

FIN4112M Seminars in Finance: Applied Investment Valuation

Semester 2 , 2015/16

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Suggested Books:

1. Investment Valuation: Tools and Techniques for Determining the Value of any Asset - Aswath Damodaran
2. Investments - Zvi Bodie, Alex Kane, Alan Marcus
3. Expectations Investing – Alfred Rappaport, Michael Mauboussin
4. Valuation: Measuring and Managing the Value of Companies - McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels

It is strongly recommended that course participants have a good familiarity with key financial statements and interpretation of various financial ratios. The course will also draw on a good understanding of corporate strategy and marketing principles. During the course participants would also be expected to do some secondary research on publicly listed companies and build financial models.

Course Synopsis:

This is a practical seminar where the emphasis is on application of corporate finance fundamentals. The focus is on “learning by doing”. The course will use numerous proprietary and contemporary case studies based on lecturer’s experiences to distill out current market practices.

This seminar is on equity valuation. As there are many methods to value equities, this course will discuss which methodology works under what conditions and why? Some of the methods are well established and others are relatively new. The course will evaluate a portfolio of approaches to come up with a consistent approach to valuation. Besides valuation approaches, the seminar will also cover what we can learn from prevailing market prices?

It will prepare students for a career in investment management, investment banking and corporate finance. The module aims to do the following

- To provide students with different security valuation approaches and their relative merits
- To introduce students to security valuation for different kinds of businesses and for differing stakeholder objectives.
- To provide a framework for assessing risks and interpreting the market.

Asia Focus

This seminar will leverage on extensive experience of the instructor in Asia. This seminar would be useful for anybody thinking of practicing a career in finance or doing business in Asia. The course will discuss unique characteristics of Asian markets such as:

- Asymmetric information and ways to deal with it
- High growth situations with inherently higher volatility resulting in idiosyncratic risks
- Unique interplay of political, regulatory and economic changes
- Challenging yet rewarding situations from monetary and intellectual perspective

Seminar Assessment:

1. Individual assignments / case summary reports 45%
2. Group case reports / presentations 40%
3. Class Participation (Individual) 15%

Course Content

Part 1: Valuation Approaches	<ul style="list-style-type: none">• Making sense of the valuation alphabet soup• Intrinsic Value – DCF, DDM, EVA• Relative Valuation – P/E, P/BV, P/Revenue, EV/EBITDA - Relative to history, Relative to peers• Strengths and weaknesses of each valuation methodology
Part 2: Extracting key drivers of value	<ul style="list-style-type: none">• Industry structure, Comparative advantage, Key success factors, S-curves• Framework to dissect the business• Modelling, Forecasting versus Hypothesis• Learning about implicit and explicit biases and methodology for isolating potential bias
Part 3: Valuing a growth business	<ul style="list-style-type: none">• Case Study (Stable Growth Business)• Case Study (High Growth Business)• Reconciliation of techniques
Part 4: Valuing a cyclical business	<ul style="list-style-type: none">• Recognition of cycle• Techniques to predict a cycle• Valuing the cycle – Adapting the tools• Reconciliation of techniques
Part 5: Valuing risk	<ul style="list-style-type: none">• What is in the price? Deriving fundamentals from price• Price versus Value – Explaining divergence and exploiting the gap• Sensitivity versus scenarios• Validation and back testing
Part 6: Security pricing for an issuer	<ul style="list-style-type: none">• Techniques used• Potential stakeholders• Deriving an edge