Columbia Business School

Applied Value Investing: Fall 2019 Bidding Syllabus

B8373-001 Applied Value Investing
Monday: 5:45-9:00 PM
Classroom: URIS 328

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REQUIRED COURSE MATERIAL

Required reading throughout the term includes:

1. The Wall Street Journal
2. Financial Times
3. *Barron's*
4. SEC filings related to companies we are studying, company call transcripts and other available data
5. There may be other short books or articles assigned related to speakers or topics of interest as the semester progresses.

**There are no good textbooks for this course. We assume because you are in an advanced security analysis class at Columbia you have read at least parts of the following books:

Greenwald et al, *Graham and Dodd's Security Analysis, Sixth Edition*
Greenwald and Kahn, *Competition Demystified, A Radically Simplified Approach to Business Strategy*

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

Prerequisite: Capital Markets

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Corporate Finance	1. Cost of Capital

	2. Valuation 3. Financing Options 4. Time value of money 5. Opportunity cost (of capital) 6. The Capital Asset Pricing Model (CAPM) 7. Firm Valuation Model
Financial Accounting	1. The "accounting equation" 2. Revenue and expense recognition 3. Resources and obligations – measurement and disclosure
Global Economic Environment	1. Risk Management 2. What is Gross Domestic Product and how is it measured? 3. What causes inflation? 4. What causes changes in exchange rates? 5. What are the causes of business cycles? 6. What are the effects of monetary policy? 7. What are the effects of fiscal policy? 8. What is the role of financial markets in the economy?
Managerial Economics	1. Barriers to entry 2. Moats 3. Maximization and thinking on the margin 4. Analyzing complex decision-making under uncertainty 5. Decision-based cost analysis 6. Pricing with market power 7. Market segmentation and other advanced pricing strategies 8. Understanding market competition and equilibrium thinking (in the short-run) 9. Market equilibrium thinking (in the long-run) and barriers to entry 10. Strategic interaction among firms and Nash equilibrium
Strategy Formulation	1. Trade-offs, value-added, efficiencies 2. Creation of value vs. value capture 3. Competing firms 4. Co-competition and Complementors 5. Strategic interaction analysis 6. Diversification and scope 7. Ethics & IBS 8. Behavioral and evidence-based strategy 9. Management

Students will be expected to have mastered these concepts and be able to apply them in the course.

COURSE DESCRIPTION & OBJECTIVES

This course combines the methods and teachings of security analysis with practical buy-side methodologies to identify and research attractive value investments. Emphasis will be placed on the development and implementation of a sound and repeatable research process. Both long and short methodologies will be covered during the semester.

This course will leverage your theoretical learning in security analysis plus require you to develop business acumen and industry expertise. A combination of fundamental analysis and assessment of intrinsic value will be balanced with thematic thinking and business judgment. The course should arm you with the tools to identify attractive value

investments through a variety of methodologies for several alternative fund strategies. Throughout the semester, students will prepare five full investment memoranda on assigned stock securities. After the first name, which will be assigned to the entire class, subsequent stocks will be assigned to small groups of students. Certain students will be required to develop the long thesis while others develop the short thesis. Ultimately each student will select one of their ideas to further develop (long or short) for a final presentation to the class and outside fund managers.
The class will be kept small to take advantage of the instructional method. Class discussions will be complemented by guest discussions from highly regarded investment professionals from the long only and hedge fund community.

CLASSES

- Class 1
  - Course Overview
  - Investment Process
- Class 2
  - Modeling I
  - Management Evaluation
- Class 3
  - Investment Analysis
- Class 4
  - Quality of Business & Competitive Position
- Class 5
  - Speaker Series and Sample Pitch
- Class 6
  - Modeling II
  - Student Pitches
- Class 7
  - Idea Sourcing
  - Interview Preparation
- Class 8
  - Balance Sheet Flexibility / Capital Allocation Strategy / Proxy Review
  - Student Pitches
- Class 9
  - Shorting
  - Speaker Series
- Class 10
  - Due Diligence
- Class 11
  - Final Presentations I
- Class 12
  - Final Presentations II

Investment Memos: Discussion and argument on assigned stocks will begin the week following their assignment. The ability to quickly get up to speed and identify the critical issues is an important skill and will make up much of the class

participation grade. Deliverable will be a draft model with key drivers and research objectives, followed by a full investment write-up and supporting model (due about three weeks after the stock is assigned).

Final Projects: Students will rank their write-ups in order of preference for a final presentation; these preferences will be considered in assigning final projects. The final project deliverable will be a ten minute investment pitch with supporting slide deck, appendices and detailed model.

Weekly Assignments:

- On each Sunday prior to class (8:00 AM deadline), submit a memo and a model on the name you are working on. In the first week, your memo will include key questions for research and analysis. Subsequent submissions will show your research progress towards an investment decision.
- Each class students should be ready to give a market update (format will be discussed in class), plus an update on any news related to their assigned stocks.
- Additional assignments will be made as the semester progresses. These will usually involve readings or exercises that can be accomplished within an hour or two.

***Note above assignments / due dates may be modified*

METHOD OF EVALUATION

Participation/Weekly Pitches (Partner)	75%
Final Company Pitch (Individual)	25%

Grades will reflect knowledge and application of the course material and communication skills. This course is intended to be interactive and class participation will be crucial to the success of this class.

CLASSROOM NORMS AND EXPECTATIONS

Class Participation:
Preparation, Discussion, Organization

Guest Speakers:
This course will involve several buy-side and Company Management guest lectures; class participation will be crucial to the success of the course.

INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS
At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students.