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UNIVERSITÄT
BERN

Institute for Financial Management

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Advanced Valuation

Fall Semester 2022

Lectures:	Wednesday, 10.15 – 13.00, room HG 120
Office hours:	By appointment
Teaching assistant:	Sascha Jakob, sascha.jakob@ifm.unibe.ch Christian Steiner, christian.steiner@ifm.unibe.ch
Course website:	https://www.ksl.unibe.ch
Number of ECTS credits:	6

1. Course content and objectives

The goal of this course is to develop and apply tools and methods for the valuation of firms and other assets. In addition, the course analyzes mergers & acquisitions as an important corporate event and provides techniques to value firms that are subject to changes in corporate control. Students will discuss a case study and work on two assignments that allow them to apply the methods and tools in a real-world setting.

2. Organization

The lecture takes place in person on Wednesdays from 10.15 to 13.00. In addition, the lectures will be recorded and made available to students as a podcast on ILIAS.

3. Course material and prerequisites

Books:

There are several books that are useful for this course. I will mostly rely on the first book by Damodaran throughout the course.

1. *Investment Valuation. Tools and Techniques for Determining the Value of any Asset*, by Damodaran, 3rd edition, Wiley Finance. [DA]
2. *Valuation: measuring and managing the value of companies*, by Koller, Goedhart, and Wessels. John Wiley & Sons, 2010.
3. *Valuation for Mergers, Buyouts, and Restructuring*, by Arzac, Wiley Finance.
4. *Damodaran on Valuation*, by Damodaran, 2nd edition, Wiley Finance.
5. *Corporate Finance* by Berk and DeMarzo, Global edition (3rd or 4th edition), Pearson International.

The following article contains an **interesting overview of valuation in practice**:

- Mukhlynina, L., Nyborg, K., 2020. The Choice of Valuation Techniques in Practice: Education Versus Profession. *Critical Finance Review*, 9(1-2):201-265. This article is available [here](#).

Case study:

We will discuss one case study together in class (*Pacific Grove Spice Company; HBS case 4366*). I expect all students to **read the case beforehand and to participate actively** during the case discussion.

Lecture notes:

I will upload lecture notes and any additional class material on ILIAS.

4. Assignments

Students work on two assignments in groups of **3-4 students**. The goal of these assignments is to apply and get comfortable with the methods developed in this course. The assignments count 30% towards the final grade (15% for each assignment).

Students should submit the team composition [here](#) **by the end of September 2022**. Students without a group can sign up to any group that has free spots. The due dates of the assignments are indicated in the course schedule below and on the assignments. For each assignment, students upload their solutions via ILIAS **before the deadline**.

The first assignment covers financial analysis and the derivation of cash flows. The second assignment covers the estimation of the cost of capital and the implementation of the DCF and multiple method.

Note: The points obtained in the assignments from the past years do not count this year, and the points from this year cannot be transferred to the following years.

5. Evaluation

An individual final exam counts for 70% of the final grade. The remaining 30% of the grade will come from the assignments.

The final exam covers the material of the whole course, including material from the lecture, assignments, and the case study. It will last two hours and is **closed book**. Students can bring along a **calculator** (programmable or non-programmable) as well as a **cheat sheet** (one A4 page, written (hand or computer) on front and back). **Connected devices are not allowed**.

There will be two dates for the final exam: 10.01.2023 and 10.02.2023. Students are free to choose between the two examination dates. They should make sure to register within the registration period on KSL.

6. Tentative course schedule

Date	Content	Readings	Comment
21.09.2022	Introduction and course overview <ul style="list-style-type: none"> - Introduction and course overview - Valuation examples - Understanding financial statements - Measuring earnings 	DA, Ch. 1, 3, 9	
28.09.2022	Earnings and cash flows <ul style="list-style-type: none"> - From earnings to cash flows - <i>Mini case: Relevant cash flows</i> 	DA, Ch. 10	No in person lecture. Podcast only.
05.10.2022	Financial analysis <ul style="list-style-type: none"> - How to perform a financial analysis? Forecasting cash flows <ul style="list-style-type: none"> - Estimating growth - Forecasting cash flows - Estimating terminal value - <i>Mini case: Forecasting cash flows</i> 	DA, Ch. 11, 12	
12.10.2022	Cost of capital <ul style="list-style-type: none"> - The role of capital structure - Cost of equity, cost of debt, WACC 	DA, Ch. 7, 8	
19.10.2022	Firm valuation <ul style="list-style-type: none"> - Discounted Cash Flow (DCF) - Adjusted Present Value (APV) - Valuation robustness 	DA, Ch. 14, 15	
26.10.2022	Relative valuation, multiples, and EVA <ul style="list-style-type: none"> - Valuation multiples - Economic value added (EVA) - Other valuation methods 	DA, Ch. 17, 18, 19	Assignment 1 is due at 10am
02.11.2022	Examples of valuation <ul style="list-style-type: none"> - Analysis and discussion of a fairness opinion 		
09.11.2022	Valuation of firms as real options <ul style="list-style-type: none"> - Valuing debt and equity as options - Valuing firms and projects as options 	DA, Ch. 28, 29	
16.11.2022	Start-up firms, private firms <ul style="list-style-type: none"> - Valuing young and start-up firms - Valuing privately held firms 	DA, Ch. 22, 23, 24	
23.11.2022	Mergers and acquisitions <ul style="list-style-type: none"> - Acquisition motives - Deal valuation and deal making 	DA, Ch. 16	
30.11.2022	Guest lecture (tentative) <ul style="list-style-type: none"> - Guests from Oaklins Switzerland discuss valuation examples 		
07.12.2022	Case study discussion <ul style="list-style-type: none"> - Discussion of: Pacific Grove Spice Company case 		Assignment 2 is due at 10am
14.12.2022	Leveraged buyouts (LBOs) <ul style="list-style-type: none"> - What are LBOs - Capital cash flows 		
21.12.2022	Review		
10.01.2023	Final exam (first examination date)		
10.02.2023	Final exam (second examination date)		