

Building a Financial Model from Scratch in Excel

2 Days

COURSE OVERVIEW

Spreadsheets have been an indispensable tool for financial professionals for many years. Most of us are familiar with using Microsoft Excel to create simple spreadsheet solutions by using the basic functions provided by Microsoft Excel. The main objective of this course is to build upon the basic knowledge of the participants and apply these basic skill set to create simple yet practical financial models that work in the real world. Participants will be introduced to the conceptual framework surrounding the creation of financial models.

Effort will also be devoted to inculcate a sense of sensitivity towards what and where to gather your data points for simulation purposes. In other words, for value maximization, one must first understand where value can be created. Participants will be taught how to pick the appropriate valuation methodology as well as surviving through the difficulties behind today's data overflow environment.

Following that, a glimpse into the more advanced functions and tools available in Microsoft Excel will be enacted to satisfy the appetite of "tech freak" audience. These are the main focal points in this 2-day course, which combines both a detailed exposition of business valuation theories and substantial practical experience with a comprehensive financial modeling case study using a real-life listed entity.

LEVEL

Introductory - Intermediate

WHAT WILL I GET OUT OF IT?

Participants will walk away with the following:

- The ability to better understand what the Balance Sheet, Profit and Loss Accounts and Cash Flow Statements are showing
- The ability to 'adjust' numbers to 'see through' the numbers
- An understanding of how valuation models work as well as how to incorporate such knowledge into practical working models
- The marvels of sensitivity analysis; why such act will uncover the strengths and weaknesses of any corporation in business?
- And many more.....

WHO'S IT FOR?

- Investment Bankers
- Investment Analysts
- Investment Managers
- Asset Managers

- Wealth Managers
- Financial Planning Advisors
- Investment And Credit Analysts
- Corporate Finance Managers
- Finance Officers from Corporations
- Anyone involved in Mergers & Acquisitions
- Consultants serving the Financial Services Industry

THINGS TO BRING

Delegates are required to bring along a laptop fully equipped with Microsoft office 2007 and above.

COURSE CONTENT

3 Basic Rules in Financial Modeling

- Knowing what is being modeled: different types of financial models & accounting principles
- Basic spreadsheet skills: excel spread sheet fundamentals
- Sensitivity analysis

Different Types of Financial Models

- Future projection analysis: mainly used by investment analysts to project a company's pro-forma revenue, profit as well as cash flow. A case study based on this model will be deployed using a real-life listed company on SGX
- Corporate finance: the day to day working models used by financial managers and accountants during asset acquisition, project funding as well as M&A
- Fixed income analysis: bond pricing, duration, convexity; simulation models typically used by treasurers and bond dealers
- Derivative instrument analysis: futures, options, swaps; simulation models that form the basic arsenal of bank traders

Accounting Principles

1. Valuation models: effort will be devoted to expose their pros and cons using specific spreadsheet modules.
 - Discounted cash flow models: Dividend discount model, FCF model, FCFE model
 - Residual income valuation model
 - Economic income model
 - Pricing multiple model
2. Capital Expenditure models (CAPEX): time will be spent on discussing the triggering points during capital expenditure forecasting
 - Straight line depreciation methodology
 - Diminishing depreciation methodology
3. Derivative Pricing Models: pricing and sensitivity analysis
 - Futures and forwards
 - Options
 - Swaps
 - Fixed incomes

Excel Spreadsheet Fundamentals:

Taking a typical manufacturing company as an example; a demo on basic financial modeling will be deployed; step by step right before the eyes of participants. Certain key pointers in basic financial modeling will also be highlighted:

- Why is revenue projection usually the first trigger point?
- Funding feasibility has to be factored into the simulation subroutine; how can that be done?
- Why is it always better to be roughly correct than absolutely wrong?

Sensitivity Subroutine:

- What should be included in the list of factors for sensitivity analysis?
- Why simulate when the future is full of unknown?

Course Summary & Conclusion:

- Given that all spreadsheet simulations are approximation at best, why do we still simulate when the future is certainly going to be different?
- Given the mess of financial innovation in the market; especially with the hindsight of the Lehman Brothers saga, is there still a future for financial modelers?
- Common myths in financial modeling