
Corporate Finance and Valuation

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Course Description

This course deals with the two main challenges faced by the financial management of a company: the investment decision, concerning the use of company resources in productive projects, and the funding decision, or of capital structure, which examines how to obtain the money needed to finance the investments.

We first review the basic concepts of the investment decision: the computation of expected cash flows, the valuation concepts such as the NPV and the IRR; and the necessary adjustments to take risk into account. Then, we should study in detail the methods of financing companies or, in other words, the capital structure. We will investigate the advantages and disadvantages of debt financing, contrasting them with the rights and obligations arising from financing via equity (shares). The last part of the course introduces the main valuation methods, which are then used to value company projects and entire companies.

Methodology

You will learn through a series of lectures, relevant examples, and case studies, designed to apply your newly developed skills to address real-world financial problems.

Lectures will mainly develop the concepts and methodologies that make up the items of the course list. These sessions are based on the textbook, but we have prepared a set of slides that set out the main material more specifically. The slides should be the fundamental support for personal preparation before and/or after the lectures.

The problem set sessions will present solutions of a set of practical exercises, distributed in advance. You will be required to prepare the solutions to these exercises. The exercises will help you out prepare for the final exam.

The module also requires the preparation of business case studies. Resolutions of the cases will be presented in groups. During those sessions, we will also encourage student participation in the discussions, which will be evaluated individually.

Evaluation criteria

The exam accounts for 65% of the overall grade and the business case presentations for the other 35%. To pass the course, you need to obtain a 40% average in the exam.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a **5 by default as a final grade for the course**. If the course is again failed after the retake, students will have to register again for the course the following year.

Plagiarism is to use another's work and to present it as one's own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the "Honor Code," students acknowledge that they understand the schools' policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program."

Calendar and Contents

Lectures (Albert)

Session Subject

- 1 Introduction / Investment decisions
- 2 Investment decisions
- 3 Capital structure
- 4 Capital structure
- 5 Equity Financing
- 6 Valuation methods
- 7 Company valuation

Business cases (Filippo)

Session Subject

- 1 The case of a leveraged recapitalization
(Blaine Kitchenware)
- 2 The case of a leveraged recapitalization
(Blaine Kitchenware)
- 3 The valuation of a private firm with DCF
and Multiples (Teuer Furniture)
- 4 The valuation of a private firm with DCF
and Multiples (Teuer Furniture)
- 5 Presentations of the two cases

Problem set sessions (Teaching assistant)

Session Subject

- 1 Problem set 1: Investment decisions
- 2 Problem set 2: Capital structure
- 3 Problem set 3: Payout policy
- 4 Problem set 4: Valuation
- 5 Review

Reading Materials

The textbook that will serve as main reference of the course is Berk and P. DeMarzo, Corporate Finance. There are other books such as Grinblatt and S. Titman, Financial Markets and Corporate Strategy; and Brealey, R. A., Myers, S. C., Allen, F. Principles of Corporate Finance that cover the same material. The library has copies available.

Biography of the Professors

Albert Banal-Estanol is Associate Professor at the Universitat Pompeu Fabra, Programme Director of the MSc in Corporate Finance and Banking, Deputy Director of the Master in Economics of Energy, Climate Change and Sustainability at the Barcelona School of Economics (BSE), affiliated Professor at the BSE, affiliated Professor at City University London and Visiting Professor at the IFP-Energies Nouvelles in Paris. Previously, he has held teaching and research positions at the University of Western Ontario in Canada, Northwestern University in the US, University of Cambridge, UCL London Business School in the UK, and the University of Munich in Germany. He has delivered executive training courses for government agencies, regulators and private companies. His main research interests are in the fields of Corporate Finance, Competition and Regulation, and Innovation and Entrepreneurship.

Filippo Ippolito is Associate Professor of Finance at Universitat Pompeu Fabra and Director of the Master in Financial Economics at the Barcelona School of Economics. He holds a PhD in finance from Saïd Business School, Oxford, and an MPhil in Russian and Eastern European Studies from the University of Oxford. Prof Ippolito is a member of the Committee of Economic Advisors of the European Securities and Markets Authority. His research focuses on corporate debt, capital structure, corporate liquidity management and private equity. Prof Ippolito has published in the Journal of Finance, Journal of Financial Economics, Journal of Monetary Economics, Journal of Financial Intermediation, Journal of Money, Credit and Banking, Annual Review of Financial Economics, and Journal of Corporate Finance.