real Options | 17 | Ch 32 | Case Due: Final Valuation |