

**The University of Montana**  
**School of Business Administration**  
**Department of Accounting and Finance**

**Course: MBA 655: Business Valuation Techniques**

**Text Book:**

All Readings are posted on Moodle (at no charge to you ☺)

**Course Objective:**

Business Valuation.

This class is designed to integrate much of what you already learned in your foundations course work in Finance. We will be integrating this knowledge in examining several common methods used to value business. Ultimately, by the end of the weekend you will apply these tools in a merger negotiation exercise.

There are several reasons for learning the basics of business valuation. First, if you are a business owner – wouldn't you want to know the value of the "fruits of your labor?" If you are selling a business – wouldn't you want to know what it is worth? If you want to buy a business -- what is a fair price? If you are trying to attract venture capital -- how much of your business will you need to give up?

Second, business valuation models are a great tool for evaluating the impact of strategic initiatives. After all, our goal is to maximize the value of the firm. How much do our decisions impact value?

Third, and more academically, business valuation models are a great way for integrating all of the material you have learned in your corporate finance classes to date.

Here is what we will be covered over five weeks:

- Law of One Price (LOOP)
- Valuation with Comparables/Multiples
- Discounted Cash Flow Models
  - Corporate Valuation Model (FCF)
  - Free Cash Flow to Equity Model (FCFE)
  - Adjusted Present Value Model (APV)
- Forecasting Free Cash Flows
- Common Valuation Mistakes
- And more!

## **Course Evaluation:**

Week 1: Assignemnt: Valuation Multiples in the Restaurant Industry	15
Week 2: FCF Assignment	15
Week 3: Spreadsheet Valuation Exercise	20
Week 4: Yeats Merger Valuation	30
Week 5: Liston APV Valuation	20
	100 Points

I will be using +/- grading consistent with University guidelines. All grades will be returned in a letter format.

## **Assignments**

There will be one assignment per week covering material from that weeks lecture. Assignments will be due Sunday night and will be submitted through Moodle. See grading above for points breakdown.

<b>Week 1</b>	<ul style="list-style-type: none"><li>• Introductions</li><li>• Introductions to Busines Valuation and Comparables<ul style="list-style-type: none"><li>◦ Reading: Introduction to Valuation Multiples</li><li>◦ Case: Valuation Ratios in the Restaurant Industry</li></ul></li><li>• Assignment: Valuation Multiples in the Restaurant Industry</li></ul>
<b>Week 2</b>	<ul style="list-style-type: none"><li>• Free Cash Flow and the Managerial Balance Sheet<ul style="list-style-type: none"><li>◦ Reading Chapter 11: Corpoarate Valuation Model</li></ul></li><li>• Note: If you are not comfortable with the concept of the weighted-average cost of capital (WACC) then read the following (starting on page 305).<ul style="list-style-type: none"><li>◦ Reading: Chapter 10</li></ul></li><li>• Assignment: FCF Assignment</li></ul>
<b>Week 3</b>	<ul style="list-style-type: none"><li>• Corporate Valuation Model<ul style="list-style-type: none"><li>◦ Reading: (Optionasl) What's it Worth?</li><li>◦ Case: Liston Mechanics</li><li>◦ Reading: Yeates Valves (Pre-read case in preparation for later)</li></ul></li><li>• Assignment: Spreadsheet Valuation</li></ul>
<b>Week 4</b>	<ul style="list-style-type: none"><li>• Corporate Valuation Model (Continued)<ul style="list-style-type: none"><li>◦ Common Valuation Mistakes</li><li>◦ Reading: Chapter 26 Mergers</li></ul></li><li>• Assignment: Yeats Valuation</li></ul>
<b>Week 5</b>	<ul style="list-style-type: none"><li>• Adjusted Present Value (APV)<ul style="list-style-type: none"><li>◦ Reading: Using APV: A Better Model</li></ul></li><li>• Assignment: Liston APV</li></ul>