

FACULTAD DE CIENCIAS  
ECONÓMICAS Y EMPRESARIALES

## COURSE DESCRIPTION AND OUTLINE

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

Teachers Information	
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## DETAILED COURSE INFORMATION

<b>Course context and application</b>
<b>Contribution to Degree's professional profile</b>
<p>The objective of this course is to learn how to apply theoretical knowledge on relevant aspects of financial analysis in real life business cases.</p> <p>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.</p> <p>This subject helps the student interpret accounting statements; prepare financial forecasts and give his/her opinion about a company's financial situation.</p> <p>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.</p>
<b>Prerequisites</b>
<p>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 their valuation.</p> <p>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.</p>

<b>Competences - Objectives</b>
<b>General Competences</b>
<b>CG01. Capacity for analysis and synthesis</b>
<p>Describes, relates and interprets theory and practice</p> <p>Selects and analyzes the most significant elements and their relationships</p>
<b>CG03. Capacity for organization and planning</b>

Plans workload in a systematic and feasible manner. Participates actively in teamwork organization. Plans a complex project.
CG04. Capacity to organize information from different sources
Knows, uses, and is able to discriminate different sources of information related to the course: market information, corporate information providers, websites, specialized press, analyst forecasts, etc.
CG07. Oral and written communication skills in English
Understands public information related to the course and can communicate effectively in English.
CG08. Knowledge of information technologies
Can use IT as a tool for communication: word processing, spreadsheets and presentation software
CG09. Interpersonal skills: listen, argue and debate
Ability to communicate clearly and with precision depending on the audience
CG10. Leadership and teamwork
Actively takes part in teamwork sharing information, knowledge and experiences. Oriented towards the achievement of shared goals and agreements.
CG12. Ethical compromise
Ability to identify, in exercises and cases, the professional conducts that correspond to ethical values
CG14. Ability to learn and work independently
Manages time appropriately contributing to the setting of deadlines and takes on the responsibility of achieving goals, meeting deadlines, and handing in deliverables.
<b>Specific Competences</b>
CE21. Knowledge and analytical ability of the financial system: parties, markets, financial products (national and international), and applicable regulations
Can apply acquired knowledge to real world decision-making in financial products and markets, taking profitability, risk and liquidity of different alternatives into account.
CEOPT02. Knowledge and use of the better-known corporate valuation models and techniques
Knows and can apply the better-known corporate valuation models. Can analyze and interpret the final statements of a firm in order to issue an opinion on the firm's financial situation and forecast future performance. Can issue a justified opinion and investment recommendation on a firm.

## **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	CG01, CG02, CG06, CG07, CG08, CG09, CG11, CG12, CG17, CE21, CEOPT02
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.	CG01, CG02, CG06, CG07, CG08, CG09, CG11, CG12, CG17, CE21, CEOPT02

## ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation and discussions	5%
Continuous evaluation	5%
Mid-term	15%
Group project	20%
Final exam	55%
<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.

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

## **BIBLIOGRAPHY AND ADDITIONAL READING LIST**

<b>Bibliography</b>
<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>