

**MBA F700
Valuation for Finance Professionals
Fall 2021 Course Outline**

**Finance Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

1. To build students' skills and confidence in answering the question: "What is a company worth?"
2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Wed. 2:30 – 5:20 pm

Mike Miller, CFA

Instructor

Millem11@mcmaster.ca

Office Hours: after class

Class Location: RJC TBA

Student TA

Jason Tome

mailto:tomej@mcmaster.ca

Office Hours: TBA

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	No

COURSE DESCRIPTION

This course is taught primarily through lectures, assigned videos, some case studies and current equity research reports from a major investment firm. F700 is an *applied* course in corporate valuation. Valuations are required in investment analysis, capital budgeting, merger and acquisition transactions, financial reporting, taxable events to determine the proper tax liability, and even in litigation. Through the use of a few case studies, videos and numerous current equity research reports, we will examine how professionals are currently valuing public-traded companies.

The goal of the course is to build students' skills and confidence in answering the question: "What is a company worth?" and to help prepare students for a long-term career as an investment or commercial banker, a portfolio manager or equity research analyst, a member of the finance or business development team of a company, or a financial consultant in the financial-services industry. The course aims to better prepare you for interviews and for completing valuation work at an investment firm.

The course covers the drivers of corporate valuation particularly risk-adjusted discount rates and valuation models (DCF valuation and comparable multiples valuation). The course will require you to read current equity research reports from a major investment banking firm so that your final group project - writing an equity research report on a public company - is reflective of current industry practice.

Groups of 3 will complete both a case study valuation assignment (**20%**) and their own full equity research report that values a public company (**40%**). Attendance is recorded and combined with class participation on the Avenue discussion board and **PollEverywhere** quizzes, the remaining **40%** of your class grade is assigned. The **PollEverywhere** quizzes will briefly test that students have either 1) read and worked through the assigned cases, 2) watched the assigned videos or 3) read the assigned sell-side research reports **before** class.

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to complete the following key tasks:

- Identify drivers of corporate value creation;
- Be familiar with and be able to identify appropriate valuation tools for a particular company and situation;
- Assess the intrinsic value of the company choosing among several different approaches.

REQUIRED COURSE MATERIALS AND READINGS

Required:

Course Materials Are Available on Avenue To Learn

- <http://avenue.mcmaster.ca>

Custom Case Pack:

- Available at the bookstore. Required as it contains cases to be completed.
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EVALUATION

Your final grade will be calculated as follows:

Components and Weights

Group Assignment 1 (due week 9)	Lab International Case Study (completed by groups of 3).	20%
Group Assignment 2 (due week 12)	Equity Research Report - Valuing a Public Company (groups of 3); Groups will do a presentation of their WACC for their company (presentations will be spread out from class 6 to 8) and then for the final class each group will submit a full equity research report valuing their company.	40%
Class Attendance, Participation and PollEverywhere Quizzes	In addition to recording attendance and participation, there will be brief PollEverywhere quizzes that will test that students completed the assigned readings or videos or completed the assigned case for that class.	40%
Total		100%

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

Course Deliverables

Group Assignment #1 – Lab International Case Study

This assignment is worth **20%** of your final grade. It is to be completed by groups of 3 students.

Group Assignment #2 – Equity Research Report - Valuation of a Public Company

This assignment is worth **40%** of your final grade. It is to be completed by groups of 3 students.

Individual Contribution - Attendance, Class Participation and PollEverywhere Quizzes

Together these 3 elements will combine to account for **40%** of your final grade. Attendance will be recorded at each class.

I will also record your participation on the Avenue discussion board. Students should post questions about any of the assigned readings or videos for the week. I will try and address them either during the synchronous Zoom-call each week or on the Avenue discussion board itself.

PollEverywhere quizzes will play a significant role in calculating your individual contribution score. Students do not need to study for these quizzes per se, they simply need to either watch the assigned videos or read the assigned readings before class. Simple questions will be asked about them. There will be 3 classes where we go over case studies that will not be handed in for marking, however for these classes there will be **PollEverywhere** quizzes that will ask for your basic understanding of each case's key issues. For other classes, the quiz will cover the main topics of assigned videos or readings.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

Language for Use in Courses with an On-Line Element

In this course we will be using Avenue to Learn. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

X* = e-mail, LearnLink, WebCT, web pages, capa, Moodle, ThinkingCap, etc

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F700 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

MBA F700 Valuation for Finance Professionals Fall 2021 Course Schedule

Class	Lecture Topic	Assigned Work for each class Typically there will be a short PollEverywhere Quiz each week to ensure you have completed the work
1	Introduction to Valuation	
2	Estimating Cost of Capital - Part 1 Due: Email me who is in your Group of 3	Read Bruner and Seigel Articles Damordaran Videos
3	Estimating Cost of Capital - Part 2	Read Damordaran Annual ERP Paper Damordaran Videos
4	Lex Services Case Study Review Free Cash Flow Analysis	Read and Work Through Lex Services Case Damordaran Videos
5	FCFF & FCFE / Estimating Terminal Values Due: Email me your Group's chosen company	Damordaran Videos
6	Star River Case Study Review Projecting Sales Growth	Read and Work Through Star River Case Read 2 Sell-Side Research Reports Damordaran Videos
7	Financial Modelling Group Presentations of your Company's WACC	Read 3 Sell-Side Research Reports Recorded Lecture - Example DCFs Recorded Lecture - Review of Damordaran Videos
8	Review of Financial Modelling Spreadsheet Group Presentations of your Company's WACC	Prepare Financial Modelling Spreadsheet Read over 3 PowerPoint Slide Presentations - Estimating Growth, Using a Plug, Projecting Stmt's Read 1 Sell-Side Research Report
9	Smuckers Case Study Review Due: Lab International Case Group Report (20%)	Read Smuckers Case Study Read 2 Sell-Side Research Reports
10	Using Comparables to Value Companies	Damordaran Videos Read 5 Very Short Sell-Side Research Reports
11	Review of 2 Research Reports and 2 Fairness Opinions Lab International Case Study Review	Read Power Corp and Enbridge Research Reports Read Syngenta Fairness Opinion Damordaran Video
12	Due: Equity Research Report Group Project (40%)	Work on Equity Research Report Group Project
	Attendance, Participation and PollEverywhere Quiz Results (40%)	

