
Corporate Valuation

Professor: Albert Banal-Estanol

Email: albert.banalestanol@upf.edu

Professor: Jacobo Cuadrado

Email: jacobo.cuadrado@gmail.com

Objectives

This course shall develop and apply the tools used to evaluate the performance and to assess the value of corporations. The course covers and puts at work the valuation approaches for enterprise valuation. You will learn to assess whether a firm is creating value for shareholders. An important aspect of this course will be to bridge financial theory and practice with valuation and capital structure analysis in the context of real world implications.

Description

The first part of the course should cover the three approaches to valuation: (i) discounted cash flow valuation, relates the value of an asset to the present value of expected future cash flows on that asset, (ii) relative valuation, which estimates the value of an asset by looking at the pricing of 'comparable' assets relative to a common variable like earnings, cash flows, book value or sales, and (iii) contingent claim valuation, which uses option pricing models to measure the value of assets that share option characteristics. The second part shall consist of a series of invited sessions which should put the concepts of the first part at work in real-world cases.

Contents

List of topics in the first part:

1. Relative Valuation
2. Review of the DCF Valuation Methods
3. A Financial Modelling Example
4. Measuring Continuation Value
5. Real Option Applications in Valuation
6. Valuing Private Firms (time permitting)
7. Valuing Acquisitions (time permitting)
8. Value Enhancement (time permitting)

Title of the sessions of the second part:

1. Valuing Unique and Novel Businesses (Mike Counihan)
2. Valuating a company from the perspective of a stock exchange supervisor (IPO, takeover bid...) (Oriol Amat)
3. Following the expected value: how to follow the value from an acquired asset (private company) (Jordi Damia)
4. Venture Capital Valuation. A key method in the industry (Tomás Champer)
5. Should we spin-off a division? (Victor Garrabou von Trotha)

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Methodology

The first part will consist of 5 three-hour lectures, which develop the concepts and methodologies that make up the items of the course list. These classes are based on the textbooks that support the course, but a set of slides set out the main material more specifically. Both the textbook and the slides should be the fundamental support for personal preparation before and/or after the lectures.

The second part will consist of 5 two/three-hour sessions of real business cases. These sessions will be led by experienced business professionals. The course will also ask students to work and prepare the solutions of various case studies. Resolutions of the cases will be presented in groups. During these sessions, we will also encourage student participation in the discussions.

Evaluation criteria

To pass, you should get at least 50 points out of 100, according to the following distribution: Final exam: 50 points. Case study presentations: 40 points. Active participation in class: 10 points.

Bio of the professor

> **Albert Banal-Estanol**

He is associate professor at Pompeu Fabra University, program director of the MSc in Corporate Finance and Banking at UPF Barcelona School of Management, affiliated professor at Barcelona Graduate School of Economics (BGSE), affiliated reader at City University London, visiting professor at IFP-Energies Nouvelles in Paris and research fellow at SP-SP Public-Private Sector Research Centre at IESE Business School. 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, and London Business School in the UK, and the University of Munich in Germany.

His research interests are in the fields of corporate finance, competition policy and market regulation, energy and the environment and innovation and entrepreneurship. Albert's research areas span across Economics, Management and Finance and his work makes use of theoretical, empirical, experimental and simulation techniques. His articles have been published in leading international peer-reviewed journals and have been financially supported by public and private sector grants.

Albert has provided consultant advice to merging companies and competition authorities (e.g. Office of Fair Trading). He has also delivered executive training courses for government agencies (e.g. UK's Department of Trade and Industry),

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regulators (e.g. Ofgem) and private companies (e.g. Gaz de France). He has also collaborated in the development of master and training programmes in several African countries.