

**MBA F700**  
**Valuation for Finance Professionals**  
**Winter 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: Tues. 8:30 – 11:20**

**Mike Miller, CFA**

Instructor

[Millem11@mcmaster.ca](mailto: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 the lectures, case studies and current equity research reports from a major investment firm. 4FB3 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 extensive use of case analysis and current equity research reports (supplemented with lecture-based background material), we will examine the practice of valuation of 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 covers the drivers of corporate valuation particularly risk-adjusted discount rates and valuation models (DCF valuation and comparable multiples valuation). The course will use current equity research reports from a major investment banking firm in addition to case studies.

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 and **Polleverywhere** quizzes, the remaining **40%** of your class grade is assigned. The **Polleverywhere** quizzes will briefly test that students have either 1) prepared 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.

---

## ***EVALUATION***

---

Your final grade will be calculated as follows:

### **Components and Weights**

<b>Group Assignment 1 (due week 9)</b>	Lab International Case Study (completed by groups of 3).	20%
<b>Group Assignment 2 (due week 12)</b>	Equity Research Report Valuing a Public Company (groups of 3); Groups will also present their equity research report valuation during the last 2 classes.	40%
<b>Class Attendance, Participation and <i>PollEverywhere</i> Quizzes</b>	In addition to recording attendance and participation, there will be brief <i>PollEverywhere</i> quizzes that will test that students completed the assigned readings or videos or completed the assigned case for that class.	40%
<b>Total</b>		<b>100%</b>

## 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. **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 some of your answers for each case.

## **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](http://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.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

---

## **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.

**MBA F700**  
**Valuation for Finance Professionals**  
**Winter 2021 Course Schedule**

Class	Lecture Topic	Assigned Work for Next Class
1	Estimating Cost of Capital - Part 1	Equity Risk Premium - Bruner Article; Siegel Article Damordaran Videos 3, 4 & 5 (45 minutes)
2	Estimating Cost of Capital - Part 2	Prepare Lex Services Case Damordaran Video 6 & 7 ( 30 minutes)
3	Lex Services Case Study Review Cash Flow Analysis	Read 2 Example Sell-Side Research Reports Damordaran Video 9 (15 minutes)
4	FCFF & FCFE Estimating Terminal Values	Prepare Star River Case Damordaran Video 8 (15 minutes)
5	Star River Case Study Review Projecting Sales Growth	Damordaran Video 10 & 11 (30 minutes)
6	Financial Modelling	Prepare Financial Modelling Spreadsheet Read 2 Example Sell-Side Research Reports
7	Review of Financial Modelling Spreadsheet Review of Sell Side Research Reports	Read Smuckers Case Study
8	Smuckers Case Study Review	Read 3 Sell Side Reports with Comp Tables Damordaran Video 14, 15 (30 minutes)
9	<b><i>Lab International Case Group Report Due (20%)</i></b> Using Comparables to Value Companies - Part 1	Read Bell Alliant and Syngenta Fairness Opinions Damordaran Video 16, 17 & 18 (45 minutes)
10	Using Comparables to Value Companies - Part 2	Read 2 Initiating Coverage Research Reports
11	Review of 2 Initiating Coverage Research Reports Lab International Case Study Review	Work on Equity Research Report Group Project
12	<b><i>Equity Research Report Group Project Due (40%)</i></b> <b><i>Group Presentations of Equity Research Reports</i></b>	
	<b><i>Attendance, Participation and PollEverywhere Quiz results (40%)</i></b>	

