

Class timings: Thursdays 2 PM – 4:30 PM in Room RH 214.

Office Hours: Flexible office hours, held online via Zoom.

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Objectives: To study Corporate Valuation in sufficient breadth to allow a student to value a wide range of businesses, ranging from startups to mature businesses. We will study financial accounting and modeling and explore approaches to valuing mature businesses. We will also study the venture capital cycle and work with entrepreneurs, venture capitalists and managers to model and value start-ups and corporate transactions.

Class Structure: Each 2½ hr. class has three segments. The first ½ hour is used for a short quiz and review session, followed by two one-hour lectures with a break in between. Multiple entrepreneurs and VCs will describe their startups, and students will present their valuations to the entrepreneurs. As the entrepreneurs and VCs are located all around the world, students must make time to participate outside of class hours over Zoom.

Preparatory work: I will provide materials that should be read ahead of each class, and credit is given for answering a feedback question that lets me know what parts of the lecture you had difficulty with.

Homework, project, and exams: There is a homework assignment and in-class quiz each week as well as a final exam and a valuation project. The class will be broken up into a set of teams, each of which will be tasked with creating an equity research report for a company of their choice. The reports will be presented at a competition at the end of the course. Additionally, team members work together to value startups and present their valuations to the participating entrepreneurs and VCs.

Generative AI: Students are encouraged to use generative AI with their classwork and homework, but not the exam, and must declare their use of AI and submit the prompts used along with their assignments and project reports.

Grades: 20% Homework, 20% in-class quizzes, 20% Final exam, 20% VC valuations, 20% Group Project. I will use the FRE grading rubric to determine grades. *Unexcused absences or being late to class will be penalized: 1% will be deducted from your grade each time you are late or absent. The excused absence policy is designed to accommodate illness and interviews, not vacations.*

Textbooks: Holthausen and Zmijewski 2e (2020), *Corporate Valuation: Theory, Evidence and Practice*, Penman and Pope (2025), *Financial Statement Analysis for Value Investing*.

Software: Capital IQ and PitchBook are essential for downloading financial statements and VC funding, as is Excel. GnuCash is an open-source accounting package that we will use to study accounting and the creation of financial statements.

Prerequisites: Graduate standing at Tandon (I will teach the accounting required for the course). You are strongly encouraged to take Professor Dan Gode's classes on Financial Modeling and Business Drivers and Professor Verghese and Kuriyan's class on M&A.

Moses Center Statement of Disability

If you are student with a disability who is requesting accommodations, please contact New York University's Moses Center for Students with Disabilities (CSD) at [212-998-4980](tel:212-998-4980) or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 3rd floor.

NYU School of Engineering Policies and Procedures on Academic Misconduct

- A. Introduction: The School of Engineering encourages academic excellence in an environment that promotes honesty, integrity, and fairness, and students at the School of Engineering are expected to exhibit those qualities in their academic work. It is through the process of submitting their own work and receiving honest feedback on that work that students may progress academically. Any act of academic dishonesty is seen as an attack upon the School and will not be tolerated. Furthermore, those who breach the School's rules on academic integrity will be sanctioned under this Policy. Students are responsible for familiarizing themselves with the School's Policy on Academic Misconduct.
- B. Definition: Academic dishonesty may include misrepresentation, deception, dishonesty, or any act of falsification committed by a student to influence a grade or other academic evaluation. Academic dishonesty also includes intentionally damaging the academic work of others or assisting other students in acts of dishonesty. Common examples of academically dishonest behavior include, but are not limited to, the following:
 - 1. Cheating: intentionally using or attempting to use unauthorized notes, books, electronic media, or electronic communications in an exam; talking with fellow students or looking at another person's work during an exam; submitting work prepared in advance for an in-class examination; having someone take an exam for you or taking an exam for someone else; violating other rules governing the administration of examinations.
 - 2. Fabrication: including but not limited to, falsifying experimental data and/or citations.
 - 3. Plagiarism: intentionally or knowingly representing the words or ideas of another as one's own in any academic exercise; failure to attribute direct quotations, paraphrases, or borrowed facts or information.
 - 4. Unauthorized collaboration: working together on work that was meant to be done individually.
 - 5. Duplicating work: presenting for grading the same work for more than one project or in more than one class, unless express and prior permission has been received from the course instructor(s) or research adviser involved.
 - 6. Forgery: altering any academic document, including, but not limited to, academic records, admissions materials, or medical excuses.

Module 1: Overview of Valuation and Accounting

- a. Approaches to valuation and their zones of relevance
- b. Valuing mature firms (public) vs. valuing startups (private)
- c. Introduction to Accounting
- d. Financial Statement Analysis and its use in valuation

Module 2: Valuing Startups

- a. Valuation in information deserts
- b. Funding rounds and dilution
- c. Models for valuing moonshots (e.g. drug development)

Module 3: Building Financial Models for Valuation

- a. Business Drivers: The key drivers of firm value
- b. Financial modeling: Turning operating decisions into financial models

Module 4: Accounting-based Valuation and the Cost of Capital

- a. Reconceptualizing valuation using the Edwards-Bell-Ohlson Equation
- b. Intangible assets
- c. Estimating the cost of debt, equity and assets.
- d. The weighted average cost of capital

Module 5: Robust Statistics and Relative Valuation

- a. Summary statistics, Plug-in Estimators and Ordinary Least Squares
- b. Robust Statistics and Robust Regression
- c. Applying robust statistics to relative valuation

Module 6: Private Equity, Corporate Transactions and Illiquid markets

- a. Private Equity: Modeling value creation in corporate transactions
- b. Valuation in illiquid markets

Module 7: Valuation in Multiple Currencies and in Inflationary Environments

- a. The impact of inflation: The Modigliani-Cohn framework
- b. Restating financial statements in a hard currency
- c. Valuing foreign firms and multinationals

Class discussions with Venture capitalists and Entrepreneurs

Project Presentations

Final Exam

Course Description on the FRE Course Listing Website

This course provides students with the theoretical, analytical, and financial modeling skills needed to value firms ranging from early-stage startups to mature giants. Students will use the material they learn to build and present a comprehensive valuation model for a mature company and will also present their valuations of a wide range of startups to their venture backers and management teams. While there are no prerequisites (the course will cover the basics of accounting and discounting), students must be prepared to spend a significant amount of time outside of class to interact with entrepreneurs and venture capitalists in a variety of time zones around the world over Zoom.