Department:	**Economics and Finance**		

Course Name:	**Equity Valuation and Analysis**	**Course No.:**	**FIN 616**
Prerequisite:	**N/A**	**Credit Hours:**	**3**

Brief Description:

This course aims to introduce students to security analysis and valuation from both theoretical and empirical perspectives. Students will be provided with a thorough understanding of alternative methods for equity valuation from the perspective of selecting stocks for investment portfolios, offering new issues for sale (initial public offering) and undertaking decisions for merger & acquisition. An opportunity will also be provided to students to use cases to understand the equity valuation process and apply alternative valuation methods to real-time financial data on business corporations. Major topics include: equity valuation process, return concepts, introduction to industry and company analysis, discounted dividend valuation, free cash flow valuation, market-based valuation; price and enterprise value multiples, residual income valuation and private company valuation.

Course Objectives:

↘ Understand equity valuation: applications and processes.
1. Describe different return concepts, industry, company and market analysis for valuing equity and businesses.
2. Have necessary knowledge of alternative valuation models including discounted dividend valuation, free cash flow valuation, residual income valuation and peer valuation models.
3. Demonstrate analytical, computational and critical thinking skills to solve and interpret cases of equity analysis and valuation of different corporate firms.
4. Build cases on equity analysis and valuation using real-life financial data of local business corporations.

Course Topics:

1. Equity Valuation: Applications and Processes
2. Return concepts
3. Nike's case on cost of capital estimation
4. Introduction to industry and company analysis
5. Industry and company analysis
6. Discounted dividend valuation models
7. Fee cash flow valuation models
8. A case on alternative valuation methods for merger & acquisition
9. A case on Netscape IPO
10. Market-Based Valuation: Price and Enterprise Value Multiples
11. A case on Warren E Buffett, 2005
12. Residual income valuation: valuing common equity

13. A case on Coke vs PepsiCo: an application of EVA model
14. Private company valuation

Text Book:

1. Equity Asset Valuation by Pinto-Henry-Robinson-Stowe (PHRS), 2nd edition, John Wiley & Sons, Inc., Hoboken, New Jersey.
2. Investment Analysis and Portfolio Management by Brown-Reilly (2012), 10th Edition, South-Western Cengage Learning (RB)

Additional References and Cases:

1. Security Analysis and Business Valuation by Jeffrey C Hooke, 2nd edition, Wall Street, A Comprehensive Guide to Today's Valuation Methods.
2. Nike, Inc: Cost of Capital, Darden Business Publishing University of Virginia
3. Methods of Valuation for Mergers and Acquisitions, Darden Business Publishing University of Virginia): UN0112 Feb 2009
4. Warren E. Buffett, 2005
5. Valuation of Stocks: Netscape's Initial Public Offering, Harvard Business School: 9-296-088
6. Understanding Economic Value Added: HBS 9-206-016
7. Managing for Corporate Value Creation: The EVA Model
8. Coke versus Pepsi 2001 (Harvard Case UV0008)

Online Resources:

↘ **http://www.economist.com**
↘ **http://www.worldfinance.com**
↘ **https://www.wsj.com/news/markets**
↘ **https://www.ft.com/markets**

Measurement & Assessment Tools:						
Objectives			Obj 1.1 &1.2	Obj 2.1	Obj 3.1	Obj 4.2
Assessment tools	Grade	Week (Time period)	1	2	3	
Case studies	10	8th			✖	
Midterm	25	10th	✖			
Assignment	10	14th				✖
Project	15	15th		✖		
Final exam	40	As Dated	✖			
Total	100					

Tentative Course Outline:

Week	Hours	Topics	Readings
1	3	Equity valuation: applications and processes	Ch 1; PHRS
2	3	Equity return concepts and cost of capital estimation	Ch 1; RW, Ch 2;PHRS
3	3	Nike's case: cost of capital estimation	Case study
4	3	Introduction to economic, industry and company analysis	Ch 12-14; RB
5	3	Industry and company analysis	Ch 12-14; RB
6	3	Discounted dividend valuation model	Ch 2; PHRS, Ch 11; RB
7	3	Discounted free cash valuation model	Ch 3; PGRS
8	3	Case study on application of alternative valuation models for mergers & acquisitions	Case study
9	3	Case study on Netscape IPO	Case study
10	3	Market-based valuation: price and enterprise value multiples	Ch 6; PHRS
11	3	Applying peer valuation: Warren E Buffet, 2005	Case study
12	3	Residual income valuation: valuing common equity	Ch 5; PHRS
13	3	A case on Coke vs. PepsiCo: an application of economic value-added model	Case study
14	3	Valuation of private companies	Ch 7; PHRS
15	3	Final exam	

Approved by Dept. Chair:

Dr Fahad Al Mohaimeed

Date of Approval:

Extra Information: *(Updated every semester and filled by course instructor)*

Course Instructor: Dr Razzaque H Bhatti

Office No:

Extension:

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Office Hours: