ADVANCED CORPORATE FINANCE
MBA (B8307)

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SYLLABUS

I. COURSE DESCRIPTION

Advanced Corporate Finance develops the art and science of optimal strategic decision-making by applying corporate financial theory to cases of financial policy, financial instruments and valuation. This course builds on the basic building blocks of valuation and other tools introduced in Corporate Finance to understand the economics of corporate finance with real world applications. A broad array of topics will be discussed including: rethinking valuation, cost of capital and capital budgeting, capital structure beyond M&M, corporate securities beyond simple debt and equity, securitization and real options, real world payout policies, going public, restructuring, M&A and buyout valuations, corporate governance, corporate control (mergers and acquisitions), shareholder activism and recapitalizations. Classes will be structured to maximize the synergy between theory and practice, by blending lectures with cases, to become more intelligent financial decision makers given the complexity of the real and uncertain world. I plan to revise and fine-tune the course as we progress, and I learn more about how you learn and your interests. In short, the class is suitable for students looking to make sound and intelligent executive financial decisions, including investment bankers, consultants, CFOs, portfolio and investment managers, corporate treasurers, and students seeking opportunities in venture capital and private equity.

1. Building on the basics of valuation: cost of capital and capital budgeting, capital structure beyond M&M, and dividend payout and repurchases.
2. Financial instruments: options, warrants, convertibles, leasing, real options, and securitization.
3. Going public and going private: IPOs, LBOs, and LBO valuation.

Advanced Corporate Finance should be considered a capstone course. This is an advanced level course in which students are expected to perform professional level work. The class is open to 1st and 2nd year students who have completed B8306 Capital Markets and Investments, as some of the material covered in B8306 is necessary throughout the course. Students need to be familiar with notions of option pricing including valuation using the Black-Scholes formula.
II. TEXTBOOKS AND MATERIALS

The following items:

- **Textbook #1**: *Principles of Corporate Finance* (13th edition), by Brearley and Myers (BM). Readings from this book are required for each lecture and are listed in “VI Schedule of Sessions and Assignments”. Readings can be done after class to supplement class lecture material and assist in completing group case assignments. (The 11th and 12th editions of the textbook are cheaper, and I believe there is only a marginal difference in the content to the 13th edition.)

- **Textbook #2**: *Valuation: Measuring and Managing the Value of Companies* (6th edition), by Tim Koller, Marc Goedhart, and David Wessels (KGW). Readings from this book are recommended. (Chapters 8-17 are an excellent resource for the valuation section of the course, Chapter 35 covers real options, Chapter 32 introduces valuation in high-growth companies, Chapters 23/31 provide background on international valuation, and Chapter 27 covers mergers. I recommend that at least one member in each group has access or buys a copy of this book so the chapters can be read by other group members. If you are planning to go into investment banking or consulting, then this will be a good addition to your library.)

- **Case Materials and Assignments**: All case readings and assignments will be posted on Canvas under the folder for the session in which they are covered in class.

- **Teaching Notes** will be posted on Canvas. These are reference materials for the class.

- **Academic Articles** will either be posted on Canvas or a link to the article will be provided.

These additional materials are not required, but may be useful to some students:

- *The Wall Street Journal* and/or *The Financial Times* are fundamental reading for any business school student. Class discussion will often reference news items.

- *The Economist* is useful for those who are not as familiar with the language of finance.

III. TEACHING ASSISTANTS, REVIEW SESSIONS AND GUEST SPEAKERS

Review sessions will be held on an as needed basis over the semester. A schedule of the review sessions and the material that will be covered will be provided on Canvas as the course progresses. This includes some valuation reviews directed to help students enhance valuation model building skills and case reviews. Any materials covered in review sessions will be recorded and posted on Canvas. I will coordinate review sessions so that the TA and I will share responsibility for running the sessions. You can schedule office hours via Zoom with the TA by email. I have assigned a TA to help share the work, but feel free to contact the TA or myself with a request for office hours. The TA assigned to your cluster is responsible for grading of assignments and should be the first point of contact for queries about grading or assignments.

**TA 1 (9.00am): XXXXX (XXX20@gsb.columbia.edu)**
**TA 2 (10.45am): XXXXX (XXX20@gsb.columbia.edu)**

*On occasion, I will invite guest speakers to the classroom to impart a practitioner perspective on the topics or cases covered in class. Since it can be difficult to ask speakers to visit both sections of
my class, I will ask students from both sections to attend certain sessions when there is a guest speaker. Do not worry if you cannot make the session, I will ensure that an ECHO recording of the session is available for your viewing after the session.

IV. GRADING

Grades will be calculated using the following weights:

- Group case write-ups (best 5 of 6 cases) 20%
- Group presentation and an activism pitch 10%
- Class participation and peer assessment 10%
- Individual Assignment 20%
- Final Exam (take home) 40%

Case Write-ups

A handout with the “Assignment” and “Discussion Questions” as well as additional materials (such as excel spreadsheets) will be available on Canvas a week before the case write-ups are due.

You are required to complete the “Assignment” portion of the handout. You do not need to explicitly answer the discussion questions; they are only intended to give ideas and prepare you for class discussion. Each case write-up should include two pages of answers to the questions and up to three pages of supporting data exhibits.

Each group will turn in a completed write-up. On your write-up, please include the names of each group member. Case write-ups should be submitted through the Drop Box in Canvas by 1pm on the due date.

The submission to Canvas is to ensure that the assignment has been completed on time. Late assignments will NOT be accepted. You should make a copy of your answers to refer to during class discussion.

Case Write-ups will be graded on a fifty-point scale. Your grade will depend on the logic of your analysis and the clarity of your write-up. You should explain clearly and succinctly each step of your analysis and justify each step. Justify any assumptions you make. Data tables should be easy to read and make clear how your calculations were performed.

Final Exam (take home)

The take home final exam will be available during the last week of the semester. The exam is open book and notes.

To avoid ambiguity regarding group and individual work, the MBA Committee has standardized the description types of assignments. They are specified below:
<table>
<thead>
<tr>
<th>Type</th>
<th>Designation</th>
<th>Discussion of Concepts</th>
<th>Preparation of submission</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>group/group</td>
<td>Permitted with designated group</td>
<td>By the group</td>
<td>Same grade for each member of</td>
</tr>
<tr>
<td>B</td>
<td>group/individual</td>
<td>Permitted with designated group</td>
<td>Individually (No sharing of any portion of the submission.)</td>
<td>Individual</td>
</tr>
<tr>
<td>C</td>
<td>individual/individual</td>
<td>None of any kind</td>
<td>Individually</td>
<td>Individual</td>
</tr>
</tbody>
</table>

Case Write-ups are “Type A” assignments. Take home exam is a “Type C” assignment.

V. GROUP ASSIGNMENTS, CASE SOLUTIONS, PRESENTATIONS & PARTICIPATION

GROUP ASSIGNMENTS: Groups to comprise a minimum of 4 and not to exceed 5 members, will be formed by students in the first session. Case write-ups are to be submitted on Canvas by 1.00pm on the date when the case will be discussed in class (see assignments). At the end of the semester, you will be asked to give each group member (including yourself) a grade on his/her performance within your group. This assessment will enter into the computation of each student’s class participation grade.

CASE SOLUTIONS: You are required to take the position of an external consultant to the decision maker(s) in the case, such as the CEO, CFO or corporate board. The format should be a SHORT executive summary outlining your recommendation on the course of action accompanied by a succinct description of why; a summary of the key assumptions and limitations in your analysis to the questions posed in the assignment. The focus of your paper should be the logic of the argument(s) leading to your conclusion. Your argument(s) and position should contain your critique and solution. PLEASE DO NOT RESEARCH THE OUTCOME OR THE PERFORMANCE OF THE COMPANY SINCE THE CASE AS I AM SEEKING YOUR OPINION AND NOT DUPLICATION OF THE DECISION MADE BY OTHERS.

Case solutions are limited to two pages of text (typed with reasonable font size (11 or 12) and single space and margins). Supporting tables, spreadsheets and graphs are limited to two additional pages. Spreadsheets, tables and graphs should be clearly labeled, with the assumptions made and formulas used obvious to the reader. Please ensure that everything is embedded in your 4-page submission.

IN-CLASS GROUP PRESENTATION AND ACTIVISM PITCH: Each group is required to sign-up to present their analysis on a case in class during the semester. The signup sheet will be uploaded to Canvas and it is the group’s collective responsibility to ensure that they sign up to present in one of 10 sessions when cases will be discussed. In the last session of the course, each group will be asked to undertake an activism pitch to the class – it is imperative that each group follow the instructions on this assignment. Missing either of these will result in a drastic reduction in participation points for all group members.
**CLASS PARTICIPATION:** Class participation grades will be determined on contribution in the class discussion of the cases and the intra-group peer evaluations. This course relies heavily on class discussion and requires substantial preparation for each session. You are expected to participate in the class. If you are not in class, you cannot have participated. You do not need to inform me that you are going to miss a class, but your performance assessment will reflect if you are not there. *Please bring your nameplate to each and every class as this will allow me to accurately monitor your contribution.* The class starts promptly. Class sessions are considered business meetings with clients or with the senior executive of your firm, whether the class in question is a session when a case is due or when a lecture is scheduled. You should not be late to such meetings (particularly with any frequency) and expect to hold on to your position. If you miss a class in the rare instance, then please inform me in advance and you may be allowed to attend another section. Finally, you should attend the section that you are enrolled in.

**VI. HONOR CODE**

Students are expected to fully abide by the Honor Code, which states ‘As a lifelong member of the Columbia Business School community, I adhere to the principles of truth, integrity and respect. I will not lie, cheat, steal or tolerate those who do’, Given the format of the class, the amount of group work and measurement of performance based primarily on team work, makes the application of the Honor Code tricky. For example, I cannot determine, other than through information on peer evaluations and what I see in class, to what extent a group member is shirking at the group’s expense.

The following are clear violations of the Honor Code:
- Using prior solutions, including verbal or written accounts of any cases taught in class. This includes teaching notes from other professors and solutions posted on-line.
- Communication concerning the final exam case once it has been handed out.
- Any communication to students in other classes or sections of the class for whom a case is due at a later date concerning any class discussion details.

**VII. OTHER ADMINISTRATIVE ISSUES**

**Class Attendance / Being Late** – I expect that you will come on time to class and stay for the full lecture. However, I do understand that there are medical and other special circumstances that may cause you to miss all or part of a class. *If you must arrive late, leave early, or miss a class, you should inform me in advance and catch up on the material.* I view class attendance as a prerequisite to receiving help outside of class time. In other words, if you decide not to attend class (and do not have a valid reason), then you should not expect to receive extensive help outside of class from me or the teaching assistants. This course policy dictates that three or more session absences will result in an automatic fail grade for the course – there will be no discussion on this rule.

**Getting Back Your Assignments** – Feedback and points on Case Write-ups will be sent to you via Canvas within two weeks. I will let you know when there are delays.

**Laptop Computers** – I will not allow laptop computers in class. If I make an exception when we cover some cases I will announce it the class before. You should have a printed copy of your case
write-ups to follow in class. Please make sure that your laptops are put away before the start of class.

**Seating** – The seat that you choose for the second session will be your seat for the remainder of the course.

**Name Cards** – Please bring name cards to *every* class to ensure you earn participation points.
### VIII. SCHEDULE OF SESSIONS AND ASSIGNMENTS

<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Session</th>
<th>Topic</th>
<th>Optional Reading</th>
<th>Prepare Case</th>
<th>Turn in</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>9-Sep</td>
<td>1</td>
<td>Overview - Rethinking Valuation ~ Roadmap</td>
<td>BM (Ch. 6 and 9)</td>
<td></td>
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</tr>
<tr>
<td>M</td>
<td>16-Sep</td>
<td>2</td>
<td>CASE #1: Estimating Cost of Capital for Divisions</td>
<td>Marriott Corp. (prep for class)</td>
<td>No Submission</td>
<td></td>
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<tr>
<td>M</td>
<td>23-Sep</td>
<td>3</td>
<td>CASE #2: WACC and Financing - A Global View</td>
<td>Grand Metropolitan</td>
<td>Write-up #1 (Group)</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>30-Sep</td>
<td>4</td>
<td>Options, Warrants and Convertibles</td>
<td>Mass General</td>
<td>Write-up #2 (Group)</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>7-Oct</td>
<td>5</td>
<td>CASE #4: Using Financial Instruments in Valuation</td>
<td>BM (Ch. 25) KGW (Ch. 20)</td>
<td>Leasing Case #5: Using Options to Finance Growth</td>
<td>No Submission</td>
</tr>
<tr>
<td>M</td>
<td>14-Oct</td>
<td>6</td>
<td>CASE #6: Applying Real Options in Finance</td>
<td>BM (Ch.22) KGW (Ch. 35)</td>
<td>Real Options and Securitization</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>28-Oct</td>
<td>7</td>
<td>Going Private - Buyouts and APV Valuation</td>
<td>BM (Ch. 19, 32)</td>
<td>Going Private - Buyouts and APV Valuation (Pear Inc. in class exercise)</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>11-Nov</td>
<td>INDIVIDUAL ASSIGNMENT</td>
<td>TBA</td>
<td>Individual Write-up</td>
<td></td>
<td></td>
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<tr>
<td>M</td>
<td>11-Nov</td>
<td>8</td>
<td>Going Public - IPOs</td>
<td>BM (Ch. 15)</td>
<td>Going Public - IPOs</td>
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<tr>
<td>M</td>
<td>18-Nov</td>
<td>9</td>
<td>M&amp;A and Corporate Control</td>
<td>BM (Ch. 31)</td>
<td>M&amp;A and Corporate Control</td>
<td>Write-up #5 (Group)</td>
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<tr>
<td>M</td>
<td>25-Nov</td>
<td>10</td>
<td>CASE #8: M&amp;A and Managing Growth</td>
<td>Service Corp. International Gucci</td>
<td>Corporate Governance &amp; Activist Investors</td>
<td>Write-up #6 (Group)</td>
</tr>
<tr>
<td>M</td>
<td>2-Dec</td>
<td>11</td>
<td>M&amp;A and Corporate Control</td>
<td>BM (Ch. 12, 33)</td>
<td>M&amp;A and Corporate Control</td>
<td></td>
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<tr>
<td>M</td>
<td>9-Dec</td>
<td>12</td>
<td>CASE #10: Investor Activism in CEFs</td>
<td>Opportunity Partners (Read)</td>
<td>Corporate Governance &amp; Activist Investors</td>
<td></td>
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<tr>
<td>TU</td>
<td>12/10/2019</td>
<td>FINAL EXAM (Take Home)</td>
<td>Individual Write-up</td>
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**Note:** I have the option to change items on the syllabus as and when needed. This is a very tentative outline and I may choose to update cases and readings before or during the course. In addition, I have tentatively secured guest speakers to attend our sessions so these will need to be slotted into our schedule according to the availability of the speaker. Review sessions will be taken by myself and the TAs when necessary. Please feel free to reach out to us if you require assistance.