**Course Syllabus**

**Spring 2025**

**Sarah Khalaf**

**FIN 450 – Equity Valuation**

**Lecture Time and Location**

**Section 01**: M/W at 2 PM to 3:15 PM. Lecture Hall: D3 Room 1005 / Lab: B1 Room 1031 Financial Trading Center

**Contact Information**

**Location** : Department of Finance & Financial Institutions – Area B – 4th Floor

**Email** : sarah.khalaf@ku.edu.kw

**Office** : 4th Floor B - 1035

**Office Hours** : M/W 12:30 PM – 1:30 PM or by appointment

**Teaching Assistant**

**Name** : Dalia Marafi

**Location** :

**Email** : dalia.marafi@ku.edu.kw

**Office Hours** :

**Tutorial** :

**Course Description**

The course is devoted to teaching the students the different equity valuation methods & techniques that that measure the value of a company, given its current assets and position in the market. The course will primary focus 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:

1. Explain the different types of valuation models and the assumptions behind them.
2. Estimate the future free cash flows for the company.
3. Differentiate between free cash flow to firm model and free cash to equity model and use the appropriate discount rate for each model.
4. Apply residual income model to calculate the price of common stock.
5. Differentiate between Market-Based Valuation models.
6. Use spreadsheet applications (i.e. Microsoft excel) to create models to value assets.
7. Apply valuation models to determine the value of an existing company.
8. 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 Goals[[1]](#footnote-1)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 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 75 minutes each. Each midterm will count towards 20% of your final grade. Use the in class examples for each chapter, in addition to the 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 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 their term project to their classmates 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.

You may miss 3 classes without impacting your attendance and participation grade. Every class missed after that will negatively impact your grade. I do not distinguish between excused and unexcused absences. If you miss 10 or more classes, you will receive a zero for your attendance and participation grade.

I will take attendance 10 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 guide is 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.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **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 #** |
| 3 | Feb | Syllabus and Introduction to Valuation | 1 and 2 |  | 1 |
| 5 | Feb | Introduction to Valuation | 1 and 2 |  | 1 |
| 10 | Feb | Introduction to Valuation | 3 and 4 |  | 1 |
| 12 | Feb | Return Concepts | 5 |  | 2 |
| 17 | Feb | Lab |  |  |  |
| 19 | Feb | Industry and Company Analysis | 6 | **Project Part 1** | 3 |
| 24 | Feb | Industry and Company Analysis | 6 |  | 3 |
| 26 | Feb |  |  |  |  |
| 3 | Mar | Lab |  |  |  |
| 5 | Mar | Lab - Industry Analysis Lab |  |  |  |
| 10 | Mar | **MIDTERM** | | | |
| 12 | Mar | Discounted Dividend Valuation | 7 |  | 4 |
| 17 | Mar | Lab |  |  |  |
| 19 | Mar | Free Cash Flows Valuation | 8 |  | 5 |
| 24 | Mar | Lab |  |  |  |
| 26 | Mar | Market-Based Valuation | 9 | **Project Part 2** | 6 |
| 31 | Mar |  |  |  |  |
| 2 | Apr | Market-Based Valuation | 9 |  | 6 |
| 7 | Apr | Lab |  |  |  |
| 9 | Apr | Lab - Analyst Report Writing |  |  |  |
| 14 | Apr | **MIDTERM** | | | |
| 16 | Apr | Residual Income Valuation | 10 |  | 7 |
| 21 | Apr | Residual Income Valuation | 10 |  | 7 |
| 23 | Apr | Lab - Project Wrap Up |  |  |  |
| 28 | Apr | Lab |  | **Project Part 3** |  |
| 30 | Apr | Valuation of Private Businesses | 11 |  | 8 |
| 5 | May | Valuation of Private Businesses | 11 |  | 8 |
| 7 | May | Lab |  |  |  |
| 12 | May | Lab |  |  |  |
| 14 | May | *Project Due and Project Presentations* | | | |
| 26 | May | **FINAL EXAM from 8:00 AM to 10:00 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. Use appropriate analytical techniques to solve a given business problem.
  2. Critically evaluate multiple solutions to a business problem.
  3. Make well-supported business decisions.

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

**Student Learning Objectives:**

* 1. Deliver clear, concise, and audience-centered presentations.
  2. Write clear, concise, and audience-centered business documents.

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

**Student Learning Objectives:**

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

1. **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:**

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

1. **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:**

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

1. CBA Competency Goals can be found at the end of this document [↑](#footnote-ref-1)