

**University of Florida
Warrington College of Business**

**Finance 6427
Measuring and Managing Value**

**Fall 2022
M,W Periods 3-4, 7-8**

Instructor:

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Office Hours:

I will hold Zoom office hours on Monday and Wednesday's during 6th period. If need be, we can also arrange a face-to-face meeting during that time as well, and/or other meetings by appointment.

Course Overview:

Measuring and Managing Value is designed to introduce students to basic valuation concepts, and to demonstrate how these concepts can be used in a variety of business applications. We will primarily focus on value creation from the corporate viewpoint – thus our emphasis will have an “inside” perspective. In contrast, the financial statement analysis class that follows this class will look at many of the same issues from the investors’ viewpoint, and thus will have more of an “outside” perspective.

Measuring and Managing Value applies basic financial theory to the task of valuing assets and creating value through sound financial decision-making. The course reviews some basic concepts and extends their use with practical case applications. With this perspective in mind, the course is designed to be a second-year MBA-level class and/or specialized Masters-level class. The presumption is that everyone has already taken the core finance classes and/or an equivalent set of classes.

Required Materials:

- Textbook: *Valuation: Measuring and Managing the Value of Companies (7th edition)* – Koller, Goedhart and Wessels (we will often refer to this as the “McKinsey book”). The assigned chapters for each day are listed below in the Tentative Course Outline.
- A course pack of cases that will is available for pickup at Target Copy.
- Pre-Recorded Videos – on the class website, I have included a set of pre-recorded videos. The assigned videos for each day are listed below in the Tentative Course Outline.

- Throughout the term, I will periodically post class notes and other information on the class website.
- Students are also expected to be familiar with basic spreadsheet applications and/or a basic financial calculator.

Graded Requirements:

Cases

Throughout the term, we will cover three cases, each of which can be found in your course pack. These cases highlight a variety of situations facing leading companies. In working through the cases, you will be forced to apply many of the concepts discussed in the readings, class lectures, and in previous classes. You will quickly see that a lot of interesting complications arise when you try and apply these concepts in a real-world setting.

The cases are group assignments, and the groups will be arranged during the first week of class. Two of the three cases will be graded. The other case (the Eaton case) will not be graded, but you are expected to be prepared for class discussion. For each of the graded cases, I will assign a short write-up that you are expected to turn in electronically at 9:30 AM. on the date that the case is due. Each graded case will represent 10% of your final course grade.

First Examination

On September 12, there will be a midterm exam that will consist of a series of problems and conceptual questions. The format will be multiple choice and the exam will be offered during our regularly scheduled class time and will be delivered online via Canvas. The exam is closed book, but you will be allowed to bring in a one-page (standard 8.5 X 11 inch) “cheat-sheet”, in which you can write or type any information that you think might be helpful. **For the exam, you can use a basic financial calculator and/or a BLANK Excel sheet to help solve the problems. You are not allowed to program features or store text in the calculator – and if you use Excel, you cannot access any course files, templates etc.**

This midterm exam will count for 35% of your final course grade.

Second Examination

On the last day of class (October 5), there will be a second exam that will once again consist of a series of problems and conceptual questions. All class material will be “fair game”, but the majority of the questions will come from material covered after the first examination. The format will be multiple choice and the exam will be offered during our regularly scheduled class time and will be delivered online via Canvas. The exam is closed book, but you will be allowed to bring in a one-page (standard 8.5 X 11 inch) “cheat-sheet”, in which you can write or type any information that you think might be helpful. **For the exam, you can use a basic financial calculator and/or a BLANK Excel sheet to help solve the problems. You are not**

allowed to program features or store text in the calculator – and if you use Excel, you cannot access any course files, templates etc.

This second exam will count for 45% of your final course grade.

Grading Distribution for the Cases:

The case grades will be assigned using the following scale:

93 -100%	A
90-92.99%	A-
85-89.99%	B+
80-84.99%	B
75-79.99%	B-
70-74.99%	C+
60-69.99%	C
50-59.99%	C-
40-49.99	D
< 40%	E

Grading Distribution for the Examinations:

The scale for the exams is not pre-set. Instead, each exam will be curved to ensure that the overall class GPA is roughly within the target GPA for the class (3.2-3.5).

Please note that both plus and minus grades may be assigned. The following website summarizes the current UF grading policies for assigning grade points:

<https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

Students are expected to provide professional and respectful feedback on the quality of instruction in this course by completing course evaluations online via GatorEvals. [Click here for guidance on how to give feedback in a professional and respectful manner.](#) Students will be notified when the evaluation period opens, and can complete evaluations through the email they receive from GatorEvals, in their Canvas course menu under GatorEvals, or via ufl.bluera.com/ufl/. [Summaries of course evaluation results are available to students here.](#)

Students are expected to regularly attend class and our classroom meetings will not be Zoom recorded. However, if circumstances change, there remains the possibility that our class

sessions may be audio visually recorded. If this scenario arises, students who participate with their camera engaged or utilize a profile image are agreeing to have their video or image recorded. If you are unwilling to consent to have your profile or video image recorded, be sure to keep your camera off and do not use a profile image. Likewise, students who un-mute during class and participate orally are agreeing to have their voices recorded. If you are not willing to consent to have your voice recorded during class, you will need to keep your mute button activated and communicate exclusively using the "chat" feature, which allows students to type questions and comments live. The chat will not be recorded or shared. As in all courses, unauthorized recording and unauthorized sharing of recorded materials is prohibited.

Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled. The only allowable purposes are (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

*A "class lecture" is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture **does not** include lab sessions, student presentations, clinical presentations such as patient history, academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.*

Publication without permission of the instructor is prohibited. To "publish" means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.

Tentative Course Schedule: (this schedule is very tentative and subject to change):

<u>Date</u>	<u>Course Topic</u>	<u>Text Reading</u>	<u>Other Reading/Video</u>	<u>Assigned Items</u>
8/22	Course Overview, A Framework for Creating Value			
8/24	Alternatives to Value: Debunking Some Common Fallacies, Measuring Value, Measuring Value	1,2,3,6,7	Videos – Framework 1A Fallacies 1&2 [2A, 3A, 3B]	
8/29	Measuring Value	10,14,16	Videos – Enterprise Value 1 & 2, Economic Profit Model [4A, 4B, 4C]	
8/31	Measuring Value, Vyaderm Pharmaceuticals Case	24 (especially pp.499-507)	Vyaderm Pharmaceuticals Case Videos – Equity-Based Model and APV Model [4D, 4E]	CASE
9/5	LABOR DAY			
9/7	Cost of Capital, Eaton Case	4,15	Eaton Case (not graded) Videos- Cost of Capital 1 & 2 [5A, 5B]	
9/12	FIRST EXAM			EXAM
9/14	Sources of Value	8,9, Skim 11	Videos – Sources of Value: Overview/ROIC/Growth [6A, 6B, 6C]	
9/19	Using Multiples for Valuation	18	Videos – Multiples 1&2 [7A, 7B] Multiples 2 will be covered in class	
9/21	SNAP Case, Valuing Flexibility: Capital Budgeting, Real Options and Value Creation	39	SNAP Case Videos – Flexibility 1 & 2 [8A, 8B]	CASE
9/26	Valuing Flexibility: Capital Budgeting, Real Options and Value Creation	39	Videos – Flexibility 3 & 4 [8C, 8D]	
9/28	Mergers and Divestitures	31-32	Videos – Mergers 1 & 2 [9A, 9B]	
10/3	Communicating Value, Creating Value in Large Organizations	34		
10/5	SECOND EXAM			EXAM

