

**Федеральное государственное автономное образовательное учреждение
высшего образования
"Национальный исследовательский университет
"Высшая школа экономики"**

Факультет экономических наук
Школа финансов

**Рабочая программа дисциплины «Оценка стоимости компании-2
(продвинутый уровень)»
(Advanced Business Valuation)**

для образовательной программы «Стратегическое управление финансами фирмы»
направления 38.04.08 «Финансы и кредит»
подготовки магистра

Разработчик программы

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Одобрена на заседании школы финансов

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Руководитель школы финансов

И.В. Ивашковская _____

Утверждена Академическим советом образовательной программы

«Стратегическое управление финансами фирмы»

«__» _____ 201__ г., № протокола _____

Академический руководитель образовательной программы

А.Н. Степанова _____

Москва, 2018

Настоящая программа не может быть использована другими подразделениями университета и другими вузами без разрешения подразделения-разработчика программы.



Компетенции обучающегося, формируемые в результате освоения дисциплины

В результате освоения дисциплины студент осваивает следующие компетенции:

Компетенция	Код по ФГОС/ НИУ	Дескрипторы – основные признаки освоения (показатели достижения результата)	Формы и методы обучения, способствующие формированию и развитию компетенции
Способен анализировать, оценивать полноту информации в ходе профессиональной деятельности, при необходимости восполнять и синтезировать недостающую информацию	СК-6	Демонстрирует умение анализировать, оценивать полноту информации в ходе профессиональной деятельности, при необходимости восполнять и синтезировать недостающую информацию	Изложение результатов самостоятельной работы на семинарских занятиях в форме защиты проектов (кейсов), постановки вопросов и их обсуждении в аудитории
Способен обобщать и критически оценивать результаты, полученные отечественными и зарубежными исследователями; выявлять перспективные направления дальнейших исследований, составлять программу собственных исследований	ПК-1	Демонстрирует умение обобщать и критически оценивать результаты, полученные отечественными и зарубежными исследователями	Самостоятельное освоение научной литературы
Способен представлять результаты проведенного исследования научному сообществу в виде доклада (презентации) и статьи	ПК-8	Демонстрирует умение представлять результаты проведенного исследования научному сообществу в виде доклада (презентации) и статьи	Подготовка и защита проекта (кейса)
Способен анализировать факторы формирования фундаментальной стоимости капитала компании и финансового института и ее оценки	ПК-14	Демонстрирует умение анализировать факторы формирования фундаментальной стоимости капитала компании и финансового института и ее оценки	Самостоятельная подготовка проекта по учебной дисциплине
Способен анализировать и оценивать стоимость интеллектуального капитала компании и финансового института	ПК-17	Демонстрирует умение анализировать и оценивать стоимость интеллектуального капитала компании и финансового института	Изложение результатов самостоятельной работы на семинарских занятиях в форме защиты проектов (кейсов), постановки вопросов и их обсуждении в аудитории



ADVANCED BUSINESS VALUATION

Course Outline

Faculty: Economics

Year: 2017/18

Course name: Advanced Business Valuation

Level: Master

Language of instruction: English

Period: January, 26 – June, 10

Workload: 64 hours of classes

Coordinator: Svetlana A. Grigorieva

e-mail: SGrigorieva@hse.ru, SvetlanaAGrigorieva@gmail.com

office hours: Wednesday: 16pm-18pm, 4220

Follow the changes on my hse webpage: <http://www.hse.ru/org/persons/65948>.

Lecturers:

Svetlana A. Grigorieva, (SGrigorieva@hse.ru, SvetlanaAGrigorieva@gmail.com) Dmitry

V. Tikhomirov, DTikhomirov@bk.ru,

Екатерина Жежела, Е&У (Ekaterina.Zhezhela@ru.ey.com),

Борис Яценко, Е&У (Boris.Yatsenko@ru.ey.com)

Seminars:

Svetlana A. Grigorieva, (SGrigorieva@hse.ru, SvetlanaAGrigorieva@gmail.com), Irina

V. Skvortsova (Irina.V.Skvortsova@gmail.com), Nikita N.Pirogov (NPirogov@hse.ru,

NPirogov1@gmail.com)

Course description:

The Advanced Business Valuation Course explores both the theoretical basis and practical application of all major elements of discounted cash flow valuation, relative valuation and asset-based valuation. You learn to differentiate between long-term value-creating strategies and short-term indicators, such as market share, earnings per share, share price and others. The course discusses how to evaluate company's strategic position and develop forecasts using different techniques. Within this course you consider special cases in valuation such as valuation in emerging capital markets, valuation of companies with changing capital structure, valuation of high levered firms, firms with negative earnings, private firms, and valuation of options. You also discuss how to evaluate companies in different industries: mining, telecom, media and finance. Participants are provided with the opportunity to work in small teams in order to prepare reviews of empirical literature, cases and analytical tasks based on real data.

The *key goal of this course* is to provide students with sufficient theoretical knowledge and practical experience to be able to value a company using different valuation models (DCF, APV, Residual income, Multiples) in normal and special cases.

Course objectives:

After completing the course the student will know:

- how to apply traditional valuation techniques (DCF, relative valuation and asset based valuation) in emerging capital markets;
- how to value firms with changing capital structure and high levered firms;
- the advantages and disadvantages of Residual income models;



- how to distinguish value creation from value destruction in order to ensure long-term competitive success and survival;
- main methods to value company's intangible assets;
- how to use option pricing methods to value flexibility;
- the specificity of valuing companies in different industries;
- how to apply premiums and discounts in business valuation (control premium, discount for lack of control, discount for lack of marketability).

Competencies:

After completing the course the student develops the following competencies:

- is willing to work with information from a variety of sources (СК- 6) – cases, analytical tasks devoted to business valuation based on the data from financial statements and financial data from open access;
- is able to generalize and discuss the results of theoretical and empirical studies and to reveal the possible directions for further research in examined area (ПК-1) – literature reviews;
- is willing to present the results of team work devoted to a particular theme (ПК-8) – literature reviews, cases, analytical tasks;
- is able to reveal and analyse company's key value drivers (ПК-14) – exercises, cases;
- is able to apply different models to value company's intangible assets (ПК-17) – cases;
- is able to justify the efficiency of company's strategic decisions (acquisitions, recapitalization, other long-term investments) and make recommendations (ПК-20; ПК-25) – cases, analytical tasks.

Recommended Prerequisites:

Corporate Finance-1,2, International Financial Reporting Standards

Teaching method:

- lectures;
- practical exercises;
- case studies;
- analytical tasks;
- literature reviews;
- team projects;
- self study;
- final exam.

Course texts:

Main texts:

1. Damodaran A. Investment Valuation: Tools and Techniques for determining the value of any asset, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»)
2. Koller T., Goedhart M., Wessels D. Valuation: measuring and managing the value of companies, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»)
3. Hitchner J.R., Financial Valuation: Applications and Models, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»)



Supplementary texts:

1. Arzac E. Valuation for Mergers, Buyouts and Restructuring. John Wiley&Sons, 2005
2. Branch, M. A. Real Options in Practice. John Wiley & Sons, 2003
3. Copeland N., Antikarov V., Real Options – A Practitioner’s Guide. Texere, 2001.
4. Copeland T., Koller T., Murrin J., Valuation: measuring and managing the value of companies, Third edition, John Wiley&Sons, 2000, (hse electronic library «Books 24x7»)
5. Fernandez P. Valuation methods and Shareholder Value Creation. Academic Press 2002 (hse electronic library «Books 24x7»).
6. Fernandez P. Valuation and Common Sense Book available at SSRN. 2013. <http://ssrn.com/abstract=2209089>
7. King A.M., Fair value for financial reporting: meeting the new FASB requirements, John Wiley&Sons, 2006, (hse electronic library «Books 24x7»)
8. Mercer Z.C., Harms T., W. Business Valuation : An Integrated Theory (2nd Edition), John Wilye&Sons, 2008, (hse electronic library «ebrary»)
9. Mard M.J., Hitchner J.R., Hyden S.D., Valuation for financial reporting: fair value measurements and reporting, intangible assets, goodwill and impairment, 2nd Edition, John Willey&Sons, 2007, (hse electronic library «Books 24x7»)
10. Pereiro L. Valuation in Emerging Markets. A Practical Approach. John Wiley & Sons, Inc. 2002.
11. Pratt S.P., Reilly R.F., Schweihs R.P., Valuing a Business: The Analysis and Appraisal of Closely Held Companies, McGraw-Hill Co., 2000, (hse electronic library «Books 24x7»)
12. Pratt S.P., Business valuation discounts and premiums. John Wiley & Sons, 2009
13. Reilly Robert, Schweihs Robert. Valuing Intangible Assets. IRWIN Library of Investment Finance. McGraw-Hill, 2001.
14. Trigeorgis L. Real Options – Managerial Flexibility and Strategy in Resource Allocation. The MIT Press, 2000.
15. Amram M., Kulatilaka N. Rial Options – Managing Strategic Investments in an Uncertain World. HBS Press. 1999.
16. Angelis, D. I. (2000) Capturing the options value of R&D. Research Technology Management, July-August, pp. 31-34.
17. Black, F. and Scholes, M. (1973). The pricing of options and corporate liabilities. Journal of Political Economy, No. 81, pp. 637-659.
18. Copeland, T. (2001) The real options approach to capital allocation. Strategic Finance, October, pp. 33-37.
19. Cottrell, T., and Sick, G. (2001) First mover disadvantage and real options. Journal of Applied Corporate Finance, Vol. 14, No. 2, Summer, pp. 41-51.
20. Damodaran, A. (2005). Marketability and Value: Measuring the Illiquidity Discount, Working paper (New York University)
21. Damodaran, A. (2005). The Value of Control: Implications for Control Premia, Minority Discounts and Voting Share Differentials, Working paper (New York University)
22. Dyck A., Zingales L. (2004). Private Benefits of Control: An International Comparison//The Journal of Finance, Vol.59, №2.



23. Estridge J., Lougee B. (2007). Measuring Free Cash Flows for Equity Valuation: Pitfalls and Possible Solutions. *Journal of Applied Corporate Finance*, Vol.19, №.2, pp.60-71
24. Folta, T. B., and Miller, K. D. (2002) Real options in equity partnerships. *Strategic Management Journal*, Vol. 23, pp. 77-88.
25. Garcia-Sanchez J., Preve L., Sarria-Allende V. (2010) Valuation in Emerging Markets: A Simulation Approach. *Journal of Applied Corporate Finance*, Vol.22, №2, pp.100-108
26. Hitchner, G. (2008). Discount for Lack of Marketability Job Aid for IRS Valuation Professionals, *Financial Valuation and Litigation Expert*, Issue 1
27. Kahl, M., Liu, J. & Longstaff F.A. (2002). Paper millionaires: How valuable is stock to a stockholder who is restricted from selling it? *Journal of Financial Economics* 67, pp. 385-410
28. Koeplin, J., Sarin, A., & Shapiro, A.C. (2000). The private company discount, *Journal of applied corporate finance*, volume 12 number 4, pp. 94-101
29. Luehrman T.A. (2009) Corporate Valuation and Market Multiples, *Harvard Business Review*, №16, 2009.
30. Pereiro L.,E. (2001). The Valuation of Closely-held Companies in Latin America, *Emerging Markets Review*, Vol.2, pp. 2213-2253
31. Ruback R.S. (2002). Capital Cash Flows: A Simple Approach to Valuing Risky Cash Flows. *Financial Management*, Summer 2002, pp. 85-103
32. Vonnegut A. (2000) Real Options Theories and Investment in Emerging Economies. *Emerging Markets Review*, 1, pp. 82-100.

Grading:

Grading in the course will be based on the following criteria:

- Home assignments 60% (6 team projects)
- Final case 15%
- Final exam 25%
- **Total 100%**

Grades criteria:

From	To	Mark
0	4	Not passed
4	5	Satisfactory
6	7	Good
8	10	Excellent

Teaching hours for topics and activities:

<i>Topic</i>	<i>Total (hours)</i>	<i>Class (hours) including</i>		<i>Self study</i>
		<i>Lectures</i>	<i>Practice</i>	
1. Introduction to valuation	6	2		4
2. Premiums and discounts in business valuation	20	0	4	16



3. Income approach. Valuing companies by cash flow discounting: main steps, models, and problems.	32	4	4	24
4. Income approach. Capitalization methods and residual income valuation methods.	22	2	4	16
5. Market approach. Valuing companies using multiples.	28	4	4	20
6. The role of cost approach in business valuation. Value of intangible assets.	24	4	4	16
7. Real options and valuation	32	0	8	24
8. Corporate valuation in different industries	44	16 E&Y	4	24
Total:	208	32	32	144

Course outline:

1. Introduction to valuation

Misconceptions about valuation. Purposes of valuation. Main steps of business valuation process. Standards (types) of firm value: market value, fair value, investment value, liquidation value. Business valuation approaches and methods: an overview. Valuation across the life cycle of the firm. Necessary information for business valuation. Historical financial statement analysis: spreading, normalizing, common-sizing. The structure of business valuation report.

Main texts:

1. Damodaran A. *Investment Valuation: Tools and Techniques for determining the value of any asset*, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.1-3
2. Koller T., Goedhart M., Wessels D. *Valuation: measuring and managing the value of companies*, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.1,2,6
3. Hitchner J.R., *Financial Valuation: Applications and Models*, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.1-3

2. Premiums and discounts in business valuation

The impact of controlling (non-controlling) ownership interest and marketability on company value: control premium (CP), discount for lack of control (DLOC) and discount for lack of marketability (DLOM).

Prerogatives of control. Factors that influence control. Advantages and disadvantages of methods used to assess the control premium (M&A method, Block transaction method, Mergerstat method, Mercer approach). Determinants of the control premium.

Liquidity and marketability. Factors that decrease the illiquidity discount. Main methods used to measure marketability discount (restricted stock studies, pre-IPO studies, option pricing, bid-ask spread, multiple method, Mercer approach (QMDM)). Determinants of DLOM.

The size of premiums and discounts: results of empirical studies. Features of applying premiums and discounts in practice (for companies from developed and emerging capital markets).

Main texts:



1. *Hitchner J.R., Financial Valuation: Applications and Models, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.9*

Supplementary texts:

1. *Mercer Z.C., Harms T.,W. Business Valuation : An Integrated Theory (2nd Edition), John Wilye&Sons, 2008, (hse electronic library «ebrary»), Ch. 3,7-9*
2. *Damodaran, A. (2005). Marketability and Value: Measuring the Illiquidity Discount, Working paper (New York University)*
3. *Damodaran, A. (2005). The Value of Control: Implications for Control Premia, Minority Discounts and Voting Share Differentials, Working paper (New York University)*
4. *Dyck A., Zingales L. (2004). Private Benefits of Control: An International Comparison//The Journal of Finance, Vol.59, №2.*
5. *Hitchner, G. (2008). Discount for Lack of Marketability Job Aid for IRS Valuation Professionals, Financial Valuation and Litigation Expert, Issue 1*
6. *Kahl, M., Liu, J. & Longstaff F.A. (2002). Paper millionaires: How valuable is stock to a stockholder who is restricted from selling it? Journal of Financial Economics 67, pp. 385-410*
7. *Koeplin, J., Sarin, A., & Shapiro, A.C. (2000). The private company discount, Journal of applied corporate finance, volume 12 number 4, pp. 94-101*

3. Income approach. Valuing companies by cash flow discounting: main steps, models, and problems.

Building a financial model. Analysing the historical performance. Normalization process. Adjustments for non-operating assets and liabilities and related income and expenses. Adjustments for nonrecurring and unusual items. Key value drivers. Developing accurate forecasts using 'top-down' and 'bottom-up' techniques. Length of the high growth period: main factors. Estimating terminal value: assumptions, models and specific cases (cyclical companies, firms with negative earnings). Advanced valuation issues: non-operating expenses, one-time charges, reserves, provisions and foreign currency.

Choosing the discounted cash flow model. Free cash flow to the firm (FCFF). Free cash flow to equity (FCFE). Capital cash flow (CCF).

Valuation issues specific to emerging capital markets. Inflation. Calculating the cost of equity in emerging markets: the CAPM-models. The Fama-French three-factor model. Arbitrage pricing theory. Build-up model. The cost of equity of large (small) capitalization companies. The cost of debt and other components of the capital structure. Estimation of the cost of capital in practice.

Firm valuation. Equity valuation. Estimating equity value per share.

Valuing companies with changing capital structure. Original adjusted present value model (APV), compressed APV, recursive WACC model: key assumptions and main steps. Valuation of companies with high leverage (LBO case).

Main texts:

1. *Damodaran A. Investment Valuation: Tools and Techniques for determining the value of any asset, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.10-16*
2. *Koller T., Goedhart M., Wessels D. Valuation: measuring and managing the value of companies, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.8-12,26,30,33*
3. *Hitchner J.R., Financial Valuation: Applications and Models, 3rd Edition, John Wiley&Sons,*



2010, (hse electronic library «Books 24x7»), Ch.5,6

Supplementary texts:

1. Arzac E. *Valuation for Mergers, Buyouts and Restructuring*, John Wiley&Sons, 2005, Ch.2,3,6
2. Pereiro L. *Valuation in Emerging Markets. A Practical Approach*. John Wiley&Sons, Inc, 2002, Ch.2-3
3. Fernandez P. *Valuation Methods and Shareholder Value Creation*. Academic Press, 2002, (hse electronic library «Books 24x7») - Ch.17, 19-21
4. Copeland T., Koller T., Murrin J., *Valuation: measuring and managing the value of companies*, Third edition, John Wiley&Sons, 2000 (hse electronic library «Books 24x7») – Ch.9-12, 16, 19
5. Estridge J., Lougee B. *Measuring Free Cash Flows for Equity Valuation: Pitfalls and Possible Solutions*. *Journal of Applied Corporate Finance*, Vol.19, N.2
6. Garcia-Sanchez J., Preve L., Sarria-Allende V., *Valuation in Emerging Markets: A Simulation Approach*. *Journal of Applied Corporate Finance*, Vol.22, №2, 2010, pp.100-108
7. Pereiro L.,E., *The Valuation of Closely-held Companies in Latin America*, *Emerging Markets Review*, Vol.2, 2001, pp. 2213-2253
8. Ruback R.S. (2002). *Capital Cash Flows: A Simple Approach to Valuing Risky Cash Flows*. *Financial Management*, Summer 2002, pp. 85-103

4. Income approach. Capitalization methods and residual income valuation methods.

Capitalization method. Calculating normalizing expected economic income: assumptions and methods. The difference between capitalization rate and discount rate. Common mistakes.

Excess cash flow method. The main steps of the method. Determine the fair market value of net tangible assets. Develop «normalized» cash flow. Determine an appropriate blended rate for net tangible assets. Determine the fair market value of the intangible assets. Shortcomings of the method.

Valuation models based on residual income concept. Residual income valuation in relation to other approaches. Economic value added (EVATM) approach to valuation. Similarities and differences between EVA and free cash flow. Economic value added and market value. Edwards-Bell-Ohlson valuation technique. Advantages and disadvantages of the method.

Main texts:

1. Damodaran A. *Investment Valuation: Tools and Techniques for determining the value of any asset*, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.32
2. Koller T., Goedhart M., Wessels D. *Valuation: measuring and managing the value of companies*, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.4, App.A,B.
3. Hitchner J.R., *Financial Valuation: Applications and Models*, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.5

Supplementary texts:

1. Arzac E. *Valuation for Mergers, Buyouts and Restructuring*, John Wiley&Sons, 2005, Ch.5
2. Fernandez P. *Valuation Methods and Shareholder Value Creation*. Academic Press, 2002, (hse electronic library «Books 24x7») - Ch.17, 19-21

5. Market approach. Valuing companies using multiples.

The use of multiples in valuation. Criteria for comparable company selection. Basic steps of



using multiples: definitional tests, descriptive tests, analytical and application tests. Relative and fundamental multiples. Growth multiples. Sector multiples. Multiples and their determinants. Choosing multiples for business valuation. Advantages and disadvantages of different multiples. Relationships among valuation multiples. Multiples and continuation value. Dispersion of the multiples. Cross-country differences in multiples.

Relative valuation in emerging capital markets. Comparable companies from another countries. The importance of country risk adjustments (the sovereign spread method, the relative market coefficients and the regression approach).

Main texts:

1. Damodaran A. *Investment Valuation: Tools and Techniques for determining the value of any asset*, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.17-21
2. Koller T., Goedhart M., Wessels D. *Valuation: measuring and managing the value of companies*, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.14
3. Hitchner J.R., *Financial Valuation: Applications and Models*, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.7

Supplementary texts:

1. Arzac E. *Valuation for Mergers, Buyouts and Restructuring*, John Wiley&Sons, 2005, Ch. 4
2. Fernandez P. *Valuation Methods and Shareholder Value Creation*. Academic Press, 2002, (hse electronic library «Books 24x7»), Ch. 3-5, 8
3. Pereiro L. *Valuation in Emerging Markets. A Practical Approach*. John Wiley&Sons, Inc. 2002, Ch. 4
4. Pratt S.P., Reilly R.F., Schweihs R.P., *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, McGraw-Hill Co., 2008 (hse electronic library «Books 24x7») – Ch.11,12.
5. Luehrman T.A., *Corporate Valuation and Market Multiples*, Harvard Business Review, №16, 2009.

6. The role of cost approach in business valuation. Valuation of intangible assets

Fundamentals of cost approach. Main steps of net asset value method. Identify assets and liabilities to be revalued. Construct a value-basis balance sheet.

Valuation of intangible assets as one of the main steps of the net asset value method. Identification and classification of intangible assets. Income approach: royalty method, multi- period excess earnings method (MEEM), differential method, greenfield method. Market approach. Cost approach. Valuing brands: Hulihan Valuation Advisors method, Interbrand method, Financial World method. Nature of goodwill. Calculating goodwill: purposes and methods. Intangible asset valuation in practice.

Liquidation value method: assumptions and main steps. Orderly liquidation value. Forced liquidation value. Liquidation expenses. Calculating cost of capital during liquidation.

Main texts:

1. Damodaran A. *Investment Valuation: Tools and Techniques for determining the value of any asset*, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.20
2. Hitchner J.R., *Financial Valuation: Applications and Models*, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.6,21

Supplementary texts:

1. Pratt S.P., Reilly R.F., Schweihs R.P., *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, McGraw-Hill Co., 2008 (hse electronic library «Books 24x7») –



Ch.14.

2. *Reilly Robert, Schweih Robert. Valuing Intangible Assets. IRWIN Library of Investment Finance. McGraw-Hill, 2001.*

Topic 7. Real options and valuation.

Capital and portfolio of real options. Merton's approach for valuing risky debt. Estimation of asset value and its volatility. Role of duration. Real option framework for equity valuation. Equity as a compounded option. Types of real options in equity valuation. Growth options.

Valuation of the firm with option to expand and option to defer. Application of Black-Scholes- Merton formula for valuing equity and its restrictions. Binomial model and its boundaries. Valuing firms in different industry sectors. Features of real option valuation in emerging markets.

Main texts:

1. Damodaran A. *Investment Valuation: Tools and Techniques for determining the value of any asset*, 2d edition, John Wiley&Sons, 2002, (hse electronic library «Books 24x7»), Ch. 5, 28, 29
2. *Koller T., Goedhart M., Wessels D. Valuation: measuring and managing the value of companies, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.32*

Supplementary texts:

1. *Amram M., Kulatilaka N. Real Options – Managing Strategic Investments in an Uncertain World. HBS Press. 1999.*
2. *Branch, M. A. Real Options in Practice. John Wiley & Sons, 2003*
3. *Copeland N., and V. Antikarov. Real Options – A Practitioner's Guide. Texere, 2001.*
4. *Trigeorgis L. Real Options – Managerial Flexibility and Strategy in Resource Allocation. The MIT Press, 2000.*
5. *Angelis, D. I.(2000). Capturing the options value of R&D. Research Technology Management, July-August, pp. 31-34.*
6. *Black, F. and Scholes, M. (1973) The pricing of options and corporate liabilities. Journal of Political Economy, No. 81, pp. 637-659.*
7. *Copeland, T. (2001). The real options approach to capital allocation. Strategic Finance, October, pp. 33-37.*
8. *Cottrell, T., and Sick, G.(2001). First mover disadvantage and real options. Journal of Applied Corporate Finance, Vol. 14, No. 2, Summer, pp. 41-51.*
9. *Folta, T. B., and Miller, K. D. (2002) Real options in equity partnerships. Strategic Management Journal, Vol. 23, pp. 77-88.*
10. *Kahn, S. (1992) Using option pricing theory to value assets. Option Pricing, April, pp. 82-85.*
11. *Vonnegut A. (2000). Real Options Theories and Investment in Emerging Economies. Emerging Markets Review, 1, pp. 82-100.*

8. Corporate valuation in different industries

The specificity of mining, telecom, media and finance industries. Writing the industry survey: main issues and parts. Key performance indicators in mining, telecom, media and finance industries. Building the financial model for companies from different industries: main assumptions and steps. Forecasting sales growth rate, cost of goods sold, sales, general and administrative expenses, capital expenditures and working capital in different industries. Building the pro forma financial statements. Calculating cost of capital in mining, telecom, media and finance industries. Choosing peer companies and multiples in different industries. Valuation in mining, telecom, media



and finance industries: case studies based on real data.

Main texts:

1. *Damodaran A. Investment Valuation: Tools and Techniques for determining the value of any asset, 3rd Edition, John Wiley&Sons, 2012, (hse electronic library «Books 24x7»), Ch.21*
2. *Koller T., Goedhart M., Wessels D. Valuation: measuring and managing the value of companies, 5th Edition, John Wiley&Sons, 2010 (hse electronic library «Books 24x7»), Ch.36*
3. *Hitchner J.R., Financial Valuation: Applications and Models, 3rd Edition, John Wiley&Sons, 2010, (hse electronic library «Books 24x7»), Ch.26*

Preliminary list of cases and analytical tasks (in teams):

1. Literature review «Premiums and Discounts in Business Valuation». The main points that should be highlighted and discussed by each team:
 - Methods that are applied by researchers to calculate and analyze control premiums and discounts for lack of marketability.
 - Samples that are used by researches
 - Results (values of premiums and discounts) that the authors have obtained by analyzing companies from developed and emerging capital markets (the comparative analysis of results).
 - Main determinants of control premiums and discounts of lack of marketability
 - The ability to assess control premiums and discounts for lack of marketability based on Russian data (discussion)
2. Harvard Business School Case «Valuation of AirThread Connections». This case is devoted to valuation of the company using APV method.
3. Literature review «Applying multiples in business valuation in developed and emerging capital markets». The aim of this review is to analyze and discuss the following problems based on the results of empirical studies: number of comparable firms in the sample, criteria for comparable company selection, determinants of different multiples, ways to determine the final figure from public company method.
4. Kellogg School of Management «Universal Display Corporation: Go Long or Short?». This case is devoted to valuation of the company using income and market approach to business valuation.
5. Analytical task. This task is devoted to real option valuation. The aim of this task is to apply real option technique to Russian companies.
6. Final case: valuation of Russian companies in the following industries: mining, telecom, media and finance, based on the financial data from open access. The students should apply all appropriate methods and techniques to value firms in these industries.

List of self-control questions:

1. What are the main myths of valuation?
2. What are the main purposes for business valuation?
3. What is the difference between market value, fair value and investment value?
4. What are the main steps of valuation procedure?
5. What information is needed for corporate valuation?
6. What does the term normalization of company's financial statements mean? Why is it important to normalize historical financial statements?
7. What is control? What are the main prerogatives of ownership control?
8. Please, give the definition of the discount for lack of marketability.
9. What is the difference between liquidity and marketability?
10. What levels of value do you now?
11. What are the advantages and disadvantages of different methods that we can use to estimate the control premium (M&A method, block transaction method, event study, dual-class ownership)?



12. Please, describe the idea of the Mercer approach to control premium estimation.
13. What are the advantages and disadvantages of different methods that we can use to estimate the DLOM (restricted stock, pre-IPO, option pricing, multiples)?
14. Please, describe the QMDM model.
15. How to apply premiums and discounts in business valuation?
16. What entity-level and shareholder-level discounts do you know?
17. What is the main idea of income approach to business valuation?
18. What is the difference between DCF method and capitalization method?
19. Please, write and explain the FCFE and FCFE formula.
20. Please, write and explain the CCF formula.
21. What is the main premise of DCF model?
22. What are the key value drivers?
23. How could we define the company's future growth rate?
24. What is the difference between marginal tax rate and effective tax rate?
25. What is the difference between working capital and net working capital?
26. What methods are used to forecast the company's future cash flows?
27. How we should take into account the company's non-operating expenses, one-time charges, reserves, provisions and foreign currency?
28. What factors influence the length of the explicit forecast period?
29. What are the main characteristics of stable (mature) companies?
30. What methods can be used to calculate terminal value?
31. What models should we use to calculate cost of equity in emerging capital markets?
32. How to estimate value per share?
33. What is the difference between discount rate and capitalization rate?
34. What methods we should apply to value firms with changing capital structure?
35. What are the differences between the following models: original APV, compressed APV, recursive WACC?
36. Please, show the algorithm of excess cash flow method.
37. How to estimate the discount rate for net tangible assets under excess cash flow method?
38. What is the idea of economic profit model?
39. Please, discuss the similarities and differences between EVA and free cash flow.
40. Please, show the algorithm of Edwards-Bell-Ohlson valuation technique.
41. What is the main idea of market approach to business valuation?
42. What is the difference between public company method and M&A method to business valuation?
43. What are the basic steps of using multiples?
44. How could you define the comparable firm?
45. At what characteristics of comparable firms we should look at first of all according to empirical studies?
46. Please, discuss the advantages and disadvantages of different multiples (P/E, EV/EBITDA, P/BVequity, EV/Sales)
47. What are the main determinants of P/E ratio; EV/S ratio; P/BVequity ratio, EV/EBITDA?
48. Suppose the situation: you value a firm in emerging capital market. For this firm you find the peers from developed capital markets. Do you need any adjustments to the multiples in this situation? If, yes, please, explain how would you make the adjustments. If, no, explain why.
49. Please, describe Merton's approach for valuing risky debt.
50. What are the types of real options in equity valuation?
51. How to value firms with option to expand and option to defer?
52. What are the features of real option valuation in emerging markets?
53. What are the main steps of net asset value method?
54. What does it mean: to construct a value-basis balance sheet?



55. Please, give the algorithm of liquidation value method?
56. Please, give the definition and classification of intangible assets.
57. What approaches and methods could we use to find the fair value of intangible assets?
58. What method should we use to estimate value of brands?
59. What are the features of valuing companies in media industry (finance, telecom and mining)?
60. What are the main steps of industry analysis?
61. What are the value drivers of companies in different industries: mining, telecom, media and finance?

Grading

The grade is based on team projects (60%), final case (15%) and final exam (25%).

Team projects include literature reviews, cases and analytical tasks that are prepared in teams up to 5 students. There will be two literature reviews, three cases and one analytical task during the course. Final exam includes theoretical and practical questions in the form of open questions, tests (multiple choice) and exercises.