



APPLIED VALUATION

Course code	<i>GRAE012</i>
Compulsory in the programmes	<i>Financial Economics</i>
Level of studies	<i>Graduate</i>
Number of credits	<i>6 ECTS (36 contact hours + 2 consultation hours, 124 individual work hours)</i>
Course coordinator (title and name)	<i>Prof. Dr. Frank Kerins, CFA</i>
Prerequisites	<i>Introductory corporate finance Mathematical Finance Asset Pricing</i>
Language of instruction	<i>English</i>

THE AIM OF THE COURSE:

The course builds on introductory and advanced corporate and asset management finance courses and provides a robust framework for valuation of fixed-income and equity securities for individual asset portfolio applications. The core course topics include: financial statement analysis; firm net income analysis; analysis of free cash flows to the firm (FCFF), to debt (FCFD), and to equity (FCFE); using the Capital Asset Pricing Model (CAPM) to evaluate cost of debt, cost of equity, and weighted-average cost of capital (WACC); application of discounted cash flow, relative value (multiplier); and hybrid valuation approaches; yield curve analysis; valuation intangibles; debt security valuation; and equity valuation. The objective of the course is to provide a pragmatic framework of valuation approaches that apply directly to equity and fixed-income assets, but can also be applied to a broader set of asset classes.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESSMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives (Number of LO)	Assessment methods	Teaching methods
CLO1. Analyze corporate financial statements to identify and summarize material information for valuation.	LO1.1. LO1.2. LO3.2	Coursework, group work, final exam	Course discussions, seminars, self study, group work
CLO2. Apply discounted cash flow, relative value, and hybrid frameworks to estimate the value of publicly-traded corporate securities.	LO1.1. LO1.2. LO3.1, LO3.2	Coursework, group work, final exam	Course discussions, seminars, self study, group work
CLO3. Develop and support, in both oral and written formats, valuation recommendations for debt and equity securities.	LO1.1., LO1.2. LO2.1. LO3.1, LO3.2	Coursework, group work, final exam	Course discussions, seminars, self study, group work
CLO4. Identify and evaluate application of ethical principles to the valuation process.	LO2.1	Coursework, group work, final exam	Course discussions, seminars, self study, group work



ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

COURSE OUTLINE

Topic	In-class hours	Readings
<ul style="list-style-type: none"> • Introduction to Valuation • Approaches to Valuation • Understanding Financial Statements 	Wed, June 7 4	Damodaran Chapters: 1, 2, 3
<ul style="list-style-type: none"> • The Basics of Risk • Market Efficiency 	Thu, June 8 4	Damodaran Chapters: 4, 6, 7
<ul style="list-style-type: none"> • Riskless Rates and Risk Premiums • Estimating Risk Parameters 	Fri, June 9 4	Damodaran Chapter: 8
<ul style="list-style-type: none"> • Measuring Earnings • From Earnings to Cash Flows • Estimating Growth 	Mon, June 12 4	Damodaran Chapters: 8, 11
<ul style="list-style-type: none"> • Estimating Terminal Value • Dividend Discount Models 	Wed, June 14 4	Damodaran Chapters: 12, 13
<ul style="list-style-type: none"> • Free Cash Flow to Equity Models • Cost of Capital and Adjusted Present Value Approaches 	Thu, June 15 4	Damodaran Chapters: 14, 15
<ul style="list-style-type: none"> • Fundamental Principles of Relative Valuation • Earnings Multiples • Book Value Multiples 	Mon, June 19 4	Damodaran Chapters: 17, 18, 19
<ul style="list-style-type: none"> • Revenue Multiples and Sector-Specific Multiples • Valuing Start-Up Firms • Probabilistic Valuation 	Tue, June 20 4	Damodaran Chapters: 20, 23 Damodaran -Using Probabilistic Approaches in Valuation-SSRN
<ul style="list-style-type: none"> • Group presentations • Discussion and wrap-up 	Wed, June 21 4	
	Total: 36 hours	
FINAL EXAM	Tue, June 27 3	



FINAL GRADE COMPOSITION

Type of assignment	%
<i>Group Components 50%</i>	
Coursework	40
<i>Individual Components 50%</i>	
Final exam	60
Total:	100

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Coursework (50%)

Students will work in small teams (2- 3 people) to prepare a presentation and a short paper valuing a publicly traded company of the team's choice. Teams tasks performed during the semester will support this final project. The final submittal and presentations will be due on the last class meeting.

Final Exam (50%)

The final exam is open book. You'll have to write answers to a set of open-questions based on the material covered during lectures.

RETAKE POLICY

In case of a negative final grade, students are allowed a re-sit exam. It will cover all course material. The weight of a re-sit is **60% of the final cumulative grade**. Coursework and homework cannot be rewritten but their evaluation is not annulled. Students have to adhere to deadlines, as **no extensions will be granted**.

ADDITIONAL REMARKS

None

REQUIRED READINGS

1. Aswath Damodaran- Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, University Edition, -Wiley Finance- 2nd or 3rd edition (ISBN: 978-1-118-20659-1)

OR,

2. Aswath Damodaran- Damodaran on Valuation: Security Analysis for Investment and Corporate Finance: - Wiley Finance- 2nd (ISBN: 978-1-118-16108-1) or later edition.

ADDITIONAL READINGS

3. Damodaran, Aswath, Facing Up to Uncertainty: Using Probabilistic Approaches in Valuation (August 23, 2018). Available at SSRN: <https://ssrn.com/abstract=3237778> or <http://dx.doi.org/10.2139/ssrn.3237778>



DEGREE LEVEL LEARNING OBJECTIVES

Learning objectives for Master of Social Science

Programme:

Financial Economics

Learning Goals	Learning Objectives
Students will be critical thinkers	LO1.1. Students will be able to identify underlying assumptions, limitations of previous research; evaluate managerial solution alternatives.
	LO1.2. Students will become independent learners and develop their own comprehension of scientific theories, models, and concepts.
Students will be socially responsible leaders	LO2.1. Students will be able to evaluate past and current practices in their discipline from an ethical perspective .
Students will be effective communicators	LO3.1. Students will develop and deliver a coherent oral presentation .
	LO3.2. Students will develop and deliver a coherent written research paper .