

**Jindal School of Management  
The University of Texas at Dallas  
Course Syllabus**

**Course Information**

Prefix, Number, Section: **FIN6352.502 / ENTP6355.502**  
Title: **Financial Modelling for Valuation**  
Term: Spring 2020  
Days & Times: Tuesdays, 7:00 – 9:45pm  
Location: JSOM 11.202 until March 10  
**Online: Blackboard Collaborate (on eLearning) from March 31**

**Contact Information**

Course Instructor: Christian von Drathen, Ph.D.  
Assistant Professor of Finance  
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Office Location: JSOM 14.310  
Office Hour: Upon appointment  
Teaching Assistant: Bohan Li  
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Office Hour, Location: Thursdays, 1:30 – 2:30pm, JSOM 14.411

**Course Pre-Requisites, Co-Requisites and/or Other Restrictions**

The pre-requisites for this course are completion of FIN 6301 and familiarity with Excel and financial accounting. No auditing permitted.

**Course Description**

This class is a required course for the M.S. Finance degree program. It is designed to provide graduate students with an in-depth modelling experience in the valuation of public and private companies. Teaching consists of lectures based on the course textbook and case study discussions. Students individually prepare weekly homework and case analyses, and complete group exercises. The focus will be on working with models to forecast financial statements and valuing firms. The course concludes with a group valuation contest involving a real M&A transaction and will be judged by a panel of external finance professionals. The workload is heavy and requires substantial study time.

**Student Learning Objectives/Outcomes**

By the time you complete this course, you should understand and be able to perform:

1. Analysis and modelling of financial statements
2. Enterprise valuation using Discounted Cash Flow (DCF) methods
3. Valuations based on comparable trading and transaction multiples
4. Advanced modelling topics including Leveraged Buyouts and Real Options Analysis

**Grading Policy**

Your overall course grade will be computed using your grades on two written exams; verbal participation, homework and group exercises; written case study analyses; and a valuation group contest. The weights for the overall grade will be:

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|---|-----|
| 1. Exam 1 & 2                                       | 40% |
| 2. Verbal participation, homework & group exercises | 20% |
| 3. Written individual case study analyses           | 20% |
| 4. Valuation group contest                          | 20% |

### Assignments & Academic Calendar

| <u>Date</u> | <u>Topic</u>   | <u>Assignments</u>                              | <u>Readings</u>   |
|-------------|--|---|---|
| 1/14        | Overview, Introduction to Valuation, Project Analysis Using DCFs |   | Chapters 1 & 2  |
| 1/21        | Project Risk Analysis  | Homework 1                                      | Chapter 3   |
| 1/28        | Estimating a Firm's Cost of Capital                              | Homework 2                                      | Chapter 4, Damodaran ERP Article                              |
| 2/4         | Forecasting Financial Performance                                | Homework 3, Exercise 1                          | Chapter 6   |
| 2/11        | Relative Valuation Using Market Comparables                      | Homework 4, Exercise 2, Interactive 1           | Chapter 8, Damodaran Multiples Chapter                        |
| 2/18        | Modelling Financial Statements                                   | Homework 5, Exercise 3, Interactive 2           |   |
| 2/25        | Exam 1   | Interactive 3                                   |   |
| 3/3         | Enterprise Valuation 1   | Homework VC0                                    | Chapter 9, Note on CF Valuation Methods                       |
| 3/10        | Enterprise Valuation 2   | Mercury Case, Homework 6, Exercise 4            |   |
| 3/17        | <i>Spring Break (No Classes)</i>                                 |   |   |
| 3/24        | <i>Spring Break (No Classes)</i>                                 | <i>Valuation Report VC1</i>                     |   |
| 3/31        | Enterprise Valuation 3   | AirThread Case                                  |   |
| 4/7         | Enterprise Valuation 4, Private Equity 1                         | Cracker Barrel Case                             | Chapter 10.4, Technical Note on LBO Valuation                 |
| 4/14        | Private Equity 2   | Orangina Case, Valuation Report VC2, Homework 7 | Chapter 10.3, Technical Note on Pre- and Post-Money Valuation |
| 4/21        | Real Options Analysis  | Homework 8 & 9                                  | Chapter 12  |
| 4/28        | Valuation Contest  | Valuation Report VC3, Group Presentation        |   |
| 5/5         | Exam 2   |   |   |

***The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Instructor.***

## Required Textbooks and Materials

Students must purchase the course textbook before the first class and the HBP course pack with case studies by week 6. You are expected to prepare the designated chapters and cases before class. The instructor posts slides covering the textbook chapters online after class. Assignments are also be posted online, so make sure to check your eLearning and HBP course packs regularly. No solutions are made available, so make sure to take notes when they are discussed in class.

**Book:** [Titman, Sheridan, and John D. Martin; "Valuation: The Art and Science of Corporate Investment Decisions", 2015, 3rd edition, Pearson.](#)

**Cases:** [HBP Course Pack \(https://hbsp.harvard.edu/import/696475\)](https://hbsp.harvard.edu/import/696475)

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|------------------|--|
| 1 4050-PDF-ENG   | Mercury Athletic: Valuing the Opportunity                |
| 2 4263-PDF-ENG   | Valuation of AirThread Connections                       |
| 3 114026-PDF-ENG | Showdown at Cracker Barrel                               |
| 4 807005-PDF-ENG | Lion Capital and the Blackstone Group: The Orangina Deal |
| 5 910N31-PDF-ENG | Note on Cash Flow Valuation Methods                      |
| 6 902004-PDF-ENG | Technical Note on LBO Valuation (A)                      |
| 7 801446-PDF-ENG | Note on Pre-Money and Post-Money Valuation (A&B)         |

## Course & Instructor Policies

### *Classroom Citizenship*

Participation calls for due respect of your classmates and the instructor. Student behaviour that distracts or otherwise adversely affects teaching will not be tolerated. In class, please turn-off your cell phones, and close your iPads and laptop computers, unless instructed otherwise. Also, make sure to bring your nameplates to all sessions. Audio or video recordings of the class are not permitted, unless determined an accommodation by the Office of Student AccessAbility.

### *Class attendance*

Regular and punctual class attendance is expected. Students who fail to attend class regularly are inviting scholastic difficulty. Grades also depend, in part, on attendance. You are responsible for learning all materials covered in any class that you miss.

### *Group Work*

At the end of week 3, the instructor will assign each student to a study group. You are expected to attend all your team's meetings and to actively contribute to your group assignments. If you repeatedly fail to do so, your group can decide to remove you; then you will have to complete the assignment on your own. The study groups will write the names of all active contributors on the cover sheet of their submissions; students who do not actively contribute should not be listed on the group's cover sheet and get no credit.

### *Calculators*

You are allowed only to use a calculator on your exams. You can use a financial calculator that computes the internal rate of return for a sequence of cash flows, e.g. HP-10BII, HP-12C, TI BAII Plus, or TI BAII Plus Professional. If you use a calculator, then you will be responsible for knowing how to use it. You cannot use a cell phone or similar device that can store text as a computational aid.

### *Make-Up Exams*

There will be no make-up exams. If you cannot take an exam with the rest of your classmates, you will generally have to take it before they do. The instructor generally has to be informed of any conflict before the exam and supplied with official written documentation demonstrating a serious and unavoidable conflict (e.g. illness: doctor's statement, accident: police report). If you miss an exam or assignment and do not supply such evidence your grade will be an 'F'.

### *Extra Credit*

There will be no possibility to earn extra credit. Only the exams and assignments listed above will count towards your grade.

### **Campus Carry**

Senate Bill 11 (SB 11), also known as “campus carry,” permits handgun license holders to carry their weapons onto the campus and into the general buildings of public universities and colleges in Texas. Passed by the 84th Texas Legislature and signed into law by Gov. Greg Abbott, SB 11 took effect Aug. 1, 2016. As part of the law, the University was allowed to establish reasonable rules, regulations or other provisions regarding the carrying of concealed handguns, including campus locations where concealed carry is prohibited, subject to amendment by the UT System Board of Regents. The purpose of the UT Dallas policy is to comply with the law while maintaining the maximum safety and security of UT Dallas students, staff, faculty and guests.

#### Facts:

- A person must have a license to carry a concealed handgun on campus. Requirements include being at least 21 years of age and a legal resident of Texas for the six-month period preceding the date of application.
- Concealed carry is prohibited in these buildings: Callier Center-Richardson (CR); Natural Science and Engineering Research Laboratory (RL); Bioengineering and Sciences Building (BSB); University Commons Residence Halls (RHNW, RHN, RHS, RHSW, RHW); Dining Hall West (DHW); Recreation Center West (RCW); Callier Center-Dallas; the Center for BrainHealth; and the Center for Vital Longevity. (See map below).
- Solely occupied offices can be designated as exclusion zones, prohibiting the concealed carry of a handgun in that space. If occupants choose to exercise this discretion, they must provide oral notice that concealed carry is prohibited in the office. The use of signage does not satisfy notification requirements.
- License holders cannot carry concealed handguns at University sporting events, patient care facilities, including the Galerstein Women’s Center, the Student Health Center and the Student Counseling Center, disciplinary hearing or mediation facilities, and areas where schoolchildren are present.
- Open carry is not allowed. If the license holder carries a visible handgun, or if the handgun is intentionally displayed in plain view of another person, it is considered a criminal offense.
- The University will not provide storage of a license holder’s handgun.

Students are hereby given written notice that the instructor has designated his office at JSOM 14.310 exclusion zone, prohibiting concealed carry of a handgun. A verbal notice to this effect will also be issued to students in the first class.

Further information about the University’s concealed handgun policy is posted on the campus carry website: <https://www.utdallas.edu/campuscarry/>.

### **UT Dallas Syllabus Policies and Procedures**

The information contained in the following link constitutes the University’s policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.