Applied Value Investing: Fall 2019

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

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Professor Office Location: Off-Campus

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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:

<table>
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<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tr>
<td>Corporate Finance</td>
<td>1. Cost of Capital</td>
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## 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:** September 9th
  - Course Overview
  - Investment Process
- **Class 2:** September 16th
  - Modeling I
  - Management Evaluation
- **Class 3:** September 23rd
  - Investment Analysis
- **Class 4:** September 30th
  - Quality of Business & Competitive Position
- **Class 5:** October 7th
  - Speaker Series and Sample Pitch
- **Class 6:** October 14th
  - Modeling II
  - Student Pitches
- **Class 7:** October 28th
  - Idea Sourcing
  - Interview Preparation
- **Class 8:** November 11th
  - Balance Sheet Flexibility / Capital Allocation Strategy / Proxy Review
  - Student Pitches
- **Class 9:** November 18th
  - Shorting
  - Speaker Series
- **Class 10:** November 25th
  - Due Diligence
- **Class 11:** December 2nd
  - Final Presentations I
- **Class 12:** December 9th
  - 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

<table>
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<tr>
<th>Participation/Weekly Pitches (Partner)</th>
<th>75%</th>
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<tbody>
<tr>
<td>Final Company Pitch (Individual)</td>
<td>25%</td>
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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.

CLASSE ROM 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](http://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.