
FINA 5528 EQUITY ANALYSIS 1 2024-W2 COURSE OUTLINE

Instructor: Professor Isaac Otchere **Office NI 6035; (613) 520-2600 Ext. 2731**
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Course Schedule & Location Tuesday 8.35 am – 11.25 am: NI 4040
Friday: 2.35 pm-5.25 pm. NI 4040
Office Hours: **Tuesday: 3:30–5:00 pm**

Modality: In-person.

Prerequisites

The prerequisite for this course is: **FINA 5505**.

The School of Business enforces all prerequisites.

Calendar Description

Analysis of companies from a fundamental perspective using different types of corporate equity valuation techniques. Types of equity securities and markets, different equity valuation methods, including approaches for valuing private companies: Experiential Learning Activity.

Course Overview

This course focuses on the theory and practice of corporate valuation. Valuation is used in many settings. It is used for the purpose of investments, mergers and acquisitions and also when companies issue new shares or divest operations. In this course, we will explore the main valuation methods used by professional investors. The course focuses, among other things, on absolute valuation methods, relative valuation methods, and estimating required rates of returns. This practical, hands-on course is taught using formal lectures combined with case studies and exercises to reinforce the concepts covered in class. To stimulate critical thinking and to test your understanding of the material covered in the course, your group will be required to apply the concepts discussed in class to determine the value of a real life company listed on the Toronto Stock Exchange (Your group should select your company during the first class and email it to the instructor after the first class. The goal of this exercise is to provide you an opportunity to apply the concepts that will be discussed in class to a real company and to evaluate whether the firm is underpriced or overpriced. Through case studies and exercises involving problem solving in

different areas of valuation, you will gain practical, hands-on experience of the various valuation techniques.

Course Objectives

The objective of the course is to provide students with knowledge of the:

- factors drive the value of firms;
- various valuation methods;
- importance of understanding assumptions underlying equity valuations;
- limitations of the various valuation techniques;

LEARNING OUTCOMES

After successfully completing this course, you will be able to:

- Describe the different corporate valuation techniques;
- Estimate the value of equity in a firm and the value of the whole firm;
- Compare the merits of different valuation approaches and explain when they are used;
- Apply discounted cash flows analysis to enterprise and equity valuation;
- Compute enterprise and equity value using relative valuation models;
- Discuss the challenges that face analyst when valuing private firms;

REQUIRED TEXT /MATERIAL

The prescribed textbook for this course is: Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions, 11th edition, by Donald M. DePamphilis, Academic Press, 2021 (or 9th or 10th edition).

SUPPLEMENTARY RESOURCES

Valuation: Measuring and Managing the Value of Companies, 7th Edition, 2020.

[McKinsey & Company Inc.](#), [Tim Koller](#), [Marc Goedhart](#), [David Wessels](#). ISBN: 978-1-119-61088-5

ASSESSMENTS

The grade for the course will consist of:

Class Participation		5%
Take home (individual) assignment	Due: Tue: Mar 12	10%
Quiz 1 (second week)	Due: Mar 12	10%
Quiz 2 (third week)	Due: Mar 19	10%
Live Case study (group assignment)	Due: Mar 31(on Brightspace)	20%
Final examination	Date: Tuesday: March 26 (8.30am)	45%

Class Attendance and Participation:

Attendance is mandatory for lecture/discussions, student presentations, and other course components that are designed for delivery in real-time. Review the lecture videos (if available) and the course materials in preparation for the lectures.

Take home (Individual) Assignment (10%)

This individual assignment will be on valuation of companies for the purpose of takeover. You should retain a hard copy of your assignments.

QUIZZES (20%)

To encourage students to keep up with the course material and to measure students' understanding of the material, I will administer two in-class quizzes. The quizzes will be 25-30 minutes in duration and will be multiple choice questions. At the end of the lecture preceding the week of the quiz, you will be informed of the topics that will be tested in the quiz.

GROUP WORK:

As noted below this course involves group case analysis. During the first class, you should form your group of 4 or 5 students. Students should choose their own groups. After the first class, each group should email the professor the names and student numbers of the group members and your chosen firm for the live case study.

CASE ANALYSIS (20%):

Your group is required to value a company listed on the stock exchange. The goal of this exercise is to provide you an opportunity to apply the concepts that will be discussed in class to an actual company. You are required to choose your company (**no later than the second week**). Each group will be responsible for preparing a detailed analysis of the chosen firm. The assignment will be professionally written with a maximum length of 7-15 pages (excluding appendices). The first page of your report will consist of an executive summary of the group's analysis and recommendations. The subsequent pages will document the analysis and reasoning. Numerical analyses that are referred to in the write-up should be provided as appendices. Guidelines for the assignment are posted on Brightspace.

Late Assignment policy:

The assignment deadlines are at least one week after the completion of related course material (sometimes more) and as such, should be sufficient. Yet, sometimes, despite our best efforts, and for good reasons, we can't meet our deadlines. You have one day of grace that you can apply to missed assignment deadlines. No reason required. No questions asked. That said, I need an email by the deadline indicating you will be late, but plan on submitting. Once the 'grace' day has been used, no further lateness will be accepted and any late submissions at that stage will receive a mark of 0.

FINAL EXAM (45%)

The final examination will test your understanding of the concepts covered in both the lectures and case components of the course. The exam format will be explained during the last week of class. It is important that you are available for the exam. **Accommodation will not be made for conflicting travel plans.**

Note: The final exam will be comprehensive, covering material from the entire course. If you obtain less than 50% on the final exam, you will receive an "F" grade regardless of your

total marks in the course. Also, students who do not demonstrate a minimum level of performance during the term will not be allowed to defer the final exam. The requirement for satisfactory in-term performance is an overall mark of 50% or better on the assignments and quiz. Students with unsatisfactory in-term performance who miss the final exam will be awarded a grade of F for the course.

DEFERRED FINAL EXAMINATION:

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MFin office in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

COURSE SCHEDULE (tentative and subject to change)

Lecture	Topic	Chapter
1 (05/03)	Valuation techniques: A primer on cash flow valuation: Elements of the valuation process	Chp 7:
2 (08/03)	A primer on cash flow valuation Computing free cash flow	Chp 7:
3 (12/03)	Relative /Asset-based valuation methods	Chp 8:
4 (15/03)	Economic evaluation of mergers & Valuation of real options in mergers and acquisition	Chp 8:
5 (19/03)	Applying financial modelling/valuation techniques to mergers and acquisitions	Chp 9:
6 (22/03)	Valuing privately held firms/Case analysis:	Chp 10
7 (26/03)	Final Exam	

Contribution to Program Learning Goals ([MFin](#)):

MFIN Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MF1 Ethical and Professional Conduct <i>Graduates will conduct themselves in alignment with the CFA Code of Ethics and</i>			✓	

<i>Standards of Professional Conduct.</i>				
MF2 Financial Markets, Institutions, and Instruments <i>Graduates will demonstrate an understanding of financial markets, instruments, and institutions.</i>				✓
MF3 Portfolio Management <i>Graduates will understand the motivations of investors and manage an investment portfolio that achieves those objectives.</i>		✓		
MF4 Data Analysis <i>Graduates will be proficient in data management, analytics, and modeling.</i>		✓		
MF5 Communication <i>Graduates will be effective communicators.</i>				✓

ADDITIONAL INFORMATION

Course Sharing Websites:

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Recommended Calculator for Examinations:

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group Work:

The Sprott School of Business encourages group assignments. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Peer Evaluation for Group Work

To deter social loafing and ensure fairness in grading, you will be asked to assess the contribution of your fellow group members. This information will be used when assigning the grade for the final project. The procedure is as follows: Each student should take 100 points and allocate those points to the various members of the group (including him or herself) to reflect the contributions made by each member. For instance, if there are four members in a group and everyone contributed equally, each individual would receive 25 points. Conversely, if an individual contributed relatively little, the remaining group members might allocate few points to that member. To ensure that these peer evaluation scores are reasonable and free from personal bias, you will be asked to provide a detailed written explanation for your point allocation. You don't have to provide the peer evaluation if each group member contributed equally to the project.

Letter Grades:

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

Cellular Phones:

The use of cellular phones IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry a phone to class, please make sure it is turned off. If an emergency situation requires you to keep your cell phone turned on you may wish to keep the silent mode on. Please discuss this with the instructor prior to the class starting.

Academic Regulations:

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodation:

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

- **Pregnancy**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website:

<https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Religious Obligations**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. <https://carleton.ca/pmc/>

- **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: <https://carleton.ca/sexual-violence-support/>

- **Student Activities**

Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: <https://students.carleton.ca/course-outline/>

Academic Integrity:

Violations of academic integrity—presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student—are a serious academic offence, weaken the quality of the degree, and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves

with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <https://carleton.ca/registrar/academic-integrity/>

Centre for Student Academic Support:

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: <https://carleton.ca/csas/>

Other Important Information:

- Students must always retain a hard copy of all work that is submitted.
 - All final grades are subject to the Dean's approval.
 - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton cmail account. If you do not have or have yet to activate this account, you can do so by visiting <https://carleton.ca/its/get-started/new-students-2/>
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