



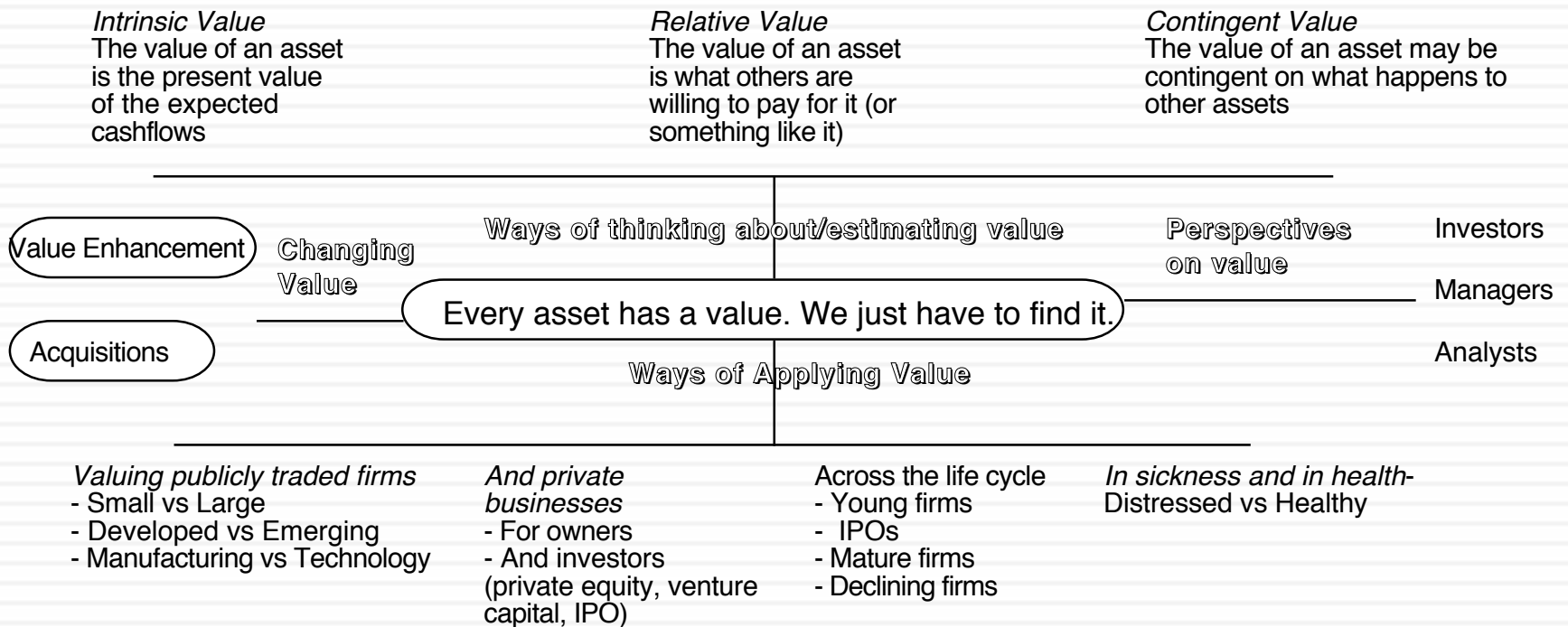
# VALUATION: SYLLABUS

Aswath Damodaran

# General Information

- Office: Room 9-96
- E-mail: [adamodar@stern.nyu.edu](mailto:adamodar@stern.nyu.edu)
- Home Page: <http://www.damodaran.com>
- Office Hours
  - ▣ Monday 9.45-10.15, 12-1
  - ▣ Wednesday 9.45-10.15, 12-1
  - ▣ The “fair game” principle still applies
- The TA for this class is
  - ▣ Leonardo Boguszewski <ldb308@stern.nyu.edu>

# 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/acstate.htm](http://people.stern.nyu.edu/adamodar/New_Home_Page/AccPrimer/acstate.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](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](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](http://people.stern.nyu.edu/adamodar/New_Home_Page/triumdesc.html)

# Class structure



## For each class, please try to..

- Be here and on time: Each class will start with a pre-class test (which will lay the basis for the class but will not be graded) in the first 5 minutes.
- Bring your lecture note packet with you: These are available in three parts. They can be bought at the book store or downloaded from my web site by going to:  
[http://www.stern.nyu.edu/~adamodar/New\\_Home\\_Page/eqllect.html](http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqllect.html)
- If you do miss a class, catch up: 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.

# 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.
  - Investment Valuation (3rd 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)
  - 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.
  - 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.
  - 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!

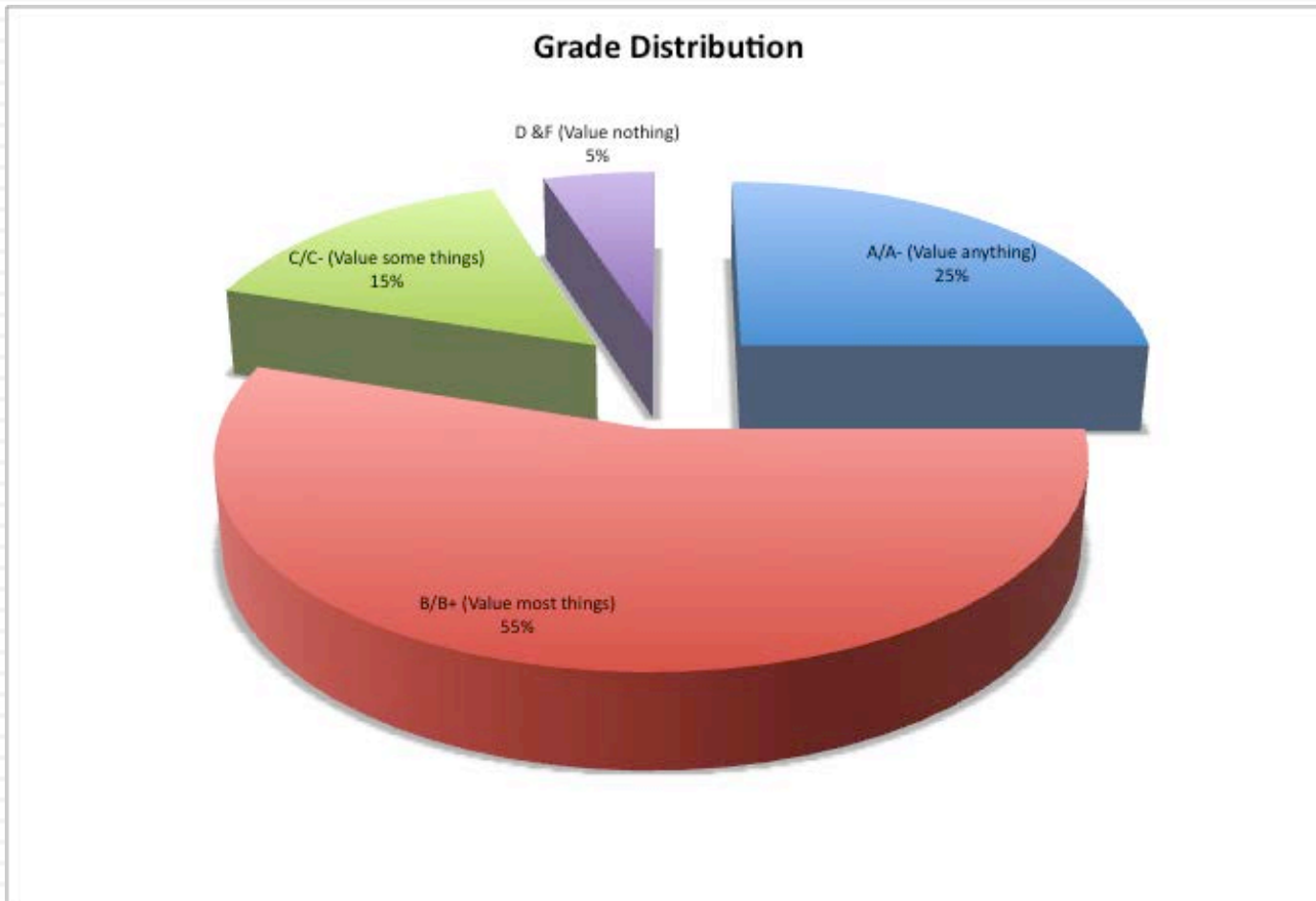
## Information Central

- 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](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://lore.com/Valuation-Spring-2013.1>
  - If you are registered in the class, you should have received an email invitation. Please accept the invitation since you can check your grades on this site as well as post/discuss valuation topics.
- Apple iTunes U: The class will also be carried on Apple iTunes U. If you have an Apple device (an iPhone or iPad), download the iTunes U app from the iTunes store and then type in or click on the link below from your device:
  - <https://itunesu.itunes.apple.com/audit/COJL8LZCE3> (Enroll code: KKY-C8B-D56)

# More... Yes, there is more...

- Google calendar: There is a Google calendar for the site that you can access by going to:
  - [https://www.google.com/calendar/embed?src=0af3iu00phbicujqhhel8gc8os%40group.calendar.google.com&ctz=America/New\\_York](https://www.google.com/calendar/embed?src=0af3iu00phbicujqhhel8gc8os%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).
- 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](http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqread.htm)

# 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 April 5 at 5 pm
    - Part 2: Entire project due on May 13 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 (March 6)
    - Quiz 2: Relative Valuation: Session 16 (April 8)
    - Quiz 3: Private Company & Option Valuation: Session 22 (April 29)
  - Final Exam: This will also be an open-book and open-notes cumulative exam worth 30% on May 15 from 1.30-3.30.

# Recapping Quiz/Exam Ground Rules

1. Quizzes will be on the designated days in the first 30 minutes of the class.
2. Exams will be open book, open notes. You can bring in as much supporting material as you can carry.
3. Each quiz is worth 10%.
4. If you have to miss a quiz for good reason, you will have to let me know (by email) at least 15 minutes before the quiz that you will be missing the quiz.
5. If you miss a quiz for good reason, the 10% weight on that quiz will be reallocated across your remaining exams (quizzes and final). You cannot weight prior quizzes more.
6. If you take all three quizzes, the score on your worst quiz will be pushed up to the average score across all of your other exams (the other two quizzes and the final exam) (Note: It will not be thrown out). If you miss a quiz, you will not have this option, even if you miss the quiz for good reason.
7. I grade all of your quizzes and I give partial credit. So, please show all work. If you have a beef with the grading (and I do make mistakes), please come to me
8. You can bring calculators to the quiz but you cannot use your laptops, iPads or other connected devices (yet).

# 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.