Advanced Corporate Finance (B8307)
Spring 2018
Professor Neng Wang

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Course Overview

Advanced Corporate Finance develops the art and science of optimal strategic decision-making by applying corporate financial theory to cases of financial policy, financial instruments and valuation. This course uses the basic valuation and other tools developed in Corporate Finance, but it is not the Corporate Finance course “on steroids.” This is a course on the economics of finance with real-world applications. Throughout the course, we will focus on the dynamics of uncertainty and real-world that decision makers face.

We integrate theory with practice by organically blending lectures with cases. This class is suitable for students looking to make executive strategic financial decisions, including investment bankers, consultants, CFOs and corporate treasurers and students seeking careers in private equity or planning a new venture. More broadly speaking, the course will also help you better understand the complexity of the uncertain real world, become more intelligent decision makers and take calculated risks. In addition to introducing useful analytical economic frameworks and finance tools, this course will also introduce you to a set of big ideas in finance and economics that are helpful for your lifelong learning.

I will revise and fine-tune the course plan as I learn more about how you learn and where the highest value-add for you may lie.

Advanced Corporate Finance should be considered a capstone course. Students are expected to perform professional level work. The class is open to both 1st and 2nd year students.

Tentatively, I plan to cover the following topics: real options, equity, debt, and hybrid financing, venture capital and entrepreneurial finance, private equity, leveraged buyouts (LBOs), M&As, corporate bankruptcy, asset management, and financial crisis. We analyze real-world situations from the perspectives of both insiders (e.g., CEOs and CFOs) and outsiders (e.g., equity, debt, and other investors.)

I plan to organize the course via the following modules subject to changes:
• Module 1: Valuation: Standard Methods & Real Options
• Module 2: Venture Capital, Private Equity, and Leveraged Buyouts (LBOs)
• Module 4: Corporate Governance, Restructuring & Distress, and Financial Crisis

Course Requirements, Grading, and Class Participation

This course relies heavily on class participation and requires serious preparation for each session. It is essential that students complete all required reading and prepare for class discussions before each session. Group case discussions prior to class are strongly encouraged. Each study group (of four or fewer students) is required to submit a two-page (typed and double-spaced) write-up analyzing the case due at the beginning of each session. You may attach supplemental materials to your two-page write-up to support your analysis and recommendation. The report should address the suggested questions for the case, but should not be written in the form of answers to these questions or be confined to these issues only. Rather, the report should be a complete review of the situation with a clear recommendation. Depending on how we progress, I will decide the timing and the number of individual homework assignments. I may also give one or two in-class 15-minute quizzes. Late submissions of the case write-up and homework assignments will not be accepted. These case write-ups, homework assignments, and in-class quizzes will comprise 1/3 of the course grade. I target the total number of group case assignments that you are required to turn in to be around eight. Homework assignments must be completed and submitted individually.

All requests for re-grades should be submitted, in writing, within two weeks of my returning cases to you. You need to submit a detailed description of your request.

To encourage class discussion and participations, 1/3 of the course grade will be based on class participation broadly defined. I expect each student to be able to open a case discussion and also contribute to the ongoing class discussion. The remaining 1/3 of the course grade will be based on an individual take-home case analysis.

You are expected to participate in the class. A necessary (but not sufficient) requirement for participation is presence. Please let me know via email if you are going to miss a class. If you must miss a class, you may attend another section.

The class starts promptly. Class sessions should be considered to be important business meetings with clients (our clients are CEOs, CFOs, boards of directors, etc.) or with the CEO of your firm, whether the class in question is a session when a case is due or when a lecture is scheduled. You would not be late to such meetings and expect to keep your clients or your job.

Pre- requisites and Co-requisites

Capital Markets & Investments is a pre-requisite but I effectively treat it as a co-requisite for my class. A student can request a waiver by emailing MBAfinancewaivers@gsb.columbia.edu. There is a standard procedure to determine the qualification for the waiver and I am generally in favor of
allowing Capital Markets to be a co-requisite because we are going to review the core materials from Capital Markets when needed.

**Guest Lectures**

We will invite guest speakers, who will give their practitioner perspectives on the topics or cases covered in class. Since it can be difficult to ask speakers to visit all lectures, we may have to ask students from both sections to attend only the section in which the guest speaker lectures.

*Participation is required.* However, due to potential scheduling conflicts all these lectures will be recorded and made available on canvas.

**Course Materials and References**

1. *Case materials.*
2. Class Handouts. I will distribute materials as I see fit.
3. *Spreadsheets.* Sometimes I will post spreadsheets on Canvas (e.g., for some cases.)
7. The Wall Street Journal (or Financial Times) is important reading for business major students.

Required reading and cases will be made available to you in advance. There is no required textbook for the course. Please regularly check the course website.

**Honor Code**

Students are expected to fully abide by the Honor Code, which states “As a lifelong member of the Columbia Business School community, I adhere to the principles of truth, integrity and respect. I will not lie, cheat, steal or tolerate those who do."

Case solutions for a grade are designation type A (group/group). The case (for the final exam) is designation type C (individual/individual).

The following are examples of violations of the Honor Code:

1. Using any written or verbal account of a solution to (or analysis of) any of the cases taught in the class to complete any course requirements. This includes using any prior solution to the case (be it someone's class notes or cases/solutions from a prior quarter, teaching notes from professors, etc.).
2. Any communication to students in other sections of the class for whom a case is due at a later time concerning any details of the class discussion of the case.
3. Unauthorized communication concerning the case (for the final exam) once it has been
handed out.

Tentative Course Outline

0. Course overview and requirements

1. Part I: Valuation: Standard methods and real options
   a. Lectures on standard valuation and real options methods
   b. Cases: Arundel Partners, Genset

2. Part II: Venture Capital, Private Equity, and Leveraged buyouts (LBOs)
   a. Lectures on VC method, VC economics and contracting, dynamic financing, valuation of VC convertibles, leveraged buyouts, the economics of private equity (GP’s and LP’s perspectives)
   b. Cases: Sunrise and Metaphath, O.M. Scott & Sons Company Leveraged Buyout, and Altoona

   a. Lectures on IPO, M&A, valuing convertible debt, and payouts, cash holdings
   b. Cases: Amazon.com-Going Public, Financial Policy at Apple (2013), Mogen, Generating Higher Value (A) at IBM

4. Part IV: Corporate Governance, Restructuring & Distress, and Financial Crisis
   a. Lectures on governance & executive compensation, corporate restructuring & financial distress, and financial crisis
   b. Cases: Say on Pay at The Walt Disney Company, Marvel, Going to the Oracle: Goldman Sachs, Before the Fall: Lehman Brothers 2008

5. Course Review