Corporate Valuation in Developed and Emerging Markets
Summer 2017

Professor:

Javier P. Epstein, CFA
jpepstein@fibertel.com.ar

MBA, University of Michigan Ross School of Business (1994).
CFA Charterholder.

Managing Partner of JPE Capital Management, an independent advisory firm for individual and institutional investors. Prior to that, he has held executive positions in leading investment banks in New York City. He was Vice-President of Santander Investment Securities, Senior Vice-President of Bankers Trust & Co, and Associate Director of Bear Stearns & co. Finance professor at Universidad de San Andrés and other business graduate schools in Argentina.
Main Topics


Course objectives

Main purposes of the course are:

- Review valuation techniques used in developed markets and understand how to adjust them for emerging markets.
- Understand key topics and tools employed to evaluate the economic and financial performance of emerging market companies from a pragmatic perspective.
- Establish a good understanding of successful tools used to realistically elaborate and analyze business projections.
- Establish a deep understanding of when one valuation technique works better than another.
- Implement a practical approach by using valuation techniques over real cases, based on Emerging Markets companies.

Methodology

Minimum Class Attendance: 75%

Grade Weights:
- Class Participation: 40%
- Assignments: 30%
- Final exam: 30%
Outline and session schedule

<table>
<thead>
<tr>
<th>Session</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Review of Valuation Techniques in Developed Markets</td>
</tr>
<tr>
<td></td>
<td>Required Readings</td>
</tr>
<tr>
<td></td>
<td>Optional Readings</td>
</tr>
<tr>
<td>2</td>
<td>Review of Valuation Techniques in Developed Markets (Part II)</td>
</tr>
<tr>
<td></td>
<td>Required Readings</td>
</tr>
<tr>
<td></td>
<td>Optional Readings</td>
</tr>
<tr>
<td>3</td>
<td>Relative Valuation: Multiples of Equity</td>
</tr>
<tr>
<td></td>
<td>Relative Valuation. What are the advantages and disadvantages of valuation multiples? Multiples of Equity: PE, Earnings Yield, P/B, P/CF, P/S. Fundamental Variables that determine each Multiple.</td>
</tr>
<tr>
<td></td>
<td>Optional Readings</td>
</tr>
<tr>
<td>4</td>
<td>Relative Valuation: Multiples of the Firm</td>
</tr>
<tr>
<td></td>
<td>Multiples of the Firm: EV/S, EV/EBIT, EV/EBITDA. Fundamental Variables that determine each Multiple. What is the concept and limitations of EBITDA? EBITDA in Leverage Buyouts How Private Equity Firms determine the right EBITDA Multiple?</td>
</tr>
</tbody>
</table>
Optional Readings


5 Competitive Analysis in Valuation


Optional Readings

- Greenwald, Bruce: “Competition Demystified” Columbia Business School. Chapters: 1 to 5

6 Financial Statement Analyses of Emerging Companies

How to use and interpret annual reports and financial statements when valuing emerging market companies? Is all the necessary information available in financial statements? Issues to consider when evaluating Latin American company business. Key financial indicators. Accounting values against market values. Financial Risks.

Required Readings


Cases

- Latest annual reports of two Latin American companies to be selected by students.

7 Valuing Companies in Emerging Markets (Part I)


Required Readings

- Pereiro, Luis “Valuation of Companies in Emerging Markets” John Wiley & Sons Chapters: 1,3,4 and 6

Optional Readings


8 Valuing Companies in Emerging Markets (Part II)

be adjusted for Emerging Markets companies?

**Required Readings**
- Pereiro, Luis “Valuation of Companies in Emerging Markets” John Wiley & Sons Chapters: 1, 3, 4 and 6

**Optional Readings**

9 **Cost of Capital Estimation in Emerging Markets**


**Optional Readings**
- Pereiro, L. (April 2001) “The Valuation of Closely-Held Companies in Latin America"

10 **Exam**

**Bibliography**

Reading material consists of notes, papers, exercises and chapters from suggested books.

Suggested books are: