

Corporate Finance: 3 Days

Delegate Profile: This course is targeted at delegates who are new to corporate finance and seeking a general overview of the key areas, namely capital structure, valuation and M&A.

Key Learning Outcomes

- Delegates will learn how companies determine their optimal capital structure, and the pros and cons of the various debt and equity instruments used.
- They will learn the two most common valuation techniques, DCF and multiples, and how to apply them in the most appropriate circumstances
- Finally, they will consider different types of M&A transactions, contrast public and private deals, examine the proforma financial effects and quantify value creation.

Pre-requisite Knowledge: No prior knowledge of corporate finance is assumed, however, delegates should already be familiar with financial statements through having attended the 3-Day Financial Statement Analysis course (or equivalent).

Our Approach: In this course we facilitate the learning process through a combination of:

- Presentation of core knowledge and concepts using power point slides
- Press articles and real life case studies, demonstrating how the capital structure, valuation and M&A concepts are applied in practice
- Short 'single worksheet' excel exercises to enable delegates to perform simple valuations and analyze capital structures and proforma financial effects
- Regular summaries, to remind delegates of the key points of each session
- End of Day quizzes, to confirm the achievement of the learning outcomes
- One page course summary, as a take away and reminder of the key learning points

Each delegate should be provided with a laptop, which is pre-loaded with some exercises in excel format. (Note: the course may be delivered in either Excel 2003 or 2007, however, all delegates should use the same version of excel in the training room.)

Training Fees: £7,500 plus VAT (£2,500 per training day). This covers all research, design and delivery of the training by James Gilpin, for up to 20 delegates.

Expenses: All incremental travel and accommodation expenses will be charged separately, however, we will work hard to ensure all costs are kept to a minimum. With regard to materials, JGFT can provide 2 options:

- JGFT can arrange for all materials to be professionally printed and couriered to the training centre for which we would recharge the cost (for 20 delegates approximately £200 - £300)
- All materials will be sent electronically to the client with instructions to print internally (at no additional cost)

With regard to excel exercises, JGFT can provide all these materials electronically, which must be loaded onto delegate laptops in advance of the course.

Day One

Session 1 Capital Structure

- The Balance Sheet equations: Net Assets = Shareholders' Funds; Capital Employed = Capital Provided
- Pros and Cons of Debt vs. Equity
- Examples of capital structures for different industries
- Return on Capital Employed as a benchmark for value creation

Session 2 Debt Instruments

- Private vs. Public Instruments
- Commercial Paper, Bonds (Investment Grade vs. High Yield)
- Overdraft, Revolving Credit Facility, Asset Backed Lending, Syndicated loans and Mezzanine debt
- Managing the Fixed vs. Floating mix using derivatives

Session 3 Equity and Hybrid Instruments

- Convertible bonds and Preference shares
- Straight Equity: public vs. private

Session 4 Optimizing the Capital Structure

- Using the Capital Asset Pricing Model (CAPM) to determine cost of equity
- Geared vs. Ungeared betas
- Problems with CAPM
- Weighted average cost of debt, using the tax shield
- Weighted average cost of capital (WACC)
- Determining an optimal structure
- Proforma effects of changing the capital structure on the WACC

Session 5 Practical Considerations

- Operational vs. Financial leverage
- Visibility, stability or cyclicity of the cash flow profile
- Liquidity risk
- Solvency risk
- Refinancing risk
- Asset intensity: secured vs. unsecured financing
- Risk appetite of directors: public vs. private companies
- Practical Examples

Day Two

Session 1

Valuation Overview

- Overview of valuation techniques: fundamental (DCF), returns-based (EVA), contingent claims (option value), multiples (comparable vs. transactions) and asset-based (going concern vs. liquidation)
- Equity Value vs. Enterprise Value

Session 2

Fundamental 'Discounted Cash Flow' Valuation

- Time Value of Money formulae (discounting, perpetuity with/without growth)
- Deriving free cash flow to the firm and free cash flow to equity
- Determining the forecast period vs. the terminal period
- Deriving the discount rate for discounting (WACC, Cost of Equity and the Capital Asset Pricing Model)
- Discounting free cash flow to determine NPV
- Different approaches to determine the terminal value (No growth, FCF growth and the Gordon growth model)
- Reconciling Enterprise Value with Equity Value and determining a fundamental price per share
- Using DCF in investment appraisal and valuing synergies

Session 3

Relative Valuation using Multiples

- Overview of Income statement multiples (Sales, EBITDA, EBIT, PBT, PAT)
- Historic, trailing, forecast and prospective multiples
- Company vs. Sector vs. Market multiples and how they vary across the cycle
- Comparing EV/EBITDA vs. PER: pros and cons
- How accounting policies can distort multiples
- Operating leases vs. Finance leases: adjusting multiples on a proforma basis
- Trading Multiples vs. Transaction Multiples: why pay a premium?
- Industry specific multiples
- Comparing Multiples vs. DCF: pros and cons

Session 4

Valuation in Practice

- Valuation on an IPO
- Valuing a Target for an M&A transaction
- Determining fair value for the shares in a quoted company
- Determining fair value of a minority stake in a private company

Day Three

Session 1

Overview of the M&A Process

- Rationale for a transaction: SWOT analysis and Porter's Five Forces
- Valuation
- Capital Structure and financing: Sources and Uses of Funds
- Execution: Shareholder Approvals, Regulatory and Competition issues

Session 2

Different Types of M&A deal

- Horizontal, Infill, Vertical and Conglomerate deals
- Recommended vs. Hostile
- Public vs. Private

Session 3

Private Transactions

- Initial Approach
- Heads of Terms and other preliminary agreements
- Due Diligence
- Financing
- Negotiation dynamics
- Sale and Purchase Agreement: typical clauses
- Completion and Post-Merger Integration

Session 4

Public Transactions

- UK Public Offer Timetable
- Scope of Due Diligence
- Committed financing
- Shareholder approvals: Class Tests
- Recommended vs. Hostile: Offer and Defence Documents
- Case Study: Kraft/Cadbury

Session 5

Acquisition Accounting and Proforma Financial Effects

- Calculating Goodwill on consolidation
- Balance Sheet adjustments
- Income Statement adjustments
- Earnings accretion / dilution
- Quantifying value creation
- Sensitivity analysis of EPS vs. financing and PE ratios