

19F039

3 ECTS

Advanced Firm Valuation

Professor: Albert Banal-Estañol

Professor e-mail: albert.banalestanol@upf.edu

Office: 20.2E26

Introduction

This course develops and uses tools to evaluate the performance and assess the value of corporations. The course covers various valuation approaches needed for project and enterprise valuation. You will also learn to assess a firm's business and competitive strategy and whether it is creating value for shareholders.

The course shall follow a learning-by-doing approach. As such, the lectures and assessments will all be based on doing valuations in various settings and employing various techniques. We will illustrate the underlying theory through numerous examples. The class format will be case-based but the underlying theory will also be presented.

Students shall work in groups to solve the cases. For each case, two groups of students will be presenting their findings. Presentations should be approximately 30 minutes in length. After the presentation, the case will be further reviewed. The goal with cases is to apply the valuation techniques and do so in a setting mimicking reality. An important lesson of this course is the ability to ask appropriate questions of valuation exercises.

Objectives

The main objective of the course is to develop the core valuation concepts, tools and skills. The course follows a case based approach to enable the students to put finance concepts into practical frameworks for valuing firms and businesses. The course also familiarises students with the usage of Excel spreadsheets for valuation.

Required Background Knowledge

Graduate knowledge of corporate finance, as provided in the corporate finance course in the first term.

Learning Outcomes

- (i) Learn how to estimate cash flows, growth and the cost of capital
- (ii) Learn how to compute the value of a corporation using different approaches based on discounted cash flows
- (iii) Learn how to use multiples to value corporations
- (iv) Learn how to identify and value real options in corporate investments
- (v) Learn the venture capital method to assess the investment decision in an entrepreneurial firm

19F039

3 ECTS

Advanced Firm Valuation

Methodology

The course will be entirely case-based. Students will need to form groups to solve a series of quantitative business cases. We shall devote two sessions to each case. In the first of these sessions, concepts and methodologies will be introduced by the lecturer. Students will also be working in groups in class. In the second session of these sessions, some of the groups will be presenting the solutions of the case. Discussion of the case shall follow.

Evaluation

- (i) Participation in class: 20%
- (ii) Case presentations: 80%

Bibliography

Berk, Jonathan and Peter DeMarzo, Corporate Finance, Boston Mass.: Pearson Addison Wesley, 2007
Investment Valuation, A. Damodaran, 2nd

Professor's Biography

Albert Banal-Estanol is Associate Professor at the Universitat Pompeu Fabra, programme director of the MSc in Corporate Finance and Banking at the UPF-Barcelona School of Management, affiliated Professor at the Barcelona Graduate School of Economics (BGSE), affiliated Professor at City University London, visiting professor at the IFP-Energies Nouvelles in Paris and research fellow at the DIW Berlin and at the IESE Business School. Previously, he has held teaching and research positions at the University of Western Ontario in Canada, Northwestern University in the US, University of Cambridge, UCL, and London Business School in the UK, and the University of Munich in Germany. His main research interests are in the fields of corporate finance, competition and regulation, and innovation. His academic articles have been published in leading international peer-reviewed journals such as Management Science, Review of Financial Studies and Journal of Industrial Economics. He has also delivered executive training courses for government agencies such as the UK's Department of Trade and Industry, regulators such as the UK's Ofgem and private companies such as Gaz de France.