General Guidelines

Bachelor Thesis in Corporate Finance

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https://www.bwl.uni-mannheim.de/maug/

Why Case Studies?

- **Your learning tools so far:**
  - theory: textbooks
  - applications: textbook examples / structured exercises (in Excel)

- **Jobs in (corporate) finance demand you to:**
  - apply your knowledge to new cases
  - research and select data
  - choose the correct model
  - decide on the method of analysis
  - report your findings in an easy-to-understand format

Example

- Use the CAPM to determine the cost of equity capital

- Textbook:
  - provides you with risk-free rate, beta, equity risk premium

- Real world:
  - need to find a source for the risk-free rate (with respect to maturity, liquidity, currency, etc.)
  - compute beta from original data and decide on adjustments (e.g. in case of thin trading)
  - evaluate equity risk premium from (academic) research (e.g. historical data, implied risk premium)

Scope of Your Bachelor Thesis

- **Case study approach forms a bridge between sterile textbook examples and real world situations**
  - a little bit like textbook examples, but a lot more like the real world

- **Use your conceptual knowledge (and/or lecture notes and textbooks) to build a framework to analyze the real life case**
  - In particular, apply company valuation techniques and event study methodology
  - Thesis topic descriptions define the scope and key questions for your analysis

Assessment

- **Grading of your thesis ultimately rests on the quality of your original contribution and line of reasoning**
  - credit is given for your independent analysis and judgment
  - don’t get overly impressed by glossy brochures, analyst reports, company websites, and annual reports
  - see through the veil and reflect on the quality of your sources that might be influenced by conflicts of interests and reporting biases

- **Aim for a concise, well-reasoned, and in-depth analysis**
  - in particular do not just reproduce facts and figures
  - a **purely verbal analysis**, e.g. of a company’s strategy, **and** carefully collected **excerpts from company reports** etc. supported by some comments **do not qualify as analysis**

Structure

→ **Structure follows content, not the other way around**

- Don’t aim for a detailed table of contents and then proceed to fill the headings and subheadings
- Try to find a clear logical structure and avoid more than 3 levels of (sub)headings

→ **Do not try to write a thriller where the plot is kept secret until the end**

- Tell the reader right at the beginning (introduction, 1-2 pages) what your work is about (main event & setting), what to expect (methods and results), and where to find it in your document (chapter/section)
- Much easier to read a longer document when you know what the structure of the argument and the punch line are
- Use the last chapter (conclusion, 1-2 pages) to bring the main threads of your argument together and put your work in perspective

Theory

- **Refer to some theory in order to explain your analysis**

- **Don’t repeat/reproduce standard textbook methods**
  - assume that the reader is familiar with them
  - just make a reference and discuss the critical assumptions of the concepts (applicable?, best method?, data problems?, etc.)
  - but, discuss idiosyncratic methods (i.e. all methods not covered by the standard textbook listed on the next slides)

- **Don’t rely on dubious/non-academic sources**
  - be careful with using German textbooks and practitioner manuals (e.g. “Praktikerhandbücher” or “Manuals” of investment banks), because these documents often contain severe methodological errors
  - don’t make and refer to or ground your thesis on telephone interviews with people from investment banks, consultancies, etc.

Basic references on valuing companies

- **Cash-flow based valuation:**
  - Brealey, R. A., Myers, S. C., Allen, F., 2013, Principles of Corporate Finance, 10th Ed., McGraw-Hill
  - Berk, J., DeMarzo, P., 2017, Corporate Finance, 4th Ed., Pearson
  - Benninga, S., 2014, Financial Modeling, 4rd Ed., MIT Press

- **Multiple valuation:**
  - Titman, S., Martin, J.D., 2008, Valuation, Pearson, Chapter 6 (*)
  - Benninga, S., Sarig, O. H., 1997, Corporate Finance, McGraw-Hill, Chapter 10

- **Bank valuation:**
  - Koller, T., Goedhart, M., Wessels, D., 2010, Valuation, 5th Ed., Wiley, Chapter 25 (*)
  - Benninga, S., 2014, Financial Modeling, 4rd Ed., MIT Press, Chapter 5 (*)

(*) "Kopiervorlage" available at the Chair of Corporate Finance, email henrietta.oppong-adjie@uni-Mannheim.de

Basic references on conducting & interpreting event studies

- **Examples:**
  - Weston, J. F., Siu, J. A., Johnson, B. A., 2003, Takeovers, Restructuring, and Corporate Governance, 4rd Ed., Prentice Hall, Appendix B, pp. 171-185 (*)
  - Lecture Slides “Corporate Finance 1”, Lecture 7, Event Studies (*)
- **Formal derivation:**
  - Campbell, J. Y., Lo, A. W., MacKinlay, A. C., 1997, The Econometrics of Financial Markets, Chapter 4 (*)
- **Interpretation:**
  - Hietala, P., Kaplan S. N., Robinson, D. T., 2003, What is the price of Hubris? Using Takeover Battles to Infer Overpayments and Synergies, Financial Management, Autumn, pp. 5-31

(*) “Kopiervorlage” available at the Chair of Corporate Finance, email henrietta.oppong-adjei@uni-mannheim.de

Computations (1)

→ **All tables, figures/graphs, and appendices should**

- have a **clear role in supporting your argument**
- **be referenced in the text** (e.g. “Table 5 shows …”, “For a detailed projection of cash flows please see Appendix 6.”)

→ **Most important tables and/or graphs/figures should be in the main text, not in the appendix**

- Example: results of a sensitivity analysis for the derived firm value or an overview on the valuation results from different multiples
- Organize and label (e.g. unit of measurement, definition of variables, etc.) your tables in a way that the reader can easily understand them

Computations (2)

→ **Put large numerical tables into the appendix**
  - Example: Calculation of cash flows for each year of the forecast period
  - Don't split tables over 2 pages, but keep spreadsheet printouts readable (font size $\geq$ 8 pt)
  - Don't make print outs of time series of stock prices and returns and put them into the Appendix

→ **Give your spreadsheets a clear structure**
  - Make clear what the assumptions are and group them in one area (usually at the top of each sheet)
  - Group key results in the same way
  - Don't refer to/explain the EXCEL functions used in your calculations in your thesis (main text)

Information & data sources

→ **Data needed for valuation:**
- Firm- and industry specific data: stock prices, balance sheet and income statement data, history of M&A transactions
- Country-specific data: stock market indices, exchange rates, bond yields

→ **Data sources you probably need to use**
- Company homepages (e.g., financial statements, segment data from annual/quarterly reports, analyst conference call documents, press releases, …)
- Eikon Terminal / WRDS (e.g., stock prices, stock market indices)
- SDC M&A (history of M&A transactions)
- Press databases (e.g., LexisNexis)
- Other websites (e.g., Börsenzeitung Online, Deutsche Börse, …)

→ **Other important documents you should get**
- Takeovers: (Tender) offer documents
- Initial public offerings: IPO prospectus
- Let us know if you can’t get these historical documents via the internet

WRDS and EIKON

- **Financial data platform for U.S. data (recommended)**
- **Stock price data, fundamentals data, analyst forecast data (also international), …**
- **WRDS Account:**
  - Link: WRDS Website
  - Register on the website.
- **Eikon Terminal:**
  - Available at the university library.
- Here you can find information on how to access other financial databases available at the university (e.g., SDC and Bloomberg)

References

- **All information you have used need to be cited!**
- **Make clear where you rely on materials available to you and where your own analysis starts.**

- <u>Literature</u>
  - Have a list of references at the end of your thesis organized by author, date, and title
  - Reference by author and date (e.g. Smith (1776)) in the main text
  - Refer to the Journal of Finance guidelines
  - Include page or chapter numbers if you refer to longer works (books)

- <u>Data sources</u>
  - Clearly indicate where data comes from (e.g. Annual Report 1996) and/or what you calculated
  - Include electronic copies of all materials (in particular websites that frequently change or other materials that are not publicly available) on a data CD (or USB stick) allowing to reproduce your results

Formal requirements

- The thesis should be 20 pages long, (+2 pages at the most)
- The length of the **Appendix** is **limited to 6 pages**
- Use a **spell-checking tool** provided in Word to avoid spelling (and grammar) errors of any kind
- For further details see the handout “**Merkblatt zur Anfertigung der Bachelor Abschlussarbeit**” with marks for the most important points
- Ask us if you are not sure about how to present your work!

Plagiarism policy

- We are committed to fair-play and will therefore treat any incidence of plagiarism as cheating.

- **It is your responsibility to hand in only work which is in compliance with our plagiarism policy**
  - everybody has to sign a copy of our plagiarism policy

- We verify the originality of your thesis by using www.turnitin.com
  - this plagiarism detection software identifies textual matches between your thesis and other electronic documents from the internet, subscription databases, databases of student papers, etc.

Submission

- **Deadline:** June 11, 2025, **12:00 pm**

- Paper version -> Secretary (room 3.05)
  - Hard copy: two, in a loose-leaf binder (“Schnellhefter”)

- Electronic version -> http://www.turnitin.com
  - You will receive instruction on submission towards the end of the writing period.
  - Filename: Surname_Forename_Companyname.doc/.pdf
    (e.g. “Mustermann_Max_Lufthansa.pdf”)
  - Data shared electronically (e.g., Dropbox link) containing:
    i. a pdf version of the paper version you hand in,
    ii. all Word- and Excel-Files prepared by you, and
    iii. electronic copies (pdf) of any cited material from the internet (because internet pages change frequently)

Consultation sessions

- **3 sessions of 30 minutes**
  - Email your supervisors for the first appointment.
  - Discuss approach to the thesis.

- **First appointment:**
  - **Rongrong Wang (rongrong.wang@students.uni-mannheim.de)**
  - **Henrietta Oppong-Adjei (henrietta.oppong-adjei@uni-mannheim.de)**

Questions?

- E-mails to supervisor: answered once per week

- Good Luck!