



FAIRLEIGH DICKINSON UNIVERSITY

Petrocelli College

Fall 2015

Course: HRTM 7713.81 – Managing Financial Systems in the Hospitality Industry – *Thursdays 8:30pm – 11:00 pm*

Start Week: 08/27/2013

End Week: 12/17/2013

Instructor: Chris Droussiotis
Office hours: by appointment – Thursdays 7:30-8:30pm
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website: www.ProfessorDrou.com

Course Outline:

Review of current cost control strategies used to manage foodservice and lodging operations including all functional areas (food and labor costs, facility maintenance and engineering, marketing, etc.).

Pre-Requisite:

HRTM2211 – Accounting for Hospitality Managers
HRTM3205.61 Quantitative Applications in Hospitality Management

Required Text:

Contemporary Financial Management
Moyer / McGuigan / Kretlow
Bookstore

Optional Texts:

The Wall Street Journal Guide to Understanding Money & Investing
Kenneth M. Morris, Virginia B. Morris, Alan M. Siegel
www.amazon.com

Materials to be provided by the Instructor:

Various additional handouts, articles of interest, case studies, lecture notes and spreadsheets can be found at the instructor's web page at www.ProfessorDrou.com.

Course Outcomes:

After completing this course, the student should be able to:

- Gain comprehensive knowledge of broad concepts of financial analysis.
- Use most of the tools available to build projections using hospitality industry operating assumptions
- Learn most of the techniques to value privately and publicly traded hospitality companies.
- Reinforce lot of the fundamentals discussed above towards understanding today's economic environment in which financial decisions are made.
- Understand Capital Markets including Debt and Equity issuances.

Course Objectives:

- Understand and explain the financial statements (10K and 10Q) of various business hospitality formats.
- Effectively utilize basic operating assumptions and drivers to run short-term budgets and long-term projections.
- Demonstrate various valuation techniques using such methods as Discounted Cash Flow, comparable acquisition and trading EBITDA multiples methods, and the Capital Appreciation Pricing Model to calculate investment returns.
- Reinforce a lot of the fundamentals discussed above towards understanding today's economic environment in which financial decisions are made.
- Understand how companies access the Capital Markets such as equity offerings (IPO), bond issuance and loan syndications.
- Understand Time-Value of money concepts such HPR, IRR, NPV and FV of investment.
- Be able to apply these techniques (DCF, CAPM) on their assigned publicly traded hospitality companies as a requirement for completing their respective projects (40% of grade)
- By compiling data from available financial data sources, the student will be able to construct a financial model on Excel to assess the stock performance against various scenarios.

Course Overview:

The course is a continuation to the undergraduate course: "HRTM 3205-61 Quantitative Applications in Hospitality Management" The Course is divided into five parts consisting of two to four chapters each from the accompanying textbook (Contemporary Financial Management). Each part, which will be taught in two sessions, is a self-contained unit that will normally comprise one segment of a course in financial management. The parts are arranged in what the instructor believes is the most logical sequence starting from how to start a new business to making financial decisions throughout the life of the company in

order to enhance the value of the firm for maximizing return. The five parts are highlighted in the “Course Outline” section, pages 4-6, of this syllabus.

Throughout the course, we will be using the theoretical concepts and apply them to a specific companies that will be assigned to each student at the first class. We will analyze each of the respective companies’ financial statements and financial decisions that were made at the time. We will examine each company’s value creation throughout the semester.

Course Requirements:

Grading:

Final Examination	30%
Homework	20%
Class Attendance/Participation	10%
Project #1	15%
Project #2	<u>25%</u>
Total	100%

Attendance:

Students are expected to attend and to participate in classroom discussions. It is important to attend every class because the Exam is based on the instructor’s lectures and classroom notes. Class participation will count as part of the course grade.

Homework:

Reading assignments, end of chapter problems, and application projects will be assigned either in class or on-line. On a weekly basis, the Instructor will assign a mix of questions and problems to be completed for the following week. Students are strongly urged to go through the problems and questions on their own that are not assigned. Since assignments will be collected by the instructor at the beginning of each class, please bring an extra copy of your work so you can check your work for accuracy while the material is being reviewed during class. If you will not be attending class on a particular day, you must deliver the assignment to the Instructor’s mailbox by the beginning of the class in order to receive credit for the assignment. Check homework assignments and datelines on WebCampus under “Class Assignments. Homework accounts for 20% of your grade. Students will be expected to read the Wall Street Journal. Also check datelines on the syllabus schedule below.

Projects:

There will be two projects given to every student (Each student will be assigned a public company at the first day of class). The projects count for 40% of the overall grade. Incomplete work will be given 0% grading.

Project #1:

The financial analysis should include, but not be limited to, the preparation of the latest 2-year financial statements (including ratio analysis). Since this class is offered in the Fall, the financial analysis will be done on the company's last-twelve months as of **June 2013**, as well as the annual performances of **December 2013 and 2012**(The Last twelve months financial results are calculated by adding the **June 2014, March 2014, December 2013 and September 2013** quarters for the income statement and cash flow statements). Please provide an explanation of the results year-over-year including ratio and trend analysis.

Project #2:

Projections and Valuation Analysis for your assigned public company using Excel. The valuation analysis should calculate the assigned companies Enterprise Value using all 4 methods of valuation.

Examinations:

There will be only one Exam given in the final week of the semester.

Grading Scale:

A	95 - 100	C+	76 - 78
A-	89 - 94	C	72 - 75
B+	86 - 88	C-	69 - 71
B	82 - 85	D	60 - 68
B-	79 - 81	F	Below 60

ACADEMIC INTEGRITY POLICY

Students enrolled at Fairleigh Dickinson University are expected to maintain the highest standards of academic honesty. Students have the responsibility to each other to make known the existence of academic dishonesty to their course instructor, and then, if necessary, the department chairperson/school director or the academic dean of their college. Course instructors have the added responsibility to state in advance in their syllabi any special policies and procedures concerning examinations and other academic exercises specific to their courses. Students should request this information if not distributed by the instructor. Academic dishonesty includes, but is not necessarily limited to, the following:

- **Cheating** – Giving or receiving unauthorized assistance in any academic exercise or examination. Using or attempting to use any unauthorized materials, information or study aids in an examination or academic exercise.
- **Plagiarism** – Representing the ideas or language of others as one's own
- **Falsification** – Falsifying or inventing any information, data or citation in an academic exercise.

- **Multiple Submissions** – Submitting substantial portions of any academic exercise more than once for credit without the prior authorization and approval of the current instructor.
- **Complicity** – Facilitating any of the above actions or performing work that another student then presents as his or her assignment.
- **Interference** – Interfering with the ability of a student to perform his or her assignments

Sanctions: Any student found guilty of academic dishonesty will, for the first offense, receive one or a combination of the following penalties:

1. No credit (O) or F (failure) for the academic exercise.
2. Reduced grade for the course.
3. An F (failure) in the course that is identified on the student's permanent record card as permanent and cannot be removed.
4. Recommendation for academic probation to the dean's office. In cases of interference and complicity, when the student is not registered in the affected course, the incident may be recorded on the student's permanent record. In any case, the incident and penalty will be recorded in the student's file maintained in the campus Office of Enrollment Services.

For a second offense of academic dishonesty, a student will be subject to any combination of the above sanctions and, with concurrence of the academic dean, one of the following:

1. Suspension from the University for one year. Readmission will be contingent upon the approval of the academic dean.
2. Dismissal from the University.

Source: <http://www.fdu.edu/studentlife/academicregs.html>

Classroom and professional decorum: The Hospitality and Tourism Industry standard demands professional and neat attire. Classroom decorum will be maintained in a professional manner at all times. Foul language will not be tolerated in the classroom. Beepers and cell phones must be turned off during class. Cell phones must be turned in to the Instructor prior to taking an exam and returned to the student after an exam is completed. Any exception to this policy will only be made with the consent of the Instructor.

HRTM 7713.81 MANAGING FINANCIAL SYSTEMS

Course Outline

Instructor: Chris Droussiotis (908) 930-4725
Chris_Droussiotis@fd.edu

Text: Contemporary Financial Management for the Hospitality Industry
 Moyer / McGuigan / Kretlow

Week	Chapter *	Subject	Related Project
Aug 27	1	Value Creation – Overview <ul style="list-style-type: none"> • Entry Point • Value Creation • Exit Point Cash Flow Generation Process Business Formats Setting-up Management	Assignment of Public Companies (Hotels and Leisure) – Homework #1 – Due Sep 3 Stock Prices/ Outstanding / Debt Outstanding / Cash on Balance Sheet / Beta / PE Multiple of your assigned company
Sep 3	2	Review of Capital Markets <ul style="list-style-type: none"> • Equity market <ul style="list-style-type: none"> ○ Primary ○ Secondary & Stock Market Indices • Debt Market (Loan/Bond) <ul style="list-style-type: none"> ○ Primary ○ Secondary 	Homework #2: Due Sep 10 <ul style="list-style-type: none"> • Calculate the one-year HPR of your assigned publicly traded company. • Text Book problems 2 and 3 (Chapter 2)
Sep 10	3	Financial Statement Analysis <ul style="list-style-type: none"> • Review – I/S, C/F, B/S - 	
Sep 17	3	Financial Statement Analysis <ul style="list-style-type: none"> • Liquidity Ratios • Balance Sheet Ratios • Profitability Ratios • Operating Ratios 	Homework #3: Due – Sep 24 <u>Two Year Historical Info:</u> Income Statement, Cash Flow Statement Balance Sheet On excel format
Sep 24,	4	Financial Planning & Forecast <ul style="list-style-type: none"> • Cash Flow Budgeting & Analysis • Using Financial Ratios to forecast future performance 	

Oct 1, 8	5	Valuation Analysis (Time Value of Money) <ul style="list-style-type: none"> • PV/FV/NPV/IRR • DCF • WACC/Discount Rate • Terminal Value 	Homework #4 – Due Oct 8 Text Book problem 4 (Chapter 4)
Oct 15	Project #1 is Due / Presentations – Financial Statement Analysis		
Oct 22	10, 11, 12	Corporate Valuation Analysis 4 methods of valuation Public and Private companies	Homework #5 – Due Oct 29 Text Book problems 1,2 and 3 (Chapter 5)
Oct 29, Nov 5	6	<ul style="list-style-type: none"> • Risk Analysis (Investment Thesis) <ul style="list-style-type: none"> ▪ Volatility & Scenario Analysis ▪ Portfolio and Diversification Concepts ▪ Systematic & Unsystematic Risks ▪ CAPM 	
Nov 12, 19	7	<ul style="list-style-type: none"> • Fixed Income Securities Bond Valuation, YTM, YTC and YTW 	Homework #6: - Due Nov 12 Text Book Problem 1 (Chapter 6)
Nov 26	NO CLASS – THANKSGIVING RECESS		
Dec 3	NO CLASS – Instructor traveling to Japan		
Dec 10	Project #2 is Due / Presentations – Projections and Valuation		
Dec 10	Final Exam Review		
Dec 17	FINAL EXAM		

Project Assignments:

HOTEL COMPANIES

Company	LINKS/ Symbol
Choice Hotels International	CHH
Starwood Hotels & Resorts	HOT
Intercontinental Hotel Group	IHG
Hilton Worldwide	HLT
Marriott International	MAR
Marcus Corporation	MCS
Morgans Hotel Group	MHGC
Orient Express Hotels Ltd	OEH
Wyndham	WYN

RESTAURANT COMPANIES

Company	LINKS/ Symbol
Wendy's Restaurants	WEN
BJ's Restaurants	BJRI
Cheesecake Factory	CAKE
Darden Restaurants	DRI
Brinker International Inc	EAT
McDonalds Corp.	MCD
Starbucks	SBUX
Texas Roadhouse, Inc.	TXRH
Yum Brands, Inc.	YUM
Denny's Corp.	DENN
Chipotle Mex Grill	CMG
Red Robin Gourme	RRGB

CASINO COMPANIES

Company	LINKS/ Symbol
Pinnacle Entertainment	PNK
MGM Mirage	MGM
Las Vegas Sands	LVS
Boyd Gaming	BYD
Wynn Resorts	WYNN