



## [F-2] CORPORATE FINANCE

### Introduction

Corporate Finance is about companies, investors, and their interaction in financial markets. Essentially, companies make financial decisions (how much capital to raise, how to raise it, how to invest it, ...) and investors react to those decisions by bidding the company's stock and bond prices up or down. During this course we will explore this interaction from the point of view of both companies and investors with a special emphasis on the former.

### Objectives

The course covers a wide range of topics such as the risk and return of bonds; a company's cost of capital; the evaluation of investment projects; corporate value creation; the optimal mix of debt and equity (capital structure); distribution (dividend and buyback) policies; and the valuation of companies by discounted cash flow analysis.

### Learning Outcomes

By the end of the course you should be able to value stocks and bonds; estimate the cost of capital of traded and nontraded companies; evaluate investment projects; determine whether a company is creating or destroying value; select a company's optimal mix of debt and equity financing; and compensate shareholders in the most convenient way.

### Competences

#### General Competences

- To explain and discuss business situations in a rigorous, effective way using both formal and informal procedures, and providing relevant information to support their observations and conclusions.
- To distinguish and categorize relevant information effectively for business decision making.

#### Specific Competences

- To optimize capital structures in order to maximize the value of the company and to develop a critical sense for weighing estimates and identifying risk and sensitivity factors.
- To evaluate decisions to buy or sell assets and businesses using criteria related to strategy, economics/finances, and execution of the transaction.

### Content

See detailed description on pages 2-4.

## Methodology

The course is largely based on cases, with one interactive lecture mixed in. It has been specifically designed for senior executives, and for this reason all the content to be discussed is both applied and relevant for decision making.

## Evaluation

Performance in the course will be evaluated on the basis of a *group assignment* and an *individual final exam* during the post-residential period, as well as *individual class participation* during the residential period. The group assignment and the individual final exam will count for 40% of the credit each, and individual class participation will count for the remaining 20%.

## Professor's Bio



**Javier Estrada** is a Professor of Finance at IESE Business School in Barcelona, Spain. He is also a partner and financial advisor at Sport Global Consulting Investments, an independent financial advisory company that provides wealth management advice to professional athletes and other clients; and he is the sole advisor of the investment strategy of the Alpha Investments fund, a publicly-traded mutual fund.

Javier holds an M.S. in Finance and a Ph.D. in Economics from the University of Illinois at Urbana-Champaign (USA), and a B.A. in Economics from the National University of La Plata (Buenos Aires, Argentina). His areas of specialization are wealth management, portfolio management, investments, and law & economics.

Javier held positions at both the Economics Department and the Finance Department of Carlos III University (Madrid, Spain). He is also a regular visiting professor at HANKEN (Helsinki, Finland), IPADE (Mexico City, Mexico), Torcuato Di Tella University (Buenos Aires, Argentina), and the University of Montevideo (Montevideo, Uruguay), and has lectured on diverse topics around the world.

Javier is the author of *Finance in a Nutshell* (FT Prentice Hall, 2005), originally written in English and translated into Spanish, Italian, and Chinese; a second edition of this book was published in 2011, is entitled *The FT Guide to Understanding Finance*, and was translated into Korean. He is also the author of *The Essential Financial Toolkit – Everything You Always Wanted To Know About Finance But Were Afraid To Ask* (Palgrave Macmillan, 2011).

Javier has done extensive research in the areas of portfolio management, investment strategies, and risk; he has also done research on emerging markets and insider trading. His articles have been published in the Journal of Portfolio Management, the Journal of Investing, the Journal of Asset Management, and the Journal of Wealth Management, among other journals. His research has been discussed on the Wall Street Journal, the Financial Times, Forbes, Barron's, Morningstar, and on several blogs. He was also the founding editor of the Emerging Markets Review and was editor of the journal between inception in 2000 and 2006.

Javier is a member of the CFA Institute's Speaker Retainer Program; teaches open-enrollment programs and several courses on personal finance and wealth management; is the Academic Director of IESE's Global Executive MBA; and was a tennis instructor.