

**NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS
UB41.001 EQUITY VALUATION
Spring 2014
Monday Wednesday 3:30-4:45pm**

General Information

Professor Nikolay Halov

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Office Hours

- Tuesday 5-7pm
- Other times by Appointment

TA: Ricardo Oliveri

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Office hours: TBA

Room: TBA

This is a sample syllabus subject to revisions. Please check NYU Classes for the final updated version before the first class.

Course Objective

By the end of this course, I would like you to be able to

- Apply **discounted cash flow analysis**
- Define, describe, analyze and **apply any multiple** (PE, Value/EBITDA, Price/Book Value...)
- Value any **publicly traded firm**, small or large, domestic or foreign, healthy or troubled.
- Identify when using real options is appropriate and value firms (divisions, projects) using that method
- **Separate fact from fiction**, sense from nonsense and real analysis from sales pitch in equity research reports, valuations and general discourse

Required Material

- Class notes
 - Self contained: will do a brief review of concepts from Corporate Finance
 - Handouts in class
 - To see what's next, check NYU Classes the weekend before class
- No Required texts, however:
 - Most material covered by *Investment Valuation 3rd Ed.* by Damodaran
 - Background and basics: Corporate Finance: Brealey, Myers Allen or Ross
Westerfield Jaffe,

- Lecture notes and other relevant material will be available on NYU Classes

Grading Basis

- Cases(group), Problem Sets and Class participation: 25%
- Project(group): 15%
- Midterm(individual, Week7): 25% if your midterm score is higher than your final exam score, 20% otherwise
- Final exam(individual, Wednesday 12/18, 4-5:50pm): 35% if your midterm score is higher than your final exam score, 40% otherwise

Group Work: Students should work in groups of five to seven. Select a group of companies (one for each person in the group). Further details will be provided in week 1.

Group Project: Due on Day of the Final exam,

HBS cases for detailed analysis

- Group assignments (5-7 people)
- 2 page executive summary + All spreadsheets

The project

- Each person in the group will pick a company to analyze.
 - The company should be publicly traded and have at least one year of trading history and one set of annual financial statements. The company can be listed in any market.
 - There should be a common theme in each group. (i.e entertainment companies, airlines etc)
 - try to pick as diverse a mix of companies as possible. In each group pick
 - one company which has negative earnings currently
 - one company which has high-growth potential.
 - one non-U.S. company
 - Each person will be responsible for doing the entire analysis for the company that he or she has chosen. **Collaboration with group members is essential.**
- One report for all the firms in the group (due end of the class).
 - Summary of individual company valuations
 - Recommendation (undervalued, overvalued, fairly valued)
 - compare and contrast the valuation methods and main assumptions
- The TA and I would help with some data sources as we move along

Assessment Guidelines

Individual Work

Midterm and the final exam are strictly individual work.

There will be no make-up midterm. If you miss the midterm due to illness, inform me in advance and the midterm weight will be redistributed to the final.

Problem Sets for homework will be assigned weekly. They will be graded on a pass/fail basis. The worst Problem Set will not count toward your grade.

Group work

Select your own groups. The group harmony is the responsibility of the group members, except in extreme circumstances.

There will be one grade per group, no matter how the work load is distributed among the group members.

Grade Distribution

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

The Finance Department has elected to use the following grading guidelines for this course and all other elective courses. Instructors should award grades of “A” or “A-” to approximately 35% of students in elective courses with enrollments of more than 25 students. In elective classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

- 25% - 35% of students can expect to receive A’s for excellent work
- 50-70% of students can expect to receive B’s for good or very good work
- 5-15% of students can expect to receive C’s or less for adequate or below work

Regrading

If you believe an inadvertent error has been made in the grading of an assignment or in assessing an overall course grade, a request to have the grade re-evaluated may be submitted. You must submit such requests in writing, by email to me and the TA **within 7 days** of receiving the grade, including a brief written statement of why you believe that an error in grading has been made.

Tentative course outline

<u>Topic</u>	Week
Introduction to Valuation	1-2
Discounted Cash Flow Valuation	2-7
<u>Midterm</u>	
Estimating the price per share from DCF valuation	8-9
Relative Valuation	10-12
Real Options	13-14

Academic Integrity

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.
- To help ensure the integrity of our learning community, prose assignments you submit to NYU Classes will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here:

Undergraduate College: <http://www.stern.nyu.edu/uc/codeofconduct>

General conduct & behavior

- Arrive to class in time.
- If for some reason you must be late or leave early or miss a class please let me know in advance.
- Laptop computers may not be used during class time unless when discussing a valuation assignment.

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Disruptive Behavior Policy (<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html>).

Recording of Classes

Your class may be recorded for educational purposes

Students with Disabilities

If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.