



UNIVERSITÀ  
CATTOLICA  
del Sacro Cuore

## 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 4th Global Edition.



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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, 2018.

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. An empirical work is also required as part of the final valuation for attending students.

### Assessment method and criteria

*Option (a).* The final grade will be based on: an empirical paper on a topic chosen by the student and presented at the end of the course (40%), and a written final exam (60%). This option can be exercised only in the May exam session, by the students that have regularly attended the course.

*Option (b).* A written final exam (100%). This exam format is valid on all exam dates.

### Notes and prerequisites

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>.