

Syllabus – *Financial Analysis and Management*

Goal of the Course

This course aims to extend the valuation analysis of students with a background on Corporate Finance, by analyzing real situations illustrated by some case studies. We cover topics from the valuation of leveraged projects to debt instruments with embedded options, LBOs, IPOs and Mergers and Acquisitions. During the course we explore the use of option theory in Corporate Finance.

Pre-Requisites

Students are assumed to have followed a basic course on Corporate Finance or Financial Management, being familiar with discounted cash flows, risk and the impact of capital structure in project valuation.

Methods of Learning

Every class is composed of two parts. In the first part students present a case study based on the material taught on the week before. In the second part of the class a lecture is given introducing the material to be used in the case to be discussed a week later. Cases are to be solved and presented by groups of 3 or 4 students. The groups are assigned randomly at each presentation, so all groups must have prepared the presentation at every single class.

Pedagogical Material

A textbook to support the theoretical material is: *Foundations of Corporate Finance*, by Joao Amaro de Matos, Princeton University Press, 2001. Besides that, class notes will be provided.

Evaluation

The final grade will be given by

20% class participation

30% case presentation

50% final exam

Please note that within each group students may have different evaluation for their case presentations, since their contributions will be evaluated on a comparative basis.

Structure of the classes (cases suggested below may be updated):

Class 1 – May 5 from 4pm to 6:50pm

Part 1: Introduction to the course and discussion of the course content

Part 2: Valuation of leveraged projects: the role of the WACC

Class 2 – May 9 from 1pm to 3:50pm

Part 1: Presentation of the Case Marriott Corporation: The Cost of Capital (Abridged)

Part 2: Option Valuation Principles: State Prices, Binomial and Black-Scholes model

Class 3 – May 11 from 1pm to 3:50pm

Part 1: Real Options and Valuation of Projects

Part 2: Option Valuation Principles and applications to Capital Structure

Class 4 - May 12 from 4pm to 6:50pm

Part 1: Presentation of the Case Prince S.A.

Part 2: Warrant Valuation

Class 5 - May, 16 from 1pm to 3:50pm

Part 1: Presentation of the Case Nixdorf Computer (B)

Part 2: Subordinated Debt, Convertible Debt and Callable Convertible Debt instruments

Class 6 - May 19 from 4pm to 6:50pm

Part 1: Presentation of the Case MCI Communication Corp.

Part 2: Going Public: IPOs

Class 7 - May, 23 from 1pm to 3:50pm

Part 1: Presentation of the Case Chartered Semiconductor Manufacturing

Part 2: Mergers and acquisitions

Class 8 - May, 30 from 1pm to 3:50pm

Part 1: Presentation of the Case Rhone Poulenc Rhorer

Part 2: Wrap-up and revision for the Final exam

Take home

Final exam