VALUATION OF COMPANIES AND BUSINESSES

Code: 21738

Main Scientific Area: Finance

Lecturer: Maria do Carmo Castro Correia

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 30h Total Workload: 132h

ECTS: 6,0

Objectives

The main object of this Unit is the study of the problem of the evaluation of companies and businesses, whichimplies the presentation of different evaluation methodologies, as well as the respective advantages andlimitations, to allow the selection of the most appropriate methods to each situation.

Learning Outcomes

At the end of the course unit, the learner is expected to be able to:

1. Identify and understand diverse notations of value.

2. Identify issues related to the evaluation of companies and businesses.

3. Know the different phases of the evaluation process.

4. Recognize the importance of diagnosis and identify its main functions in the evaluation process.

5. Evaluate forecast analysis.

6. Apply different methods of a company valuation.

7. Discuss the advantages and limitations of the different assessment methods.

Course Contents

1 - Context of the evaluation and the concept of value;

2 - Information, due diligence, Outlook Investment;

3 - Market-based assessment: the use of different multiples;

4 - Evaluation based on income: the DCF model - Discounted Cash Flow;

5 - Evaluation of updated supernormal profits: Goodwill, model EVA - Economic Value Added, model MVA - MarketValue Added;

6 - Evaluation through the theory of options.

Recommended Bibliography

- Damodaran, A., 2006, Damodaran on Valuation: Security Analysis for Investment and Corporate Finance, 2ndedition, John Wiley Sons Inc;

- Damodaran, A., 2012, Investment Valuation: Tools And Techniques For Determining The Value Of Any Asset, 3rdedition, John Wiley Sons Inc;

- Ferreira, D., 2018, Fusões, Aquisições, Cisões e Outras Reestruturações, Vol. 1, 2, 3, Editora Rei dos Livros.

- Pacheco, L.; Lobão, J.; Madaleno, M.; Soares, V.; Tavares, F., 2021, “Avaliação de Empresas”, 1.ª Edição,Edições Sílabo.

Learning and Teaching Methods

The contents are based on the objectives of this UC. In this way, Chapter 1 makes it possible to identify andunderstand different notations of value; Chapter 2 aims to understand the different phases of the evaluationprocess, recognize the importance of diagnosis and identify its main functions in the evaluation process. Chapters3, 4, 5, and 6 cover the identification of problems related to the valuation of companies and businesses, theevaluation of forecast analysis, the application of different methods of valuing companies and the discussion of theadvantages and limitations of the different methods of valuation.

Assessment Methods

Continuous assessment system:

- Teamwork 1 - presentation and defence during classes - weighting of 35%;

- Test - weighting of 65%;

- Minimum grade of 7 values in the test;

- To be successful in the continuous evaluation, the final classification must be equal to or higher than 10 values,on a scale between 0 and 20 values.

In exam times and grade improvement:

- Teamwork 1 - from continuous assessment - weighting of 30%;

- Exam - weighting of 70%;

- Minimum grade of 7 values in the exam;

- To be successful in the continuous evaluation, the final classification must be equal to or higher than 10 values,on a scale between 0 and 20 values.