

Syllabus Module GMT 3423:
Investment Banking and Corporate Finance
5 SWS, 6 ECTS-Credits, Language of instruction: English

<u>Time and location:</u>	BCR6, BDEM6, BEL6, BIB6, BIB22, BIB23, BIB24, BMA6, BMFKP6, BMKWE6, BMMWP6, BPM6, BREM6, BSWP6, BWMI6, BWR6, ISP31, and others: Tuesdays, 01:45 pm - 03:15 pm (W1.2.05) [biweekly: exact dates to be communicated], and Wednesdays, 08:00 am - 11:15 am (W1.2.05) from: 17 March 2020 to: 01 July 2020.
<u>Language:</u>	English.
<u>Workload:</u>	6 ECTS, 5 SWS (which corresponds to 75 hours of lectures and approx. 100 hours for self-study).
<u>Level:</u>	Bachelor (advanced).
<u>Teaching concept:</u>	Lectures and tutorials (exercise sessions).
<u>Requirements:</u>	Proficiency in English (at least B2).
<u>Assessment:</u>	100% written exam (90 minutes)

Lecturer:

Prof. Dr. oec. HSG Korbinian Eichner, M.A. HSG
Professor of Business Administration and Corporate Finance at Pforzheim University
Lecturer in Corporate Finance at University of St. Gallen (HSG), Switzerland

Office hours: Mondays, 09:45 am - for 11:15 am (W2.3.06).
Please make an appointment by Email.

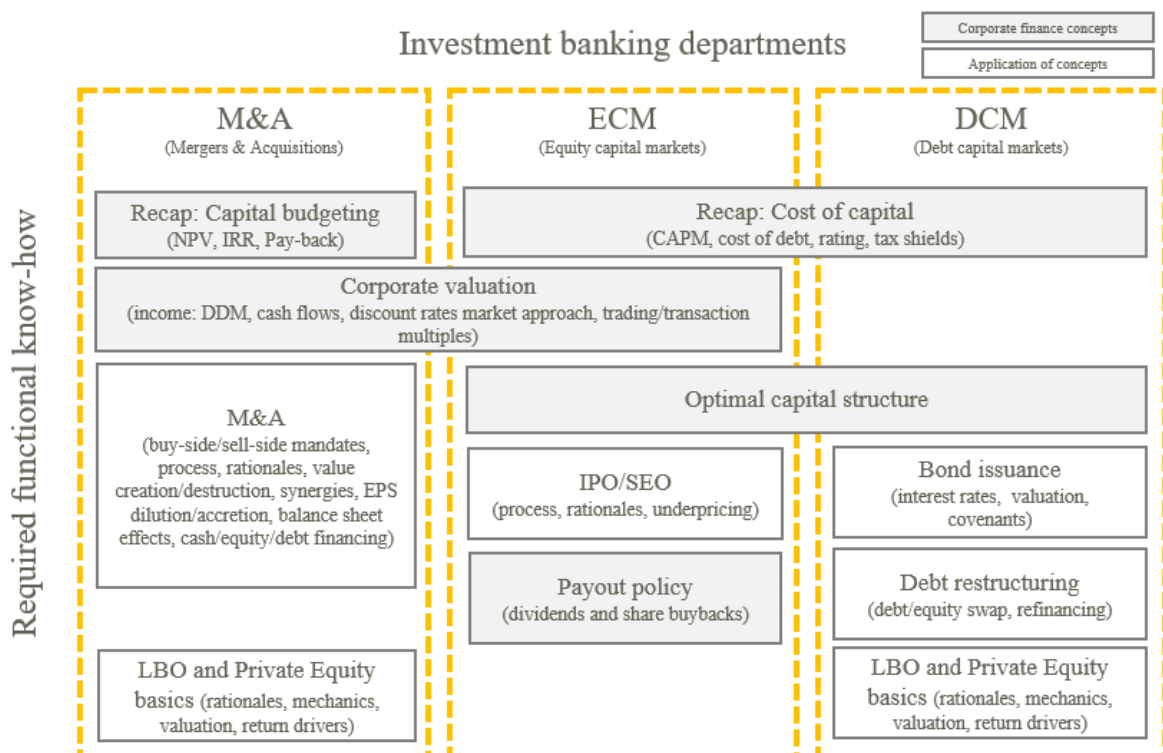
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Course overview:

Corporate finance represents a special area of finance, which focusses on a firm's sources of funding, capital structure decisions, managerial actions to increase the value of the firm, and tools and analyses that can be used to allocate financial resources in the most beneficial way. The primary goal of corporate finance is to maximize or increase shareholder value. Investment banks often help firms in carrying out these activities, as firms frequently lack relevant skills or abilities to do so on their own.

The goal of the course “Investment Banking and Corporate Finance” is to develop students with the analytical skill-set for making corporate finance decisions in practice from the perspective of shareholder value creation.

The course focusses on the areas of corporate finance from an investment banking perspective. By doing so, we will look into three key departments of investment banks: M&A, equity capital markets and debt capital markets, and try to understand which functional expertise one needs to work there and try to acquire these capabilities in this course. Many of these capabilities however are also relevant for a successful job entry in corporate CFO functions of firms (like treasury, corporate development, strategy, accounting, controlling).



Course prerequisites:

- **General financial accounting and financial management skills:** Students should be familiar with the general content and structure of financial statements (balance sheet, profit and loss statement, cash flow statement) and financing sources of firms.
- **Capital budgeting skills:** Students should be familiar with basic capital budgeting concepts (in particular net present value and internal rate of return).

Course content:

Key areas:	Topics:
Principles of investment banking	<ul style="list-style-type: none"> • Organizational structure of investment banks • Role of investment banking in financial markets • Economic value of investment banking for firms • Bank strategy and performance • Role of investment banks during the last financial crisis
Principles of corporate finance	<ul style="list-style-type: none"> • Corporate finance basics (terminology) • Corporate finance and value creation • Building blocks of corporate finance • Risk and return relationship in corporate finance
Capital budgeting and value creation	<ul style="list-style-type: none"> • Net present value (cost of capital) • Internal rate of return • Pay-back period
Corporate valuation	<ul style="list-style-type: none"> • Income Approach (DCF) • Market approach (trading and transaction multiples)
Capital structure and payout policy	<ul style="list-style-type: none"> • Capital structure and financing decisions • Equity offerings (IPO/SEO, underpricing) • Payout policy (dividends vs. share buybacks)
M&A and corporate restructurings	<ul style="list-style-type: none"> • Corporate transactions and M&A (process, synergies, EPS accretion and dilution) • Corporate restructurings (debt/equity swap, refinancing, conglomerate discount, Spin-offs and asset sales)
LBO and corporate governance	<ul style="list-style-type: none"> • Private equity and leveraged buyouts (rationales, mechanics, valuation, return drivers) • Corporate governance (Agency problems, compensation mechanisms, and activist investors)

Learning objectives:

Having completed this course, students should:

- have a general overview about the goals and main areas of corporate finance.
- understand how investment banks can help in achieving these goals.
- have a sound understanding of how to assess the value creation potential of various investment projects.
- be able to approximate the value of a firm from an income, market and cost perspective.
- have an in-depth understanding of long-term financing via equity and debts and their related costs.
- be familiar how capital structure choices influence the value of a firm.
- understand special topics in Corporate Finance like Mergers & Acquisitions, corporate restructurings, LBOs and corporate governance.

Course material:

Slides, as well as other course and background material will be uploaded to Moodle throughout the semester.

Graded work:

The final grade will be based on a written exam (100%, 90 minutes, closed book).

Grades will range between 1.0 (very good) and 5.0 (fail), in 0.3 and 0.7 steps.

- 1.0 Very good, a performance significantly above the average.
- 2.0 Good, an above average performance.
- 3.0 Satisfactory, an average performance.
- 4.0 Adequate, a below average performance with noticeable shortcomings.
- 5.0 Fail, an unacceptable performance.

Recommended literature:

(a) Investment Banking:

1. Iannotta, G.: Investment Banking - A Guide to Underwriting and Advisory Services, 1st edition, Springer.
2. Rosenbaum, J./Pearl, J.: Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions, 2nd edition, Wiley [incl. workbook].
3. Bruner, R./Perella, J.: Applied Mergers & Acquisitions, 1st edition, Wiley.

(b) Corporate Finance:

1. Berk, J./DeMarzo, P.: Corporate Finance, latest edition, Addison Wesley.
2. Brealey, R./Myers, S./Allen, F.: Principles of Corporate Finance, latest edition, McGraw-Hill.
3. Damodaran, A.: Applied Corporate Finance, latest edition, Wiley.
4. Damodaran, A.: Investment Valuation, latest edition, Wiley.
5. Häcker, J./Ernst, D.: Applied International Corporate Finance, latest edition, Vahlen.
6. Ross, S./Westerfield, R./Jaffe, J.: Corporate Finance, latest edition, McGraw-Hill.
7. Vernimmen, P./Quiry, P./Dallocchio, M./Le Fur, Y./Salvi, A.: Corporate Finance - Theory and Practice, latest edition, Wiley.

Learning objectives (detailed breakdown):

The following illustrates how the course contributes to the bachelor program’s common learning objectives:

Objective	Course contributions to objective	Assessment
<p>1.1 Students demonstrate that they have basic knowledge in Business Administration.</p> <p>1.2 Students demonstrate their distinguished and sound competencies in Economics.</p> <p>1.3 Students have command of legal methodology for case solutions on basis of claims.</p> <p>1.4 Students are able to solve business problems by applying quantitative methods.</p>	<p>Understanding and applying core corporate finance concepts, by applying relevant knowledge gained in previous basic finance and accounting courses.</p> <p>Having a general overview about the goals and main areas of corporate finance and understanding how investment banks can help in achieving corporate finance goals.</p> <p>Having a sound understanding of how to assess the value creation potential of various investment projects.</p> <p>Being able to approximate the value of a firm from an income and market perspective.</p> <p>Having an in-depth understanding of long-term financing via equity and debts and their related costs and being familiar how capital structure choices influence the value of a firm.</p>	<p>Discussions within class, exercises, exam.</p>
<p>2.1 Students demonstrate proficiency in using computer programs to solve business problems.</p> <p>2.2 Students are able to use information systems effectively in real world business settings.</p>	<p>Solving several corporate finance exercises with Microsoft Excel.</p> <p>Learning how Microsoft Excel can be used efficiently to solve difficult corporate finance problems.</p> <p>Using public capital markets and company data and information sources to support students’ solutions of exercises.</p>	<p>Discussions within class, exercises, exam.</p>
<p>3. Students are able to apply analytical and critical thinking skills to complex problems.</p>	<p>Identifying, evaluating and selecting the “most appropriate” solutions to corporate finance issues, with which firms are confronted.</p> <p>Gaining in-depth knowledge of corporate finance topics and applying them rigorously.</p> <p>Developing a skillset of analytical competence of how to address a qualitative problem in a quantitative manner.</p>	<p>Discussions within class, exercises, exam.</p>

<p>4. Students are able to develop business ethics strategies and apply them to typical business decision-making problems.</p>	<p>Addressing selected questions/problems relating to investment banking and corporate finance, linked to ethics and corporate sustainability.</p> <p>Learning about the history of investment banking and their role during the last financial crises. Understand how unethical behavior contributed to the magnitude of the subsequent global economic downturn.</p>	<p>Discussions within class, exercises.</p>
<p>5.1 Students are able to express complex problems effectively in writing</p> <p>5.2 Students demonstrate their oral communication skills in presentations.</p>	<p>Working on exercises, which require expressing solutions in writing.</p> <p>Encouraging students to present and defending their own opinions related to current corporate finance issues, which companies face in today's economy.</p> <p>Being able to communicate in an understandable way in English, so that their peers can follow their argumentation.</p> <p>Encouraging students to participate in class discussions, when problems and solutions are discussed.</p>	<p>Discussions within class, exercises, exam.</p>
<p>6. Students show that they are able to work successfully in a team by performing practical tasks.</p>	<p>Working on exercises in class, which require finding solutions to corporate finance problems in teams.</p> <p>Encouraging students to discuss and present their solutions to their peers.</p>	<p>Discussions within class, exercises.</p>
<p>7.1 Expert knowledge.</p> <p>7.2 Secure and competent application of methods and instruments.</p> <p>7.3 Interpretation and critical reflection as well as development of alternatives.</p>	<p>Introduction of advanced corporate finance concepts like Mergers & Acquisitions, corporate restructurings, LBOs and corporate governance.</p> <p>Understanding current corporate finance issues and challenges, with which companies are confronted in today's global economy.</p>	<p>Discussions within class, exercises, exam.</p>