
Course Syllabus

Valuation

Instructor: Professor Yao Lu

SEM, Tsinghua University

Course Title (in English): Corporate Valuation

Course Title (in Chinese): 《公司估值》

Prerequisite Courses: Principles of Finance; Financial Accounting; Principles of Economics

Language of Instruction: Chinese Chinese + English (lessons instructed in English $\geq 50\%$) English

Language of Courseware: Chinese English

Instruction Method: in-class instruction in-class discussion case study literature reading computer operation class presentation by students

Assessment Method: in-class quiz oral presentation group discussion case study report final course report /thesis final exam practice report other (please specify)

Term: spring fall summer

Course Type: compulsory course Elective course

Applicable to: Undergraduate students Master of Finance Postgraduate students Doctoral students MBA EMBA TIEMBA MCFO

Instructor: Professor Yao Lu

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Q&A (Office Hour): reservation required

Teaching Assistant: Yuxin Deng

Teaching Assistant (email): dengyx19@mails.tsinghua.edu.cn

Course Description

Learning objectives and contents:

This course focuses on corporate valuation for making decisions to invest in business. It provides you with methods of fundamental analysis that will be discussed in details and applied in cases involving listed companies, private companies, equity issuances and acquisitions and restructurings. This course is highly recommended for students who intend to pursue a career in investment banking (particularly in equity research), security analysis, venture capital, and private equity. It will also help with personal investing. By the end of the course, the student should feel competent in writing a thorough and credible equity research report or investment analyses that meet the highest standards of professionalism.

Teaching Agenda

Order of Classes/ Date	Content of Teaching	Required Reading Materials
Week1: 02/21/2022	<ul style="list-style-type: none"> ➤ An introduction to the Course ➤ Stock valuation <ul style="list-style-type: none"> ■ DDM ■ Price Multiple Valuation Approach 	Lecture notes
Week2: 02/28/2022	<ul style="list-style-type: none"> ➤ Case1 ➤ Firm valuation <ul style="list-style-type: none"> ■ Industry and company analyses ■ DCF approach ■ Comparable company approach 	Lecture notes
Week3: 03/07/2022	<ul style="list-style-type: none"> ➤ Other approaches ➤ Valuation in M&As ➤ LBO transactions and the APV approach (Case 2) 	Lecture notes
Week4: 03/14/2022	<ul style="list-style-type: none"> ➤ Private Company Valuation ➤ Valuation in equity issuances (IPOs) ➤ Case 3 	Lecture notes
Week5: 03/21/2022	<ul style="list-style-type: none"> ➤ Project valuation and capital budgeting 	Lecture notes

	➤ Class review	
Week6: 03/28/2022	➤ Final in class quiz	
Week7: 04/04/2022	➤ No class	
Week8: 04/11/2022	➤ Final case presentations	

Textbooks & References:

(Required) Notes and assigned cases

(Optional) Financial Statement Analysis and Security Valuation, by Stephen Penman, Fifth Edition, McGraw-Hill, Irwin

(Optional) Investment Valuation: Tools & Techniques for Determining the Value of Any Asset, by Aswath Damodaran, Third Edition, John Wiley & Sons, Inc

(Optional) Valuation: Measuring and Managing the Value of Companies, by Tim Koller, Marc Goedhart, and David Wessells (McKinsey & Company Inc), Sixth Edition, John Wiley & Sons, Inc.

(Optional) Damodaran on Valuation, by Damodaran, Second Edition, John Wiley & Sons.

(Optional) The Dark Side of Valuation, by Damodaran, Third Edition, Financial Times Press. This valuation textbook covers advanced concepts concerning the valuation of young, distressed, and complex business.

(Optional) Principles of Corporate Finance by Brealey, Myers, and Allen, Eleventh Edition, McGraw Hill.

(Optional) Financial Accounting by Libby, Libby, and Short, Ninth Edition, McGraw Hill.

Class notes and handouts will be posted before the class. Please print them out and bring the notes and handouts related to the previous, current and next session during every class.

Reading the Financial Times, Wall Street Journal, and The Economist is highly recommended: it will benefit learning and conducting valuation projects in this course.

Assessment Methods and Criteria

No.	Assessment Methods	Percentage
1	Class participation	20%
2	Three case assignments	30% = 3*10%
3	Final in-class quiz	25%
4	Final case presentation	25%

Requirements for Final Valuation Case Study

To help participants better understand the contents taught in class and valuation approaches and issues in practice, participants are required to study and analyze a firm's valuation for the final assessment. Specific requirements are as follows:

1. The case study should be carried out in learning groups.
2. Each group should choose an firm as an object of case study and then

systematically analyze its valuation in details.

3. Participants are encouraged to choose companies of new economy, companies in new and emerging industries, or companies with innovative and special business models.

4. It is required to analyze the application and implementation of main valuation approaches taught in class, such as the DCF approach, comparable company approach. The strengths and weaknesses of the application of these approaches should also be analyzed.

5. Each group should prepare a 10-minute class presentation and a written report.

6. The evaluation score of a group presentation, decided by the instructor and the participants in other groups, accounts for 15% of the final score. The score given by the instructor and the average score given by the participants from other groups (maximum score and minimum scores are excluded) account for 50% of the final score, respectively.

7. The score of written case study report accounts for 15% of the final score. Each group should submit an electronic version of the report to the teaching assistant. The report should be submitted one week after the class finishes.

8. Members in each group should give a score between 0 and 1 to each other according to their contribution to the final case study. Each individual member's final score for case study is the score of the group multiplied by his or her contribution coefficient, which is equal to the average of the scores given by other members within the same group.

Faculty Profile: Professor Yao Lu

Full Professor in Finance of Tsinghua SEM



Deputy Chair of the Department of Finance, SEM, Tsinghua University

Academic Director of TIEMBA (Tsinghua-INSEAD EMBA)

Deputy Director of Corporate Governance Center of Tsinghua University

Associate Editor of Pacific-Basin Finance Journal (SSCI index included journal)

Editorial board member of Corporate Governance: An International Review (SSCI index included journal)

Obtained "Outstanding Youth Science Fund" from the National Natural Science Foundation of China

Obtained "Tsinghua University Academic Newcomer Award"

Professor Yao Lu received her Ph.D. in Business Economics from Ross School of business, University of Michigan-Ann Arbor, USA; before that, she received Master's degree in Statistics and Financial Engineering from the Stern School of Business, New York University.

Her main research focuses on corporate governance, M&As, corporate investment, financing and restructuring, and capital market reform, development and globalization. Her teaching courses include Corporate Governance (EMBA, MCFO, MBA), Corporate Finance (MBA, Master of Finance), M&As (MBA, Master of Finance, MOOC), etc.

She has won the Teaching Excellence Award of School of Economics and Management of Tsinghua University, and the Teaching Star Award of Executive Education and Training Center of School of Economics and Management of Tsinghua University.

She has published 44 papers in international and domestic top academic journals, including the *Journal of Finance*, *Management Science*, *Journal of Financial Economics*, *JFQA*, *Review of Finance*, *Journal of Corporate Finance*, *Economic Research*, *Management World*, etc. In addition, many of her articles are posted on the "Harvard Corporate Governance Forum".

At present, she is the Academic Member of EMBA Education Center and Executive Training Center of SEM, Tsinghua University, respectively. She also serves as the Committee Member of China Finance Association and the Research Fellow of Management Research Center, Industrial Innovation and Finance Research Institute, National Governance and Global Governance Research Institute of Tsinghua University. She is also the Executive Committee Member of China Modern State-Owned Enterprise Research Institute of Tsinghua University. She once served as the Academic Deputy Director of Tsinghua X-lab (Tsinghua University Creative Innovation and Entrepreneurship Education Platform).