UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Corporate Finance And Financial Analysis - 2

2223-2-E1803M104-T2

Learning objectives

The course aims to analyze the main decision-making profiles overseen by the corporate finance function, with particular reference to industrial and service companies, especially in the collection, use and control of the capital factor.
However, the course aims to provide the skills and the set of essential tools for the professionalism of the financial analyst with investors institutions, financial intermediaries, and/or other lenders of the company.
The educational objectives are substantiated in the:

1. Knowledge and understanding: acquiring knowledge and understanding on a level advanced on enterprise management and its internal and external components with the aim to develop skills for analyzing business performance and evaluating investment projects as well as the financial technical analysis of companies and financial markets.
2. Ability to apply knowledge and understanding: the student will be able to analyze financial statement data carrying out the functional reclassifications for the analysis by indexes and to express his own critical judgment on the corporate solidity and liquidity. He will also be able to carry out typical assessments of the financial manager in the selection and evaluation of investment projects and the optimal structure of financial sources.
3. Communication skills and group work: the student will acquire the ability to prepare case presentations working in groups with other students and will gain communication skills through exposure in the classroom of a presentation prepared by the students, divided into groups, concerning the analysis of a listed company with evidence of company performance and providing a prospective evaluation.
4. Learning skills: the teaching will allow the student to identify tools and paths
adequate to develop his knowledge and to keep up to date on methods, techniques and tools of corporate governance and finance.

Contents

• Objectives and function of corporate finance
• The capital markets
• Financial analysis of company performance
• Company valuation methods
• Funding Sources: Equity, Debt (short and long term)
• Working capital management
• Investment evaluation criteria (applications and risk)
• The cost of capital for the company
• The corporate financial-structure (Modigliani - Miller Theorem)
• Dividend policies

Detailed program

• Objectives of Corporate Finance;
• Financial analysis on financial statement reporting (accounting driven analysis);
• Definition of net commercial working capital and difference with net working capital (time criteria); Reclassification of income statement to EBITDA;
• Main Financial ratios: profitability ratios; of rotation; financial structure; of liquidity and patrimonial solidity;
• Leverage equation. Meaning of the leverage effect. Cash flows: determinants and dynamics in final analyses;
• Cash flows: cash flows from operations; cash flows from investment activities; cash flows from financial total assets and cash flows;
• Company life cycle. Cash absorber companies and cash generator companies. Financial prediction: estimated budgets with synthetic method
• The assessment of the company's expected financial needs and simulations to identify the optimal capital structure;
• Value-based financial analysis;
• balance sheet at book valure vs balance sheet at market value;
• Enterprise value; Debt market value; equity value; Goodwill and other specific intangibles (trademarks and patents) relevant for "value based" analyzes and their implications (Leverage ratio at market value);
• Market valuation through single value and disaggregated value (Sum of Parts, SoP); Method Asset side (so-called indirect) and Equity side (so-called direct) for listed and unlisted companies;
• Valuation of liabilities issued by companies: valuation of corporate debt (fixed rate and a floating rate); stock valuation using dividend capitalization models (DDM);
• The three variants of DDM models: steady state; constant growth (so-called Gordon); with differentiated growth in two stages with Terminal value;
• The cost of capital: general definition and the four different configurations of the cost of capital: cost of debt, cost of equity, weighted average cost, unlevered cost of capital;
• Differences between senior debt and subordinated or mezzanine debt;
• The cost of capital according to the theories of corporate finance and market finance (MM & CAPM);
• Modigliani & Miller (M&M) theorems in the absence of corporate taxes; Modigliani & Miller's theorems (M&M) in the presence of corporate taxes;
• The optimal financial structure and the theory of the trade-off between the tax benefits of debt and the costs of bankruptcy (Pecking order theory);
• The cost of capital in the CAPM model; the determinants of the Beta coefficient, Beta unlevered. The evaluation of investment projects, evaluation criteria; the relevant flows pertaining to the project.

Prerequisites

The course requires the student to have accounting knowledge and skills related to the accounting and auditing

dynamics and the formation of the financial statements, accounting principles as well as knowledge of economics business and financial mathematics.

Teaching methods

The teaching is structured in lessons during which the topics will be addressed by providing students the slides of the lessons at the end of each lesson in order to encourage participation in the classroom. The lessons are structured with ongoing interaction with students and providing a practical exercise on the topics covered.

Assessment methods

The verification of learning is carried out periodically during the exercises which do not include an evaluation at the end of each lesson.
The final exam is in written form lasting 2 hours and is structured as follows:
? Two problems: these are exercises, consistent with those carried out in the classroom during the lessons, on analysis and financial evaluation;
? An open question: on financial theories or case studies proposed to stimulate the capacity of the student to provide a critical analysis on the basis of what has been learned during the course.
After the vote, students have the right to request oral integration on a date to be agreed with the teacher and at the end of which the score of the written exam may vary upwards or downwards.
As an optional activity, students are offered the possibility of preparing a practical case in maximum groups of 4 students. The practical case involves the analysis of a listed company on the basis of the documentation (Annual report, Management Report, Financial Statements) available on the "Borsa Italiana" website or in the "Investor Relations" on the company's website. Is requires an analysis of the balance sheet, an analysis by ratios, an evaluation of the stock and of the company, current and prospective, based on company valuation methods (e.g. DCF, multiples, etc.).
The students, divided into each group, must deliver before the end of the course, by the date indicated by teacher, their work consisting of a power point presentation of the chosen company together with the excel spreadsheet used for calculations underlying financial analysis.
Each group will present in the classroom their project with a presentation of about 20 minutes. The work will be subject to evaluation by the teacher and allows to achieve up to a maximum of 3 points to be added to the final evaluation in the exam sessions of the reference academic year.

Textbooks and Reading Materials

Watson D., Head A., Mantovani G., Rossi E., Finanza Aziendale. Principi e Pratica, Pearson Italia, 2017 (excluding chapters 12 e 13).
Additional material and slides on specific insights will be made available on the website.

Alternatively, the following texts are proposed:
? Berk, DeMarzo, Finanza Aziendale 1, Pearson;
? Brealy, Myers, Allen, Sandri, Principi di Finanza Aziendale, McGraw Hill.

Semester

The course is delivered in the second semester and has a duration of 56 hours and allows to achieve 8 credits.

Teaching language

The course is structured in Italian with in-depth analysis of scientific and technical documents in English.

Sustainable Development Goals

QUALITY EDUCATION | INDUSTRY, INNOVATION AND INFRASTRUCTURE | RESPONSIBLE CONSUMPTION AND PRODUCTION