Valuation
module 2, 2024-2025

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Course description

This course provides broad view of corporate finance from the practical view and valuation of companies in different industries. It delivers comprehensive theoretical knowledge and understanding of how to use valuation techniques in practice.

The course consists of studying numerous real cases, which will also contribute to better understanding of main approaches, methods and concepts connected primarily with equity valuation. During the course students will familiarize with practices of company's valuation, learn to work on equity research tasks, write equity coverage reports and acquire relevant computation skills.

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. Pre-requirements are core courses in accounting and corporate finance.

Grading. The course grade is determined by results of home assignments and final exam:
- (30%) Home assignments. Total 3 (three) home assignments are required to be completed thought-out the course.
- (70%) Final exam. The exam covers all topics of the course. The minimum passing threshold of the exam is 40% out of 100%.

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

Course contents

Class		Comments
1	Introduction	• Equity Valuation: concepts and basic tools • Overview of key Valuation methods • Enterprise Value and Equity value: relationship and difference
2-3	PV-based Valuation (I)	• Cash Flows: definitions and specifics of calculation • One-stage and Multistage models: assumptions and usage • Gordon Growth Model, Dividend Discount Models • Present Value models based on FCFF, FCFE • Terminal Value in multistage PV-based models • Post-forecast Growth rate of cashflows, its financial determinants

Class		Comments
4	PV-based Valuation (II): discount rates calculation	• Cost of Equity: historical and forward approaches, application of market data • Cost of Debt: sources of debt, actual and synthetic approaches • WACC: sources of capital, application of weights • Discount rate selection according to Cash Flows used
5	Market-Based (Multipliers) Valuation	• Method of Comparables; concepts and basics • Approaches to identifying similar companies (peers) • Relationships among Multiples, PV-based Models, and Fundamentals
6	Advanced Valuation Techniques	• Real options in Equity Valuation • M&A rationale, synergy analysis • LBO rationale, tax shield impact • Valuation of companies with complicated Capital structure • Private company Valuation approaches
7	Equity Research	• Standard structure of an equity coverage report • Industry analysis: principles of strategic analysis, external influences on Industry growth • Company analysis: elements that should be covered in an analysis • Investment recommendation system: value drivers, total return on investment, buy-hold-sell thresholds, risk assessment

Description of course methodology
Lectures and seminar classes are based on academic literature, case studies, real corporate deals and valuation guidelines provided by well-established institutions and valuation companies.

Students might need a laptop to perform some calculations during lectures and seminars.

Course materials
Required textbooks and materials
1. Damodaran Aswath. Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 3rd Edition
2. Paul Pignataro. Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity, 2nd Edition
3. McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels. Valuation: Measuring and Managing the Value of Companies, 7th Edition

Additional materials
1. Steven N. Kaplan, Richard S. Ruback. The Market Pricing of Cash Flow Forecasts: Discounted Cash Flow vs. the Method of "Comparables"
2. Pablo Fernández. Valuation Using Multiples How Do Analysts Reach Their Conclusions
3. Pablo Fernández. 80 Common Errors in Company Valuation
4. Luis E. Pereiro. Valuation of companies in emerging markets
5. Svetlana Baurens. Valuation of Metals and Mining Companies

Other materials might be added throughout the course.

Academic integrity policy

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

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