

COURSE GENERAL OVERVIEW

Course details	
Title	Investment Analysis
Code	E000004364
Programme	Master in Business Administration (MBA)
ECTS	3 ECTS
Core/elective	Elective
Department	ICADE Business School / Finance Management

Instructors	
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Context of the course
The course in the professional context
<p>The Investment Analysis subject is an optional, four-monthly subject taught in the first year of the Master in Business Administration (MBA). The subject is included in the finance itinerary for those students who choose this specialization within the program.</p> <p>The MBA program contains a series of subjects related to the area of finance, among which are the compulsory subjects, Corporate Finance and Accounting that are developed in the first and second semesters respectively. Also, within the financial itinerary, in addition to Investment Analysis, students are offered other related subjects such as Portfolio Management, Mergers and Acquisitions, Advanced Corporate Finance, Global Financial Markets and Private Equity / Venture Capital.</p> <p>The knowledge and methodologies that will be taken during the course are oriented towards the student who needs to analyse different investment alternatives and make decisions or recommend about their attractive potential as mechanisms to create value for the decision maker.</p> <p>The objectives pursued with this subject are:</p> <ul style="list-style-type: none"> • Know the macroeconomic environment and the main figures that explain economic development, such as economic growth, inflation, interest rates or exchange rates. • Analyse current financial markets, both equity and fixed income and the determination of the relationship between the economic cycle and the stock market cycle in an economy. • Differentiate the main sectors of economic activity and the intrinsic characteristics of each of them.

- Review and strengthen the knowledge of key concepts in the area of finance, such as financial statements, income statement, cash flow or balance sheet as well as the time value of money.
- Prepare the financial projections of a company based on historical financial statements and the strategic plan and future business model.
- Deepen in knowing the application of Excel to the elaboration of financial models.
- Calculate sensitivities of the main results of the financial model based on variations in the starting assumptions.
- Obtain conclusions from the financial projections using the most commonly used financial ratios.
- Apply the most used methodologies to analyse investments and apply them to decision making.
- Study real cases in which investment recommendations are presented, selection of investments within a set of alternatives and know the work of stock market analysts when they write their stock market reports and issue their recommendations on equity securities.

Requirements

In order to keep track of the subject, students should have prior knowledge of Financial Accounting and Financial Mathematics as well as Introduction to Corporate Finance.

Skills to be developed

Generic skills

1. Cognitive capacities of analysis and synthesis applied to business situations and organizational management problems
 - a. Describe, relate and interpret theoretical and practical situations and approaches
 - b. Select and analyse the most significant elements and their relationships in different contexts
 - c. Identify the lack of information and its relevance, establishing relationships with elements external to the situation.
2. Information and data management as key elements for decision making and the identification, formulation and resolution of business problems
 - a. Know, use and discriminate the different sources of information on the subject (market information, information diffusers, web pages, specialized magazines, analyst reports and others)
 - b. Identify the fit of each source based on its purpose
3. Problem solving and decision making at the strategic, tactical and operational levels of a business organization, taking into account the interrelation between the different functional and business areas
 - a. Has the ability to make decisions autonomously between alternatives and specific situations
 - b. Recognizes and knows how to find alternatives in solving theoretical and practical

problems.

- c. Select, analyse, solve and make decisions in case studies based on real situations
4. Application of concepts and theories to business organizations to discover new business opportunities and achieve the generation of lasting competitive advantages
 - a. Identify and create new ways of applying the knowledge acquired to solve practical problems
 - b. Knows how to establish novelties and introduce new ideas for the application of theory to practical cases
5. Interpersonal abilities to listen, negotiate and persuade and work in multidisciplinary teams to be able to operate effectively in different tasks, and, when appropriate, assume leadership responsibilities in the business organization
 - a. Knows how to communicate the starting situation and the implications of business decisions in accounting
 - b. Is able to communicate clearly and precisely depending on the target audience of the information and the material means of it
 - c. Participate actively in group work by sharing information, knowledge and experiences
 - d. Is oriented towards the achievement of common agreements and objectives
 - e. Contributes to the establishment and application of teamwork processes and procedures
 - f. Manage the keys to promote the development of effective meetings
6. Ethical commitment in the application of moral values and those of the organization against ethical dilemmas and corporate social responsibility
 - a. Reflect and know the limits of the integral behaviour and in accordance with the personal and professional values of the cultural environment in the development of the practical application of the subject's knowledge
 - b. Identify in the exercises and case studies the professional actions that correspond to ethical values
 - c. Is honest in academic activities and is not passive to the dishonesty of others
7. Ability to manage time with the aim of improving personal and team effectiveness within the framework of business organizations, their environment and their management
 - a. Plan the personal work in a viable and systematic way
 - b. Integrates and participates in the organized development of group work. Plan a complex project
 - c. Manages your time by participating in setting delivery dates, exams and assumes the

responsibilities of meeting the agreed objectives, deadlines and work

8. Critical reasoning and argumentation consistent with the understanding of knowledge and knowledge about business organizations, their external context and their management and management process
 - a. Identify, establish and contrast the hypotheses, variables and results in a logical and critical way
 - b. Review the options and alternatives with critical reasoning that allows you to discuss and argue contrary opinions
9. Autonomous learning ability to continue training to learn to learn cognitive skills and relevant knowledge applied to professional and business activity
 - a. It guides study and learning autonomously, developing initiative and establishing priorities in their work

Course specific skills

1. Knowledge and ability to use asset valuation techniques, analyse and select investments, discern sources of financing, and design and implement the financial management strategies and techniques of the company's advanced management
 - a) Knows and understands the various methods of investment selection, and has the capacity to choose the most appropriate and the ability to apply them in real decision making.
 - b) Know the theoretical concepts on valuation of companies (Free Cash Flow, Cost of Capital) and the different valuation methods of existing companies and is able to critically choose the most appropriate method or methods in each case. Master and apply in practice the methods of cash flow discount (DCF) and multiples
 - c) Knows the existing theories on how value can be created or not through debt policy: Modigliani and Miller Theory, Balance Theory (Trade off); Theory of the Financial Hierarchy and Organizational Theory
 - d) Know the existing theories about how value can be created or not through dividend policies: Modigliani and Miller theory and other theories about dividend policy. Know the variables to consider in the definition of a dividend policy.
 - e) Understand the fundamentals of Mergers and Acquisitions operations, the reasons that drive them, the processes to carry out those operations and the factors that can cause them to fail.
 - f) Know how these areas are interrelated to achieve the strategy of value creation by the company.
2. Knowledge and use of the most used models and techniques of business valuation.
 - a) Know and apply the most used business valuation models
 - b) Is able to analyse and interpret the financial statements of a company to issue a value judgment on the economic and financial situation of the same to make future projections of

said financial statements.

- c) Can find the necessary information on the capital market or the general economic environment for its application to the analysis and valuation of a company.
- d) Can issue a justified and critical valuation of a company, as well as recommendations for investment in the market.

COURSE CONTENTS

Contents
PART 1: Macroeconomic context in the decision making process
Stream 1: Macroeconomic environment and the financial markets
1.1. Economic growth 1.2. Inflation 1.3. Interest rates 1.4. Exchange rates 1.5. Economic cycle vs stock market cycle vs company valuation
Stream 2: Different sector of activity in the economy
2.1. Regulated sectors 2.2. Cyclical sectors 2.3. Anti-cyclical sectors 2.4. Others
PART 2: Investment Analysis
Stream 1: Introduction to investment analysis
1.1. Financial assessment of the corporations: the cash flow statement 1.2. Time value of money: summary and recapitulation
Stream 2: The financial projections
2.1. Identifying the key drivers that impact in the financial statements 2.2. Process to elaborate the financial statements and the financial projections 2.3. Sensitivity analysis 2.4. Analysis of the main financial ratios
Stream 3: Methodologies to analyse and assess the attractiveness of an investment
3.1. Key methodologies of investment analysis: NPV, IRR and Payback 3.2. Samples and cases to apply the investment assessment
Stream 4: Others
4.1. Equity research reports and analysis recommendations 4.2. Analysis of alternative investments and opportunity costs 4.3. Real options and risk management options and futures

TEACHING METHODOLOGIES

Course teaching activity	
Teaching and learning in the classroom	Skills to be developed
<p>The subject will be developed covering the contents described in this guide and the approach to learning will be predominantly practical. The teacher will combine sessions in which some of the concepts and subjects are approached from the theoretical point of view but always with the objective of knowing the practical application as well as the analysis and discussion with the students of real examples where similar situations are seen. Therefore, in addition to master classes, which are limited, the main activities will be the development of practical cases, performance of exercises and problem solving and theoretical-practical seminars.</p>	<p>Those already reviewed above</p>
Teaching and learning outside the classroom	Skills to be developed
<p>Throughout the course one or more team work will be carried out whose objective will be to apply part of the concepts seen during the course to a real case situation. These work or works will be defended in class before the teacher where students must put into practice their communication skills and abilities.</p> <p>At the beginning of the subject, the teachers will provide the student with information on the characteristics of this work and will give them the guidelines for its completion.</p>	<p>Ability to learn and work autonomously and formed teams</p> <p>Communication and argumentation in teamwork</p> <p>Ability to make decisions by a group</p>

COURSE EVALUATION AND ASSESSMENT CRITERIA

SUMMARY OF STUDENTS' WORKING HOURS			
CONTACT HOURS			
Lectures	Practical sessions	Academic activities	Workshops
9	9	9	3
WORKING HOURS OUTSIDE THE CLASSROOM			
Individual reading and preparation of lectures	Individual reading and preparation of practical cases	Collaborative learning (working in groups)	Study
5	20	10	10
CRÉDITOS ECTS:			3

Ordinary evaluation activities	CRITERIA	WEIGHT
Individual exam	Combination between theoretical questions and case studies	50%
Evaluation of cases or exercises, individual or collective (during the course)	Ongoing evaluation of the different cases to be developed during the year and that will be presented during classes	30%
Active student participation in the classroom	Daily participation of the student during the course	10%
Oral participation of the cases to be developed	Ability of the student to present and explain to their colleagues of the work to be done	10%

To be able to pass the subject in ordinary call, you must have a minimum grade of 4.0 in the exam, as well as having participated in more than 75% of the practical cases developed during the course.

In the event that the student has to go to the extraordinary call, the grade will be determined by 75% the exam or extraordinary final work and 25% the joint grade that the student has obtained during the entire course between which participation is included active, performance of work and activities, evaluation of monographic works

Students with an attendance waiver. In order to pass the course, these students will have to take the final exam and the final grade of the course will be 100% the grade of this exam.

REFERENCES

References

In-House Materials

During the subject and the classes taught, the teacher will have presentations, notes and materials which will be delivered to the students and these will serve as the main material for the study and monitoring of the subject.

Likewise, the theoretical material will be completed with practical information such as case studies, readings, press articles ...

Complementary references

Books and others publications

Brealey, Richard A.; Myers, Stewart C. and Franklin, Allen (2011): *Principles of Corporate Finance*, Concise Edition, Second Edition. Ed. McGraw-Hill International Edition

Higgins, Robert C (2008): *Analysis of Financial Management*, Ninth Edition, Ed. McGraw-Hill International Edition

Fernández, P. (2002). *Valoración de Empresas*. Ed. Gestión 2000

Jiménez Cardoso, S., García Ayuso y Sierra G. (2004). *Análisis financiero* Ed. Pirámide

Rivero Torre, P. (2002) *Análisis de Balances y Estados Complementarios*, Ed. Pirámide