



Master of Science Program in Finance - International Program (MIF)
Faculty of Commerce and Accountancy, Thammasat University
Course Syllabus
Semester/ Academic Year: 1st / 2012 (MIF# 13)
MF 746 Financial Analysis II: Corporate Valuation

I. General Information

Course Title: MF746 Financial Analysis II: Corporate Valuation

Course description:

The objective of this course is to take the accounting concepts and techniques developed in MF610 and to apply them to the valuation of equities in major industrial sectors. This involves developing and appraising a set of competing models of corporate valuation. These are applied in a variety of geographic, industrial and specialized circumstances requiring careful selection of appropriate valuation methods. Students will be able to produce equity research reports required by major securities firms.

Course Credit: 1.5 credits

Prerequisite: MF610 Financial Analysis I: Financial Reporting
MF641 Corporate Financial Theory

Instructor:

Name: Visit Ongpipattanakul, Managing Director

Contact information: Trinity Securities Co.,Ltd. 25th floor Bangkok City Tower, South Sathorn road, Bangkok.

Email: visitong@gmail.com

Class Time: Thursday 18.00-21.00 pm

Class venue: room 213 Faculty of Commerce and Accountancy Building

II. Course objectives and relevance

Key learning objectives:

The primary goal is to sharpen the student's finance orientation, and ability to apply financial statement into business valuation. The ultimate goal of the course is to integrate financial, accounting knowledge and the strategic thinking into business model and competitive strategy.

Development and relevance:

An intensive, rigorous, interactive and practical approach that focuses on value creation in business, and financial models used for performance evaluation, planning, strategy synthesis and development for shareholder value creation.

III. Method of Delivery

This class employs the following approached to learning:

- 1) Class lectures and numerous case studies
- 2) Term Project
- 3) Presentation

IV. Knowledge domain

Knowledge domain	Corresponding topics or class activity	Evaluation/ Percentage of total assessment (%)
4.1 Ethical and professional standards Research ethics Professional standards of practice in finance	Lecture and class discussion on related regulatory measures Lecture and class discussion on recent news headlines on best professional practice or breach of ethics Discussion of research protocol	Group projects and presentation including student peer review of group member (70%) Class participation (20%) Attendance (10%)
4.2 Body of knowledge (see session V)	Lecture and class discussion or specify	Group projects and presentation including student peer review of group member (70%) Class participation (20%) Attendance (10%)

4.3 Analytic thinking	Lecture and class discussion or specify	Group projects and presentation including student peer review of group member (70%) Class participation (20%)
4.4 Interpersonal skills	Class presentations Group projects	Group projects and presentation including student peer review of group member (70%) Class participation (20%)
4.5 Quantitative and computer skills	Lecture Homework and group projects Computer lab sessions (if applicable)	Group projects and presentation including student peer review of group member (70%) Class participation (20%)

V. Course schedule and assessment

Session/Date	Topic	Readings/Activities
<p><u>Session 1- 3</u></p> <ul style="list-style-type: none"> • Thu Sept 20,2012 • Thu Sept 27,2012 • Thu Oct 4,2012 	<p>REVIEW OF ESSENTIAL FINANCIAL AND ACCOUNTING CONCEPTS AND THE ROE FRAMEWORK FOR MEASURING AND MANAGING VALUE CREATION</p> <p>Objectives:</p> <p><i>Learn how businesses use financial models to measure and plan value creation in business.</i></p> <p><i>Learn the strategic and managerial application of financial statement</i></p> <p><i>Enhance your understanding of the 'language of business' used in financial statements.</i></p> <p><i>Learn the usefulness of ROE (Return on Equity), ROA (Return on Assets), RONA (Return on Net Assets), IRR, IRR on equity EP (Economic Profits, Cash flow Return on Investment (CFROI), market value added (MVA)) as integrated frameworks to direct and evaluate business performance.</i></p> <p><i>Understand the linkage model between strategy and valuations</i></p> <p><i>Understand the implication of equity risk premium</i></p>	<p>Materials:</p> <ul style="list-style-type: none"> ○ <i>Presentations from Ajarn Visit</i> ○ <i>Value primers from UBS</i> <i>Thought on valuations from CSFB</i> <i>Case study on A property company: Supali; a cement company: TPIPL; BANPU, Bangkok Expressway (BECL), DTAC and TRUE</i> ○ <i>Case study: Enron, RTY Telecom, and cable industry</i> <p>Must read:</p> <p>Valuation 5th edition: Measuring and managing the value of the company (2010). Koller, Goedhart and Wessels. Page 59-397.</p>

	<p><i>Understand the limitations of ROE, ROA, RONA, and EP measures.</i></p> <p><i>The cash flow model</i></p> <p><i>Learn to differentiate between profits and cash flows, and between book values and market values.</i></p> <p><i>Learn how to use published reports to analyze a company's management policies and business performance.</i></p> <p><i>Understand value drivers of the company</i></p> <p><i>Understand liquidation value</i></p> <p><i>Understand working capital management</i></p> <p><i>Understand the business real option in business application: the application of call option and put option</i></p> <p><i>Valuation of emerging company</i></p> <p><i>Valuation of companies in emerging market</i></p> <p><i>Valuation of utility companies</i></p> <p><i>Valuation of negative earnings</i></p> <p><i>Valuation of high-growth firm</i></p> <p><i>Creative accounting</i></p>	
<p><u>Session 4 -6</u></p> <ul style="list-style-type: none"> • Thu Oct 11,2012 • Thu Oct 18,2012 • Thu Oct 25,2012 	<p>• MANAGING FOR SHAREHOLDER VALUE</p> <p>• Valuations for M&A and debt restructuring</p> <p>Understand economic incentive of M&A</p> <p>Understand strategy and the Uses of M&A: To Grow Or Restructure the Firm Valuation of Synergy Real Options and business strategy acquisition growth</p> <p>Objectives:</p> <p><i>Understand cost of capital</i></p> <p><i>Learn how investors estimate the market value of bonds and stocks.</i></p> <p><i>Learn to estimate the impact of a company's</i></p>	<p><i>Case study: Marriot, Iridium</i></p> <p>Read:</p> <p><i>1) Acquisitions vs. Organic Growth - A Question of Corporate Strategy”</i></p> <p><i>2) Mergers, Acquisitions and Corporate Restructuring by Chandrashekar Krishnamurti and S R Vishwanath, Sage Publications Pvt. Ltd (February 6, 2008)</i></p> <p><i>3) Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions (Wiley Finance) Joshua Rosenbaum and Joshua Pearl</i></p> <p><i>4) Valuation of real option and cable</i></p>

	<p><i>plans on its market value and shareholder value.</i></p> <p><i>Evaluate the strengths and weaknesses of the Shareholder Value Analysis Model</i></p>	<p><i>in Real Options: Harvard Business School</i></p> <p><i>5) Mergers and Acquisitions: Current Issues (2008) by Greg N. Gregoriou and Karyn Neuhauser.</i></p>
<p><u>Session 6:</u></p> <p>• Thu Oct 25,2012</p>	<p>BUSINESS MODEL and Valuations</p> <p>Objectives:</p> <p><i>Understand various types of business model: holding companies, monopoly, duopoly, oligopoly, market at the bottom of pyramid, low capital model, long tail, cartels, regulated market, market in transition, free market, future market, cost sensitive market</i></p> <p><i>Understand competition condition.</i></p> <p><i>Understand the effect of typical business decisions on profitability, cash flow, and financial position.</i></p> <p><i>Learn why firms can be profitable and yet go broke.</i></p> <p><i>Learn why firms can grow broke.</i></p> <p><i>Learn how cycle time and lean manufacturing affect cash flow.</i></p> <p><i>Value-based Strategy</i></p>	<p><i>Case study: Boing and Airbus,</i></p>
<p><u>Session 7:</u></p> <p>Thu Nov 8, 2012</p>	<p><i>Presentation by students</i></p>	

Assessment:

Grade: Term projects (70%), and attendance & participation (30%)

Term projects: Selecting companies for the term project. The purpose of term project is to provide a broad overview of the interconnected activities related to financial statement analysis:

1. Identify the economic characteristics of the industry in which a firm participates.
2. Identify the corporate strategy that a firm pursues to compete within its industry.
3. Assess the quality of a firm's financial statements and adjust them, if necessary, for items lacking sustainability or comparability.

4. Analyze and interpret the profitability and risk of a firm, assessing how well the firm performed and the strength of its financial position
5. Value the particular firm by using
 - Present value of projected dividends
 - Present value of expected free cash flows to the firm
 - Residual income valuation
 - Market-based comparables
6. Valuation of pre-merger and post merger situation
7. Valuation of synergy value or destroying value
8. Critical analysis of the impacts of the merger and acquisition, or pure acquisition in terms of strategy and financial performance

The students should analyze a case study on merger or acquisition. When selecting companies to analyze, select an industry and firms in which you have an interest. You will likely spend considerable time on the project. Selecting firms of interest enhance motivation. Some of our students select for with they hope or expect to work. The in-depth analysis of the firm often enhances the job interview and early work experience once hired.

The list of merger and acquisition cases includes:

- 1) Thai Ofefin (TOC) and National Petrochemical (NPC)
- 2) Thanachart Capital (TCAP) and Siam City Bank (SCIB)
- 3) Thai Military Bank (TMB), IFCT and Thai Danubank (TDB)
- 4) Rayong Refinery (RRC) and Aromatic (ATC)
- 5) GE Capital and Bank of Ayudhaya (BAY)
- 6) Phatra and Kiatnakin
- 7) AOL and Time Warner (extra points)

Acquisition cases:

- 8) Thai Beverage and Oishi group
- 9) Thai Beverage and Sermsuk
- 10) The back door of Grand Canal in Medias of Medias
- 11) Big C with Carrefour
- 12) Mint and S&P
- 13) PTT and IRPC
- 14) True and HUTCH
- 15) Sahaviriya Steel and the Teeside Cast Product from Tata Steel
- 16) BANPU and the Indonesian ITM and the Australian CEY
- 17) The restructuring in BTS group
- 18) Thai Beverage and Fraser & Neave (extra points)
- 19) ING and TMB
- 20) BGH and Phayathai Hospital
- 21) Siam Cement and Siam Global House
- 22) Siam Cement and QCON
- 23) Khun Chareon group and Beri Juker

Stand-alone cases (extra points will be given):

- 1) Valuation of Face Book
- 2) Valuation of Manchester United
- 3) Valuation of Nation Multimedia Group
- 4) The restructuring of IRPC

Papers: Based on the terms project, the students in the group of three are required to submitted two projects

- 1) A set of five slides and the group presentations on the session 7 on the framework of valuation methodologies for selected companies.
- 2) A report with 20-30 pages addressing the above issues.

VI. Supplementary class materials

Background Readings - carefully selected to clarify key concepts and managerial approaches, and help enhance your business perspectives and skills.

Cases Studies - to critically explore management practices and the application of general concepts to specific business situations.

Key text books: Valuation 5th edition: Measuring and managing the value of the company (2010). [Koller](#), [Goedhart](#) and [Wessels](#). Page 59-397

VII. Course evaluation and development process

7.1 Student evaluate on of course

There will be two evaluation per course. Pre-mid term evaluation (session 3) and post-mid term evaluation (session before final class).

The instructor will receive feedback from students in the following key areas

- Class preparation
- Follows course outline
- Appropriate
- Assignments
- Encourages thinking
- Provides opportunity to discuss
- Encourages independent study.
- Made student see benefits of course

7.2 Peer review system

7.2.1 Instructor receives feedback of course syllabus from peer group report

7.2.2 Instructor receives feedback of teaching from peer group report

7.3 Class improvement

7.3.1 Faculty receives feedback from students evaluation. One after session 3 and one conducted on session before last.

7.3.2 Annual faculty academic meeting

7.4 Evaluation of learning outcomes

7.4.1 Faculty end of semester evaluation of students

7.4.2 Assessment of student performance in exams

7.5 Course development

7.5.1 Annual faculty academic meeting

7.5.2 Accommodate case study from industry practice and current research in curriculum.