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| **Title** | | | **Equity Analysis** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Lecturer** | | | **Dimitris Andriosopoulos** | | | | | | | | | |  | | | |  | | | | | | | | | | | | | |
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|  | | Code | | AG938 | | | | Semester | | | 2 | Weeks | | | | | | 1 – 5 | | | Credits | | | | 10 | | |  | | |
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|  | **Assessment** | | | | |  | Examination | | | |  | | |  | Coursework | | | | | 70% | | |  | Test | | 30% | | |  | |
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|  | Finance | | | | Option | | | |  | Int. Banking & Fin. | | Option | | |  | Investment & Fin. | | | Core | | |  | Int. Accounting & Fin. | | | | Option | | |  |
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## CLASS AIMS

This module focuses on equity valuation. The aim is to equip students with the knowledge and tools required for analysing the financial performance of firms and measuring their value. Students will be skilled in reviewing financial statements, estimating and assessing financial ratios and relevant accounting and economic data, and use this data for making forecasts and perform equity valuations. In addition, the module will cover the theoretical background for each valuation method and their application with real life examples and case studies. Also, the module will examine the advantages and disadvantages of the main valuation models. Finally, the ultimate goal is for students to be able to perform and deliver and equity analysis report for any publicly listed firm.

## LEARNING OUTCOMES

The class provides opportunities for students to develop and demonstrate their knowledge, understanding and skills in the following areas:

**i) Knowledge Based Outcomes:**

On completion of the class students will be able to:

* Develop a good understanding of the nature of equity investments.
* Provide a good working knowledge of the historical returns and risks associated with equity investments.
* Have a good understanding of the theory that relates the expected return to the risk exposure of the investments.
* Develop the ability to forecast future performance.
* Develop a good understanding of the various models put forward to assess the value of equity.

**ii) Skills Outcomes:**

On completion of this class students should be able to demonstrate that they:

* Are able to deal with problems that require forecasting outcomes in the context of incomplete information and to explain the rationale for proposed decisions.
* Students will understand some of the most important quantitative techniques and well-known profitable strategies in equity markets.
* Critically assess the pros and cons of different valuation methods and modelling.
* Use current and historical information to estimate the value of private or publicly listed firms and deliver a comprehensive equity analysis report.

**TEACHING AND LEARNING**

Teaching will be by three contact lecture hours per week for 5 weeks. Students are expected to undertake both independent and directed learning, by reading the relevant chapters, questions and case studies in advance of lectures, and by working through additional questions during the lectures. This module builds on the core class "Principles of Finance" and will provide an in-depth analysis and application of different equity valuation techniques. This module is structured from the viewpoint of investors and analysts. Finally, it will be a hybrid between theory and practice using case studies during lectures.

**ASSESSMENT**

1. A group assignment (2-3 persons; no single-authored reports and no more than 3 persons per team) valuing a publicly listed company. The valuation report and feedback will count for 70% of the final mark.
2. A class test at the end of the module (after week 5 – date to be confirmed). The class tests will count for 30% of the final mark. For practice and engagement, a weekly quiz of ten (10) questions in each quiz, with five (5) quizzes in total to be administered. Each weekly quiz will be available on Myplace right after each lecture and time limited for 165 hours (i.e. 2pm prior to the start of the next lecture). These quizzes will be timed (no more than 30 minutes to complete upon starting the quiz). The weekly quiz will not count towards the total mark and is for practice and learning only.

If the weighted average mark from the group assignment and the class test is less then 50%, a reassessment (resit) will be via an additional equity analysis report (on a different company from the one analysed in the first report) at 100% of the final mark.

**READING**

***Core readings***

* Bodie Z., Kane, A. and Marcus, A.J., "Investments", 12th Global Edition, McGraw Hill, 2021. ISBN: 9781260013832.
* Bruner, R.F., Eades, K.M. and Schill M.J., “Case Studies in Finance”, 8th Edition, McGraw Hill, 2018. ISBN: 9781260083262.

***Alternative readings***

* [Damodaran](https://www.wiley.com/en-gb/search?pq=%7Crelevance%7Cauthor%3AAswath+Damodaran), A. “Investment Valuation: Tools and Techniques for Determining the Value of any Asset”, University Edition, 3rd Edition, Wiley, 2012, ISBN: 9781118011522

It is not required to purchase the textbooks, but note there are limited copies (Bodie et al. or Damodaran) in the library. The designated Case Studies **are essential for the course**. Scanned pages are available via the reading list on MyPlace. A special e-book containing only the designated case studies will be available (information will be updated on MyPlace) from McGraw-Hill.

* Research papers as handed out in the “reading list” section on MyPlace.
* Financial Times.
* The Economist.
* Relevant news and web-based readings available in MyPlace.

## LECTURE PROGRAMME - (Onsite only format)

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| **Week** | **Lecture** | **Subject/Content** | **Readings** |
| **1** | Live session  (19 Jan,  14.00-17.00) | L1. A: Introduction to Valuation  L1. B: Strategy, Macroeconomic, and Industry Analysis  L1. C: Valuation and ESG  Case Study / Research Paper Discussion | Bodie et al. Ch 1, 17, 28.1  Or  Damodaran Ch 1, 2, 6  Case 1. Warren Buffet  Research Paper: Short Sellers |
| **2** | Live session  (26 Jan,  14.00-17.00) | L2. A: Return concepts  L2. B: Asset pricing models and required return  L2. C: WACC in practice  Research Paper Discussion | Bodie et al. Ch 5, 9, 11.  Or  Damodaran Ch 4, 7, 8  Research Paper: Investor Horizons |
| **3** | Live session  (2 Feb,  14.00-17.00) | L3. A: Discounted Dividend Model  L3. B: Discounted Cash Flow  Case Study / Research Paper Discussion | Bodie et al. Ch 18.  Or  Damodaran Ch 11-14  Case 13. Royal Mail  Research Paper: Are Foreign Investors locusts? |
| **4** | Live session  (9 Feb,  14.00-17.00) | L4. A: Multiples and Financial Statements  L4. B: Relative Valuation  Case Study / Research Paper Discussion | Bodie et al. Ch 19.  Or  Damodaran Ch 17, 18  Case 10. Best practices  Research Paper: Is it time to get rid of EPS? |
| **5** | Live session  (16 Feb,  14.00-17.00) | L5. A: Residual Income  L5. B: Private Company valuations  Case Study / Research Paper Discussion | Lecture slides &  Damodaran Ch 24  Case 46. Ferrari  Research Paper: Valuing IPOs |