New Degree Program at Macquarie U. Connects Corporate Finance and Valuation Professions

Macquarie University’s Applied Finance Centre is launching a Graduate Diploma of Applied Finance for Business Valuation program in Sydney and Melbourne in 2016. The program, which will take students 12 to 15 months to complete, combines classroom teaching from leading valuation experts with hands-on and real-world-based valuation exercises. The program is a specialised offering for practitioners who wish to develop their valuation skills for finance careers.

*Business Valuation Australia* spoke with Tony Carlton, the program director for corporate finance at the Applied Finance Centre. Carlton, who has extensive corporate-sector experience, discussed what makes Macquarie’s program unique and how it will help students build expertise in a wide array of business valuation applications.

*BVA*: Tell us about the new Graduate Diploma of Applied Finance (Business Valuation).

*TC*: Our goal is to provide students with the opportunity to develop their valuation skills over a 12-to-15-month period and have a recognised specialist postgraduate qualification. Subjects offered in the diploma are part of the master’s program, so students can continue on to complete the full master’s if they wish.

The program is quite tailored. Students take units in corporate finance and investment management. These subjects introduce key skills and also provide an understanding of the decision-making situations where valuations are needed.

Students then take three valuation-specific subjects, which address issues confronted by practitioners. The diploma is completed with an elective where they get to see valuation in action, whether it’s mergers and acquisitions, private equity, resource industry analysis, or a portfolio restructuring elective.

Practical skills, such as financial modelling and the use of software packages such as S&P’s Capital IQ and the @Risk Monte Carlo simulation software are integrated into the subjects. Graduates will gain good practical experience in technologies that are widely used in the industry.

While we cover all the technical skills required, the program also emphasises that valuation is not a mechanical exercise. Practitioners need to understand the decision-making purpose of the valuation, as well as concentrating on the robustness of the valuation.

*BVA*: Tell us more about the context and development of the program. How did you identify the need for this diploma?

*TC*: The Applied Finance Centre has been operating in Australia and Asia for over 35 years and covers the whole discipline of applied finance, from markets, risk management to portfolio and funds management and, of course, corporate finance. About three years ago, we identified opportunities to further develop the valuation part of the corporate finance portion of the program.

Valuation is such an integral part to so much of what we do in business. The accounting
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Business Valuation Australia™ (ISSN 2373-9347) is published quarterly by Business Valuation Resources, LLC, 1000 SW Broadway, Suite 1200, Portland, OR 97205-3035 U.S.A.

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Additionally, there is a wide variety in the practice and application of many valuation models. For example, while textbooks all have a very similar description of how to develop a discounted cash flow model, the practice and application varies widely. So, we aim to equip students to address many of these practical issues and conduct reliable and robust valuations. My own personal interest is how to better incorporate risk into valuations because I don’t think we do that well. So the idea was that we wanted to contribute to an improvement in valuation practices for financial professionals. Over the last three years, we’ve introduced a number of valuation-oriented subjects into the applied finance program. Those subjects are functioning smoothly, so we’re now in a position to put together this package of studies in valuation.

BVA: How did you develop the curriculum?

TC: There are many different areas where valuation is used, including financial reporting, corporate finance transactions such as M&A and IPOs, by fundamental stock analysts, by corporate strategists, business development work such as project evaluations, and in litigation and regulatory applications. We tried to develop a program that gives people the skills to move into any of these areas.

In relation to curriculum content, the Applied Finance Centre’s model is to use qualified industry professionals to develop and present our
courses. In developing our valuation courses, we have used practitioners with experience in a wide range of valuation applications.

Some of the industry professionals involved include Steven Bishop, a strategy and valuation consultant; Roger Casey, who has an investment banking and private equity background; Steven Reid, who heads the valuation practice for Deloitte in Australia; Manda Trautwein, a director in the corporate advisory area for William Buck in Sydney; Paul Brunker, formerly head of equity research for JP Morgan; and Roland Winn, a fund manager for the NZSuperFund. So, between us, we’ve covered a lot of the application areas of corporate finance. All of these people are involved in the development and presentation of the units we teach.

We’ve also just appointed an advisory panel of business valuation industry practitioners, and they will review the content of the material to ensure we’re keeping up-to-date and addressing all of the issues. The panel currently includes John-Henry Eversgerd, partner and leader of PPB Advisory’s valuation and disputes team in Sydney; Eric Teo, executive director of EY Transaction Advisory Services Group in Singapore; and Caleena Stilwell, director of corporate advisory at Grant Samuel, one of the leading specialists in independent expert reports.

Over the next few weeks, we’ll also announce the involvement of more professionals who come from the corporate finance and equity research area. It’s an impressive group of people.

Many people in applied finance careers doing valuations don’t have an accounting background. Our program caters to people with a wide variety of backgrounds. If you have an undergraduate degree in finance plus the required work experience, you can go right into the program. If you don’t have a relevant undergraduate degree, we provide gateway units covering financial statement analysis, Excel modelling, economics and quant methods, and finance principles, equipping you to start a genuine postgraduate qualification.

BVA: Are you finding it difficult to recruit students because they don’t understand how valuation interplays with their career path?

TC: The first subjects students have to take in our program are a corporate finance core unit and an investment management core unit. In those subjects, they study M&A transactions, financial transactions, project evaluations, and fundamental stock analysis. They look at financial statements and the impact of the need to do impairment reviews, etc. So we’re hopefully engaging them in the types of decisions that a corporate finance practitioner needs to make. Then, out of that, the need for valuation knowledge becomes patently obvious.

For example, one of the elective units is Managing Shareholder Value. Part of that subject looks at how you determine performance targets for business units within a company. We start with what their market value is and work out what sort of implied residual income targets are needed to perform in line with the market expectations of the value. It’s an application of the value-based management approach. By establishing the needs of the practitioner and looking at the types of decisions they make, the need for valuation skills to support the analysis will be recognised.

The other thing we emphasise is that valuation is a process, not a number. Robust valuations require you to understand the strategic and commercial dynamics of a project or a business that you might be looking to acquire. Understanding these aspects is critical to getting a good quality decision. That’s parallel to the conclusion in an independent expert report or fairness opinion; at the end of the day, the analysis helps determine whether a transaction is in the interests of shareholders. They don’t necessarily come up with one “right” value, but rather the result is a judgment of whether a transaction is fair. So I think that looking at that broader decision context is helpful to students; hopefully it makes them more marketable from a career perspective.

Since the Applied Finance Centre started in 1980, the flagship product has been the Master
of Applied Finance that gives broad coverage to students of all areas of applied finance. Students can specialise if they want to, in corporate finance, risk, or funds management. Starting in 2016, we’re offering three specialist graduate diplomas, one in business valuation, one in risk management, and one in retirement outcomes. It’s the first time we’ve offered a named specialisation in a particular area.

We see the market as a segment of students who want focused study over a shorter time frame. We’ve designed it so they can take this qualification and then continue on to finish the master’s if they want.

**BVA: In terms of the design of the program, how have you made it accessible to working professionals?**

**TC:** Our programs are designed for part-time students. We generally teach subjects in an intensive block mode. Lectures generally take place on Thursday and Friday nights and all weekend. Lectures are face-to-face with teaching supported by an online support system. Weeknight lectures are held in Sydney and Melbourne CBDs [central business districts]. For our graduate diploma and master’s programs, we see that a key part of our business model is the fact that we’ve got experienced industry professionals in front of the students. Everyone teaching this program has at least 15 years of business experience, and we see that face-to-face teaching by industry experts is an important part of the program.

In addition to the appropriate undergraduate degree, to get into the program, students have to have at least two years of work experience, though we find it is typically five to six years of work experience. In the classroom, they are usually sitting with other experienced professionals, and we see this as an important part of the degree we offer.

We want our program to give participants the opportunity to develop a network of fellow professionals. We will provide networking functions with people from industry, so students can meet each other and industry professionals at least on an annual basis. We also offer through the existing program an active alumni group, and one thing we do in Sydney and Melbourne is to get industry professionals in to talk about industry issues across the whole range of finance.

**BVA: When can students start?**

**TC:** In Sydney, the program will commence in term two, which means students can start their studies in late March, and in Melbourne term three, which means students will start in June. The closing date for applications for Sydney is 28 February 2016. Anyone interested should go to our website at www.mafc.mq.edu.au.

**About Tony Carlton**

**BVA: Tell us about yourself and your career.**

**TC:** I spent 25 years in the corporate sector, working in most areas of corporate finance, including project evaluation, mergers and acquisitions, corporate portfolio restructuring, and divestments and a whole range of financial strategies and transactions. As my career progressed, my particular interest was the link between strategy and corporate finance and how corporate finance skills support good strategy. Being on the corporate side, I realised the importance of having good processes, strategic insight, and organisation to deliver value from any corporate finance transaction. Performance measurement systems, incentive design, and project evaluation systems are all part of good finance and good corporate strategy.

My final role before moving to academia was executive general manager of strategy and corporate finance at CSR, a large diversified conglomerate with interests in building and construction materials, sugar, and resources. That gave me exposure to a wide range of industries in Australia and overseas, including manufacturing, resources as well as agriculture.

Since joining the Applied Finance Centre at Macquarie, I’ve completed a Ph.D., which looked at the discount on private sale transactions, and I’m now the corporate finance program director at the Applied Finance Centre.