**Tentative Course Outline**

# FN451: EQUITY SECURITIES ANALYSIS

## Semester 2/2021 (January 10th – May 7th, 2022)

**Prerequisite:** FN 312

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**Course Description:**
The main focus of this course will be on valuing a company for investment purposes. This course is intended to provide practical tools for valuing a company's securities. We will cover several valuation models in this class.

Security Analysis is primarily an applications course. It introduces very little new theory beyond that covered in prior finance course (introduction to finance, corporate finance and investments). This course focuses on the implementation of finance theory to valuation problems. An understanding of accounting is essential for this course. Computers are used throughout this course. Extensive use is made of Microsoft Excel.

**Course Objectives:**
1. Acquaint students with the analytical tools that are necessary to become future equity analysts or investment advisors.
2. Develop understanding of the relationship between investment environment, market valuation, and intrinsic valuation.
3. Familiarize students with tools for evaluating stock prices.
4. Provide updates on current thinking and practice of securities investment and valuation.
5. Familiarize students with quantitative and computing tools for equity analysis and equity asset management.

**Class Time and Venue:**
**Date:** Wednesday
**Time:** 11.00 am – 2:00 pm
**Venue: To be announced**

**Instructors:**
Name: Bin Zhao
E-mail: binzhao@tbs.tu.ac.th

**Main Texts:**
**(R1)** Damodaran, A., Investment valuation: Tools and techniques for determining the value of any asset, Wiley, 2012 (individual chapters available on line)

**Recommended Texts & Materials:**
**(R2)** Stowe et. al. Equity asset valuation, Wiley. Available on line.

**(R3)** Class notes

Local business newspapers, The Asian Wall Street Journal, BusinessWeek,

The Economist,

Forbes, Fortune, various financial and economic Websites, etc.

Euromonitor (From library.tbs.tu.ac.th access) Login with your TUID: pwd, your national ID. Talk to business school librarian or university librarian if you have problems with login.

TV: CNBC, Money Channel, The Economist

**Class web:**

**Suggested readings:** None

**Grading:**

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|---|---|
| Midterm Examination | 30% |
| Final Examination | 30% |
| Quizzes | 20% |
| Project | 20% |
| **Total** | **100%** |

**Expected Learning Outcomes**

| | **1. Morality and Ethics** | **Expected Learning Outcomes** |
|---|---|---|
| ● | 1.1 Possess honesty, sacrifice, self-, social-, and environmental responsibility. | Attend class regularly, no plagiarism in reports, no copying of homework. |
| N/A | 1.2 Value "sufficiency" theory and adapt it in life path by adhering to adequacy, rationale, and immunity development. | |
| ● | 1.3 Value disciplines, respect, and comply with the rules and regulations of the institution and society at large. | Punctuality |
| N/A | 1.4 Acquire knowledge related to business morality and ethics, and be able to handle ethical dilemma with integrity. | |
| | **2. Knowledge** | **Expected Learning Outcomes** |
| ● | 2.1 Acquire knowledge on and understand the important concepts in equity analysis. | Learn different ways to value equity. |
| ● | 2.2 Acquire knowledge on and understand the important social and science concepts related to equity analysis. | Describe market environment relating to equity trading. |

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| N/A | 2.3 Acquire knowledge on and understand the important concepts related to business processes, planning, corporate structures, operations, control, performance evaluation and contingency plan to suit the circumstances. | |
| ● | 2.4 Acquire the knowledge on academic advancement and professional development in equity analysis including the understanding of the situational adaptability and its impact on investment. | Understand career path of equity analysts and apply learning objectives to put together stock report and provide investment recommendation. |
| | **3. Intellectual Development** | **Expected Learning Outcomes** |
| ○ | 3.1 Be able to search and process information and utilize various concepts appropriately in a given circumstance in order to obtain relevant information to benefit in the rapidly changing business environment. | Research for equity analysis project |
| ● | 3.2 Be able to think systematically, rationally and creatively and to integrate knowledge from other disciplines to solve the problems in business and other settings. | Exams and equity research project |
| ○ | 3.3 Be able to collectively propose equity investment ideas and analyze impact on as individual stock and as portfolio. | Research for equity analysis project |
| | **4. Interpersonal Skills and Responsibilities** | **Expected Learning Outcomes** |
| ○ | 4.1 Be able to work in team, possess interpersonal skills and leadership skills, and be professionally adaptive to a given situation. | Group work |
| ○ | 4.2 Be creative and constructively criticize to solve problem of the team. | Presentation Q&A |
| ○ | 4.3 Be responsible in lifelong learning to develop self and professional career. | Research for equity analysis project |
| | **5. Quantitative Analysis, Communication and Information Technology** | **Expected Learning Outcomes** |
| ● | 5.1 Be able to apply mathematics, statistics, quantitative analysis in analyzing and making decisions in business and daily life. | Apply stats and maths tools in equity research project. |
| ● | 5.2 Be able to efficiently communicate in Thai and foreign languages that are relevant in doing business. | Class presentations |

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| ● | 5.3 Be able to explain the issues and make the issues clear in verbal or writing, and be able to choose the appropriate pattern of communication for different groups of audience both in business context and in other contexts. | Research for equity analysis project and presentation. |
| ○ | 5.4 Be able to utilize the information technologies or others to support the business operations. | Research for equity analysis project |

**Tentative class schedule**

| Session/ Date & Time | Topics | Activities/Text & Materials/ Media |
|---|---|---|
| #1: | Introduction, Role of equity analysts<br>Market microstructure of equity markets | Chapters 1,2 - R1<br>Chapter 1 R2 |
| #2: | Economic and Industry Analysis | Handouts |
| #3: | Discount Rate | Chapter 7,8 R1 |
| #4: | Debt in Cost of Capital<br>Earnings and Cash Flow | Chapter 9, R1 |
| #5: | Cash Flow Estimation | Chapter 10, R1<br>Handout |
| #6: | Growth | Handout,<br>Chapter 11 |
| #7 | Loose ends in Valuation | Handout,<br>Chapter 12 |
| | Mid-term exam | |
| #8: | Dividend discount model | Chapter 13, R1<br>Chapter 2, R2 |
| #9: | Presentations of industry analysis | |
| #10: | Residual income model | Handout,<br>Chapter 5 - R2 |
| #11 | Market multiples:<br>Fundamental principals of relative valuation<br>Earnings multiples | Chapter 17, 18, R1<br>Chapter 4 R2 |

| Session/ Date & Time | Topics | Activities/Text & Materials/ Media |
|---|---|---|
| #12: | Market multiples:<br>Book value multiples<br>Revenue and sector specific multiples | Chapter 18, 20, R1<br>Chapter 4 R2 |
| #13: | Real Option Valuation | Chapter 28, 29, R1 |
| #14: | Value Special Firms | Chapter 21, 24, R1 |
| #15: | Stock report presentations and discussions | |
| | Final exam | TBA |

**Details on Assignments:**

**Industry and stock report**

Equity analysis report: Students will be assigned firms at the beginning of the semester. They are asked to submit a short industry report a week after mid-term not exceeding 7 pages and a final report including equity valuation. The final report should not exceed 15 pages (including all appendices figures, tables). The report must conform to professional equity analyst formats. Each group must deliver a 15-minute industry analysis and a final stock idea presentation on a stock selected, followed by 5-10 minutes of questions. A list of stocks will be given for you to pick. Final report and presentations must be in English. The industry report and presentation can be in Thai, but use of English is encouraged.

**Evaluations**

You will be evaluated mainly by, but not limited to, the following criteria: numerical analysis, concept and intuition, clear writing and communication of ideas.

**Note**

This project is a group assignment. **<u>You may discuss the project with your own group members only, but not with other groups or anybody else</u>**. You must provide proper citations in your report for reference sources. Plagiarism is considered cheating and will be subject to the university's policy.

**Notes to students:**

You are responsible to work on end-of-chapter problems yourselves. Solutions will be provided for your own self-test. There will be no make-up quizzes if you miss them.