



ADVANCED FINANCIAL, Evaluation and Budgeting

Course Introduction:

For any organization to be successful it needs to increase profitability, control liquidity and put in place sound financial structures.

This program enables Financial Managers to contribute more effectively to the organization through greater understanding of how money works in business and how they personally can influence company results.

Course Objectives:

At the end of the course, you will have a sound understanding of:

- How accounts and financial statements are compiled
- How to read a balance sheet and a profit and loss account and why the figures cannot always be taken at face value
- The nature of a cash flow statement and why it is especially useful in transforming accounting fiction into fact
- The tools and techniques of financial analysis
- How to calculate and use financial ratios to evaluate business performance and financial health
- The key credit quality ratios
- Accounting scams, why they occur and how they can be spotted
- Some common methods for judging the viability of investment opportunities
- The nature and uses of financial valuation techniques such as Discounted Cash Flow (DCF) and Weighted
- Average Cost of Capital (WACC)
- Key design principles for building financial models in Excel
- The nature and uses of investor ratios such as EPS, DPS, and P/E
- The key drivers of shareholder value and the methods used to calculate the value of a company such as enterprise value ratios
- Financial analysis for mergers and acquisition
- How leveraged buy-outs are valued, arranged and structured
- Exit strategies for private equity investments

Who Should Attend?

The course provides you with a working knowledge of the principles and practices of the financial management of companies and the financial analysis of leveraged buy-outs. It ensures that you

acquire a sufficiently thorough understanding of the subject in order to be able to use the tools and techniques in an effective manner.

The course should appeal to:

- Executives and managers
- Professionals in all functions
- Investment and commercial bankers
- Equity and fixed income investment managers
- Investment analysts
- Credit analysts and credit controllers
- Treasury managers
- Lawyers and newly-qualified accountants
- Company brokers and advisers

Course Outline:

Understanding financial statements and valuation

Session 1 – analysing financial statements

- Users and uses of financial information
- Fundamental accounting concepts
- The key financial statements
- Key accounting quantities:
 - depreciation
 - deferred tax
 - minorities
 - goodwill
- Credit ratios
- Evaluating financial well-being from the balance sheet
- Definitions of gearing, interest cover (iscr)
- Annual debt service cover (dscr) ratios
- EBITDA and debt
- Liquidity ratios
- Working capital ratios
- Solvency tests

Case study: Critical examination of key financial ratios for two major competitors

Session 2 – performance assessment

- Different measures of profit and why they each matter

- Performance assessment using comparable company analysis
- Performance ratios
- Return on capital employed
- Dupont analysis
- Margin analysis: EBITDA, gross profit, operating

Case study: Performance appraisal using financial ratios for two major competitors

Session 3 – model construction based on unit volume assumptions

- Identifying the key value drivers
- Value based reporting and performance measures
- Measuring output in real terms
- Building the cost model
- The 10 key modelling principles
- Computing the financial statements
- Checking the financial statements for the gearing assumption consistency

Case study: Forecasting case based on the key modelling principles produces cash flows, P&L statements and balance sheets

Session 4 – Investment appraisal techniques

- Time value of money
- Appraising investment projects
- Alternative measures of value
- Payback period; Discounted payback period
- NPV; IRR, introductory sensitivity analysis
- Dividend discount models
- Gordon growth model
- Multi-stage dividend discount models

Case study: comparing alternative investment opportunities

Case study: valuing equity using a multi-stage dividend discount model

Valuation

Session 5 – cost of capital

- Capital Structure Theory: Modigliani and Miller
- Enterprise value concept
- Impact of tax and financial distress costs
- Capital structure decisions and policy

- Cost of Debt, Cost of Equity
- Capital asset pricing model (CAPM)
- WACC (weighted average cost of capital)

Case study: assessing the benefit of the tax shield of debt

Session 6 – Using WACC to value an acquisition target

- Developing a model of cash flows
- Estimating the terminal value
- The steady state scenario
- Sensitivity analysis of the terminal value
- Checking assumption integrity

Case study: Valuation of an acquisition prospect using WACC

Session 7 – Multiple based valuation methodologies

- The Price Earnings Ratio (PER)
- Valuation using PER
- Comparable company analysis
- Theoretical background
- Strengths and weaknesses
- Alternative multiples
- Ratios based on Earnings Before Interest and Tax (EBIT)
- Valuation using PERs and enterprise/EBIT ratios

Session 8 – Accounting scams

- The nature of accounting - science or alchemy
- Manipulating the balance sheet
- Window dressing
- Off-balance sheet items and their significance
- Revenue recognition and how to make sales 'take-off'
- Maximising profit by minimising
- Discussion of an SEC report into a fraudulent accounting scheme

Multiple based valuation and accounting scams

Session 9 – Acquisition analysis

- Modelling an acquisition in cash flows
- Assessing the funding structure

- Bridge financing followed by refinancing
- Assessing debt capacity

Case study: You will model the financials for a potential acquisition including the impact on credit ratios and loan covenants and determine a suitable lending package.

Session 10 – Financing the acquisition and deal structuring

- Assessing the impact on the value of the acquirer's shares
- Paying with shares or cash or a combination? Pros and cons of each
- Event risk and capital structure objectives
- Underwriting a share issue
- Developing a range of values
- Establishing maxima and minima
- Earn outs as a tool
- Disadvantages for purchaser and vendor

Case study: Equity bridge by international acquirer

Session 11 – lending in leveraged buy-outs (LBOs)

- Private equity investors
- Venture capital investment
- Types of deal (MBO, MBI etc)
- Investment horizons
- Reviewing candidate companies
- Objectives of debt providers

Case study:

You will examine possible candidate investments for a private equity firm.

Review of recent LBO transactions and the associated debt financing.

Session 12 – LBO structuring

- The business plan
- Exit strategies
- Return analysis for the private equity investor
- Calculating the incentives for management and their participation
- Capital structure for the LBO
- Determining how much debt can be used
- Assessing the right levels of debt covenants

Case study: you will structure a LBO transaction.

Course Certificate:

International Center for Training & Development (ICTD) will award an internationally recognized certificate(s) for each delegate on completion of training.

Course Methodology:

A variety of methodologies will be used during the course that includes:

- (30%) Based on Case Studies
- (30%) Techniques
- (30%) Role Play
- (10%) Concepts
- Pre-test and Post-test
- Variety of Learning Methods
- Lectures
- Case Studies and Self Questionnaires
- Group Work
- Discussion
- Presentation

Course Fees:

To be advised as per the course location. This rate includes participant's manual, and-Outs, buffet lunch, coffee/tea on arrival, morning & afternoon of each day.

Course Timings:

Daily Course Timings:

08:00 - 08:20	Morning Coffee / Tea
08:20 - 10:00	First Session
10:00 - 10:20	Coffee / Tea / Snacks
10:20 - 12:20	Second Session
12:20 - 13:30	Lunch Break & Prayer Break
13:30 - 15:00	Last Session