

**Commerce 4FB3
Valuation for Finance Professionals
Winter 2024 Course Outline**

**Finance Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

1. To build students' skills and confidence in answering the question: "What is a company worth?"
 2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.
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INSTRUCTOR AND COURSE INFORMATION

Instructor: Jason Tome
Email: tomej@mcmaster.ca
Lectures: Fridays from 8:30 – 11:20
Office Hours: By Appointment

COURSE MATERIALS AND READINGS

Course Materials Are Available on Avenue To Learn: <http://avenue.mcmaster.ca>

Cases Available for Purchase from Ivey Publishing at www.iveypublishing.ca

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
A2L:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	No

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to complete the following key tasks:

- Identify drivers of corporate value creation;
- Be familiar with and be able to identify appropriate valuation tools for a particular company and situation;
- Assess the intrinsic value of the company choosing among several different approaches.

LEARNING OUTCOMES

This course is taught primarily through lectures, assigned videos, some case studies and current equity research reports from a major investment firm. 4FB3 is an applied course in corporate valuation. Valuations are required in investment analysis, capital budgeting, merger and acquisition transactions, financial reporting, taxable events to determine the proper tax liability, and even in litigation. Through the use of a few case studies, videos and numerous current BMO Capital Markets equity research reports, we will examine how professionals are currently valuing public-traded companies.

The goal of the course is to build students' skills and confidence in answering the question: "What is a company worth?" and to help prepare students for a long-term career as an investment or commercial banker, a portfolio manager or equity research analyst, a member of the finance or business development team of a company, or a financial consultant in the financial-services industry. The course aims to better prepare you for interviews and for completing valuation work at an investment firm.

The course covers the drivers of corporate valuation particularly risk-adjusted discount rates and valuation models (DCF valuation and comparable multiples valuation). The course will require you to read current equity research reports from a major investment banking firm so that your final group project - writing an equity research report on a public company - is reflective of current industry practice.

COURSE EVALUATION

Type	Description	Due Date	Weight
Case Analysis	Individual Case Assignments (3 x 5%)	Ongoing	15%
Participation	Participation During Case Analysis	Ongoing	15%
Test	Midterm	02/26/2024	30%
Group Assignment	Group Equity Research Report & Presentation	04/01/2024	40%

Individual Case Assignments (15%)

All students are expected to have read the case before class. To ensure that this happens the assignments will consist of 1-page single spaced typed executive summaries which answer the questions regarding each case - they are to be submitted at the beginning of each class. As we cover the case in that class, no late assignments will be accepted.

Participation During Case Analysis (15%)

For the class participation grade I will be going over the class list after each Case Analysis. Criteria used in the measure of effective class participation include: are the points relevant to the discussion; do the comments show evidence of analysis of the case being discussed; do the comments build on the previous analysis; do they lead to a better understanding of the case. It is crucial that you give adequate time to prepare for class. Plan ahead!

Midterm (30%)

The Midterm will be an open-book, open-notes test and will be written during the term. More details of the format, structure, and content coverage will be provided on the course website.

A student missing a Term Test is required to contact the 'Student Experience – Academic Office' and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If 'Student Experience – Academic Office' adjudicates that relief be provided, the student will be able to write an alternate test, in lieu of the missed test, during the final exam period at the end of the term.

Group Equity Research Report & Presentation (40%)

The learning keystone of this course is the Group Equity Research Report and Presentation. Working in groups of 5, students will apply the concepts from class to value a publicly traded company. More details of the format, structure, and content coverage will be provided during the term. Late assignments will be penalized 25% for each calendar day they are late.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

- *For Level 1 and Level 2 courses, this feedback must equal a minimum of 20% of the final grade.*
- *For Level 3 courses and above, this feedback must equal a minimum of 10% of the final grade.*

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University’s [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar [“Requests for Relief for Missed Academic Term Work”](#) and the link below:
<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. Avenue to Learn, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software. **All submitted work is subject to normal verification that standards of academic integrity have been upheld** (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGMENT OF COURSE POLICIES

Your enrolment in Commerce 4FB3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

WEEK	DATE	TOPIC
1	January 8th	Lecture 1: Introduction to Course & Valuation
2	January 15th	Lecture 2: Estimating Costs of Capital & Capital Structure (Part I)
3	January 22nd	Lecture 3: Estimating Costs of Capital (Part II)
4	January 29th	Case Analysis #1: Estimating Walmart's Cost of Capital (9B19N011) Assignment Due: Individual Case Assignment #1 at 8:29 a.m.
5	February 5th	Lecture 4: Financial Statement Modelling (Part I)
6	February 12th	Lecture 5: Financial Statement Modelling (Part II)
7	February 19th	FAMILY DAY/READING WEEK (No Lecture)
8	February 26th	Midterm (During Lecture)
9	March 4th	Case Analysis #2: Estimating Cisco's Future Cash Flows (9B16E022) Assignment Due: Individual Case Assignment #2 at 8:29 a.m.
10	March 11th	Lecture 6: Valuation (Part I)
11	March 18th	Lecture 7: Valuation (Part II)
12	March 25th	Case Analysis #3: Spotify's Direct-Listing IPO (9B18N006) Assignment Due: Individual Case Assignment #3 at 8:29 a.m.
13	April 1st	Group Equity Research Presentations Assignment Due: Group Equity Research Reports at 8:29 a.m.
14	April 8th	Group Equity Research Presentations