

SPRING 2013

FINA 7397: Energy Value Creation

Research Course on Value Creation in the Oil and Gas Industry

TH 6-9 pm

Professor Chris Ross

This course is designed to provide graduate students with an understanding of how oil and gas companies create value for shareholders and other stakeholders. The course will introduce students to the major drivers of value for each of the segments in the industry and will present a framework for analyzing shareholder value creation through the financial lenses of growth, profitability and risk. The financial profiles of the segments will be reviewed in light of the strategic choices available to companies within each segment, the overall leadership models prevalent in the different segments, and the distinctive capabilities required for successful execution.

The course will then proceed to the evaluation of the relative performance of companies within a specific segment of the industry. Students will be asked to research financial statements and build out the financial performance data for the company or companies they have been assigned and compare the performance of their target company with its peers. From investor presentations, students will characterize the strategic choices made by their target company, its leadership model and its distinctive capabilities. Students will then interview senior executives in their target companies to test their hypotheses of the sources of value and the keys to realizing that value.

The intent will be to publish a report on the findings that will provide a deeper, more objective and longer term analysis of value creation by companies within the study segment than is generally available from financial analysts. Participating companies will benefit from an objective analysis of their performance relative to peers and the effectiveness of their investor communications programs in informing potential investors of their company's intrinsic value. Students will benefit from an improved ability to connect what companies do and how they do it with the value they create and to discuss their observations with senior executives.

Class Grading

50% Individual: Quality of research in background papers on the target companies

50% Team: Contribution to class discussions and picking up specific tasks that benefit the project

Primary Text

Terra Incognita: A Navigation Aid for Energy Leaders

by Chris Ross and Lane Sloan

PennWell Books

Course Assignments

Date	Topic	Case Study	Readings/ Sources
Class 1	<i>Introduction</i> <ul style="list-style-type: none"> ▪ Background on oil and gas industry ▪ Oil and gas industry segments ▪ Drivers of value within segments 		Terra Incognita: A Navigation Aid for Energy Leaders The Prize (optional)
Class 2	<i>Valuation framework</i> <ul style="list-style-type: none"> ▪ Shareholder value creation ▪ Growth, profitability and risk ▪ Strategic choices, leadership and capabilities 		
Class 3	<i>Shareholder performance</i> <ul style="list-style-type: none"> ▪ Stock price ▪ Dividends ▪ Alpha and beta ▪ Time frame dependence 		Capital IQ Bloomberg
Class 4	<i>Shareholder performance review session</i> <ul style="list-style-type: none"> • Target company performance compared to peers and major indices over different time periods 		
Class 5	<i>Financial performance</i> <ul style="list-style-type: none"> ▪ Growth ▪ Profitability ▪ Risk 		Capital IQ Bloomberg Company filings
Class 6	<i>Financial performance review session</i> <ul style="list-style-type: none"> • Target company performance relative to peers over different time periods • Factors influencing risk 		
Class 7	<i>Business performance</i> <ul style="list-style-type: none"> • Strategic choices • Leadership model • Execution capabilities 		Company investor presentations and press releases Internet search for articles
Class 8	<i>Target company interview planning</i> <ul style="list-style-type: none"> • Interview guide for business performance executive conversations 		
Class 9	<i>Business performance review session</i> <ul style="list-style-type: none"> • What is distinctive about the target company's leadership, capabilities and strategic choices 		
Class 10	<i>Synthesis</i> <ul style="list-style-type: none"> • Segment commonalities • Distinctive differences 		