

Investment Analysis & Valuation

3 Days

COURSE OVERVIEW

Investment analysis is a topic that is being given added emphasis these days due to the level of liquidity available in our global markets – cash chasing the ‘best’ markets, the ‘best’ products, the ‘best’ investment sectors, the ‘next best’ investment opportunity! And in order to make that call – you need valuation; more importantly an understanding of the various investment tools. Whether it is effecting M&A, private equity, attracting investment from venture capital or business angels, choosing a share portfolio, or selecting the form and extent of the next business investment, a good understanding of the various aspects of valuation makes this all possible. Ultimately, whether answerable to shareholders, or 3rd party investors, value creation is a must. We will ultimately strive to enhance value from our various businesses over time.

In order to create or maximise value, you must first understand where value needs to be created. And then choose the appropriate valuation tool. Getting the right valuation model can ultimately make the difference between making a great investment or the reverse. Once the methods have been learned, only practice in the task will improve your skill.

That is the special importance of this 3 day course, which combines both a detailed exposition of all the theories of business valuation and substantial practical experience with numerous Global & Asian case studies, so that at the end of three days the participant should emerge confident to face any business valuation challenge that may come his or her way.

LEVEL

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 rating agencies analyse financial statements – features of a rating and how equity research can improve
- How accounting standards ‘mask’ the reality of the numbers
- An understanding of how DCF, P/E, WACC, Cost of Debt, Cost of Equity, and Beta are calculated
- Learn ‘arbitrage’ techniques in valuations – Models for \$\$\$!
- The ‘private equity’ model and how valuations allow asset managers to profit!
- How to identify M&A valuation ‘ceilings’ and ‘floors’ – just how much do we pay for acquisitions?

WHO'S IT FOR?

- Investment Bankers
- 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

COURSE CONTENT

Business Investment Valuation

Ratio Analysis

- Types of Financial Ratio
- ROI, ROCE, ROA, Margins etc
- Significance in Valuation Analysis
- Non-Financial Ratios

Value Creation – Understanding What ‘Dupont’ Has to Offer

Discounted Cashflow Valuation

- Financial Statement Analysis & understanding where to ‘extract’ value
- Applications – Modelling Capex Flows and Working Capital Movements
- Growth rates
- Problems with Calculating Terminal Value and Long Term Growth Rates
- Estimating Asset Life
- Evaluating the Stable Growth Period
- Handling Problems of Research & Development Expenditure
- Operating Lease Payments
- Effective and Actual Tax Rates
- The Concept of Normalised Earnings and cash flows
- Using Multi Period Terminal Value Models

Weighted Average Cost of Capital (WACC) & the Discount Rate

- Review of Capital Asset Pricing Model (CAPM)
- How to Derive Equity Risk Premiums in Different Countries
- How Betas are Derived – Regressing Company and Market Returns
- A Bottom-Up Method of Calculating Beta Reflecting Business Mix and Leverage
- Which Beta to Choose for Company Valuation?
- Problems with CAPM – Is it Really Still a Valid Concept?
- Alternatives to CAPM – Arbitrage Pricing Theory (APT)
- WACC Calculation
- Optimal Capital Structure and Gearing Risk
- Is WACC Dead Given the Capital Raising Ability of Modern Firms?
- How do you ‘lower’ WACC and enhance value – financial engineering
- The buy and invest strategy – creating long-term value

Project Financing and Real Options

- How to Calculate Real Option Value
- Real World Examples
- Problems with Real Option Calculation
- Application to Distressed Firms' Equity and Other Financial Applications

Mergers & Acquisitions (M&A)

- Evaluation of an Acquisition Target Valuation
- Use of Selected Valuation Techniques
- Comparison of Valuation Results Using DCF and Relative Price Multiples
- Understanding the Value Drivers of the Company and the Potential Synergies
- Comparing the Pre-Bid Price with the Actual Price Paid

Strategic Asset Valuation

- Valuation of Technology Companies
- Explanation of the Dotcom Valuation Methodology and its Downfall
- Recent Developments (Historical Relativity Method)
- Structure of International Valuations

Economic Value Added

- Correlation to DCF Model
- Calculation of NOPAT and Capital
- Typical Adjustments for EVA Calculation
- Understanding the MICAP (Market Implied Competitive Advantage Period) Concept
- MVA as a Discounted EVA Concept

Modelling Issues in Valuation

- Constructing the Model
- Sensitivity Analysis
- Monte Carlo Analysis
- Examples of Model Use in Practice

Case Studies

Case studies involving valuation of various investment products (including fixed income instruments and structured products) will be discussed and presented throughout the workshop.