



FIN 377.4 FINANCIAL ANALYSIS Fall 2016

PROFESSOR: MARY LOU POLOSKEY

OFFICE: GSB 5.176E

OFFICE HOURS: Tues. 1:00 – 2:00, Wed. 11:30 – 1:30 and by appointment

Section #: 03930 TTh 9:30 – 10:45 GSB 2.122
03935 TTh 11:00 – 12:15 GSB 2.122

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REQUIRED:

(1) Harvard Business Notes & Cases - purchased online at:

<http://cb.hbsp.harvard.edu/cbmp/access/51854677>

(2) Articles posted on Canvas

Finance 377 is designed for finance majors to improve their skills at analyzing companies and to advance their knowledge of finance theory and application. The overall financial analysis includes analysis of industries, business strategy, financial statement ratio analysis, evaluation of financial performance and risk, and determination of the value of a company's stock.

This course uses different teaching methods to present the topics in this course. First, articles and cases will be used to cover strategy. All readings can be found in the Harvard online packet or posted on the class Canvas site. Students will choose a group to work with for the entire semester. Groups will choose an industry and after an industry analysis is performed, a company to analyze. Students will participate in hands-on demonstrations of the different data feeds available in the Financial Trading Center. The first group project requires students to apply the technology skills they have acquired in the use of data feeds (including Bloomberg and FactSet). Each group will prepare Excel Pro Forma financial statements and stock valuations using DCF and multiples analysis. We will use articles and business cases to introduce related topics. Evaluation in this class includes one test and several written group projects. An oral presentation applying strategy analysis, financial ratio analysis, cash flow analysis, and valuation models to a "real" company will conclude the semester.

Students take a very active part in this class. Students are encouraged to present, discuss, evaluate and challenge the other students' presentations. Much of the learning in this course will take place outside of the classroom in your groups. The emphasis on student involvement encourages students to learn by doing and fosters self-motivation, which is so important in the workplace.

Some of the objectives of this course include:

- Improved ability to analyze and value companies in different industries using finance, accounting and economics.
- Greater understanding of the business strategy and financial ratios of well-known companies in various industries.
- Review of major accounting and finance principles. Improved forecasting and valuation skills.
- Improved modeling skills and familiarity with financial data programs.
- Improved presentation, communication, and analytical skills. Improved ability to work in a team.
- Greater understanding of current the financial issues and problems.

CANVAS

All course materials will be posted on Canvas. Information in Canvas is protected by your UTEID login. Please be aware that I will use a merged Canvas site for both sections of the course that I am teaching this semester. This will allow students in the other sections to see that you are enrolled in the course and send you email from within Canvas. However, they will not actually learn your email address and no other personal data will be revealed through Canvas. If you have any concerns, please contact the ITS Help Desk at 475-9400 for help removing your name from view of other students.

PREREQUISITES:

Several Prerequisites apply for this course and are listed in the *Course Schedule*. Due to heavy demand for this course, **the prerequisites will be strictly enforced.**

EVALUATION:

Final Grades will be determined as follows:

Industry Overview (Group) 5%

Students will form groups. Each group will pick an industry and present a short (5-10 minute) overview and offer a first and second choice company to study in that industry. Each group needs to prepare a one page summary including company choices.

Competitive and Ratio Analysis (Group) 15%

Early in the semester, students will receive training on data-feed programs in the financial trading and technology center. In this analysis, students show their ability to manipulate and interpret data from Bloomberg and other data feed and Internet sources. The paper will be graded on strength of the data presented and analysis of that data.

Historical and ProForma Financial Statements (Group) 15%

Each group will prepare a Condensed Income Statement and Balance Sheet for the past 5 years and any quarters available since the fiscal year end. List assumptions and prepare ProForma Financial Statements for the next 5 years.

DCF Valuation (Group) 10%

Students will use the Pro Forma Financial Statements as a basis for the cash flows to be used in valuation and sensitivity analysis.

Multiples Analysis (Group) 10%

Each group will prepare a short paper and value the company's stock based on multiples analysis of P/E, P/Sales, P/CF, P/B, and EV/EBITDA ratios.

Test (Individual) 25%

Students will take one closed book test on the date listed in the schedule. Students will have the entire class period. No Make-ups will be given, students missing the test for an excused absence will take a comprehensive final exam during the finals period to replace the missing test grade.

Financial Analysis & Valuation Presentation (Group) 10%

Students will present their analysis to the class covering competitive strategy, financial ratios, investment merits & risks, DCF analysis and Multiples Valuation. Students will use Powerpoint slides and must analyze and interpret the data, charts and graphs they present. Each group will take a position on whether their company's stock is appropriately valued. Presentations will be graded on strength of analysis, level of interest and presentation skills. Each group will be asked to research 2 other companies being presented and prepare challenge questions.

Professor Evaluation of Participation & Peer Review (Individual) 10%

Class participation is based on the contribution of each student to the class. Solid performance in this area requires consistent attendance, meaningful contributions to discussion in class, good peer evaluations and actively working on in-class exercises. Unexcused absences result in a lowering of the grade. In general, a student will lose 5 points (out of the 100 possible for participation and peer review) for each unexcused absence.

Each student will be working in one group for the semester. During the last week of class, each student will review the performance of all members of his/her group. The professor will use the peer reviews as well as her own observations to determine a grade.

Academic Honesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

OTHER POLICIES:

Consistent with the policy of the Department of Finance, the use of computers and other electronic devices in class is generally prohibited. Laptops may be used on group work days. *Please note that accessing the internet, recreational programs, or e-mail and messaging without prior consent of the instructor is strictly forbidden.*

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>.

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire

Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.

- Behavior Concerns Advice Line (BCAL): 512-232-5050
Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.

SCHEDULE

This is a proposed schedule for the semester. The Test will be given on the date listed. Any changes to the schedule will be announced in class.

WEEK	DATE	TOPIC
1	8/25	Course Overview
2	8/30	Finance Review
	9/1	Long-Term Capital Management/Intro to Competitive Strategy
3	9/6	Competitive Strategy – Form Groups/Industry selection
	9/8	Meet in FTTC – Introduction/ FactSet
4	9/13	Group Industry Overviews
	9/15	Financial Statements, Horizontal and Vertical Analysis
5	9/20	Financial Ratios
	9/22	Meet in FTTC – Bloomberg
6	9/27	Financial Ratios- Analysis of Whole Foods
	9/29	Introduction to Valuation & Free Cash Flows
7	10/4	Condensed Pro Forma Financial Statements Competitive & Ratio Analysis Due
	10/6	Meet in Mod Lab (5 th Floor CBA) Historical Analysis Bring Fin'l Stmts
8	10/11	Multiyear Projections
	10/13	Meet in Mod Lab (5 th Floor CBA) Pro Forma Statements

9		
	10/18	Financial Modeling Historical/Pro Forma Statements Due
	10/20	Multiples
10		
	10/25	Meet in Mod Lab(5 th Floor CBA)
	10/27	Mergers & Acquisitions/ Valuing Private Companies
11		
	11/1	APV/ Pricing IPOs (Rosetta Stone) DCF Due
	11/3	Financial Statement Integrity
12		
	11/8	Guest Speaker – FTTC Multiples Valuation Due
	11/10	Group Valuation Presentations
13		
	11/15	Group Valuation Presentations
	11/17	Group Valuation Presentations/Review
14		
	11/22	Test
	11/24	Thanksgiving Holiday
15		
	11/29	Group Valuation Presentations
	12/1	Group Valuation Presentations, Peer Review & Course wrap-up