

## Corporate Finance: 1 Day

**Delegate Profile:** This course is targeted at delegates who are new to corporate finance and seeking a general overview of how companies finance themselves, the different types of debt and equity instruments used, and how they seek to optimize their capital structure to minimize their cost of funding.

### Key Learning Outcomes

- Delegates will learn how companies are financed and the mixture of debt and equity instruments used
- They will learn how companies determine their optimal capital structure (using CAPM and WACC), and seek to minimize their cost of funding
- Finally, they will consider the different types of financial risk and criteria used in determining debt capacity

**Pre-requisite Knowledge:** No prior knowledge of corporate finance is assumed.

**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 concepts are applied in practice
- Short 'single worksheet' excel exercises to enable delegates to analyze capital structures and calculate financing costs
- 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:** £2,500 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