FIN 605 – Enterprise Valuation
Colorado State University - College of Business
Course Syllabus Spring 2025

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Office Hours: I will post the times for the weekly office hours on Canvas during the 1st week of the semester.

Welcome to FIN 605! In this course you will learn about enterprise valuation. We will start the semester with a brief discussion of firms' financial statements. Using information from these statements we will identify cash flows that are important in valuing a firm and we will discuss key assumptions that will allow us to forecast plausible future cash flows. Several valuation approaches will be introduced. Students will finish the semester having been introduced to both discounted cash flow and relative valuation techniques. As part of the course, we will apply these techniques to real firms and practice valuing firms in IPO, merger, and other real-world settings. The lectures and assigned readings will introduce the information and the homework and case assignments will provide opportunities for students to apply the information.

Course Description from the University Catalog:

Corporate valuation methodologies including dividend discount model, relative valuation using market multiples, free cash flows and options analysis.

Required Course Materials:

- **Textbook**: *Valuation – The Art and Science of Corporate Investment Decisions* (3rd edition), by Titman and Martin published by Pearson. The ISBN-13 is 978-0-13-347952-2. We will not be using the online resources sometimes offered with this textbook so you are welcome to purchase a used copy.
- **Cases**: There are 3 cases that will be used in this class. These cases are described below. Two of the cases are available for purchase (details below). The third case is available for free from the Canvas website. The grading on the cases will be based largely on completion. The easiest way to buy and download the 2 cases is via this course pack link https://hbsp.harvard.edu/import/1246189. You may need to create a free student account to use this link. For reference, the cases are described below with case titles appearing in italics.
    - *Estimating Walmart's Cost of Capital,* by Stephen Foerster, May 2019, 8 p, Product #: W19208.
    - *JetBlue Airways IPO Valuation,* by Schill, Monroe, Cui, Aug 2003, 19 p, Product #: UV2512-PDF-ENG.
    - *Esterline (A and B),* by Jon Karpoff. I helped write this case and have made a free copy of the case (parts A and B) available to you on Canvas.
- **Access to a computer with Excel.**

Course Objectives:

Upon successful completion of this course, you will be able to…

- Use information in the financial statements to identify the cash flows that are important in valuation models.
- Be able to solve for and justify the discount rates used in discounted cash flow models.
- Estimate a dividend discount model of value.
- Estimate a free cash flow discounted cash flow model of value.
- Estimate the terminal value at the end of a forecasting horizon when working with an infinite cash flow stream.
- Use a relative valuation approach to valuation.
- Apply DCF and relative valuation techniques to real-world firms.

Class Policies:

Academic Honesty and Professionalism: Students are expected to uphold the academic integrity standards as explained in the university's General Catalog and as summarized by the CSU Honor Pledge: "I have not given, received, or used any unauthorized assistance" on academic work (https://tilt.colostate.edu/integrity/).

Along these lines, online "homework helper" sites including, but not limited to, Chegg, NoteHall, Quizlet, and Koofers are not permitted in this course. Students are welcome to use AI resources to learn more about specific topics in this course, but generative AI should not be used to complete the specific questions students are asked to complete as part of their graded coursework for this class. Utilizing generative AI or homework helper sites for any graded work will be regarded as a breach of the CSU Academic Integrity Policy and Student Conduct Code. Use of these types of resources will be considered receiving or giving unauthorized assistance and, therefore, a violation of the student conduct code and may result, at the discretion of the instructor, in a zero for the course, assignment, quiz, and/or exam. This policy is intended to help ensure that you develop the critical thinking and problem-solving skills related to this course while doing the assignments. Please reach out to me to discuss if a specific service you are thinking about using for this course is acceptable. You are welcome to talk about homework assignments with fellow students that are currently enrolled in the course.

Canvas: The course is organized by Learning Modules in Canvas. Each module will include several PowerPoint lecture slide sets, suggested readings, and accompanying homework or case assignments. It is recommended that you cover the module content in the order indicated in the outline posted on the Canvas website. The materials provided on Canvas are intended for use by registered students while in the course. These materials may not be shared without proper prior consent.

Communication Policy: The lectures and slides are posted on Canvas. Communications that are of general interest to the class will be posted as an announcement to the class, which you can access through Canvas. Students are expected to check the Canvas course announcements regularly each week. If you have questions related to class material or to the course in general, please contact me.

Assignments: Within each module there will be assignments given to reinforce course content. If you have attended the lectures and looked at the suggested readings, the assignments will likely require around 20-50 minutes each week to complete. The 3 case-based exercises will be a little more involved and will require you to think about the real-world settings described in the cases.

Group work: Group work is allowed and encouraged for the assignments, but each person needs to turn in their own work. You are welcome to talk with other students about the homework and case assignments. In contrast, the exams should be done individually without any communication with other students.

Exams: There are 3 exams. The dates and topics covered are detailed on the schedule. The exams are not deliberately cumulative but some of the core valuation ideas in the course apply in multiple settings and hence may appear on more than one exam. The exams are individual-effort only and are subject to the academic integrity requirements of Colorado State University.

Grades: The course grades will be calculated using the following category weights:

Exams (3 total – 17% each)	51%
Homework assignments	30%
Case question assignments (3 total)	10%
Participation (including Excel project - see the description below)	9%

The participation grade will be based on attendance, active participation during the lectures, and the final valuation spreadsheet due at the end of the semester. I will provide detailed instructions for the final valuation spreadsheet after the first midterm and a template that you should follow when organizing and formatting your spreadsheet.

Final letter grades will be assigned using the plus/minus grading system (i.e., A+, A, A-, B+, etc.) At the end of the semester, I will apply a curve such that the average final letter grade in this course will be around a B.

If you have questions or concerns about the grading on an assignment or on an exam, you should write a clear explanation of your question and then include this explanation along with your answer in an email sent to me within 2 weeks of the grades being posted on Canvas. Don't wait until the end of the semester to follow up on the grading of assignments from early in the semester. Students that are not doing well in the class should follow up with me early in the semester and not wait until the end.

Participation Policy and Time Estimate: Regular participation is expected and necessary for successful completion of this course. As detailed in the schedule, each week during the semester students should plan to attend the lectures, do the assigned reading, and complete the accompanying assignment(s). Each lecture is around 50 minutes long. My expectation is that most students that do well in this course will spend 60-90 minutes a week, on average, on this class outside of the lectures if they are taking the course during a full semester. This time accounts for the assigned readings and assignments.

Copyrighted Course Materials: You should not share material from this course in online, print, or other media. Course material is the property of the instructor who developed the course. Posting course materials on external sites (commercial or not) violates both copyright law and the CSU Student Conduct Code. Students who share course content without the instructor's

express permission, including sharing materials with online sites that post materials to sell or share with other students, could face appropriate disciplinary or legal action.

Disability Assistance: If you are a student who might need accommodations in this class, please reach out to the Student Disability Center at 970-491-6385 (https://disabilitycenter.colostate.edu/) for assistance in learning what accommodations are possible. The PowerPoint files used in the lectures are available online. The homework assignments don't have specific time limits, but they do have due dates. The exams do have both time limits and due dates.

Changes to the Syllabus or Schedule: I reserve the right to make minor adjustments to the syllabus and schedule during the semester. If any changes are needed, I will post the information as a class announcement on Canvas.

Tentative Schedule for FIN 605. If changes are made to the schedule they will be announced on Canvas.

Module	Lectures and assignments	Dates	Assigned Reading (Textbook and cases)
Module 1	**Setting the stage – Identifying cash flows, forecasting**		1.1-1.3, 6.1, 6.2
	Lectures 1 - 3: Discussion of financial statements with a focus on information related to DCF valuation. Introduction to forecasting methods and considerations.	Jan 21 Jan 23 Jan 28 Jan 30	6.3
	→ Do Homework #1 (Due Thursday Jan 30)		
Module 2	**Discounted cash flow valuation**		
	Lecture 4: Review of time value of money formulas	Feb 4	TVM review notes on Canvas
	--Lecture 5: Bond valuation (moved online)--		
	→ Do Homework #2 (Due Friday Feb 7)		
	Lecture 6: Share valuation	Feb 11, 13	
	Lecture 7: DCF firm valuation	Feb 18	
	Lecture 8: Example DCF firm calculation, miscellaneous issues	Feb 20	Review financial statements posted on Canvas
	→ Do Homework #3 (Due Tuesday Feb 20)		
	Lecture 9: Exam 1 review lecture		
	Class 10: Exam 1	**Feb 25**	
Module 3	**Discount rates**		
	Lectures 11/12: Cost of capital (part 1) – r_f, r_D, r_E, CAPM	Feb 27	Ch 4 (skip the Technical Insight box on pages 116-118 and Table 4-1 on page 120 until Lecture 13)
	→ Do Homework #4 (Due March 3)		
	Lecture 13: Cost of capital (part 2) – WACC	Mar 4	Estimating Walmart's Cost of Capital case
	→ Do Estimating Walmart's Cost of Capital case questions (Due Wednesday Mar 5)		

	Lecture 14: In-class discussion of Estimating Walmart's Cost of Capital case questions and related topics Lecture 15: Estimating the cost of capital for a division → Do the Esterline case questions (Due Friday March 14)	Mar 6 Mar 11	Technical Insight box on pages 116-118 and Table 4-1 on page 120 and Esterline cases A and B. After Lecture 14, read the divisional cost of capital Word document on Canvas.
Module 4	**Business cycles, industry correlation, multiples** Lecture 16: Business cycles, indicators, industries --Spring Break— Lecture 17: In-class discussion of Esterline case questions and related topics Lecture 18: Valuation using multiples (part 1) Lecture 19: Valuation using multiples (part 2) → Do Homework #5 (Due Friday Apr 4) Lecture 20: Exam 2 review lecture **Class 21: Exam 2**	 Mar 13 -break- Mar 25 Mar 27 Apr 1 Apr 3 **Apr 8**	8.3 - 8.6
Module 5	**IPOs, tax shields** Lecture 22: Analyst reports Lecture 23: IPO Process → Do the JetBlue IPO case questions (Due Friday April 18) Lectures 24-25: DCF models, tax shields, capital structure → Do Homework #6 (Due Friday April 25) Lecture 26: In-class discussion of JetBlue IPO case questions and related topics → Do Final Valuation Spreadsheet (Due Friday May 9)	 Apr 10 Apr 15 Apr 17 Apr 22 Apr 24	 JetBlue IPO case 9.1 - 9.2
Module 6	**VC, LBO, and Merger valuations** Lecture 27: Venture capital and LBO valuations	 Apr 29	 10

	→ Do Homework #7 (Due Friday May 2) Lecture 28: Mergers Lecture 29: TBD → Do Homework #8 (Due Wednesday May 7) Lecture 30: Exam 3 review lecture → Upload Final Valuation Spreadsheet (Due Friday May 9) Final Exam (we will follow the university schedule for the final exam – see CSU final exam website to check date.) Tentative date and time: May 13th, 6:20-8:20pm	 May 1 May 6 May 8 **May 13**	