

Syllabus
GMT6215 Applied Corporate Valuation
Prof. Dr. Korbinian Eichner
Winter Semester 2021/22

Level	Master	
Credits	3	
Student Contact Hours	2	
Workload	90 hours, of which 30 hours lectures and 60 hours for self-study	
Prerequisites	Basic knowledge in accounting and finance	
Time	See LSF for details	
Room	See LSF for details	
Start Date	See LSF for details	
Lecturer(s)	Name	Prof. Dr. Korbinian Eichner
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Summary

Determining the value of a firm or a firm's securities together with understanding relevant value drivers represent essential capabilities of key decision makers in firms. Therefore, the course "Applied Corporate Valuation" focusses on this essential functional capability to provide students with the know-how of mastering valuations in a business setting.

Generally, the objective of this course is to develop the intuition, tools and skill set to value companies and their outstanding securities. The principal focus will be on the valuation of equity in public and private corporations. A strong emphasis will be placed on the application of these concepts in real-world situations.

The class discussions will cover the analysis of past financial performance and the projections of future performance. We will examine the estimation of cash flows and discount rates in the treatment of discounted cash flow valuation models, followed by the analysis of the application of various enterprise and equity value multiples (such as EV/EBITDA, EV/EBIT, P/B, P/E). We will also examine a number of additional valuation issues within the context of mergers and acquisitions, leveraged buyouts, and other special situations.

As this course builds upon skills developed in previous finance and accounting courses, students should be familiar in the areas of financial statement analysis and capital budgeting. In addition, they should be familiar with introductory concepts in statistics. Important concepts, however, will be revisited in class. This course is designed for students with little or no previous work experience in valuation.

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).
- **Basic Excel skills:** Students should be familiar with the main functionalities of Microsoft Excel.

Outline of the Course

Main course topics:

1. Course introduction
2. Overview on relevant valuation approaches
3. Discounted cash flow approaches
 - Cost of capital
 - Relevant cash flows
 - Free cash flow to the firm
 - Free cash flow to equity

4. Relative valuation approaches
 - Trading multiples and their determinants
 - Transaction multiples and takeover premiums
5. Asset based valuation approaches
6. Special topics in valuation

Course Intended Learning Outcomes and their Contribution to Program Intended Learning Outcomes / Program Goals

Program Intended Learning Outcomes	Course Intended Learning Outcomes	Assessment Method
After completion of the program the students will be able...	After completion of the course the students will be able...	Project Work
		100%
		Individual
1 Expert Knowledge		
1.1 ...to demonstrate their distinguished and sound competencies in General Business Administration.	... to understand valuation concepts, by applying relevant knowledge gained in previous basic finance and accounting courses. ... to understand the relevance of shareholder value orientation for firms. ... to understand past and future financial performance of firms (income statement, balance sheet and cash flow statement). ... to understand how uncertainty is reflected in corporate valuations. ... to understand the determinants of trading and transaction multiples. ... to understand how to make reasonable assumptions in valuations. ... to understand the content and structure of valuation reports.	X
1.2 ...to demonstrate their distinguished and sound competencies in Economics.	... to understand how inflation and economic growth factors into valuations of firms.	X
1.4 ...to solve business problems based on profound data research skills and by applying quantitative methods.	... to use public capital markets and company data and information sources to support students' solutions.	X
1.5 ...to demonstrate profound expert knowledge in their field of specialization.	... to discuss and analyze value drivers of firms. ... to value firms based on different valuation methodologies.	X
2 Digital Skills		
2.1 ...to know and understand relevant IT software tools used in business and their features and have a solid understanding of digital technologies.	... to analyse the financial health of a firm in Microsoft Excel. ... to perform valuations in Microsoft Excel.	X
2.2 ...to effectively use and apply information systems to develop solutions in business settings.	... to analyse the financial health of a firm in Microsoft Excel. ... to perform valuations in Microsoft Excel.	X
3 Critical Thinking and Analytical Competence		
3.1 ...to implement adequate methods in a competent manner and to apply them to complex problems.	... to focus on execution of financial modelling and understanding where major pitfalls lie, when building financial models in Microsoft Excel. ... to identify, evaluate and select the "most appropriate" solutions to valuation issues, with which firms are confronted. ... to develop a skillset of analytical competence of how to address a qualitative problem in a quantitative manner.	X
3.2 ...to critically reflect and interpret findings and to develop comprehensive solutions for complex problems.	... to focus on execution of financial modelling and understanding where major pitfalls lie, when building financial models in Microsoft Excel. ... to develop a skillset of analytical competence of how to address a qualitative problem in a quantitative manner.	X
4 Ethical Awareness		
5 Communication and Collaboration Skills		
5.1 ...to express complex issues effectively in writing.	... to form logical chains of reasoning that support students' developed solutions to valuation problems (valuation report).	X

		... to be able to communicate in an understandable way in English (valuation report).	
6	Internationalization		
6.1	...to understand and explain business challenges in an international context.	... to understand how internationalization influences valuations of firms (growth, risk). ... to apply country risk premiums in valuations.	X
6.2	...to articulate themselves in a professional manner in international business.	... to understand and categorize core financial terms in English (e.g. cash flow, EBIT(DA), working capital, capex).	X
6.3	...to successfully demonstrate awareness of cross-cultural differences.	... to work on a valuation project, which require expressing solutions in writing in English.	X

Teaching and Learning Approach

The course consists of two main elements:

(1) **Interactive lectures with discussion:**

The first part of the course focusses on the principles of corporate valuation. This is accomplished primarily by a lecture-style approach including class discussions and exercises. Preparation based upon suggested basic readings and continuing active class participation throughout the term is expected. The slides and additional materials for each session will be uploaded to the e-learning platform. The lectures cover the main course topics as outlined below.

(2) **Preparation of a valuation report on a company to be chosen by the students:**

Based upon the knowledge acquired in the first part of the course, students have to value a public firm of their choice to come up with an equity value of the same. This should be done by the application of an income-based and relative valuation model. Students are encouraged to give a buy-, hold- or sell-recommendation based on their results in a 6-page summary document.

Literature and Course Materials

Basic Reading:

Damodaran, A., Investment Valuation: Tools and Techniques for Determining the Value of any Asset, latest edition, John Wiley & Sons.

Additional Readings:

Koller, T., Goedhart, M., Wessels, D., Valuation, Measuring and Managing the Value of Companies, latest edition, John Wiley & Sons.

Rosenbaum, J., Pearl, J., Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions, latest edition, John Wiley & Sons.

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

Assessment

The grade for the course “Applied Corporate Valuation” is based upon:

a valuation project on a company to be chosen by the students

[individual assignment] (100%).

The valuation project consists of (i) a valuation model in Microsoft Excel and (ii) a 6-page valuation report (handed in as pdf at the end of the semester). The valuation report should be structured in the following sections:

- 1) Investment highlights (executive summary)
- 2) Business plan description
- 3) Valuation results (Income approach)
- 4) Valuation results (Market approach)
- 5) Investment recommendation

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.

Schedule

See LSF for details.