Equity Instruments and Markets: Syllabus

Aswath Damodaran
General Information

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- Office Hours
  - Monday 9.45-10.20, 12-1
  - Wednesday 9.45-10.20, 12-1
  - The fair game principle still applies.

- All classes will be web cast. The web casts will be online (usually) within a couple of hours of the class. You can find the webcasts by going to the home page for the equity class.
Course Objectives

Intrinsic Value
The value of an asset is the present value of the expected cashflows.

Relative Value
The value of an asset is what others are willing to pay for it (or something like it).

Contingent Value
The value of an asset may be contingent on what happens to other assets.

Ways of thinking about/estimating value
Every asset has a value. We just have to find it.

Ways of Applying Value

Value Enhancement
Changmg Value

Valuing publicly traded firms defending Small vs Large
Developed vs Emerging Manufacturing vs Technology

And private businesses For owners And investors
(private equity, venture capital)

Across the life cycle Young firms IPOs
Mature firms Declining firms

In sickness and in health Distressed vs Healthy

Investors
Managers
Analysts
## Course Outline

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# Book Chapters

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Required Material

- **Lecture Note Packets**: These are available in three parts. They can be downloaded from my web site, as pdf files, by going to:
  
  http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqlect.html

- **Supplementary texts**: Any of the following texts will do, though the first one is both dated and a little narrow. Find the cheapest source you can or buy it used.
  
  - *The Dark Side of Valuation*: Prentice Hall
  - *Investment Valuation (2nd Edition)*: John Wiley & Sons
  - *Damodaran on Valuation (2nd Edition)*: John Wiley & Sons

- **Other Readings**:
  
  - The other readings for each topic are available on my web site, and can be downloaded at
  
  http://www.stern.nyu.edu/~adamodar/New_Home_Page/eqread.htm
Grading Basis

- **Group Work:** Students should work in groups of four (minimum) to seven (maximum). Each group will be required to work on a group project
  - Valuation Project Due in two parts 30%
    - Part 1: DCF Valuation due by March 14 (just before Spring break).
    - Part 2: Entire project due on May 5 at 5 p.m.
  - Mystery Project: TBA 10%

- **Individual Work:**
  - Quizzes: There will be three quizzes worth 10% apiece.
    Quiz 1: DCF Estimation Issues: Session 9 (February 27)
    Quiz 2: Relative Valuation: Session 16 (March 31)
    Quiz 3: Private Company & Option Valuation: Session 22 (April 21)
  - Final Exam: This will also be an open-book and open-notes cumulative exam worth 30%. It is scheduled for May 12 from 1.30-3.30.
Rules of Engagement

- **Rules of group work:**
  - Pick your own groups. (If you have trouble getting picked, I will help)
  - All group work will be self policed, except in extreme circumstances.
  - There will be one grade per group, no matter how the work load is distributed among the group members

- **Rules on individual work**
  - All exams and quizzes are strictly individual work.
  - There will be no make-up quizzes. If you miss a quiz for a good reason, the grade will be redistributed over the remaining part of the course.
  - I will be the grader, and I do make mistakes. If I screw up, bring it to my attention and I will fix it.

- **Rules on Participation**
  - All participation is welcome.