*Spring 2019*

*FIN 450 (Equity Valuation)*

*Dr. Yaqoub Alabdullah*

**Project Description**

In this project you will apply the valuation techniques you have learned in this class. This will allow you to bridge between the knowledge you have encountered in the class and that in real life. It will also help you better understand the various topics related to valuation and improve your analysis skills. The project will be worth 25 points.

Each student will value a listed firm. You will submit an equity report, valuation model, and a PowerPoint presentation of your work. This description will guide you through the process and timeline of your project.

1. **Selection of firms:**

Each student must select a publicly listed firm in Kuwait or the GCC region. The goal is to value the stock of this firm and give a buy, hold, or sell recommendation based on your valuation. The firm you select must:

* be listed in the GCC region
* have at least five years of financial data
* not be a financial firm (bank or financial institution)
* not be chosen be another student in class. The priority is for the student who select first
* be a dividend payer in the last three years
* not have a very volatile cash flows from year to year (I’ll be the judge of that. I’ll let you know if you need to reconsider your choice)

I suggest you look at some equity reports to get familiar with what you are required to do before selecting a firm. You can find some public equity reports at [www.argaam.com](http://www.argaam.com) and [www.gulfbase.com](http://www.gulfbase.com). You should send me your choices **by e-mail** (ybaqer@cba.edu.kw) at any time but **no later than** **Thursday 21/2/2019**.

1. **Dividend Discount Model:**

The first valuation technique I’d like you to do is the dividend discount model. You’ll use the same concepts you learned in class to arrive at a fair value per share for your selected firm. You should email me your model in an **Excel file on Tuesday 26/3/2019**

1. **Free Cash flow models and Intrinsic value:**

Develop your narrative for this company. (Give me your story of how you see your company evolving over time, given what you know about it, its market and the competition). Tie your narrative to key numbers that you will be using in your valuation. Value the stock in each company using a discounted cash flow model. Evaluate how sensitive your value estimates are to changes in your narrative.

This part is due on **Tuesday 16/4/2019**. This part should include an early draft of your equity report done in a professional manner. Your reports should include along with the valuation model a discussion of the following:

1. The business
2. Industry analysis and competitive positioning
3. Investment summary

It should also be accompanied by a well-designed and structured Excel file showing your valuation that is easy to track. The equity report needs to discuss the macroeconomic environment, the industry and how would those elements affect your story and the future of the company.

1. **Relative valuation:**

Choose the multiples that you learned in class in order to arrive at a fair valuation for your selected firm. You should chose comparable firms in order to have a good relative valuation. You should attach your relative valuation with your final equity report and Excel model. You do not have to email them to me. However, I’ll be happy to look at them if you have any questions.

1. **Final equity Report and model:**

This report should combine all your work from the previous points. The report should contain all the valuation methods and their interpretations. The report should also explain all the macroeconomic and local risks. Specifically, your report should include the following:

* A cover page with your firm’s name and your name
* In the first page, you should have a header with the date, ticker, current stock price, fair price, and recommendation.
* You should have a “Highlights” or “Executive summary” section. This section briefly explains the reasons behind your recommendation
* Recent news: this section covers the recent news regarding your firm
* Key financial ratios and some market price data (ex. 52 week high and low)
* Business description
* Corporate social responsibility
* Management and governance
* Industry overview and competitive positioning
* Investment summary
* Valuation methods
* Investment risks

The due date for your final equity report and Excel model is **Sunday 5/5/2019.**

1. **Presentation:**

Each student must present his/her work in 20-25 minutes. The presentation should be about your company and how you arrived at your valuation. It should explain everything in your report and valuation model. Class presentation will be on **Sunday 5/5/2019 and Tuesday 7/5/2019**