

Baruch College

Economics & Finance

FIN 9783

Fall 2022

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Course: Fin 9783 Investment Analysis-
Saturdays *11:10am - 2:00pm*

Course Outline:

This course is designed to provide practitioners and those seeking careers in finance with a rigorous combination of theory and practice as we explore the fundamental principles of finance. Students currently employed in this dynamic and evolving field will have the opportunity to become familiar with many of the core principles and concepts commonly applied in their field daily. From a practical perspective, Introduction to Finance is meant to reinforce work-related practices, such as analyzing financial statements, the application of time value of money concepts, asset valuation on a discounted cash flow (DCF) basis, cost benefit analysis (CBA), and the quantification of the multifaceted relationship between risk and return in financial markets. The course will be divided into sections: The first part of the semester the course will introduce investment analysis concepts and the second part of the semester the course will introduce corporate finance.

Through this course, students wishing to enter diverse areas of finance, such as asset management, credit analysis, financial and investment analysis, portfolio management, and risk management, will have the opportunity to acquire and develop critical work-related skills. These include evaluating corporate performance based on a thorough analysis of financial statements, estimating the present and future values of a wide range of cash flows, and using these concepts as the basis for asset valuation, applying commonly used cost-benefit analysis methods to evaluate investment decisions, and estimating the risk and return of individual securities and diversified portfolios.

The topics covered in this course provide students with the necessary background and preparation to take more advanced courses in finance.

Learning Objectives (LO)

Upon successful completion of this course, you will be able to:

1. Apply the principal time value of money (TVM) concepts used in financial analysis and valuation.
2. Understand Risk & Return tradeoff and the mitigation of such risk through allocation and diversification.
3. Compare the risk and returns to market and learn other measurements of calculating expected return.
4. Understand how stocks and bonds trade in the secondary markets and how they are valued. Apply basic risk & return analysis based on expected cash flows (dividends or coupon payments)

5. Classify the core components of the three (3) principal financial statements: the balance sheet, the income statement, and the statement of cash flows.
6. Describe the applications and uses of common-size financial statement analysis.
7. Identify commonly used financial ratios to measure a firm's financial performance.
8. Determine the value of debt and equity securities using discounted cash flow methods (DCFs) and alternative valuation techniques and use these for various transactional situations such as Mergers and Acquisition or Leveraged Buyouts (LBO)

Textbooks / Reading Material:

An Analytical Approach to Investments, Finance and Credit, 1st Edition (CD)

Chris Droussiotis

Cognella Academic Publishing

Cognella Store Link : <https://store.cognella.com/95852>

Please note that this textbook will be used for lectures, spreadsheets, projects, and your homework (via the digital platform Active Learning) will be my own textbook that was published a few years ago called: "The Analytical Approach to Investments, Finance and Credit" First Edition by Chris Droussiotis. I believe this book will not only help you navigate this class better but more importantly it includes many sections that should help you prepare to get ready for your banking career after graduation.

Essentials of Investments – latest Edition (BKM)

Zvi Bodie, Alex Kane & Alan Marcus

Bookstore

The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed

Scott Patterson

Amazon Link: <http://www.amazon.com/Quants-Whizzes-Conquered-Street-Destroyed/dp/0307453375>

Materials to be provided by the Instructor (found on www.ProfessorDrou.com):

- IPO offering prospectus on a live deal
- Bond Prospectus on a live deal
- Excel spreadsheets of various portfolio management analyses Equity and Bond Analysis / DCF / CAPM models / Option strategy spreadsheets

Financial Calculators

Given the scope and nature of Introduction to Finance, students are strongly recommended to obtain a financial calculator, such as: HP-10BII or Texas Instruments (TI) BAII.

RWJ's Chapters 4 and 6 in your textbook include an appendix that shows how to use both financial calculators to perform present value and future value calculations and to solve for the rate of return.

Excel

In addition, students are encouraged to use Excel to perform the analytical calculations discussed in the course. All the lectures will include spreadsheet analysis on the website and/or *Active Learning*.
Course Requirements (Assignments)

Graded Homework Problems (15%):

Graded Homework Problems give you an opportunity to demonstrate your mastery of the topics covered in the course and solidify your knowledge of finance theory through the practical application of the concepts, models, and theories, discussed in class. Students are required to submit a set of Graded Homework Problems. The student can access homework from Cognella’s *ACTIVE LEARNING* platform.

Individual Project (15%):

Each student will be assigned a publicly traded company. See Appendix A for Project description.

Midterm Exam (30%):

The Midterm Exam will be based on the instructor’s class notes (PowerPoint presentations) and excel spreadsheets provided on Canvas. To prepare for the exam is recommended reading using the practice problems from the optional CD textbook - chapters 1-4 and chapters 10 and 11 which includes Time Value Money (TVM) concepts, Risk & Return, stock, and bond investing. (Check the date on Canvas and/or the website www.ProfessorDrou.com).

Final Exam (30%):

The Final Exam will include some of the concepts from the midterm including equity valuation, Return and TVM. Most of the exam though will focus on chapters 6-16. The students need to study spreadsheets analysis covered in class including the Alexandria Hotel projections and DCF analysis, Hyatt stock valuation, LBO and Capital Markets financial model, and return and bond analytics spreadsheet. The exam will be taken during the Exam Period. It will be opened books and notes taken in the computer lab (on-line) (check the date on the website www.ProfessorDrou.com).

The students need to study the various spreadsheet analysis covered in class including the Celerity Technology Company case study; the Alexandria Hotel WACC analysis and Hyatt Corporation enterprise valuation methods. The exam will be closed books and notes taken in class.

Class Attendance (10%):

Students are expected to attend on-line and to participate in classroom discussions. It is important to attend every class because the Exams are based on the instructor’s lectures and classroom notes. Class participation will count as part of the course grade. Attendance accounts for 10% of your grade. The attendance will be monitored via zoom tools including the login and logout as well as be ready for discussions in class. The grade breakdown for attendance is as follows:

Missing 1 class	90 x 10% x final grade
Missing 2 classes	80 x 10% x final grade
Missing 3 classes or more	70 x 10% x final grade

Materials to be provided by the instructor:

- IPO offering prospectus on a live deal.
- Bond Prospectus on a live deal
- Excel spreadsheets of various portfolio management analyses Equity and Bond Analysis / DCF / CAPM models / Derivative

Grading:

Mid Term Exam *	30%
Final Exam*	30%
Homework	15%
Attendance	10%
Project	15%
Total	<u>100%</u>

*CD Factor:

This is to give the benefit for students of significant improvement between Mid-Term Exam and Final. The Weighted averages are as follows (based on pre midterm curve score):

Improvement	Mid-Term Weighting	Final Exam Weighting
35% and higher	10%	50%
30-34%	15%	45%
25%-29%	20%	40%
20%-24%	25%	35%
19% or lower (including negative)	30%	30%

Academic Integrity

Cheating and plagiarism are serious offenses. The following definitions are based on the College's Academic Honesty website:

Cheating is the attempted or unauthorized use of materials, information, notes, study aids, devices, or communication during an academic exercise.

Examples include but are not limited to:

- Copying from another student during an examination or allowing another to copy your work.
 - Unauthorized collaborating on a take home assignment or examination
 - Using unauthorized notes during a closed book examination
 - Using unauthorized electronic devices during an examination
 - Taking an examination for another student
 - Asking or allowing another student to take an examination for you.
 - Changing a corrected exam and returning it for more credit
 - Submitting substantial portions of the same paper to two classes without consulting the second instructor
 - Preparing answers or writing notes in a blue book (exam booklet) before an examination
 - Allowing others to research and write assigned papers including the use of commercial term paper services.
- Plagiarism is the act of presenting another person's ideas, research or writing as your own, such as:
- Copying another person's actual words without the use of quotation marks and footnotes (a functional limit is four or more words taken from the work of another)
 - Presenting another person's ideas or theories in your own words without acknowledging them
 - Using information that is not considered common knowledge without acknowledging the source.
 - Failure to acknowledge collaborators on homework and laboratory assignment.

My policy is to give a 0 grade to any assignment that has been plagiarized or an exam in which you have cheated. In addition, I am required by college policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report becomes part of your permanent file.

Course Outline

Go to www.ProfessorDrou.com for the outline including lectures, textbook chapters, homework and projects due dates and description as well as exams.

EXHIBIT A - FINAL PROJECT

Please submit the entire project including the write-up and excel analysis in a PDF format.

1. Company Profile

- Write a brief profile of the company you are assigned to including a description of their products or services and the markets they compete.
- Summary of their stock performance in the last quarter versus the market and closest competitors.

2. Financial Analysis

- The financial analysis should include, but not be limited to, the preparation of the latest 3-year financial statements (Income Statement, Balance Sheet, and Cash Flow Statement) including the Last Twelve Months (LTM) – please note that LTM means that if you are using June 30, 2022, financials then use the income and cash flow statements for June 30 and Mar 31, 2022, December 31 and September 30, 2021. For the balance sheet use June 30, 2022.
- Provide an explanation of the results year-over-year including ratio and trend analysis

3. Projections & Valuations

- Projections and Valuation Analysis for your assigned public company using Excel. The valuation analysis should calculate the assigned companies Enterprise Value using the following 3 methods of valuation:
 - Method #1 (current stock price to calculate the EV)
 - Method #4 (based current trading peer comparable)
 - Method #6 (DCF Analysis)
- In addition to the analysis, you need to provide a page or two of discussions on your analysis including the assumptions you used for driving revenues and expenses.
- Discussions on the results on your various methods of valuation and recommend if someone should **buy, hold, or sell the stock.**

4. Technical Analysis

- Analyze the stock performance against the market (S&P 500) generating beta coefficient and other standard deviation results using Excel's regression analysis or calculated manually.

ASSIGNED COMPANIES

#	COMPANY	SYMBOL	SECTOR	INDUSTRY
1	Albany International	AIN	Consumer Cyclical	Textile Manufacturer
2	American Axle & Manufacturing	AXL	Consumer Cyclical	Auto Parts Manufacturer
3	AZEK Corporation	AZEK	Industrials	Building Products
4	Boyd Gaming Corp.	BYD	Consumer Cyclical	Resorts & Casinos
5	Carnival Corporation	CCL	Consumer Cyclical	Cruise Operator
6	Celanese Corporation	CE	Basic Material	Chemicals
7	Century Casino	CNTY	Consumer Cyclical	Resorts & Casinos
8	Choice Hotels International	CHH	Consumer Cyclical	Lodging
9	Constellation Brands	STZ	Consumer Defensive	Wineries & Distilleries
10	Crimson Wine Group	CWGL	Consumer Defensive	Wineries & Distilleries
11	Darden Restaurants	DRI	Consumer Cyclical	Restaurants
12	Delta Airlines	DAL	Industrials	Airlines
13	Doximity	DOCS	Technology	Digital Technology
14	Flowserve Corporation	FLS	Industrials	Specialty Industrial Machinery
15	HCA Healthcare, Inc.	HCA	Healthcare	Medical Care Facilities
16	Hormel Foods Corporation	HRL	Consumer Defensive	Packaged Foods
17	International Paper	IP	Consumer Cyclical	Paper & Packaging
18	Kellogg Company	K	Consumer Defensive	Food
19	Laureate Education	LAUR	Consumer Defensive	Education & Training Services
20	Marcus Corporation	MCS	Consumer Cyclical	Lodging
21	Marriott International	MAR	Consumer Cyclical	Lodging
22	McDolands Corporation	MCD	Consumer Cyclical	Restaurants
23	Nabors Industries	NBR	Energy	Oil & Gas Drilling
24	Royal Caribbean Cruises Ltd	RCL	Consumer Cyclical	Cruise Operator
25	Select Medical	SEM	Healthcare	Medical Care Facilities
26	Silgan Holdings	SLGN	Consumer Cyclical	Paper & Packaging
27	Starbucks Corporation	SBUX	Consumer Cyclical	Coffee shops
28	Steel Dynamics	STLD	Basic Material	Chemicals
29	TAL Education Group	TAL	Consumer Defensive	Education & Training Services
30	Texas Instrument	TXN	Technology	Semiconductors
31	Texas Roadhouse	TXRH	Consumer Cyclical	Restaurant
32	Tyson Foods	TSN	Consumer Defensive	Packaged Foods
33	U.S. Foods	USFD	Consumer Defensive	Food Distributor
34	United Airlines	UAL	Industrials	Airlines
35	Verso Corporation	VRS	Basic Material	Paper & Packaging
36	Wendy's Company	WEN	Consumer Cyclical	Restaurant
37	Wesco International	WCC	Industrials	Industrial Distribution
38	Wyndham Hotels & Resorts	WH	Consumer Cyclical	Lodging
39	Wynn Resorts	WYNN	Consumer Cyclical	Resorts & Casinos
40	Yum! Brands	YUM	Consumer Cyclical	Restaurants