FNCE 3415 - Valuation & Financial Modeling

Section 03&04

T Th 1:45-3:25pm & 3:40-5:20pm

Classroom: HIL 107

College of Business Administration

Loyola Marymount University- Fall 2022

Dr. David Moore

Course Website:	https://www.davidrmoore.com/FNCE3415/home.html
Brightspace Page:	https://brightspace.lmu.edu/d2l/home/187114
Office Hours:	In-Person: W 1:00-4:00pm and Th 10:00-12:00pm or *by appointment*
	Virtual: M 1:00-3:30pm F 10:00-12:00pm or *by appointment*
Office Hours Location:	In-Person: Hilton 248
	Virtual: https://calendly.com/prof_moore/virtual-office-hours
Office Phone:	310.338.5163
Cell Phone:	423.400.6578
E-mail:	david.moore@lmu.edu

Required Materials

1. Harvard Business Publishing cases and notes (HBS). There is a case packet that has been compiled specifically for this class (cost is around $20) available at: https://hbsp.harvard.edu/import/938505
2. Wall Street Prep (WSP): You will have lifetime access to all the videos provided by this training company (which is used by many finance-focused firms) as part of their "Student Passport" package. Access costs $50, and can be purchased at the following link: https://gv142.infusionsoft.com/app/manageCart/addProduct?productId=6105
   - This material is supplementary to video lectures and is used as such.
   - Contains useful material not covered in this class.

Optional Additional Materials

1. Damodaran, Investment Valuation, Wiley, 3rd ed. https://www.amazon.com/dp/1118130731/
2. Damadaran, The Little Book of Valuation, Wiley, 1st ed. https://www.amazon.com/dp/1118004779/
3. Damodaran, Narrative and Numbers, Columbia Business School, 1st ed. https://www.amazon.com/dp/0231180489
4. Koller, Goedhart, and Wessels, Valuation. McKinsey and Company, 6th or 7th ed. https://www.amazon.com/dp/1119610885/
5. Rosenbaum and Pearl, Investment Banking, Wiley, 2nd or 3rd ed. https://www.amazon.com/dp/1119706181

Other Resources

1. Financial Times subscription, free for LMU students. To register: www.ft.com/lmu.
2. Wall Street Journal subscription, $4 a month for students. To register: https://store.wsj.com/shop/us/us/wsjstudentsumns22
3. Bloomberg Lab on campus. For more info see: https://cba.lmu.edu/academics/undergrad/finance/studentsuccess/bloombergfinancelearninglab/

Course Prerequisites

To enroll in this class, you must have taken FNCE 3400 or FNCE 3410 (with a minimum grade of C).

Course Description

This course will cover the theory and practice of financial statement analysis and valuation. Students will learn how to use theory and data to solve challenging business problems with incomplete information. Students will become comfortable with using financial modeling as a tool to help them perform financial analysis and make decisions.

Learning Outcomes

This course contributes to student achievement of the following CBA core learning outcomes:

- Students will demonstrate understanding of the core concepts in finance.
- Students will accurately utilize quantitative techniques to model and evaluate business decisions.
- Students will demonstrate critical thinking skills by defining, modeling, analyzing and evaluating complex business problems.

Upon completion of this course, students should successfully demonstrate the following finance course learning outcomes:

- Know how to read and extract information from required regulatory filings (such as 10-Ks, 8-Ks, or 10-Qs).
- Perform vertical and horizontal analysis of financial statements.
- Calculate financial ratios - understand what they mean and how to use them.
- Analyze firm performance by examining trends and comparing with competitors (or peers).
- Perform company valuation using the multiples (aka, comparables) approach.
- Perform company valuation using the discounted cash flow approach.
- Understand the strengths and weaknesses of each methodology and know which method to use in different situations.
- Perform sensitivity analyses.

Course Structure and Instructional Method

This course is taught with a “flipped classroom" approach. Most lecture material will be viewed through a series of videos outside of class time. During the class period, we will be applying the concepts from the lecture videos to problems and solving those problems in

small groups and then reviewing together as a class. For example, I will post a set of videos to watch before class and potentially a homework assignment due before class, then during our class time, we will meet in-person and work through the homework assignment as well as additional problems. **In order to succeed in this course structure it is vital that you watch the lecture videos before class and properly prepare for our in-class time together.** Before each module, I will email you with all the required information: which videos to watch and when, any assignments and due dates, quiz date, and any other pertinent information. This information can also be found at the end of the syllabus.

Office Hours and Making an Appointment

I will hold both in-person and virtual office hours. There is no need to schedule an appointment for in-person schedule office hours on Wednesday from 1:00-4:00pm and Thursday from 10:00-12:00pm. Please schedule an appointment to meet with me during Zoom virtual office hours on Monday from 1:00-3:30pm and Friday from 10:00-12:00pm. Use this link to schedule a virtual office hour time slot, https://calendly.com/prof_moore/virtual-office-hours. To schedule an appointment with me outside of office hours please use this link: https://calendly.com/prof_moore/30min. You can change the last part of the url "30mins" to either "15min" or "60min" depending on how long you would like to meet. Please try to schedule with at least 24 hours notice for non-office hours meetings, if it is urgent text or email me to set up an appointment. You may choose a virtual or in-person meeting when scheduling, some times are limited to virtual only.

Work Load Expectations

At Loyola Marymount University, one credit hour is defined as a minimum of 3 hours of work by an average student per week for a 15-week semester. **Therefore it is expected that at an absolute minimum you devote 12 hours of work per week on this course, on average.**

Technology Requirements

We will use Microsoft Excel daily in this class. Students will need access to Excel to practice, study, complete assignments, and succeed in the course. Excel (as well as other Microsoft Office products) is free to LMU students using an LMU email address via www.office.com/getoffice365. It is recommended that you use the PC version of Excel, not the Mac version (if possible), since some of the functionality differs between the two versions. If you are having technology issues please contact ITS Service Desk (Phone: 310-338-7777 or 213-736-1097, Email helpdesk@lmu.edu or visit https://lmu.service-now.com/servicedesk).

Email and Website

Email is an official mean of communication for the University. My email address, david.moore@lmu.edu, is the best way to get in touch with me. E-mails received before 3:00 p.m. on a weekday generally will get a response on that day. E-mails received after 3:00 p.m. generally will receive a response by the following day. E-mails received after 3:00 p.m. Friday generally will receive response by noon on the following Monday. You are responsible for all class e-mails.

Course material can be found primarily on the course website, https://www.davidrmoore.com/FNCE3415/home.html. Assignment upload and grades can be found on our course Brightspace page https://brightspace.lmu.edu/d2l/home/187114. All grades will also be indiviudally emailed with feedback.

Introduction and Midterm Meeting

You are required to attend a 10 minute meeting with me at the beginning of the semester. This will help me get know you, your goals in both this class and your career, and give you the opportunity to ask any questions you may have about the course. We will also have a meeting around midterm to evaluate your progress, identify strengths and weaknesses, and discuss how we can reach our goals the rest of the semester. You can sign up for the introductory meeting here https://calendly.com/prof_moore/meet-and-greet **You are required to submit a curriculum vitae (CV) and a one-page profile for the introductory meeting.** See https://www.davidrmoore.com/presentations/Welcome_3415.html#/2 for example of one-page profile.

Daily Learning Feedback

After each class meeting I ask that you submit a Daily Learning Feedback, which helps me understand what you learned from that day's class, gives you the opportunity to ask any lingering questions, and provide any additional feedback.

Quizzes

Studies have shown that students who take frequent examanations rather than infrequent examanations see improvements in both learning and retention and as a result have higher grades (see these links for more info: here, here, and here. There will be a total of **9** quizzes. All quizzes will be announced ahead of time, in class, and through email. **I will drop your lowest quiz score.** Please note quizzes can contain questions related to information from any material covered up to that point in the class. Quizzes will be taken outside of class. Students will have a 3-4 day window to take the **timed** quiz. Students will have one attempt at each quiz. Any quiz not submitted by the window deadline or the attempt deadline will result in a grade of zero on that quiz. Quizzes will be closed notes/book and can contain both conceptual (multiple choice or short answer) and direct application (solutions to be completed in Excel). No outside material of any kind can be used during quizzes. **Quizzes must be completed in allotted time.**

Homework and Group Work

There will be homework that is required to be turned in throughout the semester as well as in class group presentations. ALL homework and group work will count towards your final grade. You must turn in your own work but may ask classmates or professor for general guidance. DO NOT directly copy a classmate's work, please see Academic Integrity section for details on what constitutes cheating and the associated consequences. Homework will be graded pass/fail and group work will be graded out of 25 possible points per presentation, of which 5 points is from your group members.

Valuation Project

You will work in small groups (2-3 people) on the project. Each group will choose a company (subject to my approval) to conduct financial and valuation analyses on. Three important components of this project are (1) monitoring current events about the subject firm, ex., earnings announcement, litigation, new products, executive turnover, M&A activity etc.; and (2) becoming familiar with reading a firm's required regulatory filings (such as 10-Ks, 8-Ks, or 10-Qs), understanding management disclosures, and extracting information to use in your financial models (3) using this information and the skills/tools learned throughout the course to create a professional valuation report. I recommend setting up a Google alert for your company to monitor current events. Even though it is called a final project you will be completing project milestones throughout the course. Project details, including milestone due dates, are detailed on the Valuation Project Handout. There will be a in-person presentation near the end of the semester.

Final Exam

In lieu of a written final exam, we will have an individual oral exam conducted through Zoom. The exam will take place during finals week. The exam will take the form of a mock job interview covering topics from the semester. You can sign up for the final exam using this `https://calendly.com/prof_moore/final_oral_exam` link.

Grading Policy

Your grade will be calculated using the following breakdown:

Attendance of Intro and Midterm meeting	10 points
Quizzes	30 points x 8 quizzes =240 points
Homework	10 points x 10 homeworks=100 points
Group Presentations	6 presentations x 25 points=150 points
Valuation Project	250 points
Final Exam	250 points
Total	1000 points

We will follow a standard grading scale:

Letter Grade	Points	Letter Grade	Points
A	>930.0	C+	770.0-799.9
A-	900.0-929.9	C	730.0-769.9
B+	870.0-899.9	C-	700.0-729.9
B	830.0-869.9	D	600.0-699.9
B-	800.0-829.9	F	<600.0

Your assigned grade is your earned grade. There will be absolutely no rounding up to the next letter grade if you are "close". Please do not email at the end of the semester asking to be "bumped up a letter grade" or for any "extra credit opportunity". There will be a 10 point penalty for anyone that asks for a grade increase at the end of the semester. **There are no outside of class extra credit opportunities.** It is my (optimistic) goal to return graded assignments before the beginning of the next class period. Remember grades are earned not given.

Dispute Policy: If you have an issue with your assigned grade on any assignment/quiz/exam, you may file a dispute. All requests must be made in writing within 24 hours of receiving the graded assignment.

Tips and Notes

1. Attend the first day of class on Tuesday, August 30, 2022, and pay careful attention. A few students lose points later in the semester that they would not have lost had they understood everything from the first class.
2. Carefully read and understand the syllabus in the first week of the class. This is a good practice for all your courses.
3. Due to flipped nature of classroom it is vital that you prepare for each class. i.e., watch and complete all required material.
4. The goal of frequent quizzes vs exams is to promote retention and learning. That being said it is important to prepare for class each day (quiz or not).
5. Students often learn by doing. So practice outside of class by engaging with the material and with other students. This is especially important for this class.
6. The most important thing you can do in this class (and most classes) is to attend class everyday **AND** actively participate.
7. Utilize resources. I will try to offer alternative learning resources outside of class. Please use these resources. Office hours are a great resource if you are struggling with the material. Please come see me *early* when you have an issue. If you can't make it to office hours, please make an appointment. We have a course quizlet : https://quizlet.com/join/ycpfZRXMm, though this class is more application based. Students in the past have found the course videos very helpful.
8. If Excel is not behaving the way that you expect, it is much better to assume that it is something that you are doing wrong rather than something Excel is doing wrong. While software can occasionally misbehave, usually it is user error that causes most problems. Computers tend to be very picky about having exactly the right steps done in exactly the right order. Deviating from the correct path just a little is frequently more than current computers can take and leads to errors or problems. It is very, very important that you learn to pay careful attention to every detail. If you assume that it is a computer error, you stop trying to find the solution. If you assume that it is your error, you continue to search for the right solution.
9. When working with Excel, save your work regularly. If the software hangs or has problems you will have a saved file to go back to. Saving regularly is particularly important during exams. This is a good practice to get into whenever you use a computer. Technical issues will be dealt with on a case-by-case basis but there is no guarantee extra-time will be given.
10. Efficiency (as well as proficiency) is key to financial modeling, therefore; all examination will be timed. It is important to become efficient in completing the task.
11. Do not wait until the last minute to submit your quizzes. The software is timed so that it stops accepting submissions when the alloted time has elapsed. When the time is

over, immediately complete the submission process. You will be given an additional 5 minutes to download and submit the quiz, after which the software will stop accepting submissions. Any student that does not successfully submit an quiz will receive a score of 0 on that quiz.

12. This course requires significant self discipline and therefore it is important to stay engaged with the course daily. If you are struggling, with either the material or the course structure, please reach out immediately.

Finance Society

Though not required as part of this course, I highly recommend you attend the weekly Finance Society meetings. The LMU Finance Society offers a free Speakers Series to learn about different careers in finance as well as other networking and learning events for all LMU students. You can find the list of weekly speakers here: https://lmufinancesociety.com/upcoming-events/. This is a great way to start building i) knowledge of different career paths, ii) contacts and a professional network, iii) interview skills, and iv) a summer internship. There is also the Lion Investing Society on campus: https://www.lioninvestingsociety.com/

Attendance Policy

The following are acceptable reasons for excused absences: (a) serious illness of the student or serious illness of a member of the student's household or immediate family, (b) illness or death of immediate family member (For the purpose of this rule, immediate family is defined as spouse or child or parent or sibling; and grandchild or grandparent), (c) University-related trips, (d) major religious holidays, and (e) interviews for full-time job opportunities post-graduation and for graduate or professional school.

Students are required to notify the professor of absences and provide appropriate documentation two weeks prior to absences for absences that can be anticipated (e.g., for University-related trips, major religious holidays and interviews) to be eligible for a makeup.

I have the right to request appropriate verification when students claim an excused absence (e.g., an obituary that explicitly mentions your name as a relative or other additional supporting documentation that clearly identifies you as a relative). You must provide documentation as soon as possible and no later than one week after the missed quiz/class. Makeup quizzes/assignments are not offered when the documentation is late or missing.

I will not give make-up quizzes for reasons not listed above. This policy also applies to the final exam.

Due to COVID-19, students may need to miss class because of illness, quarantine, isolation or other COVID-related reasons. Please let me know immediately and we will make arrangements for your continued success in the course.

Academic Integrity

Loyola Marymount University is a community dedicated to academic excellence, student-centered education and the Jesuit and Marymount traditions. As such, the University expects all members of its community to act with honesty and integrity at all times, especially in their academic work. Academic honesty respects the intellectual and creative work of

others, flows from dedication and pride in performing one's own best work, and is essential if true learning is to take place. As an LMU Lion, by the Lion's Code, you are pledged to join the discourse of the academy with honesty of voice and integrity of scholarship.

Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. **The minimum penalty for a first offense is a zero on the assignment on which the offense occurred.** If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed.

Plagiarism and cheating are serious breaches of academic conduct. Each student is advised to become familiar with the various forms of academic dishonesty in the "Academic Honesty Policy". A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited.

All academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about the question of plagiarism involving their own work, they are obliged to consult their instructors on the matter before submission.

When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording or anything else from another source without appropriate acknowledgment of the fact, the students are guilty of plagiarism. Plagiarism includes reproducing someone else's work, whether it be a published article, chapter of a book, a paper from a friend or some file, or something similar to this. Plagiarism also includes the practice of employing or allowing another person to alter or revise the work which a student submits as his/her own, whoever that other person may be.

When a student's work involves research in outside sources of information, the student must carefully acknowledge exactly what, where and how he/she employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content and phraseology intact is plagiaristic. However, nothing in these Rules shall apply to those ideas which are so generally and freely circulated as to be a part of the public domain.

Expectations for Classroom Behavior

- LMU's Community Standards, which defines as prohibited conduct (IV.D): "Disruptive Behavior, and/or intentionally or recklessly interfering with normal University life, activities, processes or University-sponsored activities including, but not limited to: studying; teaching; research; classroom instruction; campus or residential life; University administration; judicial proceedings; or fire, police or emergency services." More info can be found here.
- The Lion's Code (see LMU's Community Standards)
- Guidelines on LMU Student Classroom and Course-Related Behavior
- The LMU Student Affairs brochure Disruptive and Threatening Student Behavior (Fall 2010), which states "Disruptive behavior which is persistent or significantly interferes

with classroom activities may be subject to disciplinary action. A student may be referred to the Office of Student Judicial Affairs if their behavior constitutes a violation of the conduct code." More info can be found here.

RESPECT FOR SELF AND OTHERS: As an LMU Lion, by the Lion's Code, you are pledged to join the discourse of the academy with honesty of voice and integrity of scholarship and to show respect for staff, professors, and other students.

STUDENT SELF-CARE: No matter if you are a new student or returning student, remember to prioritize your self-care. LMU has many health and wellness resources available to support you at every step of your journey. Learn more at lmu.edu/lionwellness.

Policy on Academic Accommodations Due to Disability

Students with special needs who require reasonable modifications, special assistance, or accommodations in this course should promptly direct their request to the Disability Support Services (DSS) Office. Any student who currently has a documented disability (ADHD, Autism Spectrum Disorder, Learning, Physical, or Psychiatric) needing academic accommodations should contact the DSS Office (Daum Hall 2nd floor, 310-338-4216) as early in the semester as possible. All discussions will remain confidential. Please visit DSS for additional information.

College of Business and Administration Mission

We advance knowledge and develop business leaders with moral courage and creative confidence to be a force for good in the global community. https://cba.lmu.edu/about/mission/

Reporting Requirements of Sexual or Interpersonal Misconduct

As "responsible employees," faculty are required to report any case of suspected sexual or interpersonal misconduct and cannot protect student confidentiality. For information about confidential counseling on campus and for general information about consensual relationships, sexual harassment, and sexual assault, please see the LMU Cares website

Emergency Preparedness

To report an emergency or suspicious activity, contact the LMU Department of Public Safety by phone (x222 or 310-338-2893) or at the nearest emergency call box. In the event of an evacuation, follow the evacuation signage throughout the building to the designated safe refuge area where you will receive further instruction from Public Safety or a Building Captain. For more safety information and preparedness tips, visit http://www.lmu.edu/emergency.

Tentative Course Schedule Below is our tentative schedule for the semester broken down into nine (9) modules. All homework assignments are by 12:00pm on the date stated. It is imperative that you watch the videos listed **before** class. I will review the videos with the understanding you have seen the material. LV stands for lecture videos, which can be found at http://www.davidrmoore.com/FNCE3415/videos_lecture.html. EV stands for Excel videos, which can be found at http://www.davidrmoore.com/FNCE3415/videos_lecture.html.

Module	Dates	Topic	Assignments	Videos (Watch BEFORE class)
1.Basic Excel Modeling	Aug. 31	Syllabus Review & Course Introduction		
	Sept. 1	Excel Workshop Day & Presentation Prep	HW #1*	LV #1-10 & EV #1-2
	Sept. 6	Group Presentation #1		
	Quiz 1 due September 11 by 11:59pm			
2.Financial Statements Review	Sept. 8	Video Review & Lemonade Stand Example		LV #1-9
	Sept. 13	Complete Example and Presentation Prep	HW #2*	
	Sept. 15	Group Presentation #2		
	Quiz 2 due September 18 by 11:59pm			
3.Financial Statements Analysis	Sept. 20	Video Review and Ratio Games	HW #3*	LV #1-8 & EV #1
	Sept. 22	California Choppers Case & Presentation Prep	HW #4*	
	Sept. 27	Group Presentation #3		
	Sept. 29	SILK Valuation Day #1	HW #5*	
	Quiz 3 due October 2 by 11:59pm			
4.Financial Statement Modeling	Oct. 4	Video Review and Presentation Prep		LV #1-4 & EV #1
	Oct. 6	Group Presentation #4		
	Quiz 4 due October 9 by 11:59pm			
	Milestone 1 due October 14 by 11:59pm			
5.Discounted Cash Flow Part 1	Oct. 11	Video Review	HW #6*	LV #1-9
	Oct. 13	SILK Valuation Day #2	HW #7*	
	Oct. 18	Teuer Case A	HW #8*	
	Oct. 20	Milestone 2 Peer Review		
	Quiz 5 due October 23 by 11:59pm			

***All homework assignments are due by 12:00pm**

Module	Dates	Topic	Assignments	Videos (Watch BEFORE class)
6.Discounted Cash Flow Part 2	Oct. 25	Video Review & Presentation Prep		LV #1-9 & EV #1-2
	Oct. 27	Group Presentation #5		
	Quiz 6 due October 30 by 11:59pm			
	Milestone 2 due November 5 by 11:59pm			
7.Relative Valuation	Nov. 1	Video Review & Case Prep	HW#9*	LV #1-9 & EV #1-2
	Nov. 3	Teuer Case B & Presentation Prep		
	Nov. 8	Group Presentation #6		
	Nov. 10	SILK Valuation Day #3	HW#10*	
	Quiz 7 due November 13 by 11:59pm			
8.Model Selection and Football Field Chart	Nov. 15	Video Review		LV #1-5 & EV #1
	Nov. 17	SILK Valuation Day #4 & Milestone 2 Feedback		
	Quiz 8 due November 20 by 11:59pm			
9.Advanced Excel	Nov. 22	In-Class Workshop		EV #1
	Nov. 24	NO CLASS THANKSGIVING HOLIDAY		
	Quiz 9 due December 4 by 11:59pm			
Final Project Presentations and Course Review	Nov. 29	Presentation Instructions & In-class prep time		
	Dec. 1	Presentation Day 1 & Review Day 1		
	Dec. 6	Presentation Day 2 & Review Day 2		
	Dec. 8	Presentation Day 3 & Review Day 3		
	Final Project due December 11 by 11:59pm			

***All homework assignments are due by 12:00pm**

Disclaimer: This Syllabus and outline is tentative and I reserve the right to make changes to the course and schedule as needed and will provide ample notice to any changes made.