

MIDDLE EAST TECHNICAL UNIVERSITY
Department of Business Administration

BA 4829 - 5829
VALUATION, Models and Applications

Spring, 2008

Phone: 210-2041

Class Hours: M & W 13:15-14:30 **G262**

Office: H114

Office Hours: M 14:45-16:00, T&W 10:15-11:30

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Course materials

Aswath DAMODARAN, Investment Valuation 2nd ed., Wiley Publishing, 2002, available at the METU bookstore or can be downloaded from www.damodaran.com.

Course Description and Objectives

The objective of the course is to help students answer the question:

WHAT IS IT WORTH?

Valuation will be examined for all sorts of assets and with many different models. Upon completing this course students will be able to develop answers to this question for almost any asset. Even though the DCF models will form the basis of the course, many other models will also be reviewed and reconciled. Understanding the factors that determine the value of an asset will also aid managers in understanding the effects of their decisions better.

Assignments and In-Class activities

There will be a number of Quizzes during the semester and together with your class participation score will make up 10% of your grade. Attendance and class participation will be mandatory and I will ask you to sit in class according to the seating chart.

You will also be required to prepare a Valuation Case Study for a firm of your choice, to be submitted at the end of the semester.

Class Preparation:

You should come to class having read the relevant material prior to class, and prepared any assignments for the topic to be covered that day. Proper preparation for the class will significantly increase your understanding of the lecture and related subject. Questions are expected and encouraged.

Grade determination

Please state the relative weights that will be used in determining final grades. Your grade in this course will be determined by your performance on one midterm exam, a final exam, a case study, quizzes and class participation. The following weights will be used in determining your grade:

Mid-Term	25%
Final (Comprehensive)	25%
Valuation case study	25%
Quizzes and Classwork	25%

Course Outline

Topic	approx. length	Investment Valuation (2 Ed)
Introduction	2 classes	Chapter 1: Introduction to Valuation Chapter 2: Approaches to Valuation
DCF Valuation: Estimating Parameters	6 classes	Chapter 7: Riskless Rates and Risk Premiums Chapter 8: Estimating Risk Parameters and Costs of Financing Chapter 9: Measuring Earnings Chapter 10: From Earnings to Cashflows Chapter 11: Estimating Earnings Growth Chapter 12: Closure in Valuation: Estimating Terminal Value
DCF Valuation: Valuation Examples	3 classes	Chapter 13: Dividend Discount Models Chapter 14: Free Cashflow to Equity Discount Models Chapter 15: Valuing a Firm: Free Cashflow to Firm and APV Models Chapter 16: Estimating Equity Value Per Share Chapter 21: Valuing Financial Services Firms Chapter 22: Valuing Firms with Negative Earnings Chapter 23: Valuing Young and Start-up Firms
Midterm exam		
Relative Valuation	6 classes	Chapter 17: Fundamental Principles of Relative Valuation Chapter 18: Earnings Multiples Chapter 19: Book Value Multiples Chapter 20: Revenue and Sector-specific Multiples
Valuing Private Firms	2 classes	Chapter 24: Valuing Private Firms
Option Pricing Applications	3 classes	Chapter 5: Option Pricing Theory and Models Chapter 28: The Option to Delay and Valuation Implications Chapter 29: The Option to Expand and Abandon: Valuation Implications Chapter 30: Valuing Equity in Distressed Firms
Acquisitions	2 classes	Chapter 25: Acquisitions and Takeovers
Value Enhancement Strategies	2 classes	Chapter 31: Value Enhancement: A Discounted Cashflow Perspective Chapter 32: Value Enhancement: EVA, CFROI and Other Tools
Conclusion	1 class	Chapter 35: Overview and Conclusions

Email list:

You are **required** to join the email list for this course (ba4829@yahoogroups.com) in order to receive information about assignments, and the latest information concerning the course such as new resources, changes in dates, etc.