



APPLIES TO ACADEMIC YEAR 2003/2004

## GRA 6538 Applied Valuation

### Program

N/A

### Responsible for the course

Bruno Gerard

### Department

Financial Economics

### Term

According to study plan

### ECTS Credits

6

### Objective

Improve the student's ability to carry out real-world valuations of a project, of a firm and/or of its component securities. The practical applicability of the classic valuation models will be explored, including the potential for generating a firm's free cash flow from financial statements, and for quantifying competitive advantage and corporate governance costs. While financial assets will not be neglected, particular emphasis is put on corporate valuations in the context of mergers and acquisitions and on the valuation of long-lived non-financial assets, such as production plants, petroleum fields, and start-up biotech firms

### Prerequisites

GRA65 Theory of Finance or eq

### Compulsory literature

Benninga, Simon Z. and Oded H. Sarig. 1997. *Corporate finance. A valuation approach*. New York: McGraw-Hill.

### Recommended literature

Students are required to read and work with one of the three following books. The choice of the book is left to the student.

Copeland, Thomas E., Tim Koller and Jack Murrin. 2000. *Valuation: Measuring and managing the value of companies*. 3rd ed. New York: Wiley.

Or:

Boquist, John A., Milbourn, Todd T. and Anjan V. Thakor. 2000. *The value sphere: Secrets of creating and retaining shareholder wealth*. Bloomington, IN.: VIA Press. Or:

Damodaran, Aswath. 2002. *Investment valuation: Tools and techniques for determining the value of any asset*. 2nd ed. New York: Wiley.

### Course outline

The course is organized as follows

- Brief review and extension of building blocks from other finance courses
- Constructing a financial model of the firm and pro-forma financial statements
- Exploring the firm's past performance and future competitive environment
- The cost of capital under modern capital structure theories
- Estimating residual value
- The multiplier approach to valuation
- Valuing equity, debt and executive stock options
- Valuation for corporate acquisitions and divestitures.
- Project valuation and real options.

**Computer-based tools**

Extensive use of Excel spreadsheets for case solution

**Course structure**

Lectures and case discussions

**Evaluation**

Your course grade will be based on the following activities and weights:

60% Class work (in the form of a mix of some/ all of the following: hand in of case write ups, projects, and homeworks; case presentations and class participation; in class midterm and quizzes). 40% exam (two hours). Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that whilst attendance is not compulsory, it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.

**Evaluation code(s)**

GRA65383 class work and exam accounts for 100 % of the final grade in the course GRA 6538.

**Aids at the examination**

Financial Calculator

**Makeup exam**

At the next ordinary exam