



Super-Advanced Merger Modeling

New York Institute of Finance, in conjunction with Wall Street Training, present the following course.

Construct a full-blown merger model that combines two fully integrated projection models. Combine major financial statements and new complex debt sweep calculation. Fully sensitize different transaction structures such as cash and stock consideration, various financing scenarios, accretion/dilution and credit ratios. Account for purchase price allocation including step-up of assets to fair market value, intangibles, goodwill and other considerations. Start by building a fully integrated financial statement projection model with income statement projections, a self-balancing balance sheet, an automated cash flow statement and the balancing cash flow sweep/debt schedule. Emphasis is placed on the integration of the major financial statements and becoming experts in Excel. We then focus on the mergers and acquisitions process, the basics of deal structures, and covers the main tools and analyses that M&A investment bankers and acquirers utilize. Learn about common structural issues, crucial merger consequence analysis and alternative earn-out structures and methodologies.

Build up to the advanced content by building merger models first by covering different ways to model out financial combinations. Different techniques are covered including the most basic and widely used back-of-the-envelope method, accretion/dilution, as well as a more robust combination analysis combining a target and acquiror's income statement. Learn how to sensitize basic deal structures and combination options.

Targeted Audience

Investment bankers, mergers & acquisitions, leveraged finance and credit professionals. Private equity, buyout and venture capital professionals. Internal M&A and business development. CFO, VP Finance, Financial Analysts, & related functions. New hires and those being groomed for management.

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard

copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

Proficiency in: Accounting & Financial Statements, basic Corporate Finance and valuation topics. Basic, general knowledge or interest in leveraged buyouts. Solid proficiency in Excel. Note: To maximize the value & productivity of this course, participants must be proficient and comfortable with Excel - a lack of Excel skills will hamper the ability to properly follow along and acquire the best practices and efficiencies that are presented. Financial calculator required.

Learning Objectives

Students will be able to:

- . Build an integrated set of financials, income statement, balance sheet and cash flow
- . Learn how to balance a model utilizing debt sweep, no plugs and the danger of circular references
- . Become super-efficient in Excel through intensive use of keyboard shortcuts and best practices
- . Common structural issues in a transaction (stock vs. asset, 338(h)(10) elections)
- . Merger consequence analysis including accretion / dilution and financial implications of a deal
- . Learn how to sensitize financial projections and the financial impact on a transaction
- . Construct pro forma merger model combining two Income Statements and selected Balance Sheet items
- . Calculate Sources & Uses of Funds, post-transaction ownership, accretion / dilution
- . Combine Target and Acquiror Income Statements and incorporate synergies into pro forma merger model

. Calculate pro forma, post-transaction opening Balance Sheet and project future combined Balance Sheet

. Derive combined Cash Flow Statement, debt sweep & interest schedule to balance and integrate model

Follow-Up Courses

Complex LBO Modeling & Enhancements

Accounting for Mergers & Acquisitions

Level: Advanced

CPE Credits: 21.5

Instructional Method: Group-Live

Detailed Outline

Day 1 - Advanced Financial Modeling

5-Year Financial Statement Projection Model

- . How do you project a company's income statement from revenues and expenses down to net income?
- . What are the different methodologies to forecasting the different types of assets on the balance sheet and how do they compare and contrast with projecting liabilities
- . How do you project the shareholders' equity account?
- . What is the importance of financial ratios in building the balance sheet projections?
- . How do you approach building an integrated cash flow statement?
- . How do you build each component of the cash flow statement and why is cash the last item to project?

Day 2- M&A Deal Structuring & Merger Modeling Basics

M&A Deal Structuring

- . Review of various deal considerations and deal structuring options (cash vs. stock)
- . Common structural issues in a transaction (stock vs. asset, 338(h)(10) elections)
- . Buyer and seller preferences for various deal structures and rationale
- . Tax implications of transactions based on deal structure and FASB 142 goodwill amortization
- . Merger consequence analysis including accretion/dilution and financial implications of a deal
- . Analysis of breakeven PE for both

Supporting Schedules

- . Incorporate calculation and payment of dividends into your integrated financial model
- . Emulate announced share repurchase program by estimating implied price and shares repurchased

Integration and Balancing of Financial Model

- . Balance the model using the debt schedule and debt sweep logic - the most important analysis in terms of balancing the model
- . How does the cash actually flow through the model?
- . Incorporate automatic debt payments and use cash generated to either pay down debt or build cash
- . How does the revolver facility actually balance the model? Avoid messy nested if statements
- . How does the balance sheet and financial statements balance by itself without the use of plugs
- . How are the financial statements integrated using the interest schedule
- . What are circular references, why should they be avoided and how to get around circular references

100% stock and 100% cash considerations

- . Contribution analysis and its relevant in the analytical process
- . Analysis and comparison of a structurally diverse set of selected transactions
- . How to structure and analyze different earnout structures

Merger Modeling Basics: Build dynamic merger consequence analysis (accretion/dilution) incorporating the following:

- . Synergies switch, cash vs. stock sensitivity
- . Amortization of goodwill switch (depending on purchase price allocation)
- . Common structural issues - stock vs asset deals and 338(h)(10) elections
- . Tax implications of transactions based on deal structure and FASB 142 goodwill amortization
- . Analysis of breakeven PE for both 100% stock and 100% cash considerations
- . Calculate pre-tax and after-tax synergies/cushion required to breakeven

Merger Modeling Basics: Construct an ability to pay analysis, a reverse accretion/dilution analysis

- . Calculate maximum equity value and enterprise value based on cost of debt
- . Sensitize analysis based on interest rates and pre-tax synergy assumptions

Merger Modeling Basics: Construct

a merger model, simple combination of income statement for target and acquiror

- . Project simple stand-alone income statement for both target and acquiror
 - . Analyze selected balance sheet figures and ratios and multiples
 - . Estimate target valuation and deal structure
 - . Calculate selected pro forma balance sheet items
 - . Combine target and acquiror's income statement and estimated synergies
 - . Calculate cash flow for debt repayments to estimate debt repayments and cash balances
 - . Compute interest expense and interest income based on paydowns
 - . Calculate accretion/dilution and credit ratios
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Day 3 - Super-Advanced Merger Modeling

Merger Summary & Sensitivity Options

- . Sensitize deal structure options, including stock and cash considerations
- . Construct sources and uses of funds including various financing scenarios and ability to refinance any existing debt and utilize existing excess cash to fund acquisition
- . Calculate correct transaction value incorporating economic effect of management options
- . Calculate post-transaction ownership summary
- . Allocate purchase price among tangible book value (existing assets at cost), step-up in basis to FMV, tax deductible identifiable intangibles, non-tax deductible identifiable intangibles and

goodwill

- . Proper accounting treatment of transaction costs, tender costs and accrued interest of any refinanced debt and debt transaction financing fees
- . Account for differences in GAAP book deductibility and tax deductibility of intangible assets
- . Build inability to treat acquisitions as an asset sale for tax treatment

Merger Model (Financial Statement Integration)

- . Line-by-line combination of target and acquiror income statements including revenue and expense synergies and correctly depreciation and amortization of assets from purchase price allocation analysis
- . Calculate pro forms, post-transaction EPS, accretion/dilution analyst and pre-tax synergies/cushion required to breakeven
- . Project tax levels, incorporating permanent differences in book vs. tax deductibility of intangible assets
- . Combine target and acquiror balance sheets and perform transaction adjustment entries to calculate pro forma opening balance sheet
- . Calculate projected balance sheet and cash flow statement of combined merged company
- . Analyze and construct complex debt schedule to sweep through mandatory and discretionary debt payments
- . Ability to dynamically pay down tranches of target and acquiror's debt and new debt raised
- . Calculate pro forma and projected credit and leverage statistics and automatically evaluate debt ratings of merged company

Note regarding Computers:

EACH PARTICIPANT MUST BRING THEIR OWN LAPTOP TO CLASS.

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