

MSB 370 Cases in Finance
Syllabus (preliminary)
Fall 2023

This is a case course in finance. Most of the cases concerns financial valuation. Valuation can be summarized as: Setting a *price* on an asset. The asset can be a simple one, like a bond, or a complex one, like a corporation. The course synthesizes what has been learned in other courses, and applies it to valuation settings. In the second part of the course we also discuss other finance cases, not necessarily valuation related.

This course integrates what has been taught in other finance courses. This course is a case course in which selected cases are presented and discussed in class. Many of the cases analyze companies through the lens of corporate valuation, although there are also cases in which the focus is on alternative finance issues, such as investments, corporate social responsibility, derivatives, securities issuance, mergers and acquisitions.

Learning outcomes

Knowledge

Upon completion of the course, the candidate will be able to

- K1. master the components of valuations, including the estimation of cash flow, growth, cost of capital, horizon value, present value calculations, and ratio analysis.
- K2. recognise how ESG (environmental, societal and governance) factors affect corporations.
- K3. Identify the value drivers (from a finance perspective) in a given corporate situation.

Skills

Upon completion of the course, the candidate will be able to

- S1. Master corporate valuations, performing all necessary analyses, such as the evaluation of a corporation's real investments, financial choices, and strategy.
- S2. Build spreadsheets evaluating the cash flow consequences of a firm's plans, bringing in data from the corporations' environment as well as the corporate plans.
- S3. Assess annual accounts and analyse them to recognise the cash flows that are relevant for valuation.
- S4. Question the sensitivity of any decision-relevant estimate.
- S5. Recognise how valuation is an integrated perspective in the field of finance, and the basis for all corporate decisions.
- S6. Ask critical questions about finance-related business situations; use of method, assumptions and calculated value.
- S7. Communicate central finance concepts, both written and oral, in business settings.

Prerequisites: MSB309 Corporate Finance.

Recommended Prerequisites: MSB 205 Investments.

Textbook: Titman, Martin: Valuation (TM) The textbook is supplemented with some articles, and cases. The textbook is concerned with the practicalities of valuation – how to estimate the numbers used for inputs to the discounted cash flow analysis. It will be covered quickly in the first few lectures.

The course is an in-class course, with physical presence in the classroom. For the lectures, if you are prevented from being in class, full lecture notes, and alternative streamed lectures are provided. For the case discussions: You have to be present in the classroom.

Teaching dates

Week	Date	Topic	Readings
35	29 aug	Introduction and planning Cash flow estimation	TM 1, 2, 3, 6
36	5 sep	Uncertainty in cash flow estimates Cost of Capital,	TM 4, 5
37	12 sep	Case: Eaton Corporation: Portfolio Transformation and the Cost of Capital	
38	19 sep	Quick Case: The Financial Detective Relative valuation (ratios) Terminal Values Enterprise Valuation Valuation parameters relevant for Norway	TM 8 TM 9 PWC
39	26 sep	Case: Saito Solar (Hand in case)	
40	3 oct	Case: Tottenham Hotspur	
41	10 oct	Case: Apple Green Bonds	
42	17 oct	Case: Spotify	
43	24 oct	Case: The Norwegian Government Pension Fund: The Divestiture of Wal-Mart Stores Inc.	
44	31 oct	Case: Ekornes (Hand in case)	
45	7 nov	(No Class)	
46	14 nov	Exam Prep, Problem Session (Voluntary)	

The course starts with a few lectures where we cover some basic issues, before looking at actual cases. There may be changes, with a possible guest lecture or two.

Some of the lectures are structured in a very specific way: Before the class I put up examples/problems you *must* look at and figure out how to attack/solve. I go through these examples in class and post updated notes (with some solutions) later. If you do not look at the material before the class you will not get much out of the class.

When we start doing cases we will form groups of up to three people. The groups will have to prepare the various cases, present and discuss them. As part of the course evaluation all will have to hand in case solutions to selected cases.

While it is not necessary for the course, there is another book that nicely complements the textbook, namely Koller, Goedhart, and Wessels (2015), which is also an industry standard, but is more directly focused on company valuations.

In Norwegian: The 2/2011 issue of the journal “Praktisk Økonomi og Finans” is a special issue on Valuation. I recommend those fluent in Norwegian to read the relevant articles. Another document in Norwegian is PWC’s annual survey on parameters relevant for Norway: *Risikopremien i det norske markedet*.

Purchasing cases: You will have to purchase copies of the cases from the Harvard Business School Press Homepage. A link will be provided on the course homepage.

Cases - in class

This course is primarily a case course, which is very different from what most of you are used to from before. A case course is meant to get closer to the way things actually happen in the real world. We are faced with a business problem to be analyzed/discussed *in class*. To get a reasonable case discussion everybody must have gone over the case before class. In these situations the instructor will not be there tell you what you should do, instead he is just there to keep the discussion flowing.

In practice, for each case: *One group* will be designated to present the case. *Another group* will be designated as opponents, examining the first group’s solution. Everybody should be prepared to criticize the proposed solution(s) and come up with better alternatives.

Cases – handins

Two of the cases are handins. Each group will hand in the case in the morning, before the case discussion. After the case is handed in, your group will be randomly assigned another groups case, and write an evaluation of the other groups case solution.

Practicalities: You will upload your case solution to Canvas, with a deadline in the morning of the case discussion. Towards the end of the course you will upload archival copies of your case solutions to Inspira.

Working with Cases

The HBS cases are meant to be closer to the real world than your typical textbook problem. As soon as the word “real world” appears warning bells should ring. The real world is much harder to grasp than a typical textbook problem. It also needs answers/decisions “yesterday”, which is hard when neither the issue and the data is obvious from the context. Typically a case contains much more information than one need, and it is never a simple, unambiguous question to be answered. In solving a case you have to figure out the main questions facing *decision makers* in the case you are reading. To do so you need to place yourself in the situation described by the case, ask yourself: Where do I see a need for changes/decisions? Sometimes you will get some pointers to relevant questions for a case, but these should only be viewed as indicative of the relevant issues.

Think you are presenting to the company board

In this class you should behave as if you are presenting material to the company board. The case hand-ins should read like a report you can give to the board. Remember that boards are action-oriented, they only care about making *decisions*. The purpose of any presentation to the board is to give a *recommendation*. The same is true for case presentations. You give your recommendation about what course to take, and you use your analysis to justify your recommendation. You need to get out of “writing-exams-mode.” Welcome to the real world. There are some notes on writing that you should review.

Evaluation: Based on written handins to cases, critiques of cases, and a final exam. Participation in class discussion of cases is mandatory.

Details: Two of the cases are handins. The case handins are handled as follows: You will upload the handin to Canvas in the morning, *before* the case discussion. You will also need to upload archival copies of these handins to inspera towards the end of the course.

The exams for both MSB370A and MSB370 are in the regular exam period. It is a 4 hour exam.

Frequently Asked Questions

- *Can I get solutions to the old exams?* No.

Alternative lectures

For those that want to delve into valuation at greater level than the lectures (or as an alternative to the lectures), Professor A Damodaran has posted his valuation lectures on YouTube, which I recommend. Link: Damodaran Lectures

Grading of case-related groupwork based on the following rubrics

1. Executive Summary

- Provide purpose of report?
- Summarize issues?
- Identify potential solutions?
- Summarize recommendations?

2. Introduction/Initial overview

- Does it summarize all relevant issues?
- Does it identify options to be evaluated?

3. Analysis

- Is it possible to follow logic?
- Is analysis fully explained?
- How correct is analysis?
- How is analysis supported?
- Are all relevant issues analyzed?

4. Recommendation

- Are the recommendations clear?
- Are the recommendations justified?

5. Business/Academic writing

- Formal?
- Objective?
- Critical?
- Evidenced?
- Precise?
- Concise?
- Proper referenced?
- Tables/figures properly annotated/explained?

References

Tim Koller, Marc Goedhart, and David Wessels. *Valuation. Measuring and Managing the Value of Companies*. Wiley, Hoboken, New Jersey, Sixth edition, 2015.

Sheridan Titman and John D Martin. *Valuation. The art and science of corporate investment decisions*. Pearson, third edition, 2016.