

Syllabus

Course Title	COMPANY VALUATION
Instructor	Christian Schopper
Email	christian.schopper@aon.at
Office Hours	For consultations, approach me either before or after class.
Credits	2 US credits (4 ECTS credits)
Module	Financial Management
Term	Spring 2025
Course Level	MSc Finance elective. All students are required to take the course for grades. This course is delivered with a class cap of 25 students (please note that no exceptions will be made on this).
Prerequisites	Financial Management (or a similar introductory course in finance) and Financial Reporting & Control (or a similar introductory course in accounting).
Course Drop	As described by the Regulations of the MS in Finance program: Overview of the MS in Finance Department of Economics and Business (ceu.edu)

Course description

This course in Company Valuation (the “Course”) will not just address various valuation approaches of stand-alone assets or entities, such as based on the three main methodologies: Comps, Pre-pays and Discounted Cash Flow Analysis. Instead, focus will also be on transaction-related value creation, such as on the basis of M&A or in the capital markets.

At the core of the Course are case studies which will require participants to make analytically sound and thoughtful executive management decisions in complex constellations whereby various investor views and interests, limitations imposed by stakeholders, possibly legal and corporate governance constraints and aspects of value creation alternatives will have to be considered.

The Course will be highly intensive and emphasize group work as well as interaction and discussion in the class room. Thereby, Corporate Finance-related concepts already introduced and discussed in previous CEU courses will be applied.

Course requirements, grading, and attendance policies

Requirements

- Mandatory and conditional to be graded is a full and timely participation in all classes.
- To be in a position to actively participate, (i) preparation of mentioned literature, and (ii) handing in of all 6 Case Study Assignments 12 hours prior to each session is mandatory.
- Case Study Assignments will be on an individual basis.

Grading

- Grading will be dependent upon the quality of preparation and hand-ins of the Case Study Assignments as well as the active participation and qualitative contribution in classroom discussions.
- Grading will be based on the total score out of 100, in line with CEU’s standard grading guidelines:

Grade	Name	Austrian equivalent	Points
A	Outstanding	Excellent (1)	100-96
A-	Excellent	Excellent (1)	95-88
B+	Good	Good (2)	87-80
B	Fair	Satisfactory (3)	79-71
B-	Satisfactory	Sufficient (4)	70-63
C+	Minimum	Pass Sufficient (4)	62-58
F	Fail	Insufficient (5)	57-0

- Course participants can achieve a certain maximum of points along the following criteria:
 - Quality of class room participation a maximum of 18 points.
 - 2 points over each of 9 days
 - Financial Modeling Assignments a maximum of 22 points
 - 11 points for each of 2 mandatory hand-ins
 - up to +3 bonus points for each presentation in class
 - Case Study Assignments a maximum of 60 points.
 - 10 points for each of 6 mandatory hand-ins
 - up to +3 bonus points for each presentation in class

Attitude

The Course is intense and requires substantial time commitment, effort, energy and concentration, but basically we want to learn and also have fun ... - Precondition for this is a professional attitude:

- You are expected to thoroughly read and work through all relevant sections of Schopper / Corporate Finance Concepts prior to the Course.
- You are expected to professionally prepare, hand in the Case Study and Financial Modeling Assignments per deadline, be in class on time and actively participate in sessions.
- In class, you will always have with you:
 - A financial calculator;
 - The Case Study and / or Financial Modeling Assignment; and
 - Your hand-in / presentation material on a USB stick
- Mobile phones and other mobile devices will – without exception - be switched off during the entire length of the sessions.

Financial Modeling Assignments

- You will be asked to work on (most likely: 2) financial models.
- The Financial Modeling Assignments will be handed out and walked through in Session #1: In essence, you will be asked to optimize a balance sheet and funding structure for a company in different stages of a life-cycle by calibrating various financial drivers which will influence income statement, balance sheet and cash flow statement. This will be done on the basis of a fully integrated financial model.
- You will assume the perspective of a CFO and implement an optimal financial strategy, taking into account the respective, specific requirements of both debt and equity investors. You summarize your thoughts and results covering the following:
 - What are the major strategic and financial issues to be resolved
 - What is your recommendation and how would it be implemented
 - Snapshots of the financial model (i.e. income statement, balance sheet, cash flow statement)

- You will send the presentation via email (christian.schopper@aon.at) by latest 24.00 the night prior to the respective session in which the Financial Modeling Assignment will be discussed and bring a copy **on a USB stick** to class.
- 2-3 individuals will either volunteer or be chosen arbitrarily to present their analyses (each 3-5mins) in class, supporting conclusion(s)
- A maximum of 11 points will be awarded for each Financial Modeling Assignment. Those who present could expect to be awarded an additional maximum of 3 bonus points for the quality of the verbal presentation.

Case Study Assignments

- You are required to hand in Power Point format presentations for a total of 6 case studies.
- Grading will be on an individual basis.
- Volume / page numbers / structure of the presentations are up to you (ideally, though, not more than 10 slides, excl. appendices) whereby quality and creativity rules over quantity.
 - Especially in regards to restructuring assignments, creativity can be key, provided a compelling conclusion is backed up with material, analytics or else to support your arguments. Whereby, your conclusions will be substantiated with a (more or less extensive) financial model, attached in an appendix
 - A good presentation structure may look like following:
 - Analytical status quo / as-is conclusions
 - Which are the major issues to resolve?
 - Which basic alternatives are available and feasible?
 - What would you recommend to do and why?
 - Next steps
- You will send the presentation hand-ins via email (christian.schopper@aon.at) by latest 12 hours prior to the respective session in which the Case Study Assignment will be discussed and bring a copy **on a USB stick** to class.
 - Downloading presentations during class time has frequently proven sub-optimal and consumes unnecessary valuable time we want to spent together to discuss
- 2-3 individuals will either volunteer or be chosen arbitrarily to present their conclusions in front of class (time limit: max 15mins), followed by class Q&A, whereby you will have to support your conclusion(s).
 - Please note: If you intend to voluntarily present, it may be useful to run a rehearsal prior to the session, as there will be an absolute presentation time limit of 15mins
- A maximum of 10 points will be awarded for quality of written materials handed in for each Case Study Assignment. Those who present could expect to be awarded an additional maximum of 3 bonus points for the quality of the verbal presentation.

Case Study 1: Wilson Lumber is a fast growing SME seeking to restructure its banking relationship with a view to expand and optimize its working capital funding. A risk assessment and a proper term sheet are required. And how will the bank make money ...? -- Assignment: You are the Coverage Officer at Northrup National Bank responsible for Wilson Lumber and are asked for a Power Point presentation to the Board of the Bank to decide upon whether to extend a loan or not (3 slides / max 5 minutes presentation time)

- Slide 1: Run a credit analysis on Wilson Lumber (decomposition / break-down of RoE and RoA, liquidity ratios, leverage ratios, interest coverage ratios, etc.)
- Slide 2: Come up with a detailed term sheet for a loan by Northrup National Bank and break out all terms, covenants, pledges, other securities you may think of
- Slide 3: Present how the Northrup National Bank can / will make money

Case Study 2: The **Veuve Clicquot** Case from the 1960's is as a classic as the product it deals with: Family shareholders consider an IPO and valuation will be a key decision feature.

Case Study 3: Pacific Grove Spice Company is a profitable, rapidly growing manufacturer, marketer, and distributor of quality spices and seasonings. The company's business model requires significant investment in accounts receivable, inventory, and fixed assets to support sales. Although the company is profitable and all of its net income is reinvested in the firm, the firm must utilize significant amounts of debt to fund the necessary growth in assets to support sales. The bank is concerned about the total amount of interest-bearing debt on Pacific's balance sheet and has asked the company to provide a plan to reduce it. Debra Peterson, president and CEO, believes the current four-year financial projections are reasonable and attainable. She is also considering three opportunities: sponsoring a cable cooking show, raising new capital by selling shares of common stock, and acquiring a privately owned spice company...

Your task is among others to analyze the company's financial projections to determine if the reduction in debt meets the bank's requirements, to analyze the opportunities and consider their individual and combined impacts on the company's financial position.

Case Study 4: Blaine Kitchenware is a diversified mid-sized manufacturer of kitchen tools and contemplates a stock repurchase in response to an unsolicited takeover. The company must determine the optimal debt capacity and capital structure, and subsequently estimate the resulting change in firm value and stock price

Case Study 5: In January 2012, Ellen Kullman, CEO and chairman of **DuPont**, must decide whether to retain or sell the company's Performance Coatings (DPC) division. The case focuses on a publicly listed corporation's decision to divest a large division and asks students to compare the division's value if it remains under DuPont's control or is sold to an outside party. The transaction size of approximately \$4 billion is too large for potential strategic buyers in the industry, making private equity (PE) firms the most likely bidders. The case is designed to illustrate and discuss the differences between a public company's valuation based on unlevered free cash flows and a PE sponsor's valuation based on residual (levered) cash flows.

Case Study 6: In December 2015, **Canadian Pacific Railroad (CPR)** has just made its third bid to acquire Norfolk Southern Corporation (NSC), one of the largest railroads in the United States. Having rejected the prior offers, NSC's CEO James Squires and the NSC board must now value the current offer including the projected merger synergies as well as a recently-added contingent value right (CVR) designed to "sweeten" the offer, and decide how to respond.

Course contents

Content

This course explores principles of business valuation, with a focus on how businesses, equity, and enterprise are valued. Participants learn the main approaches and techniques of valuation (intrinsic and relative), assess their strengths and weaknesses, and when to apply the appropriate approach. Topics include, among others:

- Discounted cash flow,
- Comparable market multiples,
- Comparable transaction multiples, and
- Liquidation/terminal value.

Additional topics include:

- Free cash flow,

- Financial statement analysis,
- Industry competitive analysis,
- Growth projection,
- Financial forecasting,
- Discount rate, and
- Capital asset pricing.

Learning Approach

Learning is foremost by building on already acquired know-how of Corporate Finance principles and applying these in case study constellations, with lecture elements provided as needed. Hence, learning will take place in individual preparations and then subsequently in class room.

Learning Outcomes

The Course prepares participants to deal with challenges related to various valuation approaches of assets and enterprises. By applying tools and concepts introduced in the Course, participants will understand:

- The difference between various valuation approaches and techniques
- The strength and limitations of various valuation approaches
- The major parameters driving valuations, not least provided with an in-depth insight into the calculation of cost of equity, cost of debt and the weighted average cost of capital
- Address common leverage and financing issues
- Which technique / approach is most appropriate in which constellations
- Assessing the value creation of transaction-related propositions

The topic of valuation will be put in context of specific situations and constellations, such as start-ups, private equity-related transactions, IPOs and M&A transactions.

Schedule

	8.Jänner 2025	9.Jänner 2025	10.Jänner 2025	15.Jänner 2025	16.Jänner 2025	17.Jänner 2025	22.Jänner 2025	23.Jänner 2025	24.Jänner 2025
08:50									
10:30			Company Valuation						Canadian Pacific M&A
10:50								Du Pont LBO	
12:30									
13:30						Modelling Assignment Valuation			
15:10									
15:40	Corporate Analysis	Wilson Lumber Credit Worthiness		Veuve Cliquot Valuation	Pacific Grove Funding Alternatives		Blaine Kitchen Capital Structure		
17:20									
17:40	Corporate Analysis			Modelling Assignment Capital Structure			Modelling Assignment Valuation		
19:20									
	Interactive Lecture Case Study								

Course materials

Preparation

- All relevant themes and topics tackled in the Course you will find in the book: Schopper / Corporate Finance Concepts, 3rd edition, 2024. – You are expected to thoroughly read and work through all relevant sections prior to the Course.
- Other good references are general Corporate Finance-related books, such as by Damodaran.
- Please note and be mindful of the intensity of the course: One may assume that the preparation of each Case Study Assignment realistically requires 4-5 hours.

Bio

Information regarding my background can be found on www.christianschopper.com

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at CEU are not tolerated and will lead to immediate disqualification.