FIN 798-107:  
Financial Forecasting and Valuation  
Fall 2008  
Tuesdays 5:45 p.m. - 9:00 p.m.  
Lewis Room 1101  

Ms. Diane C. Swonk  
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Chief Economist  
Mesirow Financial Clinical Professor  

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Room 906 (Litton Building)  
Office hours: By appointment  

COURSE DESCRIPTION:  

This team-taught course focuses on the use of economic and industry forecasts to help value companies. The emphasis is on real-world applications of business forecasting and valuation. The first half of the course, which will be led by Ms. Swonk, concentrates on developing business forecasts; while the second half of the course, led by Prof. Cole, addresses how to integrate the forecasts into the valuation of a company. Student will be assembled into teams, and each team will select and value a company using modern forecasting techniques and computer modeling. Key techniques used include economic and industry forecasting, discounted cash-flow (DCF) and valuation analysis, relative valuation using market multiples, and valuation using adjusted present value (APV).  

TEXT AND READINGS:  

Readings and cases TBA (see last page for preliminary listing of readings)  

PREREQUISITES:  

Fin 555 and its prerequisites. Fin 523 is recommended.  

ASSIGNMENTS: Project, Memos and Case Write-ups  

Project:  
Each student team will select a publicly traded company to analyze. The project involves an analysis of the intrinsic value of the selected company, much like an institutional security analyst, corporate manager or an investment banker would perform. A top-down approach is to be used, starting with an evaluation and forecast of the economy, followed by a similar analysis of the company’s industry. These will lead into a company analysis, including assessment of financial statements and forecasts of future sales and earnings. A variety of valuation techniques, including DCF, APV and market multiples, will then be applied to arrive at estimates of intrinsic value. The project deliverables are:  

1. An oral presentation running about 20 minutes by each team on Tuesday, November 18th  
2. A PowerPoint file containing no more than 25 slides, and supporting materials (Excel Spreadsheets), due at 5 p.m. on Tuesday, November 18th.  

Memos:  
During the first half of the course, there will be three assignments with each assignment requiring that each student (Memos 1 and 2) or team (Memo 3) to prepare and turn in a one-page, type-written memo on a topic to be announced in class the week preceding its due date. The memos will be evaluated for how well they distill the relevant information, their content, and their ability to communicate the overall message.
Case Write-ups:
During the second half of the course, there will be three team assignments requiring each group to prepare a write-up of a case (TBA) that we will cover during class. Each team will prepare a memo no longer than two pages (single-spaced, 12-point font), to be accompanied by an Excel Workbook containing supporting calculations. The memos will be evaluated on how well they communicate the group’s analysis to the reader as well as for the accuracy of how the group applies valuation techniques to the problem.

GRADING:
The team project will account for 30% of your grade. Each of the three one-page memos will account for 10% of your grade. Each of the three case write-ups will account for 10% of your grade. Class participation will account for the final 10% of your grade.

COURSE GOALS:
(i) To provide an understanding of the financial forecasting, including forecasts of a company’s sales and earnings that integrate macroeconomic forecasting at the economy and industry levels.
(ii) To develop expertise in financial forecasting by preparing a forecast for a real public corporation.
(iii.) To provide an understanding of alternative techniques for corporate valuation, including weighted average cost of capital, flow to equity, adjusted present value and market multiples.
(iv.) To develop expertise in applying alternative techniques for corporate valuation by preparing estimates of value for a real public corporation.

LEARNING OUTCOMES:
Upon successful completion of this course, it is expected that the student will be able to:
(i) Explain the basic concepts of financial forecasting.
(ii) Apply the basic concepts of financial forecasting to real world situations.
(iii) Explain alternative techniques for corporate valuation.
(iv.) Apply alternative techniques for corporate valuation to real world situations.

ACADEMIC INTEGRITY POLICY:
As a condition of their enrollment in this course, students are expected to understand and abide by DePaul University’s Academic Integrity Policy (AIP) as outlined in http://studentaffairs.depaul.edu/handbook/code16.html. A violation of the AIP will result in sanctions, including a failing grade for the course.
# FIN798
Financial Forecasting and Valuation

Class Schedule*

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Readings</th>
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<tbody>
<tr>
<td>Sept 23</td>
<td>Discussion about the Federal Reserve</td>
<td><em>Come with me to the FOMC,</em> by Larry Meyer, Federal Reserve Board, April 1998</td>
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<td>Guest speaker: Dan Sullivan</td>
<td>Most recent Congressional Testimony (Humphrey Hawkins) by Chairman Bernanke</td>
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<td>Director of Research, FRB-Chicago</td>
<td>Most Recent FOMC Minutes <a href="http://www.federalreserve.gov/monetarypolicy/default.htm">www.federalreserve.gov/monetarypolicy/default.htm</a></td>
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<td>Sept 30</td>
<td>Looking at leading and lagging sectors</td>
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<tr>
<td>Oct 14</td>
<td>Putting it all together and other topics</td>
<td>TBA</td>
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<td>Oct 21</td>
<td>Overview of Valuation Models</td>
<td>TBA</td>
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<td>Valuation using Weighted Average Cost of Capital (WACC)</td>
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<td>Oct 28</td>
<td>Case 1: WACC</td>
<td>TBA</td>
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<td>Valuation using Adjusted Present Value (APV)</td>
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<tr>
<td>Nov 4</td>
<td>Case 1: WACC</td>
<td>TBA</td>
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<td>Valuation using Market Multiples:</td>
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<td>Nov 11</td>
<td>Case 3: Market Multiples</td>
<td>TBA</td>
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<td></td>
<td>Summary and Review of Valuation Models</td>
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<td>Nov 18</td>
<td>Team Presentations</td>
<td>TBA</td>
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<td></td>
<td>Team Projects Deliverables Due</td>
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*Topics and readings may change as the course warrants.