

**(FINA 535) Strategic Finance and Value Creation**  
**Professor Michael Lemmon**  
**Spring 2010**

Brief description:

Corporate Financial Strategy is designed to integrate a student's understanding of key corporate finance concepts and tools. The material in the course covers some of the fundamental topics in corporate finance in some detail, and is designed to give you a "hands-on" experience with the data using both materials from established business cases and publicly available financial data.

The course is divided into four broad content categories including: The cost of capital, financing and payout strategies, valuation, and corporate governance and corporate control. In the "real" world none of these areas exist in isolation for the corporate manager or outside analysts. Changes in policy on one dimension, invariably affect choices in another. In fact, it can be quite difficult to categorize activities cleanly into just one of these subsets.

The goal of the course is to provide students with a framework that will enhance their ability to analyze complex financial problems faced by real-world managers, CFOs, and analysts.

For some cases, the course will require significant work outside of class. This work is to provide students with experiences similar to those faced by a corporate manager/analyst in that information is often imperfect and data is often vague or ambiguous. Much of the course also involves open discussion of the issues in class. You can expect to be challenged to defend your point of view and to articulate your position. Your attendance at every class meeting is expected and your input is required.

All materials will either be available on LMES or will be distributed in class.

<http://lmes2.ust.hk>

Pre-requisite(s): FINA 512 Corporate Finance / FINA 521 Investment Analysis

Grading:           Group Projects:           50%  
                      Individual Assignments:   35%  
                      Comments/Participation:   15%

Course Outline:

Class 1           *Financial Forecasting and Cash Management*

Week of April

15

*Reading:*

- Accounting Principles, Financial Forecasting, Cash Budgeting (Slides on LMES)

Case: Baumgarten Electrical Supply (analysis of growth and bank financing decisions)

Case: Clarkson Lumber (Harvard Case 9-297-028)

Class 2  
Week of April  
22

*Capital Structure and Debt Policy*

*Reading:*

- Capital Structure (Slides on LMES)

Case: Stone Container Corporation (A) (Harvard Case 9-297-047)

**Case: Blaine Kitchenware, Inc: Capital Structure (Harvard Case 4040) Group assignment due the week of April 29**

Class 3  
April 25  
Makeup

*Risk, Return, and the Cost of Capital*

*Reading:*

- Damodaran, Aswath, Estimating Equity Risk Premiums, New York University (Stern), 2008.
- Weighted Average Cost of Capital (Slides on LMES)

Case: Beta Management Company (Harvard Case 9-292-122)

**Case: Marriott Corporation: The Cost of Capital (Abridged) (Harvard Case 9-289-047) Individual assignment due the week of May 6**

Class 4  
Week of April  
29

*Valuation: (Multiples, Wacc, APV, and CCF)*

*Basic Valuation*

*Reading:*

- Valuation with Leverage (Slides on LMES)

Case Seagrams Greater China: Office Relocation in Hong Kong (Ivey Case 99B018)

**Case Airbus A3XX: Developing the World's Largest Commercial Jet (Harvard Case 9-201-028) Individual assignment done in class the week of April 29**

*Valuation in IPOS and Mergers*

*Reading:*

- Corporate Valuation and Market Multiples (Harvard Case 9-206-039)

- Multiples Valuation (Slides on LMES)

Case: Spyder Active Sports (Harvard Case 9-206-027)

**Case Pinkertons (A) (Harvard Case 9-291-051) Group Assignment due the week of May 6**

Class 5  
Week of May 6

*Valuation: (Multiples, Wacc, APV, and CCF)*

LBO valuation

*Reading:*

- Technical Note on LBO Valuation (A) (Harvard Case 9-902-004)

Case: Sampa Video (Harvard Case 9-201-094 )

**Case: Ducati and Texas Pacific Group: A “Wild Ride” Leveraged Buyout (Harvard case 9-801-359) Group assignment due the week of May 13**

Class 6  
Week of May 13

*Corporate Restructuring*

Case Apex Partners and Dialog Semiconductor, March 1998 (Harvard Case 9-201-044)

Case: Restructuring at Nova Chemical (Harvard Case 9-208-107)

**Case: Scott Paper (Harvard Case 9-296-048) Group Assignment due the week of May 20**

Class 7  
Week of May 20

*Structured Finance—Credit Default Swaps*

*Reading:*

- Coval, Joshua D., Jakub Jurek, and Erik Stafford, The Economics of Structured Finance, Working paper 09-060, Harvard University, 2008.

**Case: First American Bank (Harvard Case 9-203-033) Individual assignment due the week of June 3**

Class 8  
Week of June 3

*No Class/No Final Exam*