



MiM 2020-2021  
Period 3  
2 credits

Prof.: David Teeters  
Prof. e-mail:  
[dteeters@iese.edu](mailto:dteeters@iese.edu)

Assistant: Alejandra  
Arrocha Assistant e-mail:  
[aarrocha@iese.edu](mailto:aarrocha@iese.edu) Office:  
Barcelona, E-318  
Phone: 504108

## Finance II

### Introduction

The course analyzes financial decisions that can have a long-term impact on the strategy of the firm: Should the company finance its assets with debt or equity? What is the effect on the company's stock price of a specific financial strategy? Should the company's shares be traded in the public stock markets, or should the company remain private? How much should a company pay to acquire a competitor?

The aim of this course is to give you a framework to understand these issues in theory and in practice. We will see how to apply discounted cash flow analysis and valuation with multiples to value firms, stocks, and corporate bonds. We will use the CAPM model to estimate a firm's cost of equity and we will learn how to estimate the weighted average cost of capital (WACC). We will analyze the impact of the firm's capital structure on its value. We will discuss whether firms should reinvest their profits or payout dividends to their shareholders. Lastly, we will apply these methods to consider the value created (or destroyed) by several types of financial transactions (LBOs, IPOs, M&As, Spin-Offs, etc.).

### Objectives

The main objective of this course is to allow students to analyze critically corporate decisions from a financial perspective. After the course, you should be able to:

- Apply several valuation methods to value companies.
- Evaluate the capital structure of a firm.
- Identify ways to pay money back to shareholders.
- Measure the value created or destroyed by acquisitions (M&As and LBOs).

### Competences

#### Basic Competences

- CB6. Possess and understand knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.
- CB7. The students know how to apply the knowledge acquired and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study
- CB8. The students can integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.
- CB9. Students know how to communicate their conclusions and the knowledge and ultimate reasons that support them to specialized and non-specialized audiences in a clear and unambiguous way.
- CB10. Students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

## General Competences

- CG1 - Listen, understand and contrast the points of view of others to make an objective composition of a business situation. Communicate in a structured and persuasive way. (Interpersonal communication)
- CG2 - Work effectively in multicultural teams, assuming the leadership of a project when required. Integrate the value of diversity in the decision process and teamwork. (Ability to work in multicultural teams)
- CG3 - Critically evaluate the information and the context of a business situation to reach its own conclusions for making prudential decisions. (Critical thinking)
- CG4 - Acquire the self-knowledge and self-control necessary to work effectively in professional environments under pressure, understanding the motivations of others and the culture of the company. (Emotional intelligence)
- CG5 - Apply proven ethical criteria in making business decisions, respecting the intrinsic dignity of each person and the achievement of the common good. (Integrity)

## Specific Competences

- CE10 - Develop financial management control models that integrate and analyze the impact of commercial, productive, and organizational decisions on the financing needs and profitability of the company.
- CE12 - Apply financial diagnostic tools with general direction criteria to determine the intrinsic value of a business.

## Content

The course is divided in three modules:

- Valuation methods: This module develops the different methodologies used to value a firm and discusses different ways to create corporate value.
- Financing and cost of capital: In this module, we will analyze the cost of equity and the cost of debt of the firm and determine its average cost of capital. We will also study the capital structure choice of the firm (debt vs. equity) and discuss payout policies (dividends and share repurchases).
- Advanced topics in corporate finance: The last module of the course applies the corporate finance concepts covered in the first two modules to the analysis of corporate restructuring events: mergers and acquisitions (M&A), corporate bankruptcies, leveraged buyouts (LBOs), and corporate divestitures (asset sales and spin-offs).

## Evaluation

Your final course grade will depend on three components:

- Class Participation (30%), i.e., constructive, well-bred, and timely class interaction
- Mid-term (30%)
- Final exam (40%)

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.