

**Commerce F700
Valuation for Finance Professionals
Fall 2022 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

Thursday 7:00 – 9:50 pm
Mike Miller, CFA
Instructor
Millem11@mcmaster.ca
Office Hours: after class

Student TA
Sima Tafti
Fallahts@mcmaster.ca

Office Hours: TBA

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
A2L:	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 or 4 will complete both a case study valuation assignment (**15%**) and their own full equity research report that values a public company (**35%**). Attendance is recorded and combined with class participation on the Avenue discussion board and **PollEverywhere** quizzes, the remaining **50%** 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.

COURSE MATERIALS AND READINGS

Required:

Course Materials Are Available on Avenue To Learn

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

Custom Case Pack:

- Available at the bookstore is required as it contains the case studies
-

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 or 4).	15%
Group Assignment 2 (due week 12)	Equity Research Report - Valuing a Public Company (groups of 3 or 4); Groups will do a presentation of their WACC for their company (presentations will be spread out during classes 7 & 8) and then for the final class each group will submit a full equity research report valuing their company.	35%
Class Attendance, Participation and PollEverywhere Quizzes	In addition to recording attendance and participation (40%), 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 (60%).	50%
Total		100%

Course Deliverables

Group Assignment #1 – Lab International Case Study

This assignment is worth **15%** 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 **35%** 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 **50%** 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 your basic understanding of each case's key issues. For other classes, the quiz will cover the main topics of assigned videos or readings.

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.

ACADEMIC INTEGRITY

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

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, 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 a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ON-LINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the "Code"). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

MISSSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Please do not use the online McMaster Student Absence Form (MSAF) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the Student Experience – Academic Office (SEAO), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the SEAO within five (5) working days of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the [Petition for Missed Term Work](#) and the MBA Student McMaster University Student Health Certificate, can be found on the DeGroote MBA Student website (mbastudent.degroote.mcmaster.ca). Please direct any questions about acceptable documentation to the MBA Academic Advisors (askmba@mcmaster.ca).

University policy states that a student may submit a maximum of three (3) [Petition for Missed Term Work](#) per academic year, after which the student must meet with the Director of the program.

If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Failure to write an approved deferred examination at the pre-scheduled time will result in a zero (0) mark for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript.

ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES

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>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

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.

ACADEMIC INTEGRITY

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:

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

AUTHENTICITY/PLAGIARISM DETECTION

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so can be checked for academic dishonesty. Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please go to;

www.mcmaster.ca/academicintegrity.

ONLINE COURSE COMPONENTS

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.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to 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 enrolment in Commerce 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

Commerce F700
Valuation for Finance Professionals
Fall 2022 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 or 4	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 Stmts Read 1 Sell-Side Research Report
9	Smuckers Case Study Review Due: Lab International Case Group Report (15%)	Read and Work Through 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 1 Fairness Opinion 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 (35%)	Work on Equity Research Report Group Project
	Attendance, Participation (20%) PollEverywhere Quiz Results (30%)	