Financial Modeling
Module 3, Academic year 2024-2025

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Course description

The focus of this course is to familiarize students with the practices applied to financial modeling for corporate finance and investment decisions. The course is fully case-based, its topics include building a complex operational model, building framework for equity valuation, setting up M&A and LBO investment decision framework, startups and VC terms modeling, etc.

Course requirements, grading, and attendance policies

Note that no formal attendance policy is applied to the course, however, the attendance of each class is expected.

Prerequisites. No past course attendance is essential, however, familiarity with corporate finance concepts, financial products and basic accounting skills is desired.

Grading. The grade for the course will be based on three assignments (30% total) and project-based (take-home) final exam (70%).

The total weighted and adjusted **passing score is 55% out of 100%.**

Course contents

Class		Comments
1	Introduction	• Design, structure and logic of financial models • Best practice in modeling: standards, formats, functions etc. • Setting up data and assumptions of modeling in Excel
2-4	Building operating model (II)	• Building P&L, BS, CFS • Building supporting operating schedules (Working Capital, D&A and CapEx, Debt and Interest, etc.) • Building scenarios and illustrative graphs
5	Modeling for equity research	• Building dashboards for financial and investment analysis • Building valuation models (DCF and trading multiples) • Sensitivities and overall results presentation
6-7	Building complex models for specific purposes	• Rationale of LBO and M&A deals, basics of deal structuring • Building LBO models (CFDF, non-CFDF and other bases) • Merging models under M&A deals • VC investment decision framework, building models for start-ups (unit-economy, etc.)

Description of course methodology

Lectures and practical work in Excel are based on case studies, deals and decision-making process simulation. You'll need a laptop to perform modeling exercises for every lesson in the course.

Course materials

Required textbooks and materials

Paul Pignataro. Investment banking in practice: financial modeling and valuation

Paul Pignataro. Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity

Joshua Pearl, Joshua Rosenbaum. Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions

Luis E. Palepu. Business Analysis and Valuation Using Financial Statements

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.