



Corporate Finance

Master of Science in Innovation Management – MAIN
Academic year 2022/23

1. General information on the course

Name of the course	Corporate Finance
Degrees	Master (“Laurea Magistrale”) in Innovation Management – <i>MAIN</i>
Type	Elective
Cycle/Year/Semester	2nd Year – 1 st Semester
Class hours	36h (6 ECTS)
Language of the course	English
Department	Institute of Management (IoM)
Lecturer	Roberto Barontini Office: IoM, Alliata Palace, Piazza Martiri Libertà, 26 (1st floor) e-mail: roberto.barontini@santannapisa.it
Assistants	==
Time and place of lectures	This course will be taught jointly with the Corporate Finance course of the Master of Science Program in Economics (University of Pisa & Scuola Superiore Sant’Anna). Tuesday – 12.15 : 13.45 Thursday – 14.00 : 15.30 From September 20 th to December 6 th
Office hours	Please contact the teacher to fix a call on MS Teams or a meeting in person @ Sant’Anna, IdM building.

2. Content of the course, objectives and list of topics

2.1 Contents

The aim of the course is to examine the major decision-making areas of managerial finance and some selected topics in financial theory, with a particular focus on financial strategies of fast-growing firms.

Starting from capital budgeting decisions, capital structure and the estimation of the cost of capital, the course covers the main company valuation methodologies and examines the effect of corporate decisions on market value through the event study methodology. The course also reviews the theory and the empirical evidence related to the growth process, both from the investment side (M&A decisions) and financial strategies (VC, Private Equity, Crowdfunding and IPOs).

The first part of the course will introduce basic financial valuation techniques. The key principles of capital budgeting will be presented, along with the concept and estimation of the cost of capital. A written exam will close this first part of the course.

The second part of the lectures will be dedicated to the analysis of firm evaluation methodologies (DCF valuation, relative valuation, valuation techniques applied to innovative

firms) and the impact of an event on the firm market performance, applying the event study methodology. Students will have to work in groups on real-life data, using financial databases provided by Refinitiv, and will discuss a case study on a specific issue.

The third part of the course will focus on the growth process, with a particular attention to the problems of raising financial resources for innovative firms. The growth strategy through M&A decisions will be examined, as well as the different financial resources that could be used to sustain cooperative growth: Business Angels, Venture Capitalist, Crowdfunding and the access to equity markets.

2.2 Objectives

By the end of the course the students should be able to:

- i) evaluate investment projects through NPV and other valuation techniques;
- ii) understand the concept of cost of capital and the process of its estimation;
- iii) know the main techniques for the valuation of the firm, through DCF, relative valuation and valuation techniques applied to innovative firms;
- iv) comprehend the opportunities and risks related to the growth through M&A operations
- v) know the opportunities and the problems related to different sources of financing, in particular for fast-growing firms.

Students will also be able to:

- Access to marked data using the Eikon / Datastream databases
- Analyze data and discuss the case study developed

2.3 List of topics

A. Investment decisions and firm value: capital budgeting and the cost of capital

- A.1) Definition of project cash flows and the application of the Net Present Value criterion to capital budgeting;
- A.2) Alternative project appraisal methods;
- A.3) The estimation of the cost of capital: portfolio diversification and the capital asset pricing model; capital structure and the WACC.

B. The estimation of corporate value

- B.1) Discounted cash flows and firm valuation;
- B.2) The use of market “multiples”;
- B.3) The Venture Capital method;
- B.4) The event study methodology.

C. The growing firm and financing decisions

- C.1) Agency costs of equity and debt and the problem of innovation financing;
- C.2) Finance for Growth: Business Angels, Venture Capital & Corporate Venture Capital, Crowdfunding and the access to equity markets;
- C.3) Mergers & Acquisitions

3) Prerequisite
Financial Metrics

4) Teaching method

The subject will be taught using a combination of lectures and case studies. Classes will be supplemented with both printed and electronic learning materials and resources; students will also use appropriate software to complete assigned tasks, present and discuss the assignments. Attendance is strongly advised.

5) Evaluation method

Up to 30% of the final score will be related to group assignments (case study discussion on firm evaluation, developed on market data available in the Eikon / Datastream database). The remaining part of the final score will be based on a mid-term written exam (weight = 20%, covering capital budgeting methodologies) and a written final exam (weight = 50%, including all remaining topics). A sufficient grade (18/30) is at minimum needed in the written exams to pass.

6) Teaching Material

Suggested readings:

- Berk J. and De Marzo P. (2017) *Corporate Finance, Global Edition (4th)*, Pearson.
- Metrick A. and Yasuda A., (2021), *Venture Capital and the Finance of Innovation (3rd edition)*, John Wiley & Sons, Inc, NY.

Additional readings and materials will be assigned during the course and uploaded on Microsoft Teams (MS TEAMS = "518PP 22/23 CORPORATE FINANCE (WES-LM)").