

RUTGERS UNIVERSITY
School of Business - Camden

EQUITY INVESTMENTS – Fall 2017

52:390:464:01

Tu. & Th. 8:00 A.M. - 9:20 A.M.

BSB 106

Professor: Mr. Ralph Giraud, MS
Phone: (609) 381-5618
E-mail: ralph.giraud@rutgers.edu

Office: BSB 419
Office Hours: by appointment via scheduling through EMAIL

COURSE OBJECTIVES:

The purpose of this course is to investigate, evaluate, and apply various equity analysis and valuation methods as well as equity portfolio management and performance measurement techniques. Methods range from adjusting book, discounted cash flow, and market multiplier approaches. SWOT (Strengths, Weaknesses, Opportunities, and Threats) analytical approaches are also used. Differential equity portfolio formation approaches will focus on style analyses and sector rotation strategies, as well as various portfolio performance measurement and evaluation methods. As various equity analysis and valuation methods are being reviewed, students will learn how to prepare research reports and make group presentations. Investment management industry opportunities will be discussed.

Prerequisite: 52:390:315.

REQUIRED TEXTS:

Equity Asset Valuation, 3rd Edition

Jerald E. Pinto CFA; Elaine Henry CFA; Thomas R. Robinson CFA; John D. Stowe CFA
© 2015 John Wiley & Sons, 595 pages

ISBN:
978-1-119-10426-1

Equity Asset Valuation Workbook, 3rd Edition

Jerald E. Pinto CFA; Elaine Henry CFA; Thomas R. Robinson CFA; John D. Stowe CFA
© 2015 John Wiley & Sons, 161 pages

ISBN:
978-1-119-10461-2

TEACHING METHODS:

Lectures, class discussions, and exams/assigned work will be based mainly on material from course textbooks, supplemented by use of appropriate websites and other resources. It is your responsibility as a student to fulfill all individual AND group course requirements through thorough preparation for each class. This responsibility

includes reviewing topics IN ADVANCE of scheduled classes. Additional responsibilities include perfect, timely attendance (in accordance with university policies), active participation, and completion and timely submission of assignments. Ask the professor for help immediately when necessary. Students will help grade Group Presentations through questions/feedback. Industry experts may make “Guest Presentations.”

SYLLABUS UPDATES AND OTHER COURSE COMMUNICATION:

All changes and announcements will be made in class at least once, and/or through the SAKAI site for this course. If you anticipate being absent from class, find a classmate who can pick up handouts etc. for you, as you are responsible for keeping up with this course. Handouts will be brought to class only once, and may not be available in hard copy thereafter. I reserve the right as the Course Instructor to make changes to stated syllabus information at any time. If you do not use your **rutgers.edu** email domain for your primary email address, please insure that you forward messages to whatever email address you use. It is YOUR responsibility to “remain current” with course developments. Please check the SAKAI course web site on a daily basis.

COURSE REQUIREMENTS (Grade Weight):

- 1. RESEARCH REPORT (25%, group grade):** The class will be split into groups, each with 3 to 5 students. Each group will be given a firm in the S&P 500 where research must be performed, and valuation and analysis exercises must be conducted. Each individual in a group must participate in a particular area of responsibility – company analysis, industry analysis or valuation. This equity research report must include economic, industry, and firm-specific factors. Group efforts should result in a report approximating “sell side, Wall Street quality” research, which a prospective investor should be able to read and use to make a buy/sell/hold recommendation. Grading will be determined as follows:
 - a. Investment Summary (20%)
 - b. Business Description (5%)
 - c. Industry Overview & Competitive Positioning (15%)
 - d. Financial Analysis (20%)
 - e. Valuation (20%)
 - f. Investment Risks (15%)
 - g. Other Headings (5%)
- 2. EXAMS:** There will be three Exams, Exam # 1 covering Chapters 1 - 2 (10%), Exam # 2 covering Chapters 3 – 4 (10%) and Exam # 3 covering Chapters 5 – 7 (15%). Material for these exams will be based on valuation applications and processes reviewed and employed during course lectures, homework assignments, and/or research reports – group presentations.

Exam Make-up Policy: The Course Outline does NOT allow any regularly scheduled class dates for “Make – up Exams.” If for some legitimate “university approved” reason you are not able to take a scheduled exam, you must immediately submit valid proof concerning the reason for your absence (e.g.: doctor’s note, an obituary, university approved excuse related to participation in university athletic event, military orders). Written notice regarding this absence must be provided at least one week in advance, so other options can be evaluated. Make-up exams for non-university approved reasons are NOT guaranteed.

- 3. GROUP PRESENTATION (20%):** Each group will give a short presentation of their research report. Grading for this portion of the course centers on requisite justification for the valuation as well as presentation capabilities. Obviously, if the research is not top quality, it will be difficult for the presentation to be top quality. So, in addition to a high-quality research report, you will be graded on your professional

presentation skills. Presentations will be made during the last two weeks of class. Grading is as follows:

- a. Materials (5%)
- b. Financial, Valuation and Other Analysis (20%)
- c. Argument (25%)
- d. Poise (10%)
- e. Questions (25%)
- f. Team Involvement (15%)

4. **TAKE-HOME ASSIGNMENTS (10%):** Take-home assignments will be given over the course of the semester. Late submissions will not be accepted.
5. **CLASS PARTICIPATION (10%):** Punctual attendance for complete, regularly scheduled class sessions is MANDATORY, in accordance with university policy (50%). True class participation involves attentiveness, active “engagement” with course material, and contributing to class discussions (50%). Your questions and comments concerning course topics should be focused and relevant. Do not hesitate to ask any and all questions as may be necessary.
6. **OPTIONAL BONUS OPPORTUNITY (“Extra Credit,” worth 10%):** Those students who successfully pass (at 70%) all four Bloomberg Market Concepts Exams, emailing their Acknowledgement of Completion Certificate to me at ralph.giraud@rutgers.edu, and to Bloomberg.Certificates@camden.rutgers.edu, will be awarded ten (10) points (i.e.: 10%) which will be added to the calculation of their final grade.

ACADEMIC INTEGRITY

Policy found at <http://academicintegrity.rutgers.edu/academic-integrity-at-rutgers>

“Academic integrity requires that all academic work be wholly the product of an identified individual or individuals. Joint efforts are only legitimate when the assistance of others is explicitly acknowledged... The principles of academic integrity entail simple standards of honesty and truth. Each member of the university has a responsibility to uphold the standards of the community and to take action when others violate them... Students are responsible for knowing what the standards are and for adhering to them. Students should also bring any violations of which they are aware to the attention of their instructors.”¹

Students are expected to know, understand and adhere to the policies on academic integrity outlined above.

Principles of academic integrity require that every Rutgers University student:

- properly acknowledge and cite all use of the ideas, results, or words of others
- properly acknowledge all contributors to a given piece of work
- make sure that all work submitted as his or her own in a course or other academic activity is produced without the aid of unsanctioned materials or unsanctioned collaboration
- obtain all data or results by ethical means and report them accurately without suppressing any results inconsistent with his or her interpretation or conclusions
- treat all other students in an ethical manner, respecting their integrity and right to pursue their educational goals without interference. This requires that a student neither facilitate academic dishonesty by others

¹ Rutgers University Code of Academic Conduct, taken from the Student Advising Handbook - <http://camden-sbc.rutgers.edu/CurrentStudents/students/advising.pdf>.

nor obstruct their academic progress

- uphold the canons of the ethical or professional code of the profession for which he or she is preparing.

Adherence to these principles is necessary in order to insure that:

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments
- all student work is fairly evaluated and no student has an inappropriate advantage over others
- the academic and ethical development of all students is fostered
- the reputation of the University for integrity in its teaching, research, and scholarship is maintained and enhanced.

Failure to uphold these principles of academic integrity threatens both the reputation of the University and the value of the degrees awarded to its students. Every member of the University community therefore bears a responsibility for ensuring that the highest standards of academic integrity are upheld. Violations are taken seriously and will be handled according to University policy.

Student Code of Conduct

Violations of the Student Code of Conduct are considered serious infractions of student behavior and subject to penalties relative to the level of the matter. Students may not disturb normal classroom procedures by distracting or disruptive behavior. Examples of disruptive behavior include, but are not limited to, the following:

- Repeatedly leaving and entering the classroom without authorization
- Answering cellular phone or allowing pager to beep
- Making loud or distracting noises
- Repeatedly speaking without being recognized, interrupting the instructor or other students, or otherwise acting in disregard of the instructor's requests
- Resorting to physical threats or violence directed toward the instructor or other students.*

*Physical threats or violence are a violation of the University's Code of Student Conduct and incidents should be referred to the Dean of Students immediately.

Violations of the code should be reported to the Dean of Students office deanofstudents@camden.rutgers.edu, or 856-225-6050.

If the violation is immediate and a potential threat is a concern, call the Rutgers-Camden police at 856-225-6111.

Please consult "Standards of Classroom Behavior," in The University Code of Student Conduct

<http://studentconduct.rutgers.edu/files/documents/UCSCJuly2011.pdf>

and the University's "Policy against Verbal Assault, Defamation and Harassment"

<http://studentconduct.rutgers.edu/files/documents/PolicyAgainstVerbalAssault.pdf> for further information

ADMINISTRATIVE DETAILS:

- **Cell Phones and Lap-Tops:** Students are required to *turn off* their phones and lap-tops while they are in class. Please inform me BEFORE CLASS if you are expecting an emergency call and must leave your phone turned on.
- Students should come to class on time. They should **stay** in class throughout the class period.

GRADING:

For the assignment of final grades, the course requirements will be weighted approximately as follows:

Research Report	.....	25% (Group Grade)
Group Presentation	.....	20%
Exam # 1	.....	10%
Exam # 2	.....	10%
Exam # 3	.....	15%
Assignments	.....	10%
Class Participation	.....	10%
Optional Extra Credit (Bloomberg Market Concepts, "BMC")		10%

- 90-100%...A
- 85-89%...B+
- 80-84%...B
- 75-79%...C+
- 70-74%...C
- Less than 70%...F

Disability Services

Rutgers University welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student with a disability must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an intake interview, and provide documentation:

<https://ods.rutgers.edu/students/documentation-guidelines>.

If the documentation supports your request for reasonable accommodations, your campus's disability services office will provide you with a Letter of Accommodations. Please share this letter with your instructors and discuss the accommodations with them as early in your courses as possible. To begin this process, please complete the Registration form on the Office of Disability Services web site at:

<https://ods.rutgers.edu/students/registration-form>.

Ajeenah Nuriddin-Little

(856) 225-2722

Rutgers-Camden Disability Services:

Rutgers-Camden Learning Center

Armitage Hall, Room 240

311 North Fifth Street, Camden, NJ 08102-1405

Web page: <https://learn.camden.rutgers.edu/disability-services>

E-mail: Ajeenah.nuriddin-little@camden.rutgers.edu

Important Administrative Dates

Tuesday, September 5, 2017 – First day of Fall 2017 semester

Tuesday, September 12, 2017– Last day to drop a class **without a “W”** (this can be done through WebReg)

Tuesday, November 14, 2017 – Last day to withdraw from one or all classes with a “W”. (This can be done through WebReg) For more information, see the registrar’s website <http://registrar.camden.rutgers.edu/>

Thursday, November 23 – Sunday, November 26, 2017 – Thanksgiving recess

Wednesday, December 13, 2017 – Last day of classes

Friday, December 15 – Friday, December 22, 2017 - Final Exam Period

NOTE: Change in designation of class days for Fall 2017:

Tuesday, November 21, 2017 OBSERVE THURSDAY SCHEDULE

Wednesday, November 22, 2017 OBSERVE FRIDAY SCHEDULE

COURSE OUTLINE: TOPICS / EXAMS (subject to change)

Class 1: 9/5/2017

Course Introduction

Class 2: 9/7/2017

CHAPTER 1 - Equity Valuation: Applications and Processes

Topics: Value Definitions and Valuation Applications, The Valuation Process

Class 3: 9/12/2017

CHAPTER 1 - Equity Valuation: Applications and Processes

Topics: Communicating Valuation Results

Class 4: 9/14/2017

CHAPTER 2 - Return Concepts

Topics: Return Concepts, The Equity Risk Premium, The Required Return on Equity

***Submit research team requests!

Class 5: 9/19/2017

CHAPTER 2 - Return Concepts

Topics: Return Concepts, The Equity Risk Premium, The Required Return on Equity

CHAPTER 2 - Return Concepts

Topics: The Weighted Average Cost of Capital, Discount Rate Selection in Relation to Cash Flows

Class 6: 9/21/2017

CHAPTER 2 - Return Concepts

Topics: The Weighted Average Cost of Capital, Discount Rate Selection in Relation to Cash Flows

***Research teams are assigned

Class 7: 9/26/2017

CHAPTER 2 - Return Concepts

Topics: The Weighted Average Cost of Capital, Discount Rate Selection in Relation to Cash Flows

Class 8: 9/28/2017

EXAM # 1 REVIEW: CHAPTERS 1 – 2

Class 9: 10/3/2017

EXAM # 1: CHAPTERS 1 – 2

Class 10: 10/5/2017

CHAPTER 3 – Introduction to Industry and Company Analysis

Class 11: 10/10/2017

CHAPTER 3 - Introduction to Industry and Company Analysis

CHAPTER 4 - Industry and Company Analysis

Class 12: 10/12/2017

CHAPTER 4 - Industry and Company Analysis

Class 13: 10/17/2017

EXAM # 2 REVIEW: Chapters 3 – 4

Class 14: 10/19/2017

EXAM # 2: Chapters 3 – 4

Class 15: 10/24/2017

CHAPTER 5 - Discounted Dividend Valuation

Topics: Present Value Models, The Dividend Discount Model

Class 16: 10/26/2017

CHAPTER 5 - Discounted Dividend Valuation

Topics: Present Value Models, The Dividend Discount Model

CHAPTER 5 - Discounted Dividend Valuation

Topics: The Gordon Growth Model, Multistage Dividend Discount Models, The Financial Determinants of Growth Rates

Class 17: 10/31/2017

CHAPTER 5 - Discounted Dividend Valuation

Topics: The Gordon Growth Model, Multistage Dividend Discount Models, The Financial Determinants of Growth Rates

Class 18: 11/02/2017

CHAPTER 6 - Free Cash Flow Valuation

Topics: Introduction to Free Cash Flows, FCFF and FCFE Valuation Approaches, Forecasting Free Cash Flow

Class 19: 11/07/2017

CHAPTER 6 - Free Cash Flow Valuation

Topics: Introduction to Free Cash Flows, FCFF and FCFE Valuation Approaches, Forecasting Free Cash Flow

CHAPTER 6 - Free Cash Flow Valuation

Topics: Forecasting Free Cash Flow, Free Cash Flow Model Variations, Nonoperating Assets and Firm Value

Class 20: 11/09/2017

CHAPTER 6 - Free Cash Flow Valuation

Topics: Forecasting Free Cash Flow, Free Cash Flow Model Variations, Nonoperating Assets and Firm Value

Class 21: 11/14/2017

CHAPTER 7 Market- Based Valuation: Price and Enterprise Value Multiples

Topics: Price and Enterprise Value Multiples in Valuation, Price Multiples

Class 22: 11/16/2017

CHAPTER 7 Market- Based Valuation: Price and Enterprise Value Multiples

Topics: Price and Enterprise Value Multiples in Valuation, Price Multiples

CHAPTER 7 Market- Based Valuation: Price and Enterprise Value Multiples

Topics: Price Multiples, Enterprise Value Multiples, International Considerations When Using Multiples, Momentum Valuation Indicators, Valuation Indicators: Issues in Practice

Class 23: 11/21/2017

CHAPTER 7 - Market- Based Valuation: Price and Enterprise Value Multiples

Topics: Price Multiples, Enterprise Value Multiples, International Considerations When Using Multiples, Momentum Valuation Indicators, Valuation Indicators: Issues in Practice

Class 24: 11/23/2017

No class – HAPPY THANKSGIVING!

Class 25: 11/28/2017

Presentations: Groups 1-2

Research Reports: Groups 3-4

Class 26: 11/30/2017

Presentations: Groups 3-4

Research Reports: Groups 1-2

Class 27: 12/05/2017

Presentations: Groups 5-6

Research Reports: Groups 7-8

Class 28: 12/07/2017

Presentations: Groups 7-8

Research Reports: Groups 5-6

Class 29: 12/12/2017

EXAM # 3 REVIEW: CHAPTERS 5 – 7

Class 30: 12/19/2017 (8:00 A.M. – 11:00 A.M.)

EXAM # 3: CHAPTERS 5 - 7