EQUITY VALUATION
FINANCE 70610

MENDOZA COLLEGE OF BUSINESS
UNIVERSITY OF NOTRE DAME
FALL SEMESTER 2011 – MODULE 2

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Office Hours:
Tue. & Thu. 10:00-11:00
or by appointment

CLASS MEETINGS: Module 2, M & W
10:00–11:50
MCOB 160

TEXTBOOK: Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2nd ed. (paperback, Wiley 2002), by Aswath Damodaran.
ISBN 0-471-41490-5.

SUPPLEMENTARY MATERIALS:

Course notes will be provided in class or made available for download. Daily reading of the *Wall Street Journal* or a similar source is strongly recommended and additional readings may be distributed in class. Assignments, problem/exam solutions, and other class-related information will be available on the class web page at: www.nd.edu/~scorwin/fin70610.

DESCRIPTION AND COURSE OBJECTIVES:

The objective of this course is to develop a detailed understanding of the tools used by market professionals and corporate managers to analyze the value of companies and stocks. The central theme of the course will be the pricing of equity securities using discounted cash flow and relative valuation procedures. Students will apply what they've learned to the valuation of a specific company, with the goal of becoming an expert on that firm. After completing this course, students should be able to:

(i) Develop quantitative models for firm and equity valuation based on DCF and multiples.

(ii) Identify and interpret accounting and non-accounting information necessary for valuation.

(iii) Identify and interpret the key value drivers for a firm or industry.

(iv) Critically analyze firm and equity valuation models and assumptions developed by others.

(v) Present valuation analyses and assumptions in a professional manner.

ACADEMIC HONESTY:

"As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty." All students must comply with University policies for conduct and academic honesty at all times during this course. These policies are outlined in the Notre Dame *MBA Honor Code*. Any violations of these policies will result in referral to the appropriate administrative body.

COURSE REQUIREMENTS:

Exams: There will be one midterm exam and a final exam. The midterm will be held during a regular class session, as listed on the attached schedule. The final exam will be held during the scheduled final exam period. Exam questions will be taken from class notes and assigned readings. The final exam is comprehensive.

Valuation Project: Each student will be assigned to a group of 4-5 students that will analyze and value the stock of a publicly-traded company. Detailed instructions for the valuation project will be provided separately. The valuation project and related assignments constitute a significant portion of your grade. The valuation project will consist of three components, described in more detail in the valuation project instructions:

(i) Project-related assignments, readings, and discussions completed during the course
(ii) Spreadsheet model of your valuation
(iii) Written analyst report

Specific Policies:

(1) Attendance will not be taken. However, students are responsible for all material and assignments presented in class.
(2) Students are expected to have required readings and assignments completed before each class. Late assignments will be severely penalized and may result in a score of zero.
(3) No make-up exams will be given without prior approval from the instructor or a University excused absence. Exams missed without prior approval will result in a score of zero without exception!
(4) Exams are individual work. The valuation project is group work. When preparing the valuation project, you may not collaborate with students from outside your own group.
(5) In preparing your valuation project you will make significant use of outside sources. Be sure to cite these sources appropriately.

GRADE DETERMINATION:

Final grades will be determined based on the percentage of total points earned. Available points are as follows:

Midterm Exam – Wednesday, November 16th	100 points	(25.0%)
Valuation Project and Related Assignments	150 points	(37.5%)
Final Exam – Monday, December 12th	150 points	(37.5%)
Total	400 points	(100%)

COURSE OUTLINE*

WK	LECTURE TOPIC	ASSIGNMENT
1:	Lecture 1 – Introduction to Valuation	Ch. 1-3
2:	Lecture 2 – DCF Valuation: Estimating the Cost of Capital	Ch. 7-8
3:	Lecture 3 – DCF Valuation: Estimating and Forecasting Cash Flows	Ch. 9-10
4:	Lecture 3 continued	
	Midterm Exam – Wednesday, November 16th	
5:	Lecture 4 – DCF Valuation: Forecasting Growth and Terminal Value	Ch. 11-12
6:	Lecture 5 – DCF Valuation: Final Issues and Examples	Ch. 13-16
7:	Lecture 6 – Relative Valuation	Ch. 17
	Final Project – Due Friday, December 9th	
	Final Exam – Monday, December 12th	

* This is a tentative outline and may be subject to change. Students are responsible for any changes announced in class.