SECURITY ANALYSIS
FINANCE 40610
MENDOZA COLLEGE OF BUSINESS
UNIVERSITY OF NOTRE DAME
FALL SEMESTER 2008

Professor Shane A. Corwin
240 Mendoza College of Business
631-6026
scorwin@nd.edu

Office Hours:
Tue. & Thu. 10:00-11:00
or by appointment

CLASS MEETINGS:
Section 1:
M & W
1:30-2:45
DeBartolo 312

Section 2:
M & W
3:00-4:15
DeBartolo 312

TEXTBOOK:

SUPPLEMENTARY MATERIALS:
Course notes will be provided in class or made available for download. Daily reading of the Wall Street Journal or a similar source is strongly recommended and additional readings may be distributed in class. Assignments, problem/exam solutions, and other class-related items will be available on the class web page at: www.nd.edu/~scorwin/fin40610/

DESCRIPTION AND COURSE OBJECTIVES:
The objective of this course is to develop a detailed understanding of the tools used by market professionals and corporate managers to analyze the value of companies and stocks. The central theme of the course will be the pricing of equity securities using discounted cash flow and relative valuation techniques. Students will apply what they’ve learned to the valuation of a specific company, with the goal of becoming an expert on that firm. After completing this course, students should be able to:

(i) Develop quantitative models for firm and equity valuation based on DCF and multiples.
(ii) Identify and interpret accounting and non-accounting information necessary for valuation.
(iii) Identify and interpret the key value drivers for a firm or industry.
(iv) Critically analyze firm and equity valuation models and assumptions developed by others.
(v) Present valuation analyses and assumptions in a professional manner.
ACADEMIC HONESTY:

“As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty.” All students must comply with University policies for conduct and academic honesty at all times during this course. These policies are outlined in the Notre Dame Academic Code of Honor Handbook at www.nd.edu/~hnrcode. Any violations of these policies will result in referral to the appropriate administrative body.

COURSE REQUIREMENTS:

Exams: There will be two midterm exams and a final exam during the semester. Exams will be given during regular class sessions or the final exam time, as listed on the attached schedule. Exam questions will be taken from class notes and assigned readings. The final exam is comprehensive. If it benefits you, I will automatically replace your lowest exam score with your percentage grade on the final exam.

Valuation Project: Each student will be assigned to a group of 3-5 students that will analyze and value the stock of a publicly-traded company. The valuation project and related assignments constitute a significant portion of your grade. The valuation project will consist of four components, described in more detail in the valuation project instructions:

(i) Project-related assignments, readings, and discussions completed during the semester
(ii) Spreadsheet model of your valuation
(iii) Written analyst report
(iv) In-class presentation of analyst report

Specific Policies:

(1) Attendance will not be taken. However, students are responsible for all material and assignments presented in class.
(2) Students are expected to actively participate in classroom discussions and to have required readings and assignments completed before each class. Late assignments will be severely penalized and may result in a score of zero.
(3) Exams will be given on announced days during regular class periods (or other scheduled times). No make-up exams will be given without prior approval from the instructor or a University excused absence. Exams missed without prior approval will result in a score of zero without exception.
(4) Exams are individual work. The valuation project and all related assignments are group work. When preparing the valuation project, you may not collaborate with students from outside your own group.
(5) In preparing your valuation project you will make significant use of outside sources. Be sure to cite these sources appropriately.

GRADE DETERMINATION:

Final grades will be determined based on the percentage of total points earned. Available points are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Exam 1 – Monday, September 29th</td>
<td>100</td>
<td>(16.7%)</td>
</tr>
<tr>
<td>Exam 2 – Wednesday, November 5th</td>
<td>100</td>
<td>(16.7%)</td>
</tr>
<tr>
<td>Final Exam – Monday, December 15th, 1:45 – 3:45 p.m.</td>
<td>200</td>
<td>(33.3%)</td>
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<tr>
<td>Valuation Project</td>
<td>200</td>
<td>(33.3%)</td>
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<tr>
<td>Total</td>
<td>600</td>
<td>(100.0%)</td>
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<tr>
<td>WK</td>
<td>LECTURE TOPIC</td>
<td>ASSIGNMENT</td>
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<tr>
<td>1:</td>
<td>Course Overview</td>
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<td>2:</td>
<td>Lecture 1 – Introduction to Valuation</td>
<td>Ch. 1-3</td>
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<tr>
<td>3:</td>
<td>Lecture 2 – DCF Valuation: Estimating the Cost of Capital</td>
<td>Ch. 7-8</td>
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<td>4:</td>
<td>Lecture 2 – DCF Valuation: Estimating the Cost of Capital</td>
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<td>5:</td>
<td>Lecture 2 – DCF Valuation: Estimating the Cost of Capital</td>
<td>Ch. 7-8</td>
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Exam 1 – Monday, September 29th

| 6: | Lecture 3 – DCF Valuation: Estimating and Forecasting Cash Flows | Ch. 9-10     |
| 7: | Lecture 3 – DCF Valuation: Estimating and Forecasting Cash Flows | Ch. 9-10     |
| 8: | Lecture 3 – DCF Valuation: Estimating and Forecasting Cash Flows | Ch. 9-10     |

9: FALL BREAK

| 10: | Lecture 4 – DCF Valuation: Forecasting Growth and Terminal Value | Ch. 11-12    |
| 11: | Lecture 4 – DCF Valuation: Forecasting Growth and Terminal Value | Ch. 11-12    |

Exam 2 – Wednesday, November 5th

| 12: | Lecture 5 – DCF Valuation: Final Issues and Examples | Ch. 13-16    |
| 13: | Lecture 5 – DCF Valuation: Final Issues and Examples | Ch. 13-16    |
| 14: | Lecture 6 – Relative Valuation                      | Ch. 17-18    |

THANKSGIVING BREAK

| 15: | Lecture 6 – Relative Valuation                      | Ch. 17-18    |

| 16: | Valuation Presentations (schedule to be announced) |               |

Final Exam – Monday, December 15th, 1:45 – 3:45 p.m.

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* This is a tentative outline and may be subject to change. Students are responsible for any changes announced in class.