

## Corporate Finance (3 ECTS)

### Introduction

Corporations strive to conduct profitable investments and finance them efficiently (e.g., issuing debt or equity). The time and uncertainty of investment payoffs make these finance decisions nontrivial and essential for long-term success. The Corporate Finance course answers the following questions: What is the value of a company? How and what kind of financing should a corporation obtain? How much value does a specific strategy add to the firm?

This course provides a framework to understand these issues in theory and in practice. We will see how to apply discounted cash flow methodologies 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, etc.)

### Objectives

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

- Apply several valuation methods to value projects and companies
- Evaluate the capital structure of a firm
- Identify ways to return money to shareholders

### Content

The course is divided in three modules:

- Valuation methods and M&As (4 sessions): This module develops different methodologies used to value a firm and discusses different ways to create corporate value.
- Capital structure and cost of capital (3 sessions): In this module, we will analyze the optimal capital structure decision of firms, their cost of equity and debt, and their average cost of capital.
- Advanced topics in corporate valuation (3 sessions): The last module of the course discusses advanced topics including shareholders' activism, dividend policy decisions, and raising capital through

initial public offerings (IPOs).

## Evaluation

Your final course grade will depend on four components:

- Professionalism (65%), i.e., constructive, well-bred, and timely class and off-class interaction
- Final exam (35%)

## Competences

### Basic

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.

### General

CG7. Effectively distinguish and categorize relevant information for business decision-making.

CG11. Formulate and evaluate business strategies in decision making, anticipating the economic consequences of action plans.

### Specific

CE22. Optimize capital structures to maximize the company value and develop a critical sense to relativize estimates and identify risk and sensitivity factors.

CE23. Evaluate asset and business purchase decisions with strategic, economic-financial, and operation execution criteria.

CE24. Design cash management strategies and risk coverage (exchange rates, interest, raw material prices, etc.) through financial assets and derivatives.