

Overview

Corporate Finance

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Overview

- 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?

- 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

- 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)

- 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)

- 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)

- 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?

Anybody interested in a career in

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

Paedagogical emphasis

- 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

- 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

- **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

- **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

- 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

- 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)
- 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?

- 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
 - answers will be posted on discussion board with name
- ...or simply ask now!