

# Overview

## Corporate Finance

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## Overview

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- What is Corporate Finance?
- Curriculum
- Paedagogical emphasis: cases and tutorials
- Assessment
- Materials
- Combination with SBWL Finance and Banking & SBWL Insurance
- Access restrictions

# Introduction

## What is Corporate Finance?

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- Study of how companies fund their operations
  - Interactions with financial claimholders (debt, equity, others)
- Modern paradigm here: firm is „nexus of contracts“
  - Legal construct so that many parties can cooperate
    - Investors, managers, workers, suppliers
  - Financial claims confer cash flow rights and ownership rights and are associated with interests („stakeholders“)
  - Conflicts of interest
    - between financial stakeholders and non-financial stakeholders
    - among financial stakeholders

# Topics

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- Types of financial claims
  - why are they used? when are they used?
  - how do you value them?
  - company valuation, capital structure, taxes
- Funding and distribution policy
  - IPOs, SEOs, other security issues
  - dividend policy and share repurchases
- Investment decisions
  - capital budgeting criteria, real options analysis
  - mergers, acquisitions, and divestitures

## Corporate Finance 1 (summer term)

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- Company Valuation
  - DCF-approaches
  - Residual income approaches
  - Multiples
- Capital Budgeting
- Measuring the cost of capital
- Corporate finance and taxes
- Capital structure policy

## Corporate Finance 2 (fall term)

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- Mergers and acquisitions
  - mergers and strategy
  - hostile takeovers
  - cross-border M&A activity
- Divestitures
  - spin-offs & carve-outs
  - sell-offs, tracking stock
- Regulation and governance

## Corporate Finance 3 (fall term)

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- The syllabus for CF 3 is still very tentative!!
- International corporate finance
  - exchange rates
  - cost of capital in integrated and segmented markets
- Real options analysis
- Hybrid securities (flavor of the month)
  - warrants, convertible bonds, convertible shares
  - CVRs, PERCs, dual-currency bonds, PIK bonds

## Who should take this course?

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Anybody interested in a career in

- investment banking
- commercial banking
- corporate finance or treasury departments
- consulting
- analysts departments

## Paedagogical emphasis

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- People remember
  - 20% of what they hear: traditional lecture
  - 30% of what they see: books and articles
  - 50% of what they hear and see: lecture with slides
  - 70% of what they talk about: case discussions
  - 90% of what they do: case write-ups and exercises
- Emphasis is on *skills*, not on knowledge
  - how to do things: value a company, interpret an academic paper, perform a cash flow analysis, build a real options model

## Structure of Corporate Finance 1

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- Start with lectures (weeks 1-4, then every two weeks)
  - background knowledge, theory, empirical facts
  - supported by readings
- Cases (every two weeks, alternating with lectures, starting in week 5)
  - core of the curriculum and a lot of work (five 4-page write-ups)
  - apply knowledge gathered from lectures and readings
- Tutorials (voluntary, not examined, weeks 2-4)
  - only at the beginning of term
  - improve spreadsheet skills, implement corporate finance models

## Assessment & Prerequisites

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- **Assessment (weights tentative, subject to change):**
  - final exam (tests contents of lecture): 40%
  - 5 case write-ups (groups) during term: 40%
  - class participation (case discussions): 20%
- **Pre-requisites**
  - Basic knowledge of finance at the level of an introductory course (ABWL Corporate Finance)
  - Need to understand: NPV, IRR, cash flows and accounting numbers, CAPM, basic portfolio theory

## Materials

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- **Lectures:** slides on the website
- **Readings:**
  - Grinblatt, Mark and Sheridan Titman, Financial Markets and Corporate Strategy, Irwin/McGraw-Hill
  - Benninga, Simon: Financial Modeling, MIT Press
  - additional books and articles
- **Cases**
  - self-authored cases
  - some cases from HBS and others (need to pay royalties!)
- **Tutorials:** exercises and solutions on the website

## Corporate Finance as part of SBWLs

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- You can
- take CF 1 and CF 2 („Kernblock“)
  - and combine it with either banking or finance...
    - then your SBWL is Banking and Finance
  - ...or with insurance
    - then your SBWL is Insurance
- take CF 1, CF 2, and CF 3 („Gesamtangebot“)
  - and combine it with either banking, or finance, or insurance
    - then your SBWL is Banking and Finance
- take at most *one* CF course abroad
  - needs to be a case course!

## Access restrictions

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- May be necessary to restrict access
  - no more than 65 students per class
  - at most two sections
- Need to register your interest until Friday, April 21 noon
  - Please email my secretary ([secretary@cf.bwl.uni-mannheim.de](mailto:secretary@cf.bwl.uni-mannheim.de))
- Priority given
  - by average grade of *Vordiplom* or equivalent
  - to those who have already passed exams in at least two of the other three subjects (finance, insurance, banking)
    - if you started insurance in WS 2005/6, you need to complete this according to the old system!

## Questions?

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- More extensive information on our website
  - FAQ-sheet
  - discussion board (<http://cf.bwl.uni-mannheim.de/forum>)
    - our top priority for answering questions
    - some etiquette applies, no bogus names please!
- Email [ospalt@cf.bwl.uni-mannheim.de](mailto:ospalt@cf.bwl.uni-mannheim.de)
  - answers will be posted on discussion board with name
- ...or simply ask now!