



COLORADO STATE UNIVERSITY
— GLOBAL —

FIN333: CORPORATE VALUATION

Credit Hours: 3

Contact Hours: This is a 3-credit course offered in an accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 14-20 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

Faculty Information: Faculty contact information and office hours can be found on the faculty profile page.

COURSE DESCRIPTION AND OUTCOMES

Course Description:

In this course, students are prepared with the skills needed to perform detailed business valuation modeling using several methods. Students will learn detailed methods for valuing a company based on comparable companies, past M&A transactions, and a Discounted Cash Flow Model (DCF).

Course Overview:

Your focus in this course will be to use different valuation methods and approaches to evaluate a corporation, including scenario analysis. You will be using the Discounted Cash Flow (DCF) model and Cost of Capital. You will be using cash flows to make assumptions about corporations. You will also learn how to conduct financial research on sites like www.morningstar.com, www.atomfinance.com, and www.sec.gov.

Course Learning Outcomes:

1. Calculate various equity and enterprise value multiples.
2. Evaluate valuation multiples.
3. Evaluate the most common multiples: EV/Revenue, EV/EBITDA, EV/EBIT, P/E.
4. Analyze a company using various methods, including comparable company analysis, discounted cash flow techniques, and a two-stage DCF valuation model.
5. Calculate free cash flows to the firm and to equity.
6. Examine the main drivers of free cash flows.
7. Calculate the cost of equity, cost of debt, and the weighted average cost of capital.

PARTICIPATION & ATTENDANCE

Prompt and consistent attendance in your online courses is essential for your success at CSU Global Campus. Failure to verify your attendance within the first seven (7) days of this course may result in your withdrawal. If, for some reason, you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements, just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

COURSE MATERIALS

Required:

- Massari, M., Gianfrate, G., & Zanetti, L. (2016). *Corporate valuation measuring the value of companies in turbulent times*. Hoboken, NJ: John Wiley & Sons, Inc. eISBN-13: 9781119003342
- Financial Calculator- HP 10bII+ Financial Calculator -OR- Texas Instruments BAII Plus Business Analyst Microsoft Excel

NOTE: All non-textbook required readings and materials necessary to complete assignments, discussions, and/or supplemental or required exercises are provided in the course. Please read through each course module carefully.

COURSE SCHEDULE

Due Dates

The Academic Week at CSU Global begins on Monday and ends the following Sunday.

- **Discussion Boards:** The original post must be completed by Thursday at 11:59 p.m. MT and Peer Responses posted by Sunday 11:59 p.m. MT. Late posts may not be awarded points.
- **Opening Exercises:** Take the opening exercise before reading each week's content to see which areas you will need to focus on. You may take these exercises as many times as you need. The opening exercises will not affect your final grade.
- **Mastery Exercises:** Students may access and retake mastery exercises through the last day of class until they achieve the scores they desire.
- **Critical Thinking:** Assignments are due Sunday at 11:59 p.m. MT.
- **Live Classroom:** Although participation is not required, Live Classroom sessions are held during Week 3 and Week 6. There are two total sessions.

WEEKLY READING AND ASSIGNMENT DETAILS

Module 1

Readings

- Chapters 1 & 2 in *Corporate Valuation (1st ed.)*
- Pringles, R., Olsina, F., & Garcés, F. (2015). Real option valuation of power transmission investments by stochastic simulation. *Energy Economics*, 47, 215-226.
- Terdpaopong, K., Yesseleva-Pionka, M., Gibson, B., & Weaver, M. (2017). How small business is valued - an overview of valuation methods in Thailand. *ICSB World Conference Proceedings*, Washington, 2017. Washington, D.C.: International Council for Small Business (ICSB).

Opening Exercise (0 points)

Discussion (25 points)

Mastery Exercise (10 points)

Module 2

Readings

- Chapter 3 in *Corporate Valuation (1st ed.)*
- Patrick, M., & French, N. (2016). The internal rate of return (IRR): Projections, benchmarks and pitfalls. *Journal of Property Investment & Finance*, 34(6), 664-669.
- Salvini, B. A. (2017). Dispelling uncertainty: Scenario analysis for client security. *The Tax Adviser*, 48(9), 668-670.

Opening Exercise (0 points)

Discussion (25 points)

Critical Thinking (75 points)

Option 1: Financial Analysis of Two Projects

As a Financial Analyst at your company, you have been asked to give a recommendation on which project the company should invest in, project A or project B.

Both projects have been proposed by a lead engineer, but you can only invest in one at this time. The manager wants your advice on which one to invest in. Your company's WACC (weighted average cost of capital) is 4.5%, so use 4.5% as your discount rate for your calculations.

The two projects are outlined below:

Project A

Includes an initial investment of \$300,000 and uneven cash flows over its life.

Year	Cash Flow
0	(300,000)
1	200,000
2	400,000
3	400,000
4	200,000
5	Project ends

Project B

Project B includes the same initial investment of \$300,000, but all of the cash flow is in the final year.

Year	Cash Flow
0	(300,000)
1	0
2	0
3	0
4	0
5	1,400,000

Project A starts with an initial investment to make a tech product, followed by an uneven income stream until the product becomes obsolete and is terminated.

Project B starts with an initial investment to make a different product and makes no sales, but the whole product is expected to be sold in five years to some other company for a large payoff of \$1.4 million.

Which project, assuming both carry the same risk, should the financial analyst recommend to his or her manager and why? Why shouldn't they choose the other project?

Option 2: Scenario Analysis: Finding the Best Case Scenario

Based on what you have learned so far in this module and using the company that you have chosen for the Portfolio Project, describe a best case scenario for investing in this company and discuss your reasoning. Then, describe a worst case scenario for investing in this company and the reasons why. Using Excel, perform scenario analysis using the information on page 63 of the textbook. Then answer the following questions:

1. What steps would you take to use scenario analysis in making this decision?
2. What would be the benefits of using scenario analysis?
3. What are some assumptions you would use to figure out the best and worst-case scenario for investing in this company?

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include two references (one of which is scholarly/peer-reviewed), *preferably from the CSU Global library*, to support your recommendations. If peer-reviewed resources are unavailable, a reputable online source may be used instead. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Mastery Exercise (10 points)

Module 3

Readings

- Chapter 5 in *Corporate Valuation (1st ed.)*
- Sliwoski, L. J. (2018). Understanding closely held company cash flow. *Journal of Corporate Accounting & Finance (Wiley)*, 29(3), 83–90. To view this reading, please open the link provided and download the "PDF full text."
- Tebay, G. M., & Christopher, J. R. (2017). EBT or EBITDA: Which measure is best for normalization? *Value Examiner*, 34–39. To view this reading, please open the link provided and download the "PDF full text."

Opening Exercise (0 points)

Discussion (25 points)

Live Classroom (0 points)

Mastery Exercise (10 points)

Critical Thinking (70 points)

Option 1: Reorganizing financial statements

Use the company you will use for your final project and reorganize the balance sheet using the functional principle discussed in the textbook readings on page 132. Make sure you use the sites www.morningstar.com, www.atomfinance.com, or www.sec.gov. Reorganize an income statement in the synthetic statement reorganization. Make an analysis of the profitability of the company. Tell

whether or not you find reorganizing them in these ways makes it easier to analyze them. What are some pros you find reorganizing the statements? What are some cons? Why would you choose to do the functional principle over the finance principle?

Submit your reorganized financial statements in an Excel workbook. Include a 2-3 page memo to your manager explaining your analysis. Your document should include four references in APA format, two of which should be scholarly/peer-reviewed, preferably from the *CSU Global library*, to support your recommendations. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Option 2: Valuation Process

Use the company you will use for your final project. Make sure you use the sites www.morningstar.com, www.atomfinance.com, or www.sec.gov. Take the financial statements and analyze the components as part of the valuation process. Determine at least 2 basic assumptions about the company. Make a prediction about the company. Assess the profitability using ROI and ROS Ratios. Analyze your company versus the industry; Is the company standing strong in its industry? Which components of the financial statement does the company need to improve?

Submit your reorganized financial statements in an Excel workbook. Include a 2-3 page memo to your manager explaining your analysis. Your document should include four references in APA format, two of which should be scholarly/peer-reviewed, preferably from the *CSU Global library*, to support your recommendations. If peer-reviewed resources are unavailable, reputable online sources may be used instead. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Portfolio Milestone (50 points)

Option 1: Company Overview: Healthcare Sector

Using the company you have chosen in the healthcare sector, submit a 2 page summary about the company's overview. Explain the market this company is in. Tell who its competition is. Explain the history of the company. Is it an international company? Why did you choose this company? Add any other basic, relevant information about the company.

Option 2: Company Overview: Technology Sector

Using the company you have chosen in the technology sector, submit a 2 page summary about the company's overview. Explain the market this company is in. Tell who its competition is. Explain the history of the company. Is it an international company? Why did you choose this company? Add any other basic, relevant information about the company.

Module 4

Readings

- Chapter 6 in *Corporate Valuation (1st ed.)*
- Cooper, I. A., & Nyborg, K. G. (2018). Consistent valuation of project finance and LBOs using the flows-to-equity method. *European Financial Management*, 24(1), 34–52. To view this reading, please open the link provided and download the "PDF full text."

- Modigliani, F., & Miller, M. (1965). The cost of capital, corporation finance, and the theory of investment: Reply. *The American Economic Review*, 55(3), 524-527. To view this reading, please open the link provided and download the "PDF full text."
- Moore, D. J. (2016). A look at the actual cost of capital of US firms. *Cogent Economics & Finance*, 4(1).

Opening Exercise (0 points)

Discussion (25 points)

Mastery Exercise (10 points)

Critical Thinking (75 points)

Option 1: Value of a company: leverage and discount rates and using ROE

In the readings, you learned about leverage and discount rates, and about ROE (return on equity). Take the company you selected for your portfolio project and calculate the ROE for the last five (5) years. Then answer the following questions:

1. Does the ROE decrease or increase with each year?
2. Does it create or destroy value? Why or why not?
3. What would you recommend to help the company to improve its return on equity?

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include two references (one of which is scholarly/peer-reviewed), preferably from the *CSU Global library*, to support your recommendations. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Option 2: WACC

Solve for WACC using

$$WACC = K_{eu} = K_{el} \times \frac{E}{E+D} + K_d \times \frac{D}{E+D}$$

and the equation

$$K_{el} = K_{eu} + [K_{eu} - K_d] \times \frac{D}{E}.$$

Use the company you chose for your portfolio projects to solve this. Create a diagram similar to Exhibit 6.2 on page 155 in your textbook to show the relationship between K_{el} and D/E .

Then do the following:

1. Explain what would happen if the leverage changed or the debt changed within the company.
2. Take the EBIT calculated in the discussion in Mod 3 and the corporate tax rate of 33% to calculate tax savings.
3. What would happen if we increased the leverage, and what would happen if we decreased the leverage?
4. What would happen if we changed discount rates for leverage?

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include four references (two of which are scholarly/peer-

reviewed), preferably from the *CSU Global library*, to support your recommendations. If peer-reviewed resources are unavailable, reputable online sources may be used instead. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Module 5

Readings

- Chapter 9 in *Corporate Valuation (1st ed.)*
- GÜLEÇ, Ö. F., & Arda, I. (2019). Investigation of cash flow profiles: Evidence from Turkey. *Journal of Accounting & Finance*, 555–568. To view this reading, please open the link provided and download the “PDF full text.”
- Menichini, A. (2017). On the value and determinants of the interest tax shields. *Review of Quantitative Finance & Accounting*, 48(3), 725–748. To view this reading, please open the link provided and download the “PDF full text.”

Opening Exercise (0 points)

Discussion (25 points)

Mastery Exercise (10 points)

Critical Thinking (70 points)

Option 1: Debt Patterns and Tax Benefits

Revisit the company you have been using throughout this course and evaluate debt patterns and how different choices can affect tax benefits. Using the assumptions in the textbook (pages 239-242), show the relations between debt patterns and tax advantage. Which assumption do you think would be best for your company? Create at least 2 graphs to illustrate the correlation between the assumptions and what they show.

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include four references (two of which should be scholarly/peer-reviewed), preferably from the *CSU Global library*, to support your recommendations. If peer-reviewed resources are unavailable, reputable online sources may be used instead. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Option 2: Cash Flow

Create a cash flow profile using the company you have chosen. This will include the calculation for EBITDA for 10 years and FCFO. Create graphs to show the relationship between the two. Also, highlight the plan horizon. What are two assumptions you have about your company? Explain your findings between EBITDA and FCFO and what this means for your company.

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include four references (two of which should be scholarly/peer-reviewed), preferably from the CSU Global library, to support your recommendations. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Portfolio Milestone (50 points)

In Module 3 you prepared a summary of your chosen company. Now, bring the most recent five (5) years of financial statements into Excel. Create a workbook with separate sheets for the comparative balance sheet, income statement, and statement of cash flow. Calculate the DCF Method and the cost of capital. Also, calculate EBIT, EBITDA, EBT, Terminal Value and growth rate, and ROE. Include your calculations for Ratios, ROI and ROS, and Multiples. Share what you hope to learn from the analysis. Submit your preliminary Excel workbook and a Word summary that is 1-2 pages in length and includes at least two (2) references, preferably from the *CSU Global Library*. If peer-reviewed resources are unavailable, reputable online sources may be used instead.

Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: CSU Global Guide to Writing and APA.

Module 6

Readings

- Chapter 11 in *Corporate Valuation (1st ed.)*
- Behr, A., Mielcarz, P., & Osiichuk, D. (2018). Terminal value calculation in DCF valuation models: An empirical verification. *E-Finance, 14*(1), 27-38.
- Hayes, R., Wu, J., Chaysiri, R., Bae, J., Beling, P., & Scherer, W. (2016). Effects of time horizon and asset condition on the profitability of technical trading rules. *Journal of Economics & Finance, 40*(1), 41. To view this reading, please open the link provided and download the "PDF full text."

Opening Exercise (0 points)

Discussion (25 points)

Live Classroom (0 points)

Mastery Exercise (10 points)

Critical Thinking (80 points)

Option 1: Growth Rate and Terminal Value

Using the company you have selected for your portfolio project, calculate the growth rate and terminal value for 10 years. Explain your findings and what this tells you about the company. Then answer the following questions:

1. Where does your company still have room to grow?
2. What areas need improvement?
3. What are two (2) recommendations you would make to the company so they can improve?

Option 2: Estimated Present Value and Tax Shields

Take the three (3) scenarios that are stated in your textbook (pages 291-293):

*Scenario A shows at the end of plan debt goes together with the FCFO,
Scenario B at the end of the plan debt states absolute value, and
Scenario C at the end of the plan, debt gradually decreases.*

With this information, calculate the estimated present value with tax shields. Explain what each scenario shows. Write down at least three (3) observations you have noticed. Then draw a conclusion on what the information shows.

Submit your calculations in Excel format and the analysis of your calculations in a 2-3 page memo to your supervisor. Your document should include four references (two of which should be scholarly/peer-reviewed), preferably from the *CSU Global library*, to support your recommendations. If peer-reviewed resources are unavailable, reputable online sources may be used instead. Make sure your work is in APA format. A helpful resource for APA formatting can be found at this website: *CSU Global Guide to Writing and APA*.

Module 7

Readings

- Chapters 12 & 13 in *Corporate Valuation (1st ed.)*
- Baloch, Q. B., Ihsan, A., Kakakhel, S. J., & Sethi, S. (2015). Impact of firm size, asset tangibility and retained earnings on financial leverage: Evidence from auto sector, Pakistan. *Abasyn University Journal of Social Sciences*, 8(1), 143–155. To view this reading, please open the link provided and download the “PDF full text.”
- Chen, Z., Harford, J., & Kamara, A. (2019). Operating leverage, profitability, and capital structure. *Journal of Financial & Quantitative Analysis*, 54(1), 369–392. To view this reading, please open the link provided and download the “PDF full text.”
- Milenković, N. (2015). Market multiples adjustments for differences in risk profile -- An airline company example. *International Journal for Traffic & Transport Engineering*, 5(1), 17–28. To view this reading, please open the link provided and download the “PDF full text.”

Opening Exercise (0 points)

Discussion (25 points)

Mastery Exercise (10 points)

Module 8

Readings

- Chapter 15 in *Corporate Valuation (1st ed.)*
- Business Valuation Update. (2019). Control premiums and deal flow analyzed in 2019 mergerstat review. *Business Valuation Update*, 25(9), 12–15. To view this reading, open the link provided and download the “PDF full text.”
- Fotis, P. N., Polemis, M. L., & Eleftheriou, K. (2017). Unilateral effects of partial acquisitions: Consistent calculation of GUPPI under horizontal merger guidelines within the EU. *Economia e Politica Industriale*, 44(3), 315-325.

Opening Exercise (0 points)

Discussion (25 points)

Mastery Exercise (10 points)

Portfolio Project (250 points)

Option 1: Company Overview: Healthcare Sector

Choose a company in the **healthcare** sector. Find your company on www.morningstar.com, www.atomfinance.com, or www.sec.gov. For your portfolio project, you will be using the skills and techniques you learned in this course to assess and analyze the financial health of your chosen company.

Your final project submittal will include:

- A. An Excel workbook containing the following:
 1. 5 years of most recent financial statements. (You may need to look at the SEC site (sec.gov) to get more years).
 2. Calculate the DCF method and the cost of capital.
Calculate EBIT, EBITDA, EBT, Terminal Value, growth rate, and ROE.
 3. Calculate ROI and ROS ratios.
 4. Calculate at least four (4) multiples.

NOTE: When your calculations are included on sec.gov, look at the industry average and put it next to your answers.

- B. A 3-5 page written document not including the title and reference pages. Write a summary of your findings and analysis, such as what steps could be taken to improve the company. Talk about the valuation process for the company. Analyze multiples and what they show for the company. Review the industry averages compared to your company and explain where the company stands within the industry. Explain the drivers that affect the free cash flow.
- C. A 6-10 slide PowerPoint presentation suitable to show an employer, which includes the details of your findings. Add notes in the notes pages of the slides indicating your presentation discussion. Do not count the title and reference slides in your slide count.

Include your resource list in APA format with at least four (4) references (at least 3 of which are scholarly/peer-reviewed), preferably from the *CSU Global Library*, in your written document and your PowerPoint presentation. For help with APA formatting, see the CSU Global Citing and APA Requirements.

Option 2: Company Overview: Technology Sector

Choose a company in the **technology** sector. Find your company on www.morningstar.com, www.atomfinance.com, or www.sec.gov. For your portfolio project, you will be using the skills and techniques you learned in this course to assess and analyze the financial health of your chosen company.

Your final project submittal will include:

- A. An Excel workbook containing the following:
 1. 5 years of most recent financial statements. (You may need to look at the SEC site (sec.gov) to get more years).
 2. Calculate the DCF method, and the cost of capital.
Calculate EBIT, EBITDA, EBT, Terminal Value, growth rate,

and ROE.

3. Calculate ROI and ROS ratios.
4. Calculate at least four (4) multiples.

NOTE: When your calculations are included on sec.gov, look at the industry average and put it next to your answers.

- B. A 3-5 page written document not including the title and reference pages. Write a summary of your findings and analysis, such as what steps could be taken to improve the company. Talk about the valuation process for the company. Analyze multiples and what they show for the company. Review the industry averages compared to your company and explain where the company stands within the industry. Explain the drivers that affect the free cash flow.
- C. A 6-10 slide PowerPoint presentation suitable to show an employer, which includes the details of your findings. Add notes in the notes pages of the slides indicating your presentation discussion. Do not count the title and reference slides in your slide count.

Include your resource list in APA format with at least 4 references (at least 3 of which are scholarly/peer-reviewed), preferably from the *CSU Global Library*, in your written document and your PowerPoint presentation. For help with APA formatting, see the CSU Global Citing and APA Requirements.

COURSE POLICIES

Grading Scale	
A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below

Course Grading

20% Discussion Participation
0% Opening Exercises
0% Live Classroom
8% Mastery Exercises
37% Critical Thinking Assignments
35% Final Portfolio Project

IN-CLASSROOM POLICIES

For information on late work and incomplete grade policies, please refer to our [In-Classroom Student Policies and Guidelines](#) or the Academic Catalog for comprehensive documentation of CSU Global institutional policies.

Academic Integrity

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, fabrication, facilitating academic dishonesty, plagiarism, reusing /repurposing your own work (see *CSU Global Guide to Writing and APA Requirements* for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and Internet resources.

Citing Sources with APA Style

All students are expected to follow the *CSU Global Guide to Writing and APA Requirements* when citing in APA (based on the APA Style Manual, 6th edition) for all assignments. For details on CSU Global APA style, please review the APA resources within the CSU Global Library under the “APA Guide & Resources” link. A link to this document should also be provided within most assignment descriptions in your course.

Disability Services Statement

CSU–Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email ada@CSUGlobal.edu for additional information to coordinate reasonable accommodations for students with documented disabilities.

Netiquette

Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults or humiliation toward the instructor and classmates. This includes, but is not limited to, demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom. If you have concerns about something that has been said, please let your instructor know.