

HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY
School of Business and Management

FINA 535 – Strategic Finance and Value Creation

Fall 2005

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Course outline

The course exposes participants to valuation frameworks that can readily be applied to improve business and strategic decision making. We examine alternative valuation approaches and focus on the application of these techniques in the context of equity offerings, leveraged recapitalizations and buyouts, subscriber or customer valuations, and synergy valuations in M&A transactions. Finally, we link value driver analysis to performance measurement and management.

Prerequisites

The prerequisite for this course is FINA 512: Corporate Finance. I will assume you have a working knowledge of financial accounting, cash flow estimation, Capital Asset Pricing Model (CAPM), capital budgeting, and capital structure.

Course Outline

<i>Session #1</i>	Frameworks for Valuation
Tue, Oct 25	Driver of Firm Value
Sat, Oct 29	Forecasting Performance
	Koller, Goedhart, and Wessels, Chapters 3, 5, 7, and 8.
<i>Session #2</i>	Valuation Techniques: Alternative Approaches
Tue, Nov 1	Estimating Continuing Value
Sat, Nov 5	Estimating the Cost of Capital Calculating and Interpreting Results
Due:	
Homework #1	<i>Case: DCF Valuation of China's Brewery Companies</i>
(Answer Questions on Netscape case)	<i>Case: Netscape's Initial Public Offering, HBS 9-296-088</i>
<i>Session #3:</i>	Using Multiples for Valuation
Tue, Nov 8	Koller, Goedhart, and Wessels, Chapter 12
Sat, Nov 12	<i>Case: Interco, HBS #9-291-033</i>
Due:	
Homework #2	Venture Capital Valuation
	<i>Case: Digital Everywhere Inc.</i>

Session #4 Tue, Nov 15 Sat, Nov 19	Subscriber Valuation Models - Customer Lifetime Value Estimates - Customer Economics <i>Case: NetFlix.com, HBS #9-201-037</i>
Due: Homework #3	
Session #5 Tue, Nov 22 Sat, Nov 26	Merger and Acquisition Valuations Valuation of Synergies <i>China's cross-border M&A transactions</i> - <i>Anheuser Busch and Harbin</i> - <i>Lenovo's acquisition of IBM PC business</i>
Due: Homework #4	 Koller, Goedhart and Wessels, Chapter 15 <i>Case: PepsiCo's Bid for Quaker Oats (A), HBS#9-801-458</i>
Session #6 Tue, Nov 29 Sat, Dec 3	Buyout Valuations <i>Case: Ducati & Texas Pacific Group – A “Wild Ride” Leveraged Buyout, HBS #9-801-359.</i>
Due: Homework #5	
Session #7 Tue, Dec 6 Sat, Dec 10	Performance Measurement and Management <i>Readings:</i> Koller, Goedhart and Wessels, Chapters 13 and 14.
Final Exam	Take-Home (Individual)