

Investment Banking Training Programme

10 Days

Delegate Profile: This course is targeted at delegates who are new to investment banking, and seek a comprehensive induction course to understand the role of investment banks in capital markets, financial statement analysis, corporate finance and financial modeling.

Key Learning Outcomes

- Delegates will learn the various role of investment banks in facilitating access to capital markets
- They will gain a comprehensive knowledge and understanding of financial statement analysis
- They will learn how companies access capital markets, valuation techniques and M&A
- Finally, they will learn best practice in financial modeling techniques for corporate valuation and M&A transactions

Pre-requisite Knowledge: No prior knowledge of investment banking 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
- Short 'single worksheet' excel exercises
- Detailed financial models, to teach delegates the principles and techniques of financial modeling
- Regular summaries, to remind delegates of the key points of each session
- End of Day quizzes, to confirm the achievement of the learning outcomes
- Course summaries, 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: £25,000 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 £400 - £600)
- 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: Overview of Investment Banking

Session 1

The role of Investment Banks in the Capital Markets

- The Capital Markets: Providers and Users of capital
- Capital Instruments: Debt, Equity and Hybrid Capital
- Private vs. Public Markets
- Providers of advisory services, research, marketing, distribution, underwriting and liquidity
- Buyside vs. Sellside clients
- Conflicts of Interest

Session 2

Financial Advisory Services

- Capital structure, valuation and M&A advice
- Country, Sector and Product teams

Session 3

Research

- Macroeconomic, debt and equity research
- Research clients
- How research analysts are remunerated
- Chinese walls

Session 4

Equity Capital Markets

- Origination, Sales and Market making
- IPOs and secondary issuance
- Valuation considerations
- What drives share prices

Session 5

Debt Capital Markets

- Origination, Sales and Market making
- Yield curves and new issue pricing
- Assessing credit risk and the role of rating agencies
- What drives bond prices
- Derivatives, hedging and risk management

Day Two: Financial Statement Analysis

Session 1

Financial Statement Overview

- Roles and Responsibilities: The Company, Directors, Auditors, Shareholders and Lenders
- Stewardship and Decision-making information
- Financial Performance, Financial Position and Cash Generation
- Accounting Principles: prudence, accruals, consistency, materiality and going concern
- Definitions and examples of Assets and Liabilities
- The concept of double-entry: revenue/receivables; inventory/cost of sales; inventory/payables; operating expenses/cash
- Financing: Debt vs. Equity

Session 2

Income Statement Analysis

- Revenue recognition: Cash vs. Accrual Accounting
- Price vs. volume drivers
- Fixed vs. variable costs
- Operating Profit: EBIT vs. EBITDA
- Operating leverage
- Interest Expense
- Financial leverage
- Taxation
- Dividends and Retained Earnings
- Earnings per Share

Session 3

Balance Sheet Analysis

- The Accounting Equation: Net Assets = Shareholders' Funds; Capital Employed = Capital Provided
- Fixed Assets: Additions and Disposals
- Depreciation estimates: Straight line vs. reducing balance methods and estimating useful economic lives
- Investments
- Working Capital: Inventory, Trade Receivables and Trade Payables
- Prepayments vs. Accruals
- Corporation Tax
- Provisions
- Debt
- Share Capital and movement in Shareholders Funds
- Goodwill and Intangibles

Day Three: Financial Statement Analysis

Session 1

Cash Flow Analysis

- Building a Cash Flow Statement
- Cash Flow from Operating vs. Investing vs. Financing Activities
- Indirect vs. Direct Method: Bottom Up vs. Top Down
- Reconciling Cash and Cash Equivalents
- Movement in Net Debt

Session 2

Measures of Profitability and Efficiency

- Profit Margins
- Return on Capital Employed and Return on Equity
- Dupont Analysis: profit margins, asset turnover and leverage

Session 3

Measures of Liquidity

- Cash Conversion Cycle
- Debt, Stock and Creditor days
- Positive vs. Negative working capital position
- Current, Quick and Cash Ratio
- Borrowing Facilities
- Refinancing Risk and Access to Capital
- Headroom and peak borrowing requirements

Session 4

Valuation Metrics

- Equity vs. Enterprise Value
- Income Statement Multiples
- Balance Sheet Multiples
- Dividend Yield
- Payout vs. Retention Ratio
- Gordon Growth Model of dividend growth

Day Four: Financial Statement Analysis

Session 1

Assessing Credit Quality, Financial Covenants and Debt Capacity

- Debt / Equity and Debt / Capital Ratios
- Debt / EBITDA Ratios
- Debt Service Coverage and Interest Coverage Ratios
- Cash Flow Profile: stability vs. cyclical
- The Role of Rating Agencies

Session 2

Company vs. Group Accounts

- Consolidating subsidiaries into group accounts
- Acquisition accounting, goodwill measurement and impairment testing
- Full vs. Partial Goodwill
- Minority Interest

Session 3

Accounting Issues

- Leases: Operating vs. Finance Leases
- Capitalising and Depreciating Fixed Assets
- Inventory valuation
- Exceptional Items
- Revenue recognition

Session 4

Contents of Annual Report and Accounts

- Chairman's Statement
- CEO review
- Finance Director review
- Directors Report
- Corporate Governance and Remuneration
- Other Reports: Environmental, Diversity & Inclusion, Ethics etc.
- Audit Report and Accounts
- Five Year Summary

Day Five: Corporate Finance

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 Six: Valuation

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 Seven: M&A

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

Day Eight: Financial Modeling

Session 1

Excel Basics

- Navigating the keyboard, cutting, copying and pasting: Using more keyboard and less mouse
- Using Names and Range Names
- Using IF functions and Nested IF functions
- Number, Date and Percentage formats
- Absolute and Relative references

Session 2

Designing a Financial Model

- Defining objectives for your model and designing a flowchart
- Input, Workings and Output worksheets
- Creating Operating, Investing and Financing Assumptions and Using Names
- Sources and Uses of Funds

Session 3

Building the Operating Schedules

- Revenue, Costs (Fixed and Variable) and EBITDA
- Working Capital (Inventory, Receivables and Payables)

Session 4

Building the Fixed Asset Schedule

- Using the Offset function
- Calculating Depreciation using straight line or reducing balance methods
- Accounting for Disposals with/without residual values
- Simple capital allowance calculations

Session 5

Financing Functions

- Interest Expense calculations using opening vs. average balance methods
- Overcoming circularities
- Debt Repayment and Servicing functions (PMT, PPMT and IPMT)
- Building a cash waterfall with cash surplus vs. revolving credit facility

Day Nine: Financial Modeling

Session 1

Building the Financing Schedule

- Debt Repayment worksheet (amortising vs. bullet repayments)
- Cash sweeps
- Credit Ratios: liquidity, solvency and fixed charge coverage
- Determining headroom/shortfall and peak borrowing requirement

Session 2

Building the Taxation Schedule

- Current taxation
- Accounting for losses and deferred taxation
- Tax shield on interest expense

Session 3

Completing the Financial Statements

- Balance sheet, Income Statement and Cash Flow
- Balance Sheet checks

Session 4

Discounted Cash Flow

- Deriving NOPLAT (top down vs. bottom up)
- Adjustments to derive Free Cash Flow
- Time Value of Money formulae (discounting and perpetuities with/without growth)
- Determining the discount rate (WACC)
- Determining the terminal value (with/without growth)
- Calculating NPV, IRR and Payback
- NPV and XNPV function
- IRR and XIRR function

Session 5

Examining Sensitivities and Scenarios for the Model

- List box, Match and Choose function
- Combo box and Choose function
- Goal Seek, Data Tables and Scenarios Manager
- Incorporating Data Tables and Scenarios to examine sensitivity of outputs
- Camera function
- Print Management

Day Ten: M&A Modeling

Session 1

Designing an M&A Model

- Defining objectives for your model and designing a flowchart
- Input, Workings and Output worksheets
- Creating Operating, Investing and Financing Assumptions and Using Names
- Creating Offer Assumptions
- Aligning the standalone formats and input assumptions

Session 2

Building the Sources and Uses of Funds

- Offer Consideration: Cash vs. Shares
- Financing the Offer: Equity vs. Debt
- Refinancing existing facilities
- Bid Premia

Session 3

Consolidation Adjustments

- Acquisition vs. Target goodwill
- Fair Value adjustments
- Minority Interest
- Financing adjustments
- Fees and Expenses

Session 4

Proforma Financial Effects

- Side-by-Side analysis
- Proforma income statement, balance sheet and cash flow
- Proforma debt and tax schedules
- Proforma WACC
- Building in synergies
- Proforma Growth rates and EPS accretion / dilution
- Proforma ratios: profitability, credit and valuation multiples

Session 5

Value Creation and Sensitivities

- Value creation: Synergies vs. Bid Premia vs. NPV
- Data Tables, Sensitivities and Scenario analysis
- Evaluating the results from a buy-side vs. sell-side perspective