



School of Corporate Finance
A 3 Day Programme
Paul Richards

Corporate Finance School

The course is based on case studies and model building and covers all the practical aspects of the major corporate finance activities including:

Day 1: Valuation by WACC and by multiples

Day 2: M&A Structuring, synergies, due diligence and pro forma analysis

Day 3: IPOs and restructuring in financial distress

The course is built around actual case studies illustrating current practices including:

- BA/Iberia merger;
- Marathon corporate restructuring; Tommy Hilfiger LBO;
- Phelps Dodge M&A valuation; Royal Bank of Scotland; Allianz;
- Real estate company;
- and many others.

The case study work will include team based negotiation and excel modelling (using spreadsheets supplied).

The course is delivered by Paul Richards, who has substantial banking expertise and experience of delivering courses in finance to banks and financial institutions all over the world. He has also taught MBAs and Masters in Finance students in leading UK business schools.

Course objectives

The course delivers in-depth exposure to all the main corporate finance disciplines including valuation, M&A and acquisition financing, LBOs and debt restructuring as well as the associated model-building.

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Teaching techniques

- The course is delivered by means of a combination of short lecture session followed by practical case studies some of which involve using excel models.
- The sessions are highly interactive and questions and attendee participation is encouraged.
- Case study work also involves negotiation which is undertaken in small groups.
- The concepts taught, the exercises and the case studies are designed to be of practical benefit to attendees and are immediately usable in the workplace.

Day 1: Investment Appraisal and Valuation

Session 1: Investment appraisal and model building

- Introduction to modelling – the key principles
- Payback; Discounted payback
- Net present value, internal rate of return
- Key assumptions, modelling principles
- Model drivers: tax; working capital; capex
- Capital Structure Theory: Modigliani and Miller
- Enterprise value concept
- Impact of tax and financial distress costs
- Cost of debt, cost of equity
- WACC (weighted average cost of capital)
- How CAPM can be used to identify the cost of equity
- The impact of gearing on the cost of equity
- Model inputs and sensitivity
- Calculating beta and the risk premium

Case study: Calculating the cost of equity using beta and adjusting the beta for changes in gearing

Session 2: WACC (Weighted average cost of capital)

- Estimating enterprise value using WACC
- Forecasting free cash flows and the growth rate
- Terminal value calculations
- Obtaining an equity value using WACC
- Review of WACC as a valuation tool
- Alternative terminal value calculations
- Return on invested capital

Case Study: Valuation involving preparation of cash flows, calculation of WACC, estimating enterprise value and hence equity value

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Session 3: Valuation using multiples

- Background to the multiple-based approach
- Requirements to achieve reliable results
- Alternative valuation ratios
- Value drivers and valuation

Case study: Phelps Dodge multiple based M&A valuation

Session 4: M&A rationale, synergies and due diligence

- Strategic decision making: do companies need to grow?
- Acquisition versus organic growth
- Types of transaction
- Types of synergies
- Identifying the acquisition benefits
- Quantifying the benefits
- Types of synergy
- Legal risks in acquisitions and risk mitigation
- Credit risk in the event of a problem
- Impact of the nature of the transaction (friendly/hostile) on due diligence
- Due diligence: financial, legal and commercial
- Deal breakers, adjusting the price
- Managing acquisition risk

Case studies: BA/Iberia

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Day 2: Acquisition Analysis

Session 1: Corporate restructuring events and implications

- Acquisitions; JVs; Spin-offs; Split-offs; Carve-outs; Targeted stock
- Contingent value rights
- Disposals – the controlled auction
- Bilateral negotiation
- Data room
- Vendor due diligence
- Sale and purchase agreement
- Pro forma financials
- Accretion and dilution
- Breakeven PER of cash/debt
- Impact of capital structure
- Considering all debt and all equity financing
- Including synergies in the analysis

Case study: M&A presentation by Rona

Session 2: Modelling the acquisition

- Building the model
- Income statements
- Balance sheets and cash flow statements
- Capital structure assumptions
- Financing options
- Examining the impact on credit ratios
- Dividend policy
- Capital structure flexibility
- Bridge financing
- Issuing equity
- Vendor placing
- Deferred consideration: Earn-outs
- Highly leveraged transactions: LBOs
- Senior and mezzanine acquisition debt

Case study: model building to examine the impact of the acquisition, its synergies and its financing on the financial statements of the buyer

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Session 3: Leveraged buy-out types

- Deal types: LBO, MBO, MBI, BIMBO, SBO, LBU, P2P, etc.
- Example capital structures
- Establishing the amount of debt that can be used
- Assessing the type of debt that can be used
- Disadvantages of the high level of gearing
- Key credit ratios

Case study: Materis, international secondary and tertiary buyout

Session 4: Building the LBO model

- Secondary buy-out case
- Senior and junior mezzanine
- Key ratios determining the financing structure
- Preparing projections for the appraisal of an LBO and mezzanine candidate
- Model the equity returns
- Model the mezzanine warrant participation
- Setting the covenant structure
- Internal approvals, facility letters
- Acquisition vehicle structure
- Contractual subordination
- Structural subordination
- Achieving debt pushdown
- Achieving tax relief
- Opco/propco/holdco

Case study: Building a model of the cash flows and capital structure to test syndication feasibility

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Day 3: IPO Marketing and Underwriting and Restructuring in financial distress

Session 1: Marketing the IPO

- Exit strategies for existing shareholders
- Strategic considerations: float or sell?
- The objective of the due diligence exercise
- Book-building/placing as an issue method
- Offers for sale as an issue method
- The role of the analyst
- Roadshows and company visits
- Preparing the management

Case study: Roadshow presentation for major IPO

Session 2: IPO Underwriting

- Hard and soft underwriting
- The financial risk in underwriting
- Underwriting as an option
- Competition issues in fees charged
- Underwriting in public offers
- Pre-emption rights
- Theoretical ex-rights price (TERP)
- Deeply discounted issues

Case study: The overallotment option/Greenshoe

Session 3: The road to financial distress

- Symptoms of distress
- Causes of distress
- The cycle of distress
- The role of covenants as early warning devices
- The rating agencies and missed problems
- Distressed security prices
- Systemic distress or ad hoc distress
- Speed of recognition versus management denial

Case Study: Americredit and the US car industry

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Session 4: Restructuring options

- What business levels can be projected in the future
- Can the projections support the current debt burden?
- Does the company need more cash to execute the new plan?
- Legal options available
- Approaches to insolvency (INSOL Principles)
- Workouts
- Pre-packaged deals
- Court led/judicial restructurings
- Comparing international approaches

Case Study: Restructuring Drax

Paul Richards Biography:

Paul graduated from Cambridge University in mathematics and has a Masters degree in business administration from London Business School. He is also a CFA charter holder, an Associate of the Chartered Institute of Bankers, a Member of the Association of Corporate Treasurers and a Fellow of UKSIP.

Paul has more than 20 years investment banking experience specialising in domestic and international corporate finance at UBS (Warburg), HSBC and Map Securities (part of Skandia Insurance and Mapfre, Spain). He was also the chief executive of the London merchant banking operation of Credit Industriel et Commercial, a major French banking group.

As a result of this experience, Paul has extensive first-hand experience of: Mergers and acquisitions; IPOs; bond issues; secondary market issues; privatisation; debt syndications; corporate treasury; equity valuation; investment analysis; security and derivative valuation; private equity; modelling; corporate governance; and compliance.

His consulting and training clients have included a wide range of organisations such as Bowring, Financial Services Authority, Association of Corporate Treasurers and he has also been involved in expert witness work. Paul won the 2004 Wincott Foundation Prize for his article "Lessons in shareholder value" on the boom and bust in new economy stocks, published in Professional Investor (the journal of the UK Society of Investment Professionals - the UK member society of the CFA Institute).

He has taught MBAs and Masters in Finance students at Cass Business School in the City for more than 12 years in a range of financial disciplines; and has trained staff at major City houses and in banks on different continents.

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