

## COURSE DESCRIPTION AND OUTLINE

<b>Course Information</b>	
<b>Name</b>	<b>SECURITIES ANALYSIS</b>
<b>Code</b>	<b>E000008079</b>
<b>Degree</b>	<b>Business Administration and Management</b>
<b>Year</b>	<b>4º</b>
<b>Semester</b>	<b>1º and 2º</b>
<b>ECTS credits</b>	<b>6</b>
<b>Type of course</b>	<b>Optional</b>
<b>Department</b>	<b>Financial Management</b>
<b>Area</b>	<b>Finance</b>
<b>University</b>	<b>Universidad Pontificia Comillas</b>
<b>Descriptor</b>	This subject covers the practical and theoretical concepts needed to perform the functions of Financial Analyst.

<b>Teachers Information</b>	
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<b>Name</b>	<b>Ofelia Marín-Lozano Montón</b>
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<b>Name</b>	<b>Pedro Manuel Mirete Ferrer</b>
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## DETAILED COURSE INFORMATION

### Course context and application

#### Contribution to Degree's professional profile

The objective of this course is to learn how to apply theoretical knowledge on relevant aspects of financial analysis in real life business cases.

The student will learn to analyze a company's financial statements and search for the necessary information related to the financial markets or the economic environment in order to use it for a company's valuation, mainly from a fundamental approach.

This subject helps the student interpret accounting statements; prepare financial forecasts and give his/her opinion about a company's financial situation.

This course is useful for students who want to become financial analyst and work in brokerage houses (doing securities research, trading or sales) or as institutional or private investors.

#### Prerequisites

This course takes place during the last year of a business undergraduate student, and it needs to be taken after an initial course on Finance (Corporate Finance, Financial Management or the like). It assumes the student is familiar with Accounting and Financial Statements and with the different financial assets and its valuation.

The topic is taught in English and most of the material, bibliography and recommended readings will be in English. All students must be fluent in English to be able to follow the course.

### Competences - Objectives

#### General Competences

##### Instrumental skills

Ability to plan and organize

Ability to manage information from different sources

Oral and written communication in an explicit language

##### Interpersonal skills

<p>Interpersonal skills: listening, arguing and discussing</p> <p>Ability to work in a team and leadership skills</p> <p>Critical thinking capacity</p> <p>Ethical commitment</p> <p>Recognition and respect to diversity and multiculturalism</p>
<p>Systemic skills</p>
<p>Ability to learn and work independently</p> <p>Adaptation to change</p> <p>Motivation to improve the quality of their works</p> <p>Ability to develop, transmit and report ideas, projects, problems and solutions</p> <p>Initiative and entrepreneurial spirit</p>
<p>Specific Competences</p>
<p>Conceptual (to know)</p>
<ul style="list-style-type: none"> <li>- Knowing the meaning of efficiency in financial markets.</li> <li>- Analyzing, interpreting and projecting a company's Financial Statements.</li> <li>- Knowing and understanding the different valuation methods, both in theory and practice, and the conditions under which they should be used.</li> <li>- Knowing the most commonly used financial analysis types</li> <li>- Knowing <i>bottom-up</i> and <i>top-down analysis</i>.</li> <li>- Valuing a company and issuing an investment recommendation.</li> </ul>
<p>Procedural (to know-how)</p>
<ul style="list-style-type: none"> <li>- The student knows and understands the concept of efficiency in financial markets, the types of efficiency and their implications.</li> <li>- The student is able to analyze and interpret a company's financial statements, to give opinion about its financial situation and to make financial projections.</li> <li>- The student can search for and find the necessary information related to the financial markets or the economic environment in order to use it for a company's valuation.</li> <li>- The student is able to do a company's valuation based on different methods. He can tell the difference between different valuation methods and use the most suitable one.</li> <li>- The student is able to see the differences between technical and fundamental analysis and use the most suitable one depending on the circumstances.</li> <li>- The student is able to value a company based on fundamental analysis.</li> <li>- The student can do a well-founded <i>bottom-up</i> and <i>top-down analysis</i>.</li> <li>- The student is able to give a well-founded valuation of a company as well as an investment recommendation.</li> </ul>
<p>Attitudinal (know how to be)</p>
<p>The student is honest when performing his academic activities and is not passive when faced with the dishonesty of others.</p>

## **COURSE CONTENT**

<b>Content Programme</b>
<b>Chapter 1: INTRODUCTION TO FINANCIAL ANALYSIS</b>
1.1 Financial analysis: concepts, objectives and limitations 1.2 Types of financial analysis 1.3 Sources of information 1.4 Key qualifications and abilities for financial analysts 1.5 Financial analysis process
<b>Chapter 2: TOP-DOWN SECURITY ANALYSIS</b>
2.1 Fundamental analysis: Top-down approach 2.2 Macroeconomic analysis: Economic cycle, Stock market cycle, Business cycle 2.3 Key economic factors and its impact on international business environment
<b>Chapter 3: FINANCIAL STATEMENT ANALYSIS</b>
3.1 Balance Sheet analysis 3.1.1 Capital structure and the cost of capital 3.2 Income Statement analysis 3.3 Introduction to consolidation
<b>Chapter 4: CASH FLOW ANALYSIS</b>
4.1 The Cash Flows Statement 4.2 Types of Cash Flows 4.3 Calculation of Free Cash Flow
<b>Chapter 5: FINANCIAL FORECASTS AND PROJECTIONS</b>
5.1 Selecting the Key Forecast Drivers 5.2 Forecasting a company's financial statements
<b>Chapter 6: MULTIPLE VALUATION AND RATIO ANALYSIS</b>
6.1 Financial ratios 6.2 Valuation multiples: Price Earnings ratio (P/E), EV/EBITDA, Price to Book Value (P/B), dividend yield.
<b>Chapter 7: DISCOUNTED CASH FLOW VALUATION</b>
7.1 Valuation based on free cash flow of the firm (FCFF) 7.2 Valuation based on free cash flows to equity (FCFE)

## TEACHING METHODOLOGY

General methodological aspects of the course	
This course requires the students attend the class sessions. There are regular teaching sessions, case study discussions and practical problems and questions. Active student participation is important.	
Classroom methodologies: activities	Skills
Classroom activities consist on content blocks organized by the professor for the benefit of all students. Activities will include: Lectures Presentations Practice problems and exercises Seminars Simulations	Mentioned above
Work out of the classroom: activities	Skills
There will be a group project whose goal will be to value a real company, produce a research report (like a financial analyst would) and present the results defending the recommendation. At the start of the semester, the professor will provide students with detailed guidelines about this project.	Team work Ability to learn and work autonomously

## ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation and discussions	5%
Mid-term	15%
Group project	20%
Final exam	60%
<i>Details will be communicated on the first day of class</i>	

- To pass the course/ subject in the first sitting, the student will need a minimum grade of 4.0 out of 10 in the final written exam. Otherwise, the above formula will not be applied, and the student will fail the course.
- In the second or following sittings, the grade will be 100% the final exam grade.
- For students that have a formal exemption to attend class (including those who are on an exchange programs abroad), the course grade will be 100% of the final exam grade.

SUMMARY OF THE STUDENT EXPECTED WORKING HOURS				
Hours in classroom				
Lectures	Practical workshop	Seminars	Public Presentations	Simulations
32	11	11	2	2
H				
Individual and Team work	Individual work on practical knowledge	Seminars	Study	Tutorials + Simulations
23	11	9	50	13 + 1
ECTS CREDITS:			6 (165 hours)	

## BIBLIOGRAPHY AND ADDITIONAL READING LIST

Bibliography
<b>Textbooks</b>
DAMODARAN, A. <i>Damodaran on Valuation: Security Analysis for Investment and Corporate Finance</i> , Ed. John Willey & Sons. Available at <a href="http://pages.stern.nyu.edu/~adamodar/">http://pages.stern.nyu.edu/~adamodar/</a>
<b>Articles and news</b>
A variety of material will be handed out in the classroom or through the Moodle course webpage
<b>Additional material</b>
The student will be supplied with lesson notes and slides through the Moodle course webpage
<b>Additional reading list</b>
<b>Textbooks</b>
<ul style="list-style-type: none"> <li>▪ DAMODARAN, A. (2012). <i>Investment Valuation: Tools and Techniques for Determining the Value of any Asset</i>. Ed. Wiley. (2<sup>nd</sup> edition)</li> <li>▪ HOOKE, J. (2010). <i>Security Analysis and Business Valuation on Wall Street</i>. Ed. John Willey &amp; Sons.</li> <li>▪ KOLLER, T., GOEDHART, M. Y WESSELS, D. (2010). <i>Valuation: Measuring and Managing the Value of Companies</i>, 5th Edition, Ed. John Willey &amp; sons</li> <li>▪ PENMAN, S.H. (2009). <i>Financial Statement Analysis and Security Valuation</i>, 4th Edition, Irwin/McGraw-Hill.</li> </ul>