



FBE 529 – FINANCIAL ANALYSIS & VALUATION Spring 2025

Instructor:	Ayca Altintig, PhD.
Class Meeting Time:	TTh 8-10:30am
Class Meeting Location:	JKP 204
Office:	HOH 215
Office Hours:	T, Th 11:00-12:30pm in person and online by appointment
Email:	ayca.altintig@marshall.usc.edu
Personal Zoom Link:	https://usc.zoom.us/j/altintig

COURSE DESCRIPTION

This course develops and uses tools of financial analysis to evaluate the performance and assess the value of companies. Using various cases and examples, the course covers methods of utilizing financial data and applying valuation techniques to make strategic and financial decisions. The course covers valuation methods from both a conceptual and practical framework. It is an applications-oriented course designed to provide a conceptual framework as well as a comprehensive set of tools for tackling the practical challenges of performance evaluation and business valuation. The course introduces topics such as mergers and acquisitions, private equity and venture capital and the valuation of private companies and leveraged buyout analysis.

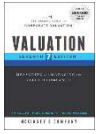
The course covers the theory and practice of financial analysis and valuation. We will consider the key aspects of financial analysis for both performance evaluation and valuation. Our coverage of the material is designed to allow you to become comfortable with the fundamentals so that you may improve your proficiency in participating in future financial and strategic discussions within a company or organization and with external analysts and service providers.

COURSE OBJECTIVES

By the end of the course, students should be able to:

1. Describe the key aspects of financial analysis for both performance evaluation and valuation.
2. Utilize and interpret financial data to make decisions about courses of action for a firm.
3. Perform valuations for public and private firms for purposes of fundamental research, strategic analysis, transactions such as an IPO or a merger, or s structuring.
4. Apply valuation frameworks such as discounted cash flows (DCF) technique, market multiples approach, and transaction-based approaches such as an LBO model.
5. Understand other valuation issues and special situations such as the challenges of valuing high-growth and private companies, the process of venture capital and early-stage financing and the approach to valuing highly leveraged companies and LBO transactions.
6. Conduct research using a broad range of sources, synthesizing and judging the quality of collected information and support written or oral claims logically and persuasively.
7. Apply valuation in a global context, considering the interplay of international markets, and economic, social and cultural issues.

COURSE MATERIALS



Required Textbook: Valuation: Measuring and Managing the Value of Companies, University Edition (Wiley Finance) 7th edition by McKinsey & Company Inc. Tim Koller, Marc Goedhart, David Wessels Copyright © 2020 Wiley: ISBN: 978-1-119-61186-8. If purchasing the book, the 7th edition (university Edition) is recommended.

The free eBook (non-University edition) can be viewed and downloaded through this link on the USC libraries ProQuest site:

<https://ebookcentral.proquest.com/lib/socal/search.action?query=6207783>

Required Cases: Our course pack with our cases and readings can be purchased online via HBS Publishing. <https://hbsp.harvard.edu/import/1255172>

Index of HBS Cases and Notes:

Notes:

- Corporate Valuation and Market Multiples
- Primer on Multiples Valuation and Its Use in Private Equity Industry
- Valuing early Stage Companies
- Valuation of Late-Stage Companies and Buyouts

Cases:

- Identify the Industry
- The Walt Disney Company Stock: Buy, Hold or Sell?
- Financial Policy at Apple
- Ferrari IPO
- Spyder Active Sports – 2004
- Elon Musk's Purchase of Twitter

Optional Reading: Wall Street Journal, The Economist, Barron's
Wall Street Journal, registration link for free digital subscription:
<https://libraries.usc.edu/databases/wall-street-journal>

Prerequisites and/or Recommended Preparation:

Prerequisites: GSBA 521B or GSBA 548

This course assumes knowledge of intro corporate finance and accounting. It will be assumed that students are comfortable with corporate finance concepts. Working knowledge of Excel is also very important.

Course Notes:

Course lecture notes, slides, handouts, supplemental readings/articles, practice problems will be posted on Brightspace. In addition, announcements, solutions and guidance for the cases and other

resources will also be posted on Brightspace. If you have any questions or need assistance with Brightspace Course Pages, please contact the Marshall Help Desk at (213) 740-3000, or HelpDesk@marshall.usc.edu.

Notes or recordings may only be made for purposes of individual or group study, or for other non-commercial purposes that reasonably arise from the student's membership in the class or attendance at the university. This restriction also applies to any information distributed, disseminated or in any way displayed for use in relationship to the class, whether obtained in class, via email or otherwise on the Internet, or via any other medium. Actions in violation of this policy constitute a violation of the Student Conduct Code, and may subject an individual or entity to university discipline and/or legal proceedings.

GRADING

Final grades represent how you perform in the class relative to other students. The final course grade will be assigned based on a combined score from your class participation, midterm and final exams and group case analyses. The average grade for this class is expected to average about 3.4-3.5/4. Three items are considered when assigning final grades:

- Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
- The overall average percentage score within the class.
- Your ranking among all students in the class.

GRADING	% of Grade
Midterm Exam	25%
Final Exam	30%
Individual HW	10%
Team Case Analyses	30%
Class Participation	5%
TOTAL	100%

EXAMS

There will be one midterm and a final exam, which will consist of various multiple choice and short answer theoretical concept and practical valuation questions and problems. The questions will be both quantitative and qualitative in nature and will be based on material presented in lecture, cases and readings.

Students with exam accommodations must present verification letters to me *within the first two weeks of class* - see section below on Students with Disabilities (Disability Services and Programs DSP).

The date and time of the final exam is determined by the university. *You are required to be present for all exams. Make-up exams will not be administered.* If an exam is missed due to a legitimate reason such as illness, documentation must be provided and we will discuss how to handle the situation.

GROUP CASE ANALYSES

We will analyze real companies and work through problems by analyzing different scenarios and courses of action. In your analysis of the case studies you should place yourself in the role of the decision maker as you read through the situation and identify the problems and issues. In class we will probe underlying issues, compare different alternatives, and finally, suggest courses of action in light of the objectives of the case.

The cases have been included in the curriculum as a means to provide this self-study and practice in analysis. The case questions are posted in the assignment folder on Brightspace. For many of the HBS cases you will receive supplementary excel spreadsheets and some additional information. You do not need to do outside research for any of the cases.

Please work on your cases in your IBCP groups. Do your best to work through the case utilizing readings and other supporting materials. Seeking assistance or “hints” from the instructor or past students is not authorized. A written case analysis should consist of a **2-4 page written executive summary** using a standard font and font size (such as Times New Roman size 11-12), addressing the case questions with supporting computations and tables in a separate appendix (if relevant). Case grades will be determined relative to the analyses of other groups in the class.

Teams may be randomly selected to present their findings on the cases during the class session. The quality of work product should be reflective of what you would be comfortable presenting to a current or prospective employer.

Assignment Submission Policy

Your case analyses will be turned in as a team written deliverable. Only one team member should submit on the due date/time electronically via the Brightspace assignment link. ***Please prepare a PDF file with your entire submission*** including relevant calculations in the exhibits. *Upload the excel spreadsheet as an additional supporting attachment.*

The cover sheet of each written assignment should contain the first and last names of the students submitting the assignment arranged alphabetically. All of the names of the members in the team must appear at the top of the deliverable to receive credit.

INDIVIDUAL ASSIGNMENTS

During the course there will be one individual assignment where students have to work on and complete a DCF and Multiples based valuation of a firm. The assignment and the required spreadsheet supplements will be provided on Brightspace. Individual assignments are designed to ensure that all students practice the necessary skills individually.

CLASS PARTICIPATION

Class participation is an extremely important part of the learning experience in this course as the richness of the learning experience will be largely dependent upon the degree of preparation by *all* students prior to each class session.

Additionally, a course that incorporates the frequent use of case analyses to illustrate the practical application of concepts and practices requires the student to diligently and thoroughly prepare cases and actively offer the results of the analyses and conclusions derived as well as recommendations during each class session. It follows that my expectation and that of your classmates will be that you are prepared for *all* classes and actively participate in and meaningfully contribute to class discussions.

In-class participation is also a critical part of this course's learning experience. Cold calling will take place to encourage active participation and to gain multiple perspectives and points of view, thus lending itself to the richness of the learning experience. In-class participation grading will be based on students' demonstrated willingness to participate and the quality of the comments expressed, rather than quantity. While some students are far more comfortable than others with class participation, *all* students should make an effort to contribute meaningfully in *every* class.

Regarding readings, speaker questions and debates, students should diligently prepare and share the outcome of their analyses with the class. Students will offer their opinions in group settings many times in their careers; thus, class participation serves to prepare students for this business experience.

The evaluating of in-class participation is based on the following:

- *Relevance* – Does the comment meaningfully bear on the subject at hand? Irrelevant or inappropriate comments can detract from the learning experience.
- *Responsiveness* – Does the comment connect to what someone else has said?
- *Analysis* – Is the reasoning employed consistent and logical? Has data from course materials, personal experience, or general knowledge been employed to support the assertions/findings?
- *Value* – Does the contribution further the understanding of the issues at hand?
- *Clarity* – Is the comment concise and understandable?

During class sessions, I assume the responsibility of a facilitator to encourage a discussion that includes perspectives from a variety of viewpoints and, secondly, to help pull together prevailing analyses and recommendations. The direction and quality of a discussion is the *collective responsibility of the class*.

Class Participation Rating Scale:

Excellent Performance:

- Initiates information relative to topics discussed
- Accurately exhibits knowledge of assignment content
- Clarifies points that others may not understand
- Shares personal experiences or opinions related to topic
- Offers relevant / succinct input to class
- Actively participates in simulations and class exercises
- Demonstrates ability to apply, analyze, evaluate & synthesize course material.
- Demonstrates willingness to attempt to answer unpopular questions
- Builds on other students contributions

Good Performance:

- Regularly participates in discussions
- Shares relevant information
- Gives feedback to classroom discussions
- Consistently demonstrates knowledge of reading assignments
- Demonstrates ability to analyze / apply course material
- Demonstrates willingness to attempt to answer questions

Fair / Average Performance:

- Participates in group discussions when asked
- Demonstrates knowledge of course material
- Offers clear, concise, "good" information on class assignments
- Offers input, but tends to reiterate the intuitive
- Attends class regularly

Poor Performance:

- Occasional input, often irrelevant, unrelated to topic
- Reluctant to share information
- Not following the flow of ideas
- Personal applications only
- Drains energy from the class

Unacceptable Performance:

- Fails to participate even when specifically asked
- Gives no input to discussions
- Does not demonstrate knowledge of the readings
- Shows up to class: does nothing
- Distracts group / class
- Irrelevant discussion

AI POLICY

In this course, I encourage you to use artificial intelligence (AI)-powered programs WITH CAUTION to help you with assignments that indicate the permitted use of AI. You should also be aware that AI text generation tools may present incorrect information, biased responses, and incomplete analyses; thus they are not yet prepared to produce text that meets the standards of this course. To adhere to our university values, you must cite any AI-generated material (e.g., text, images, etc.) included or referenced in your work and provide the prompts used to generate the content. Using an AI tool to generate content without proper attribution will be treated as plagiarism and reported to the Office of Academic Integrity. Please review the instructions in each assignment for more details on how and when to use AI Generators for your submissions.

Also please be aware that financial valuation is based on forward looking projections and AI is machine learning based on what has already been done - so by default it will provide a backward looking bias to your analyses.

THE IMPORTANCE OF COURSE EVALUATIONS

The student course evaluations are valuable. This course is continuously improved based on feedback from students and instructor observations.

COURSE OUTLINE AND ASSIGNMENTS

Week	Date	Topics and Key Questions	Readings/Deliverables**
What is Value? What are the Drivers of Value?			
1	1/13	Course Introduction Foundations of Value <ul style="list-style-type: none"> ○ Why do we perform valuations? ○ What are some different valuation methods? ○ Is Stock Market Rational? Does it affect fundamentals? ○ How do firms create value? ○ Is growth always good? ○ What is the relationship between growth, ROIC and cash flow? ○ Why is ROIC so important? 	Reading: Chapters 1 & 2 Reading: Chapter 3 Reading: Chapter 7 (Skim) Watch Video: "4 Guiding Principles" by Tim Koller (First 2 segments) https://www.youtube.com/watch?v=5CdryBduKek
1	1/15	Overview of the Valuation Process Financial Statement Analysis and Performance Evaluation <ul style="list-style-type: none"> ○ What is the overview of valuation process? ○ Review of Financial Statements and their importance in Financial Analysis ○ What is ratio analysis? What do ratios tell us about the financial health of a firm? ○ Reorganizing Financial Statements – Managerial Balance Sheet 	Reading: Chapters 8&9 (skim) Reading: Chapter 11 (pages 211-233) WSJ Article 5/3/2016 "The Hottest Metric In Finance: ROIC"
2	1/21	Financial Statement Analysis and Performance Evaluation – - ROIC Decomposition and Benchmarking <ul style="list-style-type: none"> ○ How to prepare financial statements for analysis ○ How do we choose comparable firms for benchmarking? 	Reading: Chapter 11 (pages 233-244) Disregard Advanced Issues at the end of the Chapter Complete Chapter 11 Review Questions 1-6 Identify The Industry Case – Class Discussion Only
2	1/23	Forecasting Future Cash Flows <ul style="list-style-type: none"> ○ What are cash flow projections used for? ○ How do we forecast cash flows? ○ How do we forecast financial statements? ○ Levered versus Unlevered FCF Projections 	Reading: Chapter 22 (pages 431-439) Walt Disney, Buy Sell Hold Case - - Class Discussion Only
Core Valuation Techniques – DCF and Relative Valuation			
2	1/28	Enterprise Valuation: DCF – WACC FCF Estimation Methods for Estimating Terminal Value Levered versus Unlevered FCF Projections <ul style="list-style-type: none"> ○ What is DCF? How do we build a DCF model? ○ What are the different methods to estimate terminal value? ○ How do we forecast CFs? ○ What is the difference between Levered vs Unlevered CFs? ○ How do we move from enterprise value to equity value per share? 	Reading: Chapters 10 & 14 Chapter 16 (skim)

3	2/4	Enterprise Valuation: DCF - WACC Estimating Cost of Capital <ul style="list-style-type: none"> ○ How do we estimate cost of equity? ○ How do we estimate cost of debt? ○ How do we estimate WACC? ○ What are the nuances in these calculations? ○ Unlevering and relevering betas 	Deliverable: Case Assignment - Financial Policy at Apple (HBS CP)
4	2/6	Enterprise Valuation: DCF - WACC Analyzing DCF Results <ul style="list-style-type: none"> ○ Sensitivity and Scenario Analysis – Analyzing DCF Results ○ Football Fields and Interpretation Review For the Midterm	
4	2/11	Midterm Exam	
5	2/13	Relative Valuation Using Market Multiples Triangulating Results with DCF IPO Valuation and Sum-of-Parts Valuations <ul style="list-style-type: none"> ○ How do we perform relative valuation using market multiples? ○ How do we use precedent transaction multiples? ○ What are the advantages/disadvantages vs DCF? ○ What is the concept of benchmarking? ○ How is relative valuation used in IPO pricing? ○ What is sum-of-parts valuation? 	Reading: Chapter 18 Reading: Corporate Valuation and Market Multiples Ferrari's IPO - Class Discussion Only
Applications of Valuation Techniques and Strategic Considerations			
5	2/18	Mergers and Acquisitions Key Questions: <ul style="list-style-type: none"> ○ What is the difference between a strategic buyer and a financial buyer? ○ What makes M&A activity successful or unsuccessful? ○ How are valuation strategies adjusted for M&A? ○ How is valuation used in M&A? ○ How are valuation strategies adjusted for M&A? 	Reading: Chapter 31 Individual DCF Valuation Homework Due
6	2/25	Valuing Private Companies Key Questions: <ul style="list-style-type: none"> ○ What is Private Equity? ○ What are the motivations behind staying private? 	Reading: Chapter 36 Reading: Primer on Multiples Valuation and Its use in Private Equity Industry ** Case Assignment Due: Spyder Active Sports 2004
6	2/27	Leveraged Buyouts (LBOs) Key Questions: <ul style="list-style-type: none"> ○ What is an LBO? ○ What are LBO exit/monetization strategies? ○ What determines feasibility to a buyer in an LBO analysis? ○ What is happening in the LBO marketplace? Importance of EBITDA purchase multiples over time. 	Reading: Valuation of the Late-Stage Companies and Buyouts (CP) Reading: Bain Global PE Report 2021 (skim) https://www.bain.com/insights/topics/global-private-equity-report/

		<ul style="list-style-type: none"> ○ Paper LBOs 	
7	3/4	<p>Special Topics: Valuation of Early Stage Companies Using VC Valuation Method</p> <ul style="list-style-type: none"> ○ How does valuation differ for early stage companies? ○ What are the challenges? 	<p>Reading: Valuing The Early Stage Company</p> <p>** Case Assignment Due: Heinz M&A</p>
7	3/6	<p>Special Topics: Valuation in VC Setting</p> <p>Valuation of Firms in Financial Distress</p> <ul style="list-style-type: none"> ○ How does valuation differ for highly leveraged firms? <p>Wrap-Up and review</p>	
Final Exam	2/27	Final Exam @ 8-10:30am	

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Students and Disability Accommodations:

USC welcomes students with disabilities into all of the University's educational programs. [The Office of Student Accessibility Services \(OSAS\)](#) is responsible for the determination of appropriate accommodations for students who encounter disability-related barriers. Once a student has completed the OSAS process (registration, initial appointment, and submitted documentation) and accommodations are determined to be reasonable and appropriate, a Letter of Accommodation (LOA) will be available to generate for each course. The LOA must be given to each course instructor by the student and followed up with a discussion. This should be done as early in the semester as possible as accommodations are not retroactive. More information can be found at osas.usc.edu. You may contact OSAS at (213) 740-0776 or via email at osasfrontdesk@usc.edu.

Student Financial Aid and Satisfactory Academic Progress:

To be eligible for certain kinds of financial aid, students are required to maintain Satisfactory Academic Progress (SAP) toward their degree objectives. Visit the [Financial Aid Office webpage](#) for [undergraduate-](#) and [graduate-level](#) SAP eligibility requirements and the appeals process.

Support Systems:

[Counseling and Mental Health](#) - (213) 740-9355 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

[988 Suicide and Crisis Lifeline](#) - 988 for both calls and text messages – 24/7 on call

The 988 Suicide and Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week, across the United States. The Lifeline consists of a national network of over 200 local crisis centers, combining custom local care and resources with national standards and best practices. The new, shorter phone number makes it easier for people to remember and access mental health crisis services (though the previous 1 (800) 273-8255 number will continue to function indefinitely) and represents a continued commitment to those in crisis.

[Relationship and Sexual Violence Prevention Services \(RSVP\)](#) - (213) 740-9355(WELL) – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender- and power-based harm (including sexual assault, intimate partner violence, and stalking).

[Office for Equity, Equal Opportunity, and Title IX \(EEO-TIX\)](#) - (213) 740-5086

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

[Reporting Incidents of Bias or Harassment](#) - (213) 740-2500

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

[The Office of Student Accessibility Services \(OSAS\)](#) - (213) 740-0776

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

[USC Campus Support and Intervention](#) - (213) 740-0411

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

[Diversity, Equity and Inclusion](#) - (213) 740-2101

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-1200 – 24/7 on call

Non-emergency assistance or information.

Office of the Ombuds - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

Occupational Therapy Faculty Practice - (323) 442-2850 or otfp@med.usc.edu

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.

OPEN EXPRESSION AND RESPECT FOR ALL

An important goal of the educational experience at USC Marshall is to be exposed to and discuss diverse, thought-provoking, and sometimes controversial ideas that challenge one's beliefs. In this course we will support the values articulated in the USC Marshall "[Open Expression Statement](https://www.marshall.usc.edu/open-expression-statement)" (<https://www.marshall.usc.edu/open-expression-statement>).

ACADEMIC INTEGRITY

The University of Southern California is foremost a learning community committed to fostering successful scholars and researchers dedicated to the pursuit of knowledge and the transmission of ideas. Academic misconduct is in contrast to the university's mission to educate students through a broad array of first-rank academic, professional, and extracurricular programs and includes any act of dishonesty in the submission of academic work (either in draft or final form).

This course will follow the expectations for academic integrity as stated in the USC Student Handbook. All students are expected to submit assignments that are original work and prepared specifically for the course/section in this academic term. You may not submit work written by others or "recycle" work prepared for other courses without obtaining written permission from the instructor(s). Students suspected of engaging in academic misconduct will be reported to the Office of Academic Integrity. For more information about academic integrity see the student handbook or the Office of Academic Integrity's website, and university policies on Research and Scholarship Misconduct.

Appendix I. MARSHALL GRADUATE PROGRAMS LEARNING GOALS

How FBE 529 Contributes to Marshall Graduate Program Learning Goals

Marshall Graduate Program Learning Goals	FBE 529 Objectives that support this goal	Assessment Method*
<p><i>Learning Goal #1: Develop Personal Strengths.</i> Our graduates will develop a global and entrepreneurial mindset, lead with integrity, purpose and ethical perspective, and draw value from diversity and inclusion.</p>		
1.1 Possess personal integrity and a commitment to an organization's purpose and core values.	1,2,5,7	Case Assignments
1.2 Expand awareness with a global and entrepreneurial mindset, drawing value from diversity and inclusion.	8	Case Assignments
1.3 Exhibit awareness of ethical dimensions and professional standards in decision making.	1,2,4	Case Assignments
<p><i>Learning Goal #2: Gain Knowledge and Skills.</i> Our graduates will develop a deep understanding of the key functions of business enterprises and will be able to identify and take advantage of opportunities in a complex, uncertain and dynamic business environment using critical and analytical thinking skills.</p>		
2.1 Gain knowledge of the key functions of business enterprises.	1,2,3,4,6,7	Case Assignments, Exams
2.2 Acquire advanced skills to understand and analyze significant business opportunities, which can be complex, uncertain and dynamic.	1,2,3,4,6,7	Case Assignments, Exams
2.3 Use critical and analytical thinking to identify viable options that can create short-term and long-term value for organizations and their stakeholders.	3,4,5,6,7	Case Assignments, Exams
<p><i>Learning Goal #3: Motivate and Build High Performing Teams.</i> Our graduates will achieve results by fostering collaboration, communication and adaptability on individual, team, and organization levels.</p>		
3.1 Motivate and work with colleagues, partners, and other stakeholders to achieve organizational purposes.	3,4,5	Team Case Assignments
3.2 Help build and sustain high-performing teams by infusing teams with a variety of perspectives, talents, and skills and aligning individual success with team success and with overall organizational success.	3,4,5	Team Case Assignments
3.3 Foster collaboration, communication and adaptability in helping organizations excel in a changing business landscape.	3,4,5	Team Case Assignments

