

FNCE 7070 — Valuation

Spring 2025 Syllabus

Mondays & Wednesdays @ 1:45PM & 3:30PM
JMHH 255

Teaching Team

Instructor

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Teaching Assistants

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Note: Please reserve email for administrative matters or questions beyond the scope of the course. All questions related to course content, including those about the Valuation Project, should be posted on the Discussion Board (refer to the “Pedagogical Support” section below).

Course Description

Valuation is part art, part science. This course aims to teach the science and, in doing so, help you find your style of the art. We’ll focus on two key areas: first, building a **rigorous framework** as a guide for any valuation task, and second, learning to **apply theoretical finance and accounting concepts** to value real companies. The course culminates in a capstone project where you’ll produce a comprehensive valuation report for a company of your choice and present your recommendation to the class.

This course is **designed for students with little or no practical experience** in company valuation, but it is **technical, challenging, and comes with a heavy workload**. Students who wish to avoid financial statements in their future careers are advised to explore alternative course options.

For motivated students, this course offers significant benefits. The techniques you acquire apply directly to public market investing, whether in personal portfolio management or hedge fund strategies. The framework we develop is valuable across a range of roles, such as business development, consulting, and investment banking. Finally, the ability to combine a rigorous process with prudent assumptions is an indispensable skill, in business and in life.

Non-Negotiable Prerequisites

1. Introductory Corporate Finance course (FNCE 6110 or equivalent).
2. Introductory Financial Accounting course (ACCT 6110 or equivalent).
3. Working knowledge of **regression analysis** (STAT 6130 or equivalent).
4. Working knowledge of **Microsoft Excel**.

Course Material

Course Textbook:

Corporate Valuation: Theory, Evidence and Practice (2nd Edition), by Robert Holthausen and Mark Zmijewski, Cambridge Business Publishers.

Please make sure to purchase the **2nd edition**, as it contains more recent data and essential updates about the U.S. tax code. The book is available through the Penn Bookstore or at this link: <https://cambridgepub.com/book/corpval2e>.

Course Website:

The Canvas link for this course is <https://canvas.upenn.edu/courses/1829489>.

This site will contain (1) the discussion board (see also “Pedagogical Support”), (2) lecture slides, (3) materials for the Valuation Project, (4) additional readings.

Useful References:

Corporate Finance by Berk and DeMarzo. Or an alternative corporate finance textbook (such as Principles of Corporate Finance by Brealey, Myers, and Allen).

Financial & Managerial Accounting by Hanlon, Magee, Pfeiffer, and co-authors. Or an alternative financial accounting textbook (such as Financial Accounting by Libby, Libby, and Short).

Grading

Class Participation	10%
Exam I	25%
Exam II	30%
Valuation of a Company (divided in 3 stages)	35%
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Total	100%

Final grades are determined using a class-wide (i.e., across both sections) curve that respects any constraints imposed by Penn or Wharton.

This course cannot be taken as Pass/Fail.

(1) Class Participation

Please come to each class as you would to a business meeting: **punctual, prepared, and proactive**. It is essential to **engage thoughtfully** and **be open to having your thinking challenged**.

(1.1) Classroom Etiquette:

- Attendance at the first lecture is mandatory for all registered students and is strongly encouraged for those on the waitlist. Any registered student who fails to attend will be automatically de-registered from the course.
- Attend every lecture, arrive on time, and remain until the lecture is completed.
- Attend the section for which you are registered. In case of a rare conflict, you may attend another section but must notify the instructor by 10:00 AM on the day of the lecture.
- Bring your nameplate to every class.
- Bring a basic calculator to every class; you'll need one for the exam.
- Refrain from using electronic devices unless instructed otherwise. Tablets in a flat position are allowed for digital note-taking.

(2) Exams

The first exam will be administered in class on February 26 and will cover Chapters 1-6. The second exam will be administered in class on April 9 and will cover all course material, with a strong emphasis on content covered after the first exam. **Please ensure you are on campus to take both exams on these dates**. If your travel or interview plans conflict with the course schedule, you will need to adjust those plans or consider dropping the course now.

The exams are closed-book.

(2.1) Regrade requests

Regrades of exams will be considered when a written request has been submitted to the instructor detailing the specific nature of the request. Requests must be submitted within 48 hours of the exam being returned. In addition, I reserve the right to regrade the entire exam. This may result in a lower grade being assigned than originally received.

(3) Valuation Project

The capstone project for this course is to work in a team to value a company of your choice. Each team will submit three separate written reports, one for each stage of the Valuation Project. Submissions are due at noon on the due dates listed on the course calendar below. Late submissions will incur a penalty of 10% per calendar day, starting on the due date. Additionally, each team will present its valuation recommendations to the class. Complete project instructions are available on the course website.

Due January 29: team composition and the names of three companies your team is interested in valuing.

(3.1) Team Formation

The ability to work effectively in teams is crucial for workplace success. For the Valuation Project, please form teams of 3-5 people — no exceptions. If you have six people, split into two teams of three.

When selecting teammates, please consider the range of skills each team should bring: accounting, finance, and Excel modeling. **The most successful teams consist of members aligned in their performance and grade expectations for the course.** Please note that the Teaching Team will not intervene in team issues.

You are strongly encouraged to form teams within your assigned section. Cross-section teams are allowed **only if all team members are able to attend either section for the final project presentation.**

(3.2) Group Grading Process

To provide effective governance and to encourage constructive teamwork, grades for the Valuation Project will be adjusted according to contributions as assessed by the other members of your team. All team members are required to provide a response to the survey question below at the end of the course. The resulting “contribution grade” will be used to adjust each team’s grade in the Valuation Project for all of its members.

Survey question to be answered by all students enrolled in the course:

Please provide an allocation out of 100% for the contribution made by the individual members of your group to the Valuation Project, including any measure of your own contribution, such that the sum totals 100%.

Each team member’s contribution grade will be assessed as the average of the percentages reported by the other members of the team. See the chart below as a sample template:

Group member name:	Howard Marks	Marie Curie	Mary O'Connor	Michael Jordan	Tom Brady	Percent allocation (out of 20%)
Howard Marks	20%	22%	22%	19%	21%	21.0%
Marie Curie	21%	18%	22%	19%	21%	20.8%
Mary O'Connor	22%	24%	20%	19%	21%	21.5%
Michael Jordan	18%	16%	18%	24%	19%	17.8%
Tom Brady	19%	20%	18%	19%	18%	19.0%
TOTAL	100%	100%	100%	100%	100%	100%

Your contribution grade is the average of the contribution allocated to you as reported by your teammates. For example, if your 4 teammates gave you contribution allocations of 21%, 22%, 19% and 21%, such as for Marie Curie above, then your average contribution grade would be 20.8%. As another example, had your teammates given you contribution allocations of 19%, 20%, 18%, and 19%, such as for Tom Brady above, then your contribution grade would be 19%.

Your contribution grade will then be used to either add to or deduct from your team's overall grade on the Valuation Project, according to the distance of your contribution grade from the group mean, which would be 20% for teams of 5, or 25% for teams of 4. Each 1% above/below the mean will result in an addition/deduction of 1% of the Valuation Project grade. For example, if your team received 24/30 on the Valuation Project and your contribution grade is 21.5% in a team of 5, such as for Mary O'Connor above, so that you are 1.5% above the mean of 20%, then your final grade on the Valuation Project will be $101.5\% \times 24 / 30 = 24.36/30$.

Pedagogical Support

This course is challenging. To help you succeed, the Teaching Team has put together a suite of resources, including a discussion board, regular office hours, and multiple review sessions before each exam.

(1) Discussion Board

The course website includes a discussion board, monitored daily by the Teaching Team. **Please post all content-related questions on the discussion board rather than via email** to ensure that all students have access to the same information and to avoid duplicate responses. **Before posting a question, take a moment to review previous responses**, as your question may have already been addressed. You are encouraged to answer your classmates' questions; bonus points will be awarded to students who actively contribute by responding to peers' inquiries.

(2) Office Hours

Host	Day	Time	Location
TA	Tuesday	5:30PM-6:30PM	SHDH 204A & Zoom (Link on Canvas)
TA	Friday	11AM-noon	Zoom (Link on Canvas)
Lippincott Library	M/T/W/Th	11:30AM-12:30PM	JMHH 251
Professor Huber	Thursday	3:30PM-4:30PM	SHDH 2454

(3) Review Sessions

There will be two TA-led review sessions before each exam. In addition, several of our class meetings will be reserved for questions about the Valuation Project and/or in preparation for the exams.

Academic Integrity

No member of the class may engage in or tolerate academic fraud, such as cheating, plagiarism or lying. **The Teaching Team believes strongly in giving certain liberties to students, and in return we expect honest and honorable conduct**, including compliance with the Wharton MBA Code of Ethics and the University of Pennsylvania's Code of Academic Integrity.

Examinations are to be the work of the individual student using only the material permitted during the examination. Submitted assignments should be the work of only the team members listed on the title page of the document. **Students should not in any way rely on the work of prior students or current students who are not on their team.** This prohibition extends to prior homework, cases, or projects that are directly relevant to the assignment being completed. When a project requires you to produce a forecasting/valuation model, **the use of a model not created exclusively by the students on the team for the purposes of this class is a violation of the code of academic integrity.** For all submitted assignments, students must start with an Excel spreadsheet which is at most populated with raw data. Moreover, as detailed in the Valuation Project Guidelines, **the company being valued must be one that none of the team members has valued before.** If you have questions concerning any of the above, please see the instructor for a clarification before using any questionable material. **Violations of the above policy will result in a failing grade in the course.**

Policy on AI Tools

To ensure that you develop the key skills necessary to excel in investing, the use of AI tools such as ChatGPT or other large language models (LLMs) is **not** permitted in this course. While these tools can provide general insights or summaries, successful investing relies on forming differentiated and accurate perspectives. Defaulting to AI-generated analysis risks settling for generic or widely held views, which runs counter to the critical thinking and originality this course seeks to cultivate.

Questions and Feedback

Please feel free to contact any member of the Teaching Team with questions, comments, concerns, or suggestions. We are here to support your learning and ensure that the course meets your expectations. We welcome feedback at any time to help improve the course as it progresses.

Course Calendar

N.B.: Topics and dates are subject to change.

Date	Topic	Reference	Project Due Dates
Jan-22	Introduction to Course and Valuation Process	Ch 1	
Jan-27	Ratio and Industry Analysis	Ch 2	
Jan-29	Free Cash Flow I	Ch 3	Names of 3 Companies to Value
Feb-3	FCF II & Valuation Project	Ch 3	
Feb-5	Forecasting and Financial Modeling I	Ch 4	
Feb-10	Forecasting and Financial Modeling II	Ch 4	Stage 1 Writeup
Feb-12	Modeling Complications	Ch 3	
Feb-17	DCF Valuation Methods	Ch 5	
Feb-19	Continuing Value Estimation	Ch 6	Stage 2 Forecast + Model Shell*
Feb-24	Catch-up & Review		
Feb-26	EXAM I (IN CLASS)		
Mar-3	CAPM	Ch 8	Stage 2 Write-up + Excel
SPRING BREAK			
Mar-17	Cost of Equity	Ch 8	
Mar-19	Cost of Debt	Ch 9	
Mar-24	Levering and Unlevering I	Ch 10, 11	
Mar-26	Levering and Unlevering II	Ch 10, 11	
Mar-31	Market Multiples	Chs 13, 14	Stage 3 Discount Rate*
Apr-2	Bringing it Together: Case Study		
Apr-7	Catch-up & Review		
Apr-9	EXAM II (IN CLASS)		
Apr-14	International Valuation	Ch 17	
Apr-16	Valuation Project Presentations I		Stage 3 Final Write-up + Excel
Apr-21	Valuation Project Presentations II		
Apr-23	Project Feedback and Final Words		

* indicates graded for completion.