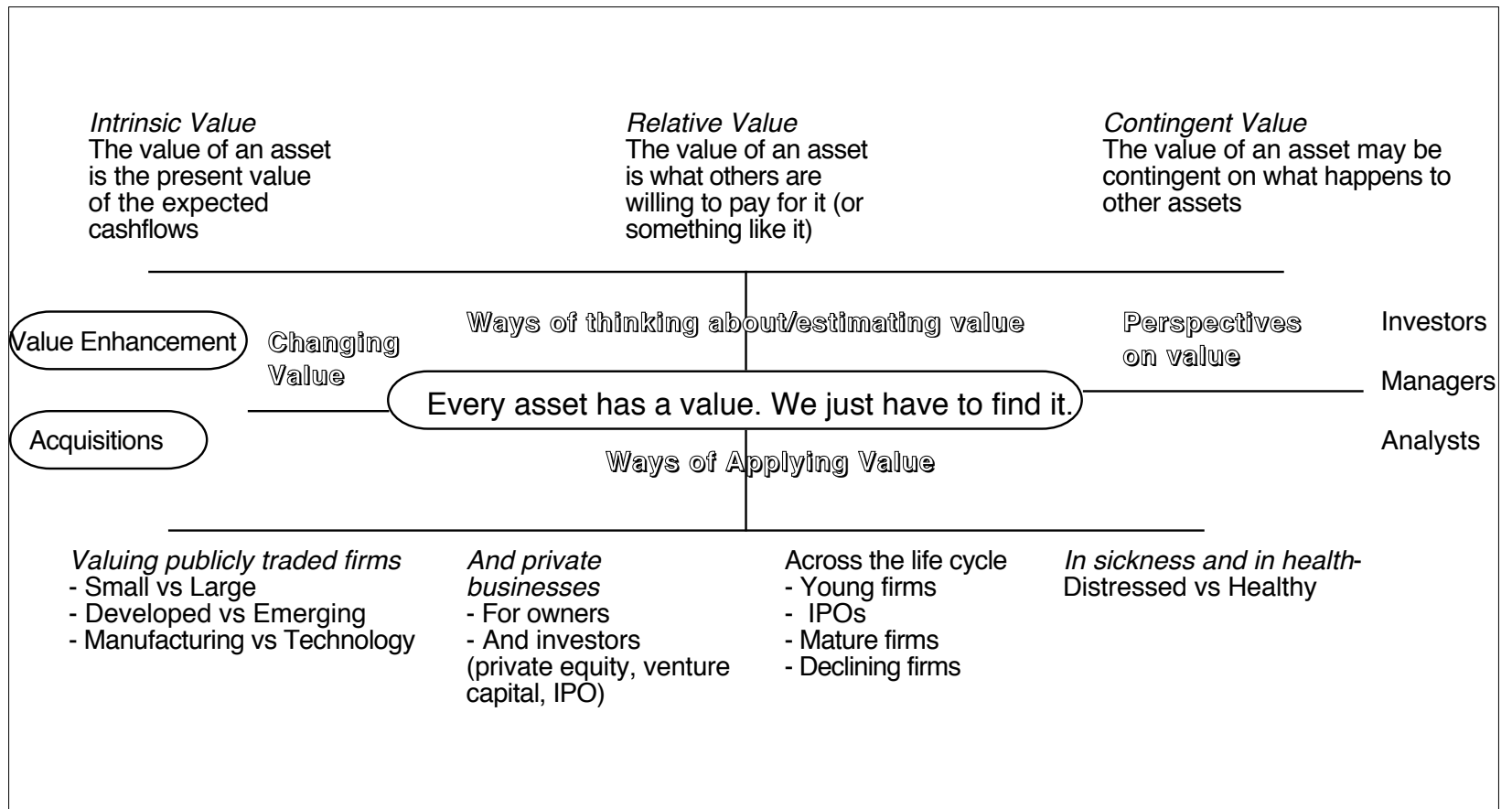

Valuation: Syllabus

Aswath Damodaran
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General Information

- Office: Room 9-96
- E-mail: adamodar@stern.nyu.edu
- Home Page: <http://www.stern.nyu.edu/~adamodar>
- Office Hours
 - Monday 9.45-10.15, 12-1
 - Wednesday 9.45-10.15, 12-1
 - The “fair game” principle still applies
- All classes will be web cast. The web casts will be online (usually) within a couple of hours of the class. The webcasts are available in three formats: as a stream (with a high-speed internet connection), as a downloadable video file (for a computer, an iPad or a smart phone) or as a downloadable audio file.

Course Objectives



Course Outline

| Topic | Session |
|--|----------------|
| Introduction | 1-2 |
| Discounted Cashflow Valuation | |
| a. Estimation Issues | 3-10 |
| b. Valuation Examples | 11-12 |
| Relative Valuation | 13-17 |
| Valuing Private Firms | 18-19 |
| Option Pricing Applications in Valuation | 20-22 |
| Valuing Acquisitions | 23-24 |
| Value Enhancement | 24-25 |
| Review | 26 |

Pre-season prep!

Getting ready for the class

- **Accounting:** The raw material you need to value a company comes primarily from accounting statements. Understanding how to read a financial statement and where to find the information need is critical.
 - My primer: http://people.stern.nyu.edu/adamodar/New_Home_Page/AccPrimer/accstate.htm
- **Statistics:** Statistics is designed to help us make sense of data that is large and contradictory. That is exactly the problem we face in valuation.
 - My primer: http://people.stern.nyu.edu/adamodar/New_Home_Page/StatFile/statistics.htm
- **Finance:** There are tools that we draw on in valuation extensively.
 - Risk and return models: <http://www.stern.nyu.edu/~adamodar/pdfiles/acf3E/ch3.pdf>
 - Present value: http://people.stern.nyu.edu/adamodar/New_Home_Page/PVPrimer/pvprimer.htm
 - Corporate finance: http://people.stern.nyu.edu/adamodar/New_Home_Page/triumdesc.html

You need these...

- **Lecture Note Packets:** These are available in three parts. They can be downloaded from my web site, as pdf files, by going to:

http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqlect.html

- **Other Readings:**

- The other readings for each topic are available on my web site, and can be downloaded at

http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqread.htm

Nice to have, but you can live without them...

Books: I have four books on valuation and they tend to say much the same things, albeit in different formats.

- a. Investment Valuation (2nd edition): is the book that is most suited for a classroom text book. It follows the standard script of valuation, looking at different valuation models with twists. It also follows text book format (with problems at the end of each chapter)
- b. Damodaran on Valuation (2nd edition): provides a quicker review of the basic valuation but the second half of the book is built around dealing with what I call the loose ends of valuation – control, synergy, intangible assets etc. It has no problem sets and is really meant for practitioners who deal with the loose ends on a constant basis.
- c. The Dark Side of Valuation (2nd edition): covers companies that are difficult to value – young companies, money losing companies, financial service companies, emerging market companies.
- d. The Little Book of Valuation: If you truly, truly hate to read and are budget constrained, think of this as the Cliff notes version of my longer books.

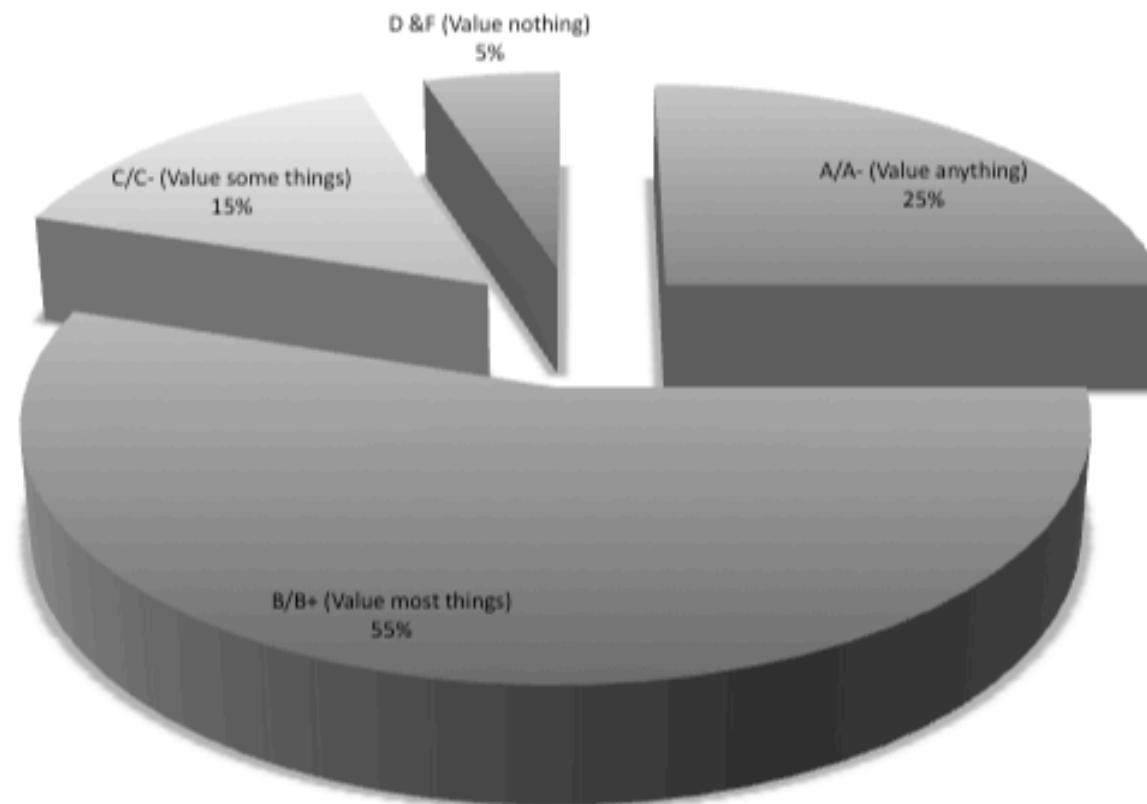
Apps: I have a valuation app (co-developed with Anant Sundaram at Dartmouth) for the iPad and iPhones called uValue. Check it out...

Stay connected!

Information Central

- Website for the class: Everything associated with this class (and I mean everything) will be available on the website for the class:
http://www.stern.nyu.edu/~adamodar/New_Home_Page/equity.html
- Social media site (Blackboard alternative): You can also get much of the same material and partake in discussions at the following site.
<http://www.coursekit.com>
Code: Registered in class: You will get an email invitation Auditing online = EH7WZN)
- Google calendar: The Google calendar for this class is at:
https://www.google.com/calendar/embed?src=n2j2kmgf2jg4p0411ef40rb5ek%40group.calendar.google.com&ctz=America/New_York
- My blog: My not-so-brilliant and not-very-insightful thoughts on valuation, corporate finance and portfolio management will be posted on my blog, *Musings on Markets*.
<http://aswathdamodaran.blogspot.com/>
- Twitter feed: Just in case you don't get enough of me in class, online and from my blog, please help me approach Lady Gaga status by joining my Twitter follower list (@AswathDamodaran).

Grading Distribution...



Grading Basis

- **Group Work:** Students should work in groups of four (minimum) to seven (maximum). Each group will be required to work on a group project
 - Valuation Project Due in two parts **30%**
 - Part 1: DCF Valuation due by March 26 at 5 pm
 - Part 2: Entire project due on May 7 at 5 p.m.
 - Mystery Project: TBA **10%**
- **Individual Work:**
 - Quizzes: There will be three quizzes worth 10% apiece.
 - Quiz 1: DCF Estimation Issues: Session 9 (February 29)
 - Quiz 2: Relative Valuation: Session 16 (April 2)
 - Quiz 3: Private Company & Option Valuation: Session 22 (April 23)
 - Final Exam: This will also be an open-book and open-notes cumulative exam worth **30%**.

Rules of Engagement

■ Rules of group work:

- Pick your own groups. (If you have trouble getting picked, I will help)
- All group work will be self policed, except in extreme circumstances.
- There will be one grade per group, no matter how the work load is distributed among the group members

■ Rules on individual work

- All exams and quizzes are strictly individual work.
- There will be no make-up quizzes. If you miss a quiz for a good reason, the grade will be redistributed over the remaining part of the course. If you take all three quizzes, the score on your worst quiz will be raised to the average score across all of your other exams (two quizzes and the final).
- I will be the grader, and I do make mistakes. If I screw up, bring it to my attention and I will fix it.

■ Rules on Participation

- All participation is welcome.