Applied Value Investing: Bidding Syllabus Fall 2018- Content is subject to change

Applied Value Investing

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REQUIRED COURSE MATERIAL

Required reading throughout the term includes:

1. The Wall Street Journal
2. Financial Times
3. Barron’s
4. SEC filings related to companies we are studying, company call transcripts and other available data
5. There may be other short books or articles assigned related to speakers or topics of interest as the semester progresses.

**There are no good textbooks for this course. We assume because you are in an advanced security analysis class at Columbia you have read at least parts of the following books:

Greenwald et al, Graham and Dodd’s Security Analysis, Sixth Edition
Greenwald and Kahn, Competition Demystified, A Radically Simplified Approach to Business Strategy

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

Prerequisite: Capital Markets

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>Corporate Finance</td>
<td>1. Cost of Capital</td>
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<td>2. Valuation</td>
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<td>3. Financing Options</td>
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<td>4. Time value of money</td>
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<td>5. Opportunity cost (of capital)</td>
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<td></td>
<td>6. The Capital Asset Pricing Model (CAPM)</td>
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<td></td>
<td>7. Firm Valuation Model</td>
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<tr>
<td>Financial Accounting</td>
<td>1. The “accounting equation”</td>
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</tbody>
</table>
### Global Economic Environment
1. Risk Management
2. What is Gross Domestic Product and how is it measured?
3. What causes inflation?
4. What causes changes in exchange rates?
5. What are the causes of business cycles?
6. What are the effects of monetary policy?
7. What are the effects of fiscal policy?
8. What is the role of financial markets in the economy?

### Managerial Economics
1. Barriers to entry
2. Moats
3. Maximization and thinking on the margin
4. Analyzing complex decision-making under uncertainty
5. Decision-based cost analysis
6. Pricing with market power
7. Market segmentation and other advanced pricing strategies
8. Understanding market competition and equilibrium thinking (in the short-run)
9. Market equilibrium thinking (in the long-run) and barriers to entry
10. Strategic interaction among firms and Nash equilibrium

### Strategy Formulation
1. Trade-offs, value-added, efficiencies
2. Creation of value vs. value capture
3. Competing firms
4. Co-competition and Complementors
5. Strategic interaction analysis
6. Diversification and scope
7. Ethics & IBS
8. Behavioral and evidence-based strategy
9. Management

Students will be expected to have mastered these concepts and be able to apply them in the course.

### COURSE DESCRIPTION & OBJECTIVES

This course combines the methods and teachings of security analysis with practical buy-side methodologies to identify and research attractive value investments. Emphasis will be placed on the development and implementation of a sound and repeatable research process. Both long and short methodologies will be covered during the semester.

This course will leverage your theoretical learning in security analysis plus require you to develop business acumen and industry expertise. A combination of fundamental analysis and assessment of intrinsic value will be balanced with thematic thinking and business judgment. The course should arm you with the tools to identify attractive value investments through a variety of methodologies for several alternative fund strategies. Throughout the semester, students will prepare five full investment memoranda on assigned stock securities. After the first name, which will be assigned to the entire class, subsequent stocks will be assigned to small groups of students. Certain students will be required to develop the long thesis while others develop the short thesis. Ultimately each student will select one of their ideas to further develop (long or short) for a final presentation to the class and outside fund managers.
The class will be kept small to take advantage of the instructional method. Class discussions will be complemented by guest discussions from highly regarded investment professionals from the long only and hedge fund community.

CLASSES (2017)

- Class 1: September 11th
  - Course Overview
  - Investment Process
- Class 2: September 18th
  - Modeling I
  - Management Evaluation
- Class 3: September 25th
  - Management Team Discussion [To be confirmed]
- Class 4: October 2nd
  - Quality of Business & Competitive Position
- Class 5: October 9th
  - Investment Analysis
  - Speaker Series and Sample Pitch
- Class 6: October 16th
  - Modeling II
  - Student Pitches
- Class 7: October 30th
  - Idea Sourcing
  - Interview Preparation
- Class 8: November 13th
  - Balance Sheet Flexibility / Capital Allocation Strategy / Proxy Review
  - Student Pitches
- Class 9: November 20th
  - Shorting
  - Speaker Series
- Class 10: November 27th
  - Due Diligence
- Class 11: December 4th
  - Final Presentations I
- Class 12: December 11th
  - Final Presentations II

Investment Memos: Discussion and argument on assigned stocks will begin the week following their assignment. The ability to quickly get up to speed and identify the critical issues is an important skill and will make up much of the class participation grade. Deliverable will be a draft model with key drivers and research objectives, followed by a full investment write-up and supporting model (due about three weeks after the stock is assigned).
Final Projects: Students will rank their write-ups in order of preference for a final presentation; these preferences will be considered in assigning final projects. The final project deliverable will be a ten minute investment pitch with supporting slide deck, appendices and detailed model.

Weekly Assignments:

- On each Sunday prior to class (8:00 AM deadline), submit a memo and a model on the name you are working on. In the first week, your memo will include key questions for research and analysis. Subsequent submissions will show your research progress towards an investment decision.
- Each class students should be ready to give a market update (format will be discussed in class), plus an update on any news related to their assigned stocks.
- Additional assignments will be made as the semester progresses. These will usually involve readings or exercises that can be accomplished within an hour or two.

**Note above assignments / due dates may be modified**

**METHOD OF EVALUATION**

<table>
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<tr>
<th>Participation/Weekly Pitches (Partner)</th>
<th>75%</th>
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<tbody>
<tr>
<td>Final Company Pitch (Individual)</td>
<td>25%</td>
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Grades will reflect knowledge and application of the course material and communication skills. This course is intended to be interactive and class participation will be crucial to the success of this class.

**CLASSROOM NORMS AND EXPECTATIONS**

**Class Participation:**
Preparation, Discussion, Organization

**Guest Speakers:**
This course will involve several buy-side and Company Management guest lectures; class participation will be crucial to the success of the course.

**INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS**
At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

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