

**Business F700
Valuation for Finance Professionals
Winter 2025 Course Outline**

**Finance and Business Economics
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: Monday 11:30 – 14.20

Dr. Anna N. Danielova

Instructor

adaniel@mcmaster.ca

Office: TBA

Office Hours: By appointment

Class Location: RJC

Wei-Ju Liao

liaow7@mcmaster.ca

Office: TBA

Office Hours: TBA

Course Website: <http://avenue.mcmaster.ca/>

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	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:	Yes	Guest speaker(s):	No

COURSE DESCRIPTION

This course is taught primarily through the lectures and case studies. 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 in litigation. Through the extensive use of case analysis (supplemented with lecture-based background material), we will examine the practice of valuation of projects, divisions, and companies in today's business world. 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 with a corporate finance focus, the CEO/CFO of a company, or a financial consultant in the financial-service industry or in government. The course covers four interrelated modules: 1. The drivers of corporate value; 2. Traditional and alternative valuation models and approaches (including FCFF, FCFE, Real Options, Multiples); 3. Various valuation situations (IPO valuation, private equity and LBO valuation); 4. Application to advance valuation settings (cyclical, high growth, dotcoms, international, brand). Students will also develop a proficiency in the technology necessary to implement this knowledge in a real-world setting. The objective is to provide students with cutting-edge valuation tools that are based on modern finance theory of value-based management.

LEARNING OUTCOMES

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

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

REQUIRED COURSE MATERIALS AND READINGS

Avenue to Learn registration for course content, readings, and assignments

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

Digital Course Pack, containing cases

- purchase a copy at the bookstore

Articles and other materials passed out in class

Suggested Reading

Tim Koller, Marc Goedhart, David Wessels, VALUATION: Measuring and Managing the Value of Companies, McKinsey and Company, Wiley, 5th, 6th, or 7th Ed.

- a copy can be purchased at the bookstore

EVALUATION

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation if necessary. Your final grade will be calculated as follows:

GRADE COMPONENTS AND WEIGHTS	
Project (group)	35%
Project Presentation (group)	5%
Case Assignment (individual)	40%
Participation (individual)	20%
Total	100%

Conversion

Course grades are assigned on the curve, with B- starting at 60%. Overall percentage total below 60% will be converted to F.

Participation

Name cards and assigned seating are used to help give credit for your participation. You must have a name card with your full first and last name clearly written and displayed in front of you for every class.

Participation component of the course comes mainly from contributions to in-class discussions of cases, assigned to a particular week, as well as from in-class exercises.

Expectations

Since this course makes extensive use of classes and class discussions, it is imperative that the class, both as individuals and collectively, prepare for each class and participate in the discussion. For this reason, my evaluation of your performance weights effective classroom participation. Perceptive questions are as effective as solid answers. Students who are absent or passive during discussions will not score well on this dimension. Similarly, students who develop a pattern of dominating class discussions with trivial comments will see their participation scores suffer. Since I judge your participation score from the point of view of your immediate supervisor, consider your score as your three-month performance review. I also reserve the right to cold-call anyone at any time.

Communication and Feedback

Students who 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.

LOGISTICS

Everything regarding the course (including syllabus, lecture notes, project, announcements, etc.) will be posted on AVENUE. It is your responsibility to follow up the AVENUE page to be current with the class. Lecture notes, if available, should be downloaded before each lecture if available. Have them ready for every class.

Calculators

Calculators are encouraged for classes and exams and for all practical purposes, required. Calculators must be silent. The use of a McMaster standard calculator is suggested. Business Calculator is allowed.

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Notebooks/Computers

Having a PC or being able to use/access a PC for all practical purposes is required.

Team Project

Students will assemble 3-4 person teams to complete a “Valuation Project”, which is to determine the intrinsic value of a company. The final report, due March 31, 2025, is the complete valuation analysis, providing your estimate of the company’s stock. The overall project will be evaluated in light of the completeness of the analysis you choose to do, the techniques you choose to employ, and the impact of the results you choose to present in your written report. Begin each report with a summary memorandum and make effective use of tables and graphs. Extensive footnoting and compilations of long bibliographic lists are not encouraged. I will judge your work from the point of view of your senior financial officer. Further information will be provided in class.

Case Assignment – Lab International

You are responsible for anything covered in class (regardless of whether or not you attended).

For the Lab International Case Assignment, you are required to submit to me your individual case write-up with necessary calculations at the beginning of our March 3rd Lecture, that is, before we begin our in-class discussion about the case.

Punctuality

Classes begin on time. Latecomers disrupt the presentation of lecture materials.

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

MISSED 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 (Student Experience Academic Office)), 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 (Student Experience Academic Office) 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 DeGroot 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.

Missed Final Examinations

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the SEAO (Student Experience Academic Office) to write a deferred examination by submitting an [Application for Deferring a Final Exam](#) with supporting documentation. The application must be made within five days of the scheduled exam.

The [Application for Deferring a Final Exam](#) and the [MBA Student McMaster University Student Health Certificate](#) can be found on the DeGroot MBA Current Student website (mbastudent.degroote.mcmaster.ca)

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the SEAO (Student Experience Academic Office) (Student Experience Academic Office) and agreed to by the course instructor.

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

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>

Use of Test Accommodations at McMaster University Burlington Campus Ron Joyce Centre

Whereas Student Accessibility Services (SAS), on Main Campus, determines all MBA student accommodations, the MBA Faculty Office manages the coordination of accommodations for tests, midterms, and exams at the Ron Joyce Centre in Burlington.

Process for Students

- Students must activate their accommodation(s) (e.g., extra-time, memory aid, etc.) for each upcoming test, midterm, or exam, at least two weeks in advance. Students can do this by emailing their Instructor and the DeGroote MBA SAS scheduling office at DSBSAS@mcmaster.ca. If a student cannot meet this deadline, they should contact DSBSAS@mcmaster.ca to discuss alternative arrangements. The program is committed to exploring flexibilities where possible to support students.
- All tests, midterms, and exams are booked synchronously with the class's start time. Any deviations from the start time (e.g. start earlier than the class to enable completion at the same end time) requires a discussion with their instructor on protocol at the time of accommodation activation.
- Students will leverage the accommodation (e.g., extra-time, memory aid, etc.), in a designated testing room. Rooms will be booked according to the student's SAS accommodation. Unless the accommodation states otherwise, students should expect that they will be writing in a room with other students. One or more invigilators will always be in the room.
- Following the request to activate the accommodation(s), dsbsas@mcmaster.ca will reach out to the student with their test, midterm, or exam details, including the date, time, and room number. As there may be other students writing tests in the room, we ask that students enter the room quietly and leave all personal items at the front of the room

All policies and procedures, including restroom access, how extra-time is allocated for assessments under Universal Design, and the submission of memory aids in advance, are consistent with those of SAS on Main Campus. The only variance in procedure is communication around, and physical location of, assessment. There is not a dedicated testing space at RJC. Existing classrooms and lecture halls will be used for most testing. All SAS-approved accommodations will be honoured by our staff; however, core testing elements are not eliminated in alternative testing formats. Students should expect and plan for invigilation, incidental noise, and other potential distractions.

ACADEMIC ACCOMODATION FOR RELIGIOUS, INDIGINEOUS 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 the SEAO (Student Experience Academic Office) *normally within 10 working days* of the beginning of term in which they anticipate a need for accommodation. 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.

ARTIFICIAL INTELLIGENCE

USE PROHIBITED

Students are not permitted to use generative AI in this course. In alignment with [McMaster academic integrity policy](#), it “shall be an offence knowingly to ... submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also stated in the policy is the following, “Contract Cheating is the act of “outsourcing of student work to third parties” (Lancaster & Clarke, 2016, p. 639) with or without payment.” Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

COURSE SCHEDULE

Business F700
Valuation for Financial Professionals
Winter 2025 Tentative Course Schedule *

<i>Week</i>	<i>Date</i>	<i>Computer Lab Day</i>	<i>Topic</i>	<i>Reading</i>	<i>Cases</i>
1	1/06	Bring Laptop	Introduction WACC Financial Statement Analysis	Ch 11	
2	1/13		Cash Flow Analysis	Ch 7, 8, 9	Lex Service PLC
3	1/20		FCFF valuation; FCFE valuation Terminal value Project is given	Ch 6, 12, 10;	Star River Electronics
4	1/27	Bring Laptop	Projecting Sales Growth Financial Modeling	Ch 5, 7, 8, 9	
5	2/3	Bring Laptop	Financial Modeling Projecting Financial Statements Company Requests are due	Ch 7, 8, 9	
6	2/10	Bring Laptop	Case Application		Smuckers
7	2/17-23		Mid-Term Recess		
8	2/24		Comparable and Precedent Analysis Multiples	Ch 6, 14	
9	3/3		Decision Tree Analysis Cyclical Firms Lab International -CASE ASSIGNMENT DUE	Ch 32	Lab International
10	3/10		New Venture Valuation High-growth firms; Dotcoms	Ch 34;	Merck
11	3/17		Valuating private firms	Ch 33	Netscape
12	3/24		Valuation in International Settings	Ch 29, 30	Spyder Active sports
13	3/31		Project Presentations		

* Every effort will be made to manage the course as stated here. However, adjustments may be necessary for various reasons at the discretion of the professor. Any alterations will be announced prior to being implemented.