# 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.