GM1010   Corporate Valuation, 7.5 higher education credits
Företagsvärdering, 7,5 högskolepoäng
Second Cycle

Confirmation

This course syllabus was confirmed by School of Business, Economics and Law on 2010-08-27 and was last revised on 2017-05-18 by Faculty Board of the School of Business, Economics and Law to be valid from 2017-08-01, autumn semester of 2017.

Field of education: Social Sciences 100%
Department: Graduate School

Position in the educational system

The course Corporate Valuation is a course within Master of Science programmes at the Graduate School, School of Business, Economics and Law, University of Gothenburg.

Main field of studies	*Specialization*
Finance	A1N, Second cycle, has only first-cycle course/s as entry requirements

Entry requirements

To be eligible for the course Corporate Valuation the participant must fulfil the entrance qualifications for the Master of Science programme in Finance or the Master of Science programme in Economics at the Graduate School, School of Business, Economics and Law, University of Gothenburg.

Learning outcomes

After completion of the course, the student shall be able to:

1. analyse a company's financial performance and extract information from the financial statements and produce a written report and an oral presentation

2. apply different valuation techniques such as FCFF, FCFE, Dividend-models and relative valuation and produce a written report and an oral presentation
3. identify and analyze a company's value driving factors, and relate these factors to the value enhancement process and produce a written report and an oral presentation
4. conduct a practical valuation of a chosen company, in collaboration with other students, and with limited information, which will be carried out from different perspectives, including a written report and an oral presentation.

Course content

We will highlight the effects of different access to information when valuing for different purposes such as: Mergers and acquisitions, private and public companies, and for management purpose. During the course the following will be discussed: The usefulness of financial data, efficient markets, forecasting, prediction errors, and cash flow versus earnings. The course demands a high rate of participation and an extensive use of real-world cases will guide the students through theory and application of valuation models. This course is based on cases supported by lectures and seminars.

The course is divided into several important topics in company valuation

i) *Understanding the financial statement*

Financial statements provide the fundamental information describing historic events and constitute the origin of company valuation. The students will learn the accounting principles behind valuing assets, as well as breaking down the balance sheet into operating non-operating items, and, the income statement into ordinary and unordinary items.

ii) *Foundations of valuation*

In this case, the student will learn techniques and models for estimating a firm's free cash flow. Important aspects are tax effects, adjusting for R&D as well as estimating the net investment for growth calculations. The case will also discuss the correct information to be used for estimating the cost of capital.

iii) *Valuation from a portfolio management perspective*

The objective is to understand the investment philosophy of the investor. Active and passive portfolio management have different valuation purposes adopting different techniques. In this part the importance of barriers to entry is analysed, discussing the effect on volatility, distribution and growth in earnings.

iv) *Valuation from a M&A perspective and Value enhancement*

The different classification of mergers and acquisitions will be discussed together with processes and steps in M&A activities. Motives behind, and synergy effects of M&A will be viewed both from theory and from empirical evidence. From a broad perspective, the

value based management literature has brought new insight into the role of the managers, in the narrow perspective this section focus on the importance of correct depreciation schedules.

The aim of the course is to give the participants a thorough knowledge in evaluating companies using DCF, Value based management models and multiples.

Form of teaching
The learning process is based on independent work with texts, textbook, and cases supported by lectures and seminars.

This is a hands-on course where student will analyze a major listed company similarly to that of an investment bank or management-consulting analyst.

Language of instruction: English

Assessment
The learning outcomes are assessed in a written exam and through written assignments. The case presentations are mandatory. Students that are not present during the presentations have the option to conduct an alternative assignment.

If a student, who has failed the same examined component twice, wishes to change examiner before the next examination, a written application shall be sent to the department responsible for the course and shall be granted unless there are special reasons to the contrary (Chapter 6, Section 22 of Higher Education Ordinance).

In cases where a course has been discontinued or has undergone major changes, the student shall normally be guaranteed at least three examination occasions (including the ordinary examination) during a period of at least one year from the last time the course was given.

The number of examinations is limited to five.

Grades
The grading scale comprises: Pass with Distinction (VG), Pass (G) and Fail (U).
To reach pass it is required to achieve at least 50 % in the written examination and pass the written case assignments. For pass with distinction it is required to achieve at least 75 % of the total points.

Course evaluation

The course will be evaluated upon completion. The results of and possible changes to the course will be shared with students who participated in the evaluation and students who are starting the course.