

FIN 6352 Financial Modeling

Term:	Spring 2015	Instructor:	Aaron Chawla
Section:	501	Email:	Aaron.Chawla@utdallas.edu
Class Hours:	Tuesday 7:00pm – 9:45pm	Office:	JSOM 13.308
Location:	JSOM 12.206	Office Hours:	Tuesday 6:00pm – 7:00pm

Recommended Material

Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity, by Paul Pignataro, Wiley Finance, ISBN-13: 978-1118558768. The approximate price for this book is \$83.30 on Amazon.com.

Financial Statements, by Thomas R. Ittelson, Career Press, ISBN-13: 978-1601630230. The approximate price for this book is \$17.99 new in the bookstore, \$13.50 used in the bookstore, and \$10.43 on Amazon.com.

Optional Material

Learn Excel 2010 Expert Skills with The Smart Method: Courseware Tutorial teaching Advanced Techniques by Mike Smart, The Smart Method, ISBN13: 978-0-9554599-8-6. The approximate price for this book is \$21.93 on Amazon.com.

Course Description

This course applies financial concepts to build analytic frameworks and financial models that can be used to value corporate initiatives, acquisitions and mergers. The course is designed to help develop your finance and strategic intuition when tackling business problems as a finance professional and business partner. Intermediate level Excel skills are strongly recommended. A laptop with Excel is required: Instructional models will be presented using Excel 2013.

Student Learning Objectives / Outcomes

Upon completion of the course, students will be able to understand / define / apply / implement:

1. Financial models for acquisitions and mergers
2. Financial models for business cases
3. Core financial statements (primary focus is on projections)
4. Summarize and present models for decision makers

Class Schedule (Tentative and subject to change)

Week	Date	Topic	Submissions / Deadlines/ Book Chapters / Pre-reads
1	January 13	Course Overview Model Standards	
		NPV, IRR, Break-even Model: ROI of a UTD MBA	Read: Chapters 20 – 22 (Ittelson)
2	January 20	Income Statement (IS) Model: Wal-Mart IS Cash Flow Statement (CF) Model: Wal-Mart CF	Read: Wal-Mart Annual Report Read: Chapter 1 - 2 (Pignataro) Read: Chapter 3 - 4 (Ittelson)
		Mini Model: Rental Property	
3	January 27	NO CLASS	
4	February 3	Guest Speaker: Loreen S. Henry, M.L.S., Head of Information Literacy Services, Library Liaison to JSOM	Speaker Topic: Introduction to databases and other library resources (Capital IQ, Bloomberg, Factiva, & Business Source Complete)
		Balance Sheet (BS) Model: Wal-Mart BS	Read: Chapter 5 (Pignataro) Read: Chapters 2 & 5 (Ittelson)
		Link 3 Core Statements Calibrate with Company Guidance Calibrate with Analyst Estimates	Read: Chapter 11 (Ittelson) Read: Wal-Mart Annual Report http://stock.walmart.com http://finance.yahoo.com → Analyst Estimates

5	February 10	Model: KFC Franchise	Read: Material posted to eLearning
		Model: Mini LBO	
6	February 17	Working Capital	Read: Chapter 4 (Pignataro)
		Debt Schedule	Read: Chapter 6 (Pignataro)
		Depreciation Schedule	Read: Chapter 3 (Pignataro)
		Link 6 Statements/Schedules Model: Link Wal-Mart	Read: Wal-Mart 10-Q
		Discounted Cash Flow (DCF) Model: Wal-Mart DCF	Read: Chapters 7 & 8 (Pignataro)
7	February 24	Valuation: CFO Perspective <ul style="list-style-type: none"> • ROIC and Reinvestment Rate • Payout Ratio • Capital Structure 	Read: Chapter 19 (Ittelson)
		Leveraged Buyout (LBO) Model: Full LBO	
8	March 3	Exam 1	Location: Testing Center in the basement of the McDermott Library, MC 1.401 Time: 7 pm – 8:30 pm
9	March 10	Homework Due	Submit through eLearning
		<u>Valuation Approaches</u> Model: Valuation 101 <ul style="list-style-type: none"> • Book Value • Liquidation Value • Replacement Cost • Current Market Value 	
		<u>Advanced Valuation</u> <ul style="list-style-type: none"> • Adjusted Present Value (APV) • Cleansing Cash Model: Operating Lease Adjust. <ul style="list-style-type: none"> • Mergers & Synergies Model: Valuing Synergies	

10	March 17	Spring Break: NO CLASS	
11	March 24	Guest Speaker: Jason Nichols, Sr. VP BBVA Compass	Speaker Topic: TBD
		Comparable Company Analysis Model: Wal-Mart	Read: Chapters 9 (Pignataro)
		Precedent Transaction Analysis Model: Wal-Mart	Read: Chapter 10 (Pignataro)
		Mini-Case: Brown Paper Mills	
12	March 31	Guest Speaker: TBD	Speaker Topic: TBD
		Valuation: CFO Perspective 2 <ul style="list-style-type: none"> • Minority Holdings • Default/Distress • Control Premium 	
13	April 7	Location: Testing Center in the basement of the McDermott Library, MC 1.401 Time: 7 pm – 8:30 pm	Exam 2
14	April 14	Guest Speaker: TBD	Speaker Topic: TBD
		Case: Guru Technologies	
15	April 21	Final Project Due Class Presentations	Submit through eLearning
16	April 28	Final Project Due Class Presentations	Submit through eLearning

Note: We will build a full financial valuation model for Wal-Mart during class to illustrate topics.

Course Requirements and Grading Policy

Exam 1	20%
Exam 2	25%
Homework	15%
Final Project & Class Presentation	40%
TOTAL	100%

Your final grade will be based on your total score. The grading will be based on the relative performance of the class. All assignments will be submitted through eLearning (Blackboard) and exams will be delivered through eLearning in the school's proctored testing center.

Exams

We will have two exams. The exams will be closed-book and will consist of a combination of multiple-choice and short answer type questions some of which will be accompanied by calculations. The exams will be non-cumulative and added together will account for 45% of your total course grade. The first exam will take place on **March 3rd**, and the second exam on **April 7th**. All exams will be at regular class time (7 pm) in the McDermott Library's testing center and require abiding by the policies and guidelines posted at the bottom of this syllabus. Come to the normal classroom after you complete the exams.

Homework

Students will have one homework assignment worth 15% of the total course grade. This is an **individual assignment** and will require building an Excel model valuing a company. The assignment is due before class on **March 10th**.

Final Project

Students will be required to work in groups of 3 – 4 to construct a full M&A model in Excel using multiple valuation techniques. Each group will be assigned a pair of public companies to build a model valuing each company individually and for a proposed merger. The presentation should include strategic rational and positioning and research information (such as relevant industry growth rates). Class presentations may be in PowerPoint, Excel or PDF. Attention

should be paid to content and formatting for the Excel model and presentation. Group presentations will be on **April 21st and April 28th** in the normal lecture room.

The Final Project will be worth 40% of the total course grade and will consist of two deliverables. The Excel merger valuation deliverable will be worth 60% of the Final Project grade (or $40\% \times 60\% = 24\%$ of the total course grade). The presentation deliverable will be worth 40% of the Final Project grade (or $40\% \times 40\% = 16\%$ of the total course grade).

Guest Lectures

The purpose of this portion of the class is to introduce students to financial modeling both from a theoretical, but also from an applied perspective. **Guest lectures are an integral part of the class and students' attendance is mandatory.**

Class Etiquette

Important: All cell phones, PDAs and other electronic devices need to be turned off at the beginning of class. Laptops can be used for the purpose of this class and will be required for modeling during every lecture.

Important: In case of behavior which disrupts a positive learning environment, I reserve the right to ask you to leave the classroom.

Examples of such behavior are (but not limited to): repeated cell phone ringing, noises from other electronic devices, loud noises by the student, disrespectful behavior towards other students etc.

Course & Instructor Policies

All deadlines are to be strictly followed throughout the semester. Submissions after the assigned due time will not be accepted.

For other standard UT Dallas syllabus policies, refer to <http://go.utdallas.edu/syllabus-policies>

The course descriptions and timelines are subject to change at the discretion of the instructor. In case you are not sure about any aspect of the syllabus, please contact the instructor without delay.

Exams will abide by the policies and guidelines outlined below on the testing center website. Closed book and closed note expectations are strictly enforced and this means only accessing the exam on the eLearning website and using absolutely no other material (prohibited material includes web accessible material such as lecture notes, models, e-mail, valuation websites, etc.)

<http://www.utdallas.edu/studentsuccess/testingcenter/index.html>

http://www.utdallas.edu/studentsuccess/doc/TestingC/TC_StudentGuide.pdf