



Essentials of Corporate Finance

Corporate Finance underlies all financial decisions a firm makes, forming the foundation for everything from credit analysis to merger and acquisition activity. Using theory and practical applications, this course provides a foundation in key concepts underlying the analysis and execution of financial decisions and demonstrates how financing decisions impact a firm's value. Newer techniques in corporate finance, including behavioral and option pricing models, are also explored. Case studies are used to analyze targeted firms from the current market in order to compare and determine valuations and to discuss corporate finance strategies.

Students should have a working knowledge of financial statements. Please refer to our online Financial Statement Analysis course.

Available Session(s):

| | | |
|---|-----------------|-------------|
| 26-Aug-2008 -- 28-Aug-2008 | Stamford | USD \$3275 |
| NY Institute of Finance - Stamford, CT | 9:00am - 4:30pm | Tue Wed Thu |
| Instructor(s):[John Palicka;] | | |
| 13-Oct-2008 -- 15-Oct-2008 | New York | USD \$3275 |
| NY Institute of Finance - Midtown | 9:00am - 4:30pm | Mon Tue Wed |
| Instructor(s):[John Palicka;] | | |

Targeted Audience

Individuals in credit, investment banking, corporate finance, and sales and trading.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only.

Advance Preparation

No advance preparation required. A financial calculator is required. (Texas Instruments BA II Plus is recommended.) At times, Excel techniques will be demonstrated, but not taught.

Prerequisites

Introduction to Financial Accounting, Financial Statement Analysis, or equivalent knowledge. A financial calculator is required. (Texas Instruments BA II Plus is recommended.)

Learning Objectives

Students will be able to:

- Differentiate between simple and compound interest
- Solve simple and compound interest problems
- Solve problems using time value of money concepts
- Differentiate between nominal and effective interest rates
- Calculate the present and future value of an annuity
- Identify statistical issues
- Identify the relevant costs in a project
- Calculate the NPV and IRR of a project
- Apply NPV and IRR to determine whether a project should be undertaken
- Explain why MIRR is an improvement over IRR
- Explain importance of cash in company valuation
- Demonstrate how different qualitative factors impact on value
- Discuss alternative valuation methods
- Calculate free cash flow forecasts
- Make decisions on Working Capital
- Calculate the terminal value of a business
- Calculate the enterprise and equity value of a business
- Discuss Behavioral Issues
- Discuss Relative Valuations Techniques among comparable companies
- Explain why WACC is used to discount company free cash flows
- Calculate WACC, cost of debt and cost of equity
- Discuss other valuation methods including CAPM and Arbitrage Pricing Theory
- Determine the optimal capital structure of a company and its dividend policy

Alumni Comments

"This course is very useful for my daily work."

"Great case studies."

Level: Basic

CPE Credits: 21.5

Instructional Method: Group-Live

Detailed Outline

DAY ONE - Corporate Finance Fundamentals

Introduction and course overview

- The importance and benefits of Corporate Finance
- Examples of where and how Corporate Finance is used
- Linkage between investment decisions (including acquisitions) and financing decisions
- Overview of topics to be covered

Time Value of Money

- Present and Future Value
- Compounding (annual, periodic, continuous)
- Annuities and Perpetuities
- Complex Problems
- Statistical issues

Exercises: Series of short questions to test delegates' knowledge of issues surrounding time value of money.

Project Analysis / Capital Budgeting

- Capital budgeting
- Process of capital budgeting
- Identifying cash flows
- Incremental cash flows
- Inflation i.e., constant vs. current dollar cash flows
- Issues around identification of cash flows
- Working Capital Considerations

Exercise: Identifying relevant costs

Payback and Discounted Payback

- Drawbacks: time value of money; life after payback period
- Internal Rate of Return (IRR)
- Drawbacks: lending/borrowing; multiple

DAY TWO - Company Financials and Discounted Cash Flow Valuation

Brief Review of Financial Statements

- Income Statement
- Balance Sheet
- Cash Flow Statement
- Issues with accounting numbers
- Accruals not cash flows
- Differential interpretation of GAAP
- International differences in GAAP

Dividend Valuation Model

- Dividend Discount Model
 - Gordon Growth Model
 - Estimating g
- Exercise: Determine the value of Kellogg's based on the Dividend Discount Model*

DCF Overview

- Rationale for DCF valuation
 - Characteristics of a DCF
 - Analyzing the historic performance and looking at the operating environment
- Exercise: Determine the operating environment of Kellogg's*

Forecasting Cash Flows

- Review - What is cash flow?
- NOPAT and free cash flows
- Key areas to forecast
- Determining the length of the forecast period
- Real V nominal returns
- Behavioral issues

Exercise: Calculate the free cash flows for Kellogg's

Terminal Value

- Asset Values

rates of return; mutually exclusive projects

- Net present value (NPV)
- Making decisions with NPV
- Separating the financing and investment decisions

Exercise: Examination of potential investment projects using different methods

· Using relative or comparable values (EV/EBITDA and EV/EBIT)

- Perpetuities and growing perpetuities
- Exercise: Determine an appropriate terminal value for Kellogg's*

Relative Valuation Techniques

- Setting the context: Valuation is not done in a 'black hole'
- Selecting the peer group
- Key ratios
- P/Es, PEG, EV/EBITDA, MV/BV
- Show derivation of P/E from Gordon Growth Model
- Using public companies as a check for a DCF valuation
- Which methods for different industries - price per eyeball, reach, hits of internet site

Exercise: Calculate the value of General Mills using peer group analysis

Valuation Enterprise Value versus Equity Value

Exercise: Calculate Kellogg's Enterprise and Equity values

DAY THREE - Cost of Capital and Capital Structure

Introduction to the cost of capital

- Risk versus Return overview
- Theoretical perspectives
- Examining different forms of financing in terms of risk and expected return

Weighted Average Cost of Capital

- WACC overview

Cost of Debt - review Financial Times

- Yield-to-maturity
- Impact of taxes
- Bank Debt

- Straight bonds - fixed and floating rates

Exercise: Calculate the cost of debt for Kellogg's

Cost of Equity

- Preferred Shares
- Common Shares
- Dividend Discount Model
- Capital Asset Pricing Model
- Arbitrage Pricing Theory

Exercise: Calculate Kellogg's cost of equity using different approaches

Weighted Average Cost of Capital

- Time Varying
- Factors that can affect WACC

Exercise: Calculate Kellogg's WACC

Optimal Capital Structure

- In theory
- In practice
- Dividend policy

Exercise: What is the optimal capital structure for Kellogg's

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.