**Corporate finance**

Prof. Ettore Croci

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

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 questions that the course will try to answer: what determines the value of a corporation? 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 selected case studies. 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.

By the end of the course, students will be able to evaluate corporate decisions, identify and apply different methods and techniques, and assess the adequacy of the results based on theoretical and empirical studies.

***COURSE CONTENT***

1. *Capital structure* & *Payout* *policies*

– Modigliani and Miller (MM) capital structure irrelevance proposition;

– MM with corporate taxes and costs of financial distress;

– Agency theory of capital structure;

– Pecking order theory of capital structure;

– Signaling theories of capital structure;

– Managerial incentives and financial decisions;

– Payout policy.

2*. Corporate Valuation*

– DCF valuation with the WACC method;

– The Adjusted Present Value method

– Multiple Valuation.

3. *Mergers and acquisitions*

– Motivation for engaging in mergers and acquisitions;

– Valuation and bidding issues;

– Gains to shareholders in target and bidding firms.

– Leverage buyouts and private equity.

4*. Long-term & Short-term Financing*

– Raising equity financing (IPOs, SEOs);

– Debt financing;

– Leasing;

– Working capital & cash management.

***READING LIST***

The textbook for the course is:

J. Berk-P. DeMarzo, *Corporate Finance,* Pearson International 5th Global Edition.

The following textbooks are also recommended:

Hillier-Grinblatt-Titman, *Financial Markets and Corporate Strategy,* McGraw-Hill, 2011 (2nd European ed.).

Phalippou, *Private Equity Laid Bare,* Amazon, 2021.

The list of case studies used in the course will be made available on the first day of class.

Slides and articles will also be made available on the course web site on Blackboard.

***TEACHING METHOD***

Class lectures and discussion of case studies.

***ASSESSMENT METHOD AND CRITERIA***

*Option (a)*. The final grade will be the average of a midterm exam and an end-of-course exam, each counting for 50% of the final grade. Details about the structure of each test will be provided in Blackboard.

*Option (b)*. The final grade will be based on a written final exam. This exam format is valid on all exam dates. Details about the structure of the final exam will be provided in Blackboard.

Questions from past exams are available in Blackboard.

***NOTES AND PREREQUISITES***

In case the health situation related to the pandemic Covid-19 does not allow face-to-face teaching, online teaching will be guaranteed, and students will be informed about the format of the online teaching in due time.

Students are expected to be familiar with the material covered in an introductory Corporate Finance course (NPV, basics of capital budgeting, cost of capital, and capital structure).

*Office hours*

Information about weekly office hours is posted here: *https://docenti.unicatt.it/ppd2/en/#/en/docenti/18035/ettore-croci/profilo*