# Corporate finance

## Prof. Marco Botta; Prof. Marco Greco

***COURSE AIMS***

The objective of the course is to provide a good understanding of corporate financial policies. The best way to illustrate corporate finance is to list just a few practical questions that the course will try to answer: what determines the value of a corporation? What is the value of flexibility in an investment project? How corporations decide their financing sources? Why does a company go public? Or decides to merge with another? Or raise capital? Or pay dividends? For each topic examined, the course will provide a theoretical framework for analyzing it and will review the empirical evidence. A few case studies will be discussed. The course is useful for every professional position that deals with corporate securities: corporate lending, asset management, consulting, private equity, corporations finance. Active participation is encouraged and highly desirable.

***COURSE CONTENT***

1. *Corporate financial structure*

* The cost of corporate debt;
* Pricing risky debt;
* Leverage buyouts;
* Bankruptcy costs and the theory of the capital structure;
* Asymmetric informations and alternative theories of the capital structure;
* Cost of default; corporate reorganizations and bankruptcy procedures.

2. *Valuation*

* Financial statement analysis;
* Estimating the cost of capital;
* Valuation of industrial companies with DCF;
* Valuation with multiples;
* Valuation of financial companies (banks, insurance, real estate, holdings).

3. *Advanced topics*

* Valuation of start-ups;
* Default, debt-equity swaps, and the valuation of loss-making companies;
* Debt pricing;
* Seasoned equity offerings and TERP measurement;
* Pricing of warrants;
* Pricing of convertible bonds;
* Valuation with real options methods.

***READING LIST***

The textbook for the course is

J. Berk-P. DeMarzo, *Corporate Finance,* Pearson International Edition.

A list of articles will be made available on the course web site on Blackboard, together with teaching material.

***TEACHING METHOD***

Class lectures and discussion of case studies. An empirical work may be also required as part of the final valuation.

***ASSESSMENT METHOD***

*Option (a)*. The final grade will be based on: a short term paper on a topic chosen by the student (30%), and a written final exam (70%). *Option (a)* is an option that can be exercised *only* on the summer exam session, by the students that have regularly attended the course.

*Option (b)*. A written final exam. This exam format is valid on all exam dates.

***NOTES***

Prof. Marco Botta and Prof. Marco Greco meet students in via Necchi 5, room C8 as published on their web page, or by appointment.