

RUTGERS UNIVERSITY
School of Business - Camden

EQUITY INVESTMENTS – Spring 2023

52:390:464:01:16867

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

Location: BSB 106

Professor: Mr. Ralph Giraud, M.S.

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Office: BSB 409

Office Hours: by appointment via scheduling through EMAIL

COURSE DESCRIPTION:

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. Investment management industry opportunities will be discussed.

Prerequisite: 52:390:315.

COURSE OBJECTIVES:

Concerning equity investments, this course will cover many topics:

- An overview of Equity Securities
- Introduction to Industry and Company Analysis
- Major Categories of Equity Valuation Models, Present Value Models
- Value Definitions and Valuation Applications, The Valuation Process
- Multiplier Models
- Return Concepts, The Equity Risk Premium, The Required Return on Equity
- The Weighted Average Cost of Capital, Discount Rate Selection in Relation to Cash Flows
- Financial Determinants of Growth Rate
- Free Cash Flow Valuation

Student groups will complete a research project, modeled from the CFA (Chartered Financial Analyst) Investment Research Challenge, which must be prepared from the perspective of an independent research analyst. This research project will cover a designated publicly traded company, which includes a written report on that selected company, and a presentation that will contain (but not limited to) a recommendation (buy/sell/hold) which will be judged by the Instructor and other students. The written report and presentation must also include the following areas: business description, industry overview and competitive positioning, financial analysis, investment risks, as well as other topics.

REQUIRED TEXTS:

Equity Asset Valuation, 4th Edition

Jerald E. Pinto CFA; Elaine Henry CFA; Thomas R. Robinson CFA; John D. Stowe CFA with Stephen E. Wilcox, CFA

© 2020 John Wiley & Sons, 720 pages

ISBN:

978-1-119-62810-1

Equity Asset Valuation Workbook, 4th Edition

Jerald E. Pinto CFA; Elaine Henry CFA; Thomas R. Robinson CFA; John D. Stowe CFA with Stephen E. Wilcox, CFA

© 2020 John Wiley & Sons, 224 pages

ISBN:

978-1-119-62811-8

Calculators and laptops: A financial calculator is a great tool that will facilitate your computations, which is relatively inexpensive compared to the cost of a laptop. However, **use of a laptop is strongly recommended.** If you choose to use a financial calculator, suggestions may include the Hewlett Packard HP 10BII or Texas Instruments BAI Plus. I will not bear any responsibility of teaching you how to use it.

How to succeed in this course

The material presented in class provides the essential backbone of the course. You are expected to:

- Read all text material assigned for each class
- Follow instructions in all assignments
- Start assignments early and get feedback from the instructor
- Consult/meet with the professor immediately when you need help.
- If an online tool is used (Canvas) ensure that you can access and use it appropriately.

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 course requirements through thorough preparation for each class. This responsibility includes reviewing topics IN ADVANCE of scheduled classes. Additional responsibilities include perfect, online timely attendance (in accordance with university policies), active participation, and completion and timely submission of assignments. Ask the professor for help immediately when necessary. Industry experts may make “Guest Presentations.”

COMMUNICATION REQUIREMENTS:

Canvas

Our course syllabus, some Word documents, Excel files, Power Point slides, website links, details about Finance and Economics events, and other course information will all be posted through the Canvas LMS (Learning Management System). To access this system, go to <http://canvas.Rutgers.edu>, log in, click on the course tab, then click on the website link “2023SP – EQUITY INVESTMENTS 52:390:464:01.”

Rutgers email - USE YOUR RUTGERS EMAIL ADDRESS

All communications to students will be done using the Rutgers email address provided to you. Please forward your Rutgers email to your personal email if necessary. Not checking your Rutgers email is not an excuse for missing any communications.

SYLLABUS UPDATES AND OTHER COURSE COMMUNICATION:

All changes and announcements will be made at least once, through the Canvas website for this course. If you anticipate missing any classwork, find a classmate who can inform you about work you miss, as you are responsible for keeping up with this course. It is your responsibility as a student to contact me as your Instructor if you will be late in submitting classwork, or cannot submit classwork, for any reason. 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 Canvas course website on a daily basis.

Professor Communication:

I will try reply to all emails within 48 hours. Please do not expect an immediate response. If I do not reply to you within 48 hours, please send me another email, in the event that I may be experiencing technological problems. Although I check my emails a few times daily, I may not be able to completely answer all emails immediately upon receiving them.

ADMINISTRATIVE DETAILS:

- **Cell Phones and Lap-Tops:** Students are required to *turn off* their phones, and laptops are allowed on-ly for coursework 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.

ACADEMIC INTEGRITY

The Academic Integrity policy can be found at <http://studentconduct.rutgers.edu/student-conduct-processes/academic-integrity/>.

Students are responsible for understanding the principles of academic integrity and abiding by them in all aspects of their work at the University. Students are also encouraged to help educate fellow students about academic integrity and to bring all alleged violations of academic integrity they encounter to the attention of the appropriate authorities.

Academic Integrity means that you (the student) must:

- 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 your own in a course activity is your own and not from someone else
- obtain all data or results by ethical means and report them accurately
- treat all other students fairly with no encouragement of academic dishonesty

Adherence to these principles is necessary in order to ensure 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 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.

CODE OF STUDENT CONDUCT

Rutgers University-Camden seeks a community that is free from violence, threats, and intimidation; is respectful of the rights, opportunities, and welfare of students, faculty, staff, and guests of the University; and does not threaten the physical or mental health or safety of members of the University community, including in classroom space.

As a student at the University you are expected adhere to the Code of Student Conduct.

To review the code, go to: <https://deanofstudents.camden.rutgers.edu/student-conduct>

Note that the conduct code specifically addresses disruptive classroom conduct, which means "engaging in behavior that substantially or repeatedly interrupts either the instructor's ability to teach or student learning. The classroom extends to any setting where a student is engaged in work toward academic credit or satisfaction of program-based requirements or related activities."

Disability Services/Accommodations

The University is committed to supporting the learning of all students and faculty will provide accommodations as indicated in a Letter of Accommodation issued by the Office of Disability Services (ODS). If you have already registered with ODS and have your letter of accommodations, please share this with me early in the course. If you have or think you have a disability (learning, sensory, physical, chronic health, mental health or attentional), please contact <https://success.camden.rutgers.edu/disability-services>.

Accommodations will be provided only for students with a letter of accommodation from ODS. Their services are free and confidential. Letters only provide information about the accommodation, not about the disability or diagnosis.

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 (15%)
 - b. Business Description (5%)
 - c. Industry Overview & Competitive Positioning (10%)
 - d. Financial Analysis (20%)
 - e. Valuation (20%)
 - f. Investment Risks (15%)
 - g. Environmental, Social, Governance (15%)

2. **EXAMS:** There will be three Exams, Exam # 1 covering Chapters 1 - 3 (10%), Exam # 2 covering Chapters 4 – 6 (10%), and Exam # 3 covering Chapters 7 – 9 (15%). Material for these exams will be based on valuation applications and processes reviewed and employed during course lectures, homework assignments, and other sources.

Exam Make-up Policy/Late Policy

If, for a university approved reason, you cannot take an exam at the scheduled time you must give the professor written notice at least one week in advance so that other arrangements can be made. If the situation does not allow for advance notification (for example, emergency hospitalization), contact the professor as soon as possible after a missed exam. Make-up exams for non-university approved reasons are not guaranteed. The professor reserves the right to request written documentation to support your absence (such as a doctor's note, an obituary, or military orders).

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 Analysis (20%)
 - c. Presentation (20%)
 - d. Valuation (20%)
 - e. Question and Answer (20%)
 - f. Team Involvement (5%)
 - g. Environmental, Social, and Governance (10%)
4. **TAKE-HOME ASSIGNMENTS (15%):** Take-home assignments will be given over the course of the semester. Late submissions will not be accepted.
5. **OPTIONAL BONUS OPPORTUNITY (“Extra Credit,” worth 10%):** Those students who successfully pass (at 70%) all four Bloomberg Market Core Concepts Exams, emailing their Acknowledgement of Completion Certificate and exam grades 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.
6. **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.

Participation: lack of participation will be reflected in the final grade..

Incompletes and Problems: If you find that you are having trouble completing course work or need further explanation of class topics, please schedule an appointment with me immediately. If you need this class for graduation, you should be sure that your performance is up to standard throughout the course. It is too late to wait until the last week of classes to ask for help. I'm available to meet throughout the entire semester if you need help. "Incompletes" will only be given through prior consultation, under extreme circumstances.

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
- 60-69%...D
- Less than 60%...F

GENERAL /ADMINISTRATIVE

Key Spring 2023 Dates:

Spring 2023 classes begin	Tuesday, January 17th
Last day to drop classes w/o "W"	Thursday, January 26 th
Last day to add classes	Thursday, January 26 th
Spring break	Saturday, March 11 th – Sunday March 19th
Last day to withdraw with "W"	Monday, April 3rd
Regular classes end	Monday, May 1st
Reading days (no testing)	Tuesday May 2nd and Wednesday May 3rd
Final exam period	Thursday, May 4 th – Wednesday, May 10 th

COURSE OUTLINE: TOPICS / EXAMS ("target dates," subject to change)

Class 1: 1/17/2023

Course Introduction

CHAPTER 1 – Overview of Equity Securities

Topics: Equity Securities in Global Financial Markets, Private versus Public Equity Securities

Class 2: 1/19/2023

CHAPTER 1 – Overview of Equity Securities

Topics: Equity Securities in Global Financial Markets, Private versus Public Equity Securities

CHAPTER 1 - Overview of Equity Securities

Topics: Risk and Return Characteristics of Equity Securities, Equity Securities and Company Value

Class 3: 1/24/2023

CHAPTER 2 – Introduction to Industry and Company Analysis

Topics: Approaches to Identifying Similar Companies, Industry Classification Systems

Eligible companies for Research Report are disclosed!

Class 4: 1/26/2023

CHAPTER 2 – Introduction to Industry and Company Analysis

Topics: Describing and Analyzing an Industry, Company Analysis

***Submit research team requests!

Class 5: 1/31/2023

CHAPTER 3- Equity Valuation: Concepts and Basic Tools

Topics: Major Categories of Equity Valuation Models, Present Value Models: The Dividend Discount Model

Research team company assignments disclosed!

Class 6: 2/02/2023

CHAPTER 3- Equity Valuation: Concepts and Basic Tools

Topics: Present Value Models: The Dividend Discount Model, Multiplier Models

Class 7: 2/07/2023

EXAM # 1 prep.: CHAPTERS 1 – 3

Class 8: 2/09/2023

EXAM # 1: CHAPTERS 1 – 3

Class 9: 2/14/2023

CHAPTER 4 - Equity Valuation: Applications and Processes

Topics: Value Definitions and Valuation Applications, The Valuation Process

Class 10: 2/16/2023

CHAPTER 4 - Equity Valuation: Applications and Processes

Topics: Communicating Valuation Results

Class 11: 2/21/2023

CHAPTER 5 - Return Concepts

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

Class 12: 2/23/2023

CHAPTER 5 - Return Concepts

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

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

Class 13: 2/28/2023

CHAPTER 6 - Industry and Company Analysis

Topics: Financial Modeling: An Overview, The Impact of Competitive Factors on Prices and Costs

Class 14: 3/02/2023

CHAPTER 6 - Industry and Company Analysis

Topics: Inflation and Deflation, Technological Developments

Class 15: 3/07/2023

CHAPTER 6 - Industry and Company Analysis

Topics: Long-Term Forecasting, Building a Model

Class 16: 3/09/2023

EXAM # 2 prep.: CHAPTERS 4 – 6

Class 17: 3/21/2023

EXAM # 2: CHAPTERS 4 – 6

Class 18: 3/23/2023 – Fourth Annual Diversity and Inclusion in Investment Management Conference

View Ch. 7 PPT Audio Review - Part 1: Slides 1 – 16 in Canvas

CHAPTER 7 - Discounted Dividend Valuation

Topics: Present Value Models, The Dividend Discount Model

Class 19: 3/28/2023

CHAPTER 7 - Discounted Dividend Valuation

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

Class 20: 3/30/2023

CHAPTER 7 - Discounted Dividend Valuation

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

Class 21: 4/04/2023

CHAPTER 8 - Free Cash Flow Valuation

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

Class 22: 4/06/2023

CHAPTER 8 - Free Cash Flow Valuation

Topics: Forecasting Free Cash Flow Topics: Forecasting Free Cash Flow, Free Cash Flow Model Variations

Class 23: 4/11/2023

CHAPTER 8 - Free Cash Flow Valuation

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

Class 24: 4/13/2023

CHAPTER 9 Market- Based Valuation: Price and Enterprise Value Multiples

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

Class 25: 4/18/2023

CHAPTER 9 - 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 26: 4/20/2023

CHAPTER 9 Market- Based Valuation: Price and Enterprise Value Multiples

Class 27: 4/25/2023

EXAM # 3 prep.: CHAPTERS 7 – 9

Class 28: 4/27/2023

EXAM # 3: CHAPTERS 7 – 9

Research Report (Word Document, Excel Spreadsheets, Presentation PPT or PDF) due 05/04/2023

Class 29: 5/09/2023 (8:00 A.M. – 11:00 A.M.)

Team Presentations for class!