Course overview

In today's volatile market climate, a high degree of uncertainty exists as to the "value" of equity securities. This course will explain traditional techniques used to value equities, and how equity "pricing" differs from "valuation". Additionally, we will examine "non-fundamental" methods used by market practitioners to price equity instruments, as well as the role of derivatives markets in equity valuation.

It is expected that students possess a basic knowledge of finance and accounting principles. Case studies, exercises and transaction analyses will comprise an important part of this course as we weave together theoretical and practical approaches to equity valuation.

Course Summary

This comprehensive course covers the following:

- Equity market overview
- Financial statement analysis and interpretation
- Traditional valuation methods including: Discounted Cash Flow (DCF) Valuation
- Relative valuation techniquesValuing illiquid stock
- Technical analysisValuing private firms
- Understanding equity research analyst reports
- Value enhancement strategies including CFROI, EVA, etc

Syllabus

Introduction to EquityValuation; FinancialStatements Analysis I	● The valuation process and approaches to valuation ● Risk and return considerations ● Fundamentals of financial statements ● Common size financial statements. ● CASE STUDY: Balance Sheet Tells a Story
Financial Analysis II; AssetPricing Models & MarketEfficiency	● Using ratios to measure earnings and profitability ● Using ratios to measure risk ● Single factor asset pricing models including CAPM ● APT and other multifactor pricing models ● EXAMPLE: Using Asset Pricing Models
Dividend Discount Method (DDM) Valuation I	● Financial forecasting techniques ● The Gordon Growth Model (GGM) ● Estimating sustainable growth rates ● Multistage dividend discount models

Free Cash Flow (FCF) Valuation	● Introduction to free cash flows ● Forecasting free cash flow ● FCFE and FCFEExamples and exercises
Market-Based Valuation 1: Price Multiples	● Derivation of multiples ● Commonly used multiples including: PE, price/BV, price/sales ● A top-down approach to equity valuation
Market-Based Valuation I1: Other Multiples & Examples	● Industry multiples analysis ● Corporate and industry lifecycles ● Enterprise value multiplesExamples and exercises
Residual Income Valuation	● Calculation of residual income ● Single-stage and multi-stage models ● Strengths and weaknesses of RI models ● Economic Value Added (EVA) ● CEFOI and other manipulations of CAPM
Technical Analysis	● What is "technical" about technical analysis? ● Underlying assumptions of TA ● Advantages / disadvantages ● Commonly used technical rules & indicators
Special Topics in Valuation I:Valuing Private Firms &Financial Services Firms	● Private vs. publicly traded firms ● Private firm betas and fundamental valuation ● Relative valuation metrics for private firms ● Important multiples used to value financial firms
Special Topics in Valuation I1: Valuing Start-Ups & Firms with Negative Earnings, etc.	● Negative earnings: cyclical or structural? ● Normalizing cash flows ● Can equity be negative? ● Problems and examples ● Brand valuation