



Course Syllabus
Spring 2022
Sarah Khalaf
FIN 450 – Equity Valuation

Lecture Time and Location

Section 01 : S/T/Th at 1:00 PM to 1:50 PM. Floor 3 Area A Room 1080

Contact Information

Location : Department of Finance & Financial Institutions – Area B – 4th Floor
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Office : 4th Floor B - 1035
Office Hours : Sun/Tue 2 PM – 3 PM or by appointment

Course Description

The course is devoted to teaching the students the different equity valuation methods & techniques that measure the value of a company, given its current assets and position in the market. The course will primarily focus on the discounted dividend model, free cash flows model and value-based models.

Course Learning Objectives

Upon successful completion of the course, students will be able to:

- CLO1. Explain the different types of valuation models and the assumptions behind them.
- CLO2. Estimate the future free cash flows for the company.
- CLO3. Differentiate between free cash flow to firm model and free cash to equity model and use the appropriate discount rate for each model.
- CLO4. Apply residual income model to calculate the price of common stock.
- CLO5. Differentiate between Market-Based Valuation models.
- CLO6. Use spreadsheet applications (i.e. Microsoft excel) to create models to value assets.
- CLO7. Apply valuation models to determine the value of an existing company.
- CLO8. Possess the necessary analytical and communication skills to produce and present sound and logical investment and financial reports.



CLO Mapping to CBA Skill Based Competency Goals¹

CLO	Competency Goal			
	Analytical	Communication	Information Technology	Business Ethics
1	R			
2	R			
3	R			
4	R			
5	I			
6			R	
7	R			
8		A		

Type of Emphases:

- **(I)ntroduce:** Students will be introduced to the skill and their grasp of it assessed in the course.
- **(A)pply:** The course will not cover the skill. Students should have a high-level grasp of the skill and are required to apply it in the course.
- **(R)einforce:** Students should have an introductory-level grasp of the skill and the course will improve their mastery to a higher level.

Prerequisites

FIN 320 Principles of Investment

Required Material:

Textbook : Pinto, J., Henry, E., Robinson, T., & Stowe, J. (2020). Equity Asset Valuation (4th ed.). John Wiley & Sons. Available online as eBook or you can order a physical copy.

Additional Material : Supplemental Handouts on various topics will be provided if applicable.

E-Learning System: Moodle and Microsoft Teams

Course Requirements and Policies

Participation: Participation, along with attendance, counts for 5% of your final grade. Reading the assigned material and coming prepared to class will enable you to effectively contribute to the discussions. Some of our classes will be held in the trading room and you are expected to follow the examples solved.

Midterms: There will be **two** in-class examinations that are 50 minutes each. Each midterm will count towards 20% of your final grade. Use the in class examples for each chapter, in addition to the

¹ CBA Competency Goals can be found at the end of this document



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practice problems, as a way to prepare for the examinations. We May solve review problems in class before the examination. Each midterm will be held in person.

Midterm instructions will be discussed prior to each exam. Failure to adhere to the instructions, may result in loss of points.

Project: There will be one term project. You will to complete it in several steps over the course of the semester. The project will consist of a valuation and analyst recommendation report for a listed company. The project and it will count towards 10% of your final grade. The project details will be posted on Moodle, along with a template for the project submission.

I will be using a public company throughout the semester to demonstrate each topic we cover. If you follow these demonstrations, you will be able to complete your project easily.

Presentation: Each student will be required to professionally present to their classmates the term project at the end of the semester. This presentation will count towards 5% of your final grade. Presentation guidelines will be provided separately.

Class Preparation – Readings: Each lecture will have a chapter reading that is encouraged before the lecture itself. In this way, you will see the material twice and it will help deepen your grasp of the topics.

Attendance: Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Student Guide, Chapter 3, Section 13). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

This course has a significant seminar component and class participation is critical to the learning experience. Participation will be assessed in each class period. Your class participation and attendance will both contribute to your score of in-class performance.

I will take attendance 2 minutes after class starts. If you arrive late to class, you will be marked absent.

Cheating and Plagiarism: Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted.

Writing Style: Students must refer to APA writing style for their assignments and report writing. Refer to the English Language Center for help.



Grading: The scores in this course will be the weighted average of the following items:

Weight	Description
5%	Attendance and Participation
10%	Term Project
5%	Final Presentation
40%	Midterm (x2)
40%	Final Exam
100%	TOTAL

Grade Distribution:

Grade	Range
A	≥ 95
A-	≥ 90 and < 95
B+	≥ 87 and < 90
B	≥ 83 and < 87
B-	≥ 80 and < 83
C+	≥ 77 and < 80
C	≥ 73 and < 77
C-	≥ 70 and < 73
D+	≥ 65 and < 70
D	≥ 60 and < 65
F	< 60

Course Outline:

Title	Topics
Introduction to Equity Valuation Chapter 1, 2, 3, 4	Overview of Equity Securities • Introduction to Company Analysis • Equity Valuation Concepts and Basic Tools • Value Definitions and Applications • Valuation Process • Communicating Valuation Results •
Return Concepts Chapter 5	Return Concepts • Equity Risk Premium • Required Return on Equity • WACC •
Industry and Company Analysis Chapter 6	Financial Statement Analysis • Interpreting Financial Ratios • Financial Modeling • Impact of Competitive Factors • Technological Developments • Long-term Forecasting • Building a Model •
Discounted Dividend Valuation Chapter 7	Present Value Models • Gordon Growth Model • Multistage Dividend Discount Models • Growth •
Free Cash Flow Valuation Chapter 8	FCFF and FCFE Valuation Approaches • Forecasting Free Cash Flows • FCF Model Variations • Nonoperating Assets and Firm Value •
Market-Based Valuation Chapter 9	Comparables Method • Price Multiples • Enterprise Value Multiples • International Considerations • Issues in Practice •
Residual Income Valuation Chapter 10	Residual Income • RIM • Strength and Weaknesses of RIM • Accounting Considerations •
Valuation of Private Companies Chapter 11	Scope and Definitions of Private Company Valuations • Private Company Valuation Approaches •



Course Schedule (tentative and subject to change)

Day	Month	Lecture	Chapters	DUE	Slides #	
6	Mar	Introduction and Syllabus	1 and 2		1	
8	Mar	Introduction to Valuation	1 and 2		1	
10	Mar	Introduction to Valuation	3 and 4		1	
13	Mar	Introduction to Valuation	3 and 4		1	
15	Mar	Return Concepts	5		2	
17	Mar	Lab				
20	Mar	Industry and Company Analysis	6		3	
22	Mar	Industry and Company Analysis	6	Project Part 1	3	
24	Mar	Industry and Company Analysis	6		3	
27	Mar	Industry and Company Analysis	6		3	
29	Mar	Lab				
31	Mar	Lab				
3	Apr	MIDTERM				
5	Apr	Discounted Dividend Valuation	7		4	
7	Apr	Discounted Dividend Valuation	7	Project Part 2	4	
10	Apr	Discounted Dividend Valuation	7		4	
12	Apr	Discounted Dividend Valuation	7		4	
14	Apr	Lab				
17	Apr	Lab				
19	Apr	Free Cash Flows Valuation	8		5	
21	Apr	Free Cash Flows Valuation	8		5	
24	Apr	Free Cash Flows Valuation	8		5	
26	Apr	Free Cash Flows Valuation	8		5	
28	Apr	Lab				
1	May	Lab				
3	May	MIDTERM				
5	May	Market-Based Valuation	9		6	
8	May	Market-Based Valuation	9	Project Part 3	6	
10	May	Market-Based Valuation	9		6	
12	May	Lab				
15	May	Lab				
17	May	Residual Income Valuation	10		7	
19	May	Residual Income Valuation	10		7	
22	May	Residual Income Valuation	10		7	
24	May	Valuation of Private Businesses	11		8	
26	May	Valuation of Private Businesses	11		8	
29	May	Valuation of Private Businesses	11		8	
31	May	<i>Project Due and Project Presentations</i>				
2	Jun	<i>Project Presentations</i>				
11	Jun	FINAL EXAM 8 AM - 10 AM				



CBA Competency Goals

1. **Analytical Competency:** A CBA graduate will be able to use analytical skills to solve business problems and make a well-supported business decision.

Student Learning Objectives:

- 1.1. Use appropriate analytical techniques to solve a given business problem.
- 1.2. Critically evaluate multiple solutions to a business problem.
- 1.3. Make well-supported business decisions.

2. **Communication Competency:** A CBA graduate will be able to communicate effectively in a wide variety of business settings.

Student Learning Objectives:

- 2.1. Deliver clear, concise, and audience-centered presentations.
- 2.2. Write clear, concise, and audience-centered business documents.

3. **Information Technology Competency:** A CBA graduate will be able to utilize Information Technology for the completion of business tasks.

Student Learning Objectives:

- 3.1. Use data-processing tools to analyze or solve business problems.

4. **Ethical Competency:** A CBA graduate will be able to recognize ethical issues present in business environment, analyze the tradeoffs between different ethical perspectives, and make a well-supported ethical decision.

Student Learning Objectives:

- 4.1. Identify the ethical dimensions of a business decision.
- 4.2. Recognize and analyze the tradeoffs created by application of competing ethical perspectives.
- 4.3. Formulate and defend a well-supported recommendation for the resolution of an ethical issue.

5. **General Business Knowledge:** A CBA graduate will be able to demonstrate a basic understanding of the main business disciplines' concepts and theories.

Student Learning Objectives:

- 5.1. Acquire a fundamental understanding of knowledge from the main business disciplines (e.g. finance, accounting, marketing, and management information systems, among others).