BUFN 702 Syllabus – Section GS01
Applied Equity Analysis
Spring 2004 – Shady Grove Campus
Wednesday Evening 7:00 p.m. – 9:40 p.m.

Contact Information:

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Instructor Background and Required Text:

Jeff Hooke is an adjunct professor who has substantial experience as an investment banker and private equity fund executive. He is the author of three books on finance and investments, including this course's required text: Security Analysis on Wall Street (University Edition): A Comprehensive Guide to Today's Valuation Methods. Mr. Hooke has taught previously at Maryland, George Washington University, and Georgetown University. He has given lectures on valuation at corporate seminars and other graduate schools.

Course Overview:

The course provides an introduction to the basic tools used by equity analysts, investment bankers and appraisal firms to value a business. We begin the course by reviewing the investing environment, the playing field and why security analysis is important. We then cover the building blocks of constructing an equity research report by following the well-accepted "top-down" approach. Once the principal parts of the report are known to the students, we examine and apply the principal valuation methodologies used on Wall Street today, in order to reach an investment decision: either BUY or SELL.

Because the majority of publicly traded stocks do not fall into the models used in most classroom settings, the course will cover, in its later stages, specialized categories of publicly traded stocks.

Certain classes begin with short problem sets assigned as homework. They are based on the previous class lecture and readings. There will be several case studies, of which one or two have short student write-ups.

Group Projects:

At the onset of the course, students will form groups of 4 to 6 students. Each group will follow an assigned company. Using knowledge gained from the course, each group will write a comprehensive research report on the stock. More details will be provided later. The report will approximate 10 written pages and 10 pages of exhibits. There will be an oral presentation by each group.

The stocks will be:

Albany Molecular (AMRI)
Anteon (ANT)
Central Programming (CPSI)
California Pizza (CPKI)
Coach (COH)
Corinthian College (COCO)
Gabelli Asset Mgt. (GBL)

Grading:

30% Midterm
30% Final
25% Group Project
15% Class Participation/Homework/Cases

Class Participation, Homework, and Case Discussions:

The class may begin with a review of market events or recent news affecting the stocks of the group project companies. Often, there will follow a discussion of the questions assigned with the readings.

This part of your grade is an assessment of your contribution to the class discussion. It is based on the quality of your contribution, not the quantity. There is no penalty for asking questions.

To facilitate discussion, each student must bring a large nametag to be placed in front of the student's desk. Any student failing to adhere to this policy cannot receive a grade higher than a "C" in the course. Likewise, inadequate class participation – regardless of examination results – will result in a grade no higher than a "C".

Compared to similar courses, the reading load is not heavy, however, there will be homework questions. Written answers to homework questions, when required, can be handwritten and xeroxed directly out of the book. Written homework can be completed individually or within a group.

Bring your textbook to class.

Calculators:

A financial calculator will be needed for the examinations.

Final Examination:

The final examination will be comprehensive and cover the entire term. Any material covered in the lectures, the cases, the homework or the reading is fair game. The examination will be closed book and notes, but a list of some of the relevant formulas will be provided for you.

Ethics:

The ethics of financial management are important. They will be discussed at appropriate points in the course.

Office Hours:

Students can arrange to meet with Mr. Hooke before or after class.

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Date	Topic	Reading/Homework
1-26	- Overview of Course - Why Analyze a Security? - Basic Approaches - Who Practices Security Analysis? - The Markets and Regulatory Environment - Life Cycle of a Stock	- Read - Chapters 1-4 of text

2-2	- Typical Pattern of Analyst's Study
	- Top Down Approach
	- Chain of Forecasts
	- Margin of Safety
	- Industry Analysis
	- Company Specific Analysis
	  - Business
	  - Financial Statements
		- Form groups
		  - Select a stock to follow
		- Read
		  - Chapters 5-8 of text (especially Chapter 8)

2-9	- Review Homework
	- How do Public Co. Manipulate Earnings?
	- Defining your stock as Growth, Cyclical, etc.
		- Homework questions for discussion
		  - Chapter 7; questions 4, 12
		  - Chapter 7; Adopt a Company; A, B, C,
		  - Chapter 8; questions 6, 9, 14, 19
		- Hand in homework
		  - Chapter 8; questions 21, 22
		- Read
		  - Chapters 9 & 10 of text

2-16	- Review Homework
	- Laying the Foundation
	- Financial Projections
	  - Top
	  - Bottom
	- Intrinsic Value of a Stock
	- Discounted Cash Flow
		- Homework questions for discussion
		  - Chapter 9; questions 7, 12
		  - Chapter 10; questions 1, 3, 13
		- Hand in Homework
		  - Chapter 9; question 17

		- Chapter 10; question 13
		- <u>Read</u>
		  - Chapters 11 & 12
		- <u>Adopt a Company</u>
		  - Does your company manipulate earnings or have lots of adjustments?

2-23	- Review Homework
	- Relative Value of a Stock
	- Valuing Money Losing Firms
		- <u>Homework questions for discussion</u>
		  - Chapter 11; questions 3, 4
		- <u>Written Homework</u>
		  - Chapter 12; question 4
		  - Select 3 comparables for your company
		- <u>Read</u>
		  - Chapters 13 & 14

3-2	- Review Homework
	- Include M & A Values in Your Analysis
	- LBO Values
	- Break-up Values
	- Make a Decision
		- <u>Homework for discussion</u>
		  - Chapter 13; questions 3, 6
		- <u>Written Homework</u>
		  - Chapter 12; question 8
		  - Chapter 13; question 9
		- <u>Read</u>
		  - Chapter 15, 16 & 17

3-9	- Students Present Case Studies (Time limit strictly enforced)	- <u>Prepare Case Study (Interco or Boston Beer/HBS)</u>
3-16	- Midterm Exam (1st half of class) - Putting it Together (Brazil/Brahma)	- <u>Study for Midterm</u>
3-23	- Spring Break	
3-30	- Discuss Group Project - Cash Flow Stocks - Natural Resource Stocks	- <u>Read</u> - Chapters 18 & 19

4-6	- Review Homework Questions
	- Financial Industry Stocks
	- Insurance Companies
		- <u>Questions for discussion</u>
		  - Chapter 18; question 9
		  - Chapter 19; question 4, 5
		- <u>Written homework</u>
		  - Chapter 19; question 2
		- <u>Read</u>
		  - Chapters 20 & 21

4-13	- Review Homework - Speculative Hi-tech Stocks - Guest Speaker	- <u>Questions for discussion</u> - Chapter 20; question 7, 16, 22 - <u>Written homework</u> - Chapter 21; question 9 - <u>Read</u> - Chapter 22
4-20	- Review Homework - Distressed Securities - Distressed Debt - Equity Values - Case Study	- <u>Written question</u> - Chapter 22; question 14 - <u>Read</u> - Chapter 23 - Case Study
4-27	- Review Homework - International Stocks (Europe, Japan) - Emerging Market Stocks - Guest Speaker	- <u>Written question</u> - Chapter 23; question 15 - <u>Read</u> - Chapter 24 & 25
5-4	- Possible Fill-in Week	
5-11	- Presentation of Group Projects	
	- Final Exam Date to be Decided	