

Business Analysis and Valuation

LSE SUMMER SCHOOL

Accurate business analysis and valuation is essential in determining the long-term health and future value of a firm. This information is critical for investors, senior managers, fund managers and private investors who need to make strategic decisions based on quantitative data and sound valuation methods.

Using publicly available information and real-world case studies including Marks & Spencer, Carrefour and Coca-Cola, this course introduces a framework for business analysis and valuation grounded in cutting-edge academic research. Taking you through key analysis components such as business strategy analysis, accounting analysis, financial analysis and prospective analysis in a variety of decision contexts, the course then proceeds to focus on equity valuation. The objective of this second half of the course is to provide students with a detailed, applied knowledge of contemporary valuation methodologies. This will include technical sessions, exploration of the practices in the field and numerous cases and technical exercises.

Whether you are interested in pursuing a career in corporate finance, fund management or equity research, you will be able to apply the theory using real-world business cases. By the end of the course, you will have developed the ability to conduct an in-depth analysis of a firm to extract its expected performance and value the firm's shares.

Programme structure and assessment

This course is delivered as a combination of lectures, case-studies, class discussions and readings. A key feature of the course is the rigorous practical application of academic research and theories to real-world business cases.

The course is assessed through two examinations: one mid-session examination (50%) and one final examination (50%). Take-home exercises will be provided in class to provide feedback and test understanding. These exercises will not contribute to the final grade but will help prepare students for the summative examinations.

Course outcomes

Understand financial statements to be able to forecast the future performance of a firm
Analyse a firm's business strategy and financial performance using real-world data
Calculate the value of a firm using both equity and enterprise value-based methodologies
Apply accounting-based valuation methodologies such as residual income
Discuss the use of discounted cashflow valuations including practical problems and solutions
Identify specialist valuation challenges including valuing high-growth companies, and mergers and acquisitions
Apply relative valuation techniques to value companies, to extract 'priced in' performance and to communicate valuation information

Key topics

Introduction to business analysis and valuation
Accounting analysis, adjustments and recasting
Business strategy and financial analysis
Prospective analysis and forecasting
Cashflow-based valuation
Accounting-based valuation
Price multiples-based valuation
Mergers and acquisitions

Prerequisites

Introductory accounting (to the level of AC110) and introductory finance are required.

Key Facts

Lectures: 36 hours

Classes: 18 hours

Assessment*: Two written examinations

Reading materials

Business analysis (Part 1): K. Palepu, P. Healy, V. Bernard and E. Peek, Business Analysis and Valuation: Using Financial Statements, CENGAGE (Fifth IFRS edition, 2019)

Valuation (Part 2): Antill, N, Lee, K. and Taylor, D., Company valuation under IFRS, Harriman House (3rd Edition, 2020).