

Valuation & Financial modelling

UGRA_016166

Departments	Department of Economics, Finance & Accounting
Teaching Languages	English
ECTS	6
Teacher responsible	Matthieu Emmanuel Soupre - matthieu.soupre@esade.edu

Course Goals

This course will equip students with important knowledge and skills required in building a financial model in a variety of situations. The content of the course will be particularly relevant for students wanting to work in investment banking or consulting but it will also benefit anyone interested in working at a financial department in any industry, for entrepreneurs looking to present their business model to potential investors, or strategists eager to learn how to account for the financial dimensions of business decisions.

The course will alternate between financial theory and practice by presenting the key ideas from financial theory and putting them into practice in Microsoft Excel* to prepare students for their work outside of university.

*Google Sheets is also acceptable for students that prefer to use it.

Previous knowledge

Basic knowledge in financial accounting (the three main financial statements and how they interact) is required but a brush-up on the key concepts will be done at the beginning of the course and whenever necessary.

Basic financial mathematics (interest, present values) are similarly helpful but not required.

The course requires no particular proficiency in neither Excel nor Google Sheets.

Prerequisites

Basic corporate finance and financial accounting.

Teaching

The course will focus on practical applications of the theoretical concepts usually seen in a corporate finance class. Topics will typically have the following structure:

methodology

- A brush-up on the theoretical concepts used
- "Real world" implementation in Excel/Google Sheets

The problem sets and final exam will share the same philosophy as the rest of the course.

Description

Course contribution to program

By the end of the course, students should be able to:

- Read, understand and construct advanced financial models of the three main financial statements.
- Know and apply the main valuation techniques such as discounted cash flows, adjusted present value and real options.
- Deal with typical "loose ends" of financial models
- Construct basic models for entrepreneurial finance, mergers and acquisitions, leveraged buyouts, and conduct a basic accretion/dilution analysis.

The course will be particularly useful for students aiming to work at financial institutions, consulting and investment advisory.

Bibliography

Jonathan Berk, Peter DeMarzo, Corporate Finance, Global Edition, Pearson, 1292160160 (Book)
 Joshua Rosenbaum, Joshua Pearl, Investment Banking: Valuation, LBOs, M&A, and IPOs, University Edition, Wiley Finance, 1119823374 (Book)

Content

#	Topic
1	Accounting Brush-Up and the Three-Statement Model Refresher of financial accounting: the three main financial statements, key financial reporting standards, how to build a three-statement model with different layers of financing.
2	Basic valuation methods Discounted cash flow analysis: computing the cost of capital, key challenges in estimating the cost of capital and the firm's value. Adjusted present value as an alternative to the classic DCF.
3	Advanced topics in valuation Tentative list: Real options theory and applications: project finance, patents, option to delay, financial restructuring and corporate defaults. "Loose ends" in financial modeling.
4	Entrepreneurial finance Real world considerations for start-ups: modeling adjustments, search for funding, liquidity modeling.
5	Mergers, Acquisitions and Buy-Outs Time-permitting: Building a merger model, accretion-dilution analysis, leveraged buy-out modeling, private equity finance.

Assessment

Tool	Assessment tool	Category	Weight %
In-class analysis and discussion of issues	Active class participation	Ordinary round	10.00%
Individual or team exercises	Assignments	Ordinary round	40.00%
Written and/or oral exams	Final Exam	Ordinary round	50.00%

PROGRAMS

G114-Global Governance Exchange Program (Undergraduates: Law)
G114 Year 1 (Optative)

G114S-Global Governance Exchange Program (Undergraduates: Law)
G114S Year 1 (Optative)

GEL23-Bachelor in Global Governance, Economics and Legal Order (Undergraduates: Law)
GEL23 Year 2 (Optative)
GEL23 Year 3 (Optative)