

Course Outline for “Equity Valuation”

Instructor: Laura Xiaolei Liu

Course Objectives

The course is designed for students with career interests in financial analysts and investment banking. It is from investors’ point of view to evaluate a firm’s equity.

A solid understanding of accounting rules is important in valuation, and you can get the necessary information in many accounting courses. This course, however, is not a course in Financial Statement Analysis, so detailed discussion of accounting rules will not be carried out unless those accounting rules are directly relevant to equity valuation.

There are three basic valuation approaches: (1) discounted cash flow valuation (DCF); (2) valuation by multiples using comparables; and (3) contingent claims (real option) approach of valuation. We will cover all three approaches and analyze real world cases in class. Besides, we will also introduce some popular trading strategies used by the fund industry.

All the homework are group assignments. There are totally three cases assignments, one for each valuation approach. Students groups are also required to turn in a valuation report for an assigned company. The valuation report mimics the real world financial analyst report. At the end of the course, each group is required to present their valuation report in class.

Recommended textbooks There is no required textbook. The following books are used as references:

Corporate Finance, A Valuation Approach by Simon Z. Benninga and Oded H. Sarig, International edition, McGraw. Hill Company

Valuation, Measuring and Managing the Value of Companies by Tim Koller, Marc Goedhart and David Wessels, Fourth Edition, University Edition, McKinsey & Company

Investment Valuation: Tools and Techniques for Determining the Value of Any asset by Aswath Damodaran, University Edition, Wiley

Business Analysis & Valuation: Using Financial Statements (Text & Cases) by Palepu, Healy and Bernard, South-Western College Publishing, Thomson Learning.