

Course Content – Working Capital Risk Management Series

Session 1: - Introduction

- ❖ Background and Course Objectives
- ❖ Examples of typical situations that would require formal Capital Structure Analysis (CSA)

Session 2: - Basic components of a Corporate Financial Statement

- ❖ *EBITDA, D&A, EBIT*, Interest, Tax, Profits, Assets, Debt and Equity
- ❖ Other parameters and ratios –i.e. firm's value (*FV*), leverage, *ROE*, *WACC*, etc.
- ❖ An overview of real company financial statements

Session 3: - The Modigliani-Miller (*M&M*) Capital Structuring Theorems

- ❖ Motivation, underlying assumptions and derivation of Propositions I and II
- ❖ Practical applications
- ❖ Generating the *WACC* and *FV* curves (“capital structure curves”)
- ❖ Spreadsheet applications and examples

Session 4: - The Beta of a firm

- ❖ Definition of beta, its relationship with the cost of (return on) equity and implementation in *M&M*
- ❖ Effect of leverage on beta (Hamada's Equation)
- ❖ Prove that the classical *M&M* approach and Hamada lead to identical capital structure curves

Session 5: - The Risk of default and its implications

- ❖ Probability of default, credit spreads and the notion of credit ratings
- ❖ Some simple and not-so-simple types of credit rating models
- ❖ *S&P*
- ❖ *Z-Score*
- ❖ Merton

- ❖ Application of an *S&P*-type credit model
- ❖ Concept
- ❖ Applications and examples
- ❖ Short practice session

Session 6: - Wider range of Debt-to-Equity scenarios

- ❖ Widening the range of the *S&P* rating across a range debt and equity scenarios
- ❖ Example case study

Session 7:-Incorporating Default Risk into *M&M* –Optimizing the Capital Structure

- ❖ Generating the *FV* curve with default risk
- ❖ Defining the “optimal capital structure”
- ❖ Example case study

Session 8: - Revisiting the Beta and Hamada's Equation: Incorporating Default Risk

- ❖ Recalling beta and Hamada's Equation
- ❖ Incorporating default risk into beta and its impact on Hamada's Equation
- ❖ Prove conventional approach and Hamada lead to identical results
- ❖ Spreadsheet examples and practice session using real company names

Session 9: - Interactive Excel Spreadsheet Model – Working Capital

- ❖ Overview of the interactive Excel spreadsheet model
- ❖ Instructions and troubleshooting
- ❖ Components
- ❖ Data input
- ❖ Incorporating market values and differentiating between market and book values
- ❖ Credit Rating Model
- ❖ Calculations
- ❖ Data output
- ❖ Preparation of a pro forma statement for scenario analysis and testing
- ❖ Procedure for performing company analysis
- ❖ Financial statements
- ❖ Necessary data for model application
- ❖ Input of data into model
- ❖ Assessing model output
- ❖ Scenario analysis and testing

Session 10: - Model's Scope and Range of applicability

- ❖ Mergers and acquisitions
- ❖ Divestitures
- ❖ Share/debt issues/buybacks
- ❖ With and without constraints

Session 11: - Applying Constraints – Working Capital Modelling

- ❖ What is meant by “constraints?”
- ❖ Applying them to the model
- ❖ Examples

Session 12- How to deal with Private Firms

- ❖ Problems associated with lack of market data
- ❖ Estimating market values via relative valuation techniques
- ❖ Sample case study

Session 13: - Case Studies Involving Corporate Firms

- ❖ Detailed case studies will be conducted in class, with the objective of
- ❖ Generating the capital structure curve
- ❖ Locating the optimal capital structure to help determine whether the firm in question is over leveraged, under leveraged or at its optimal capital structure
- ❖ Determining various possible strategies to help improve the balance sheet -i.e. asset acquisition/divestiture, share/debt swap, etc.
- ❖ Case studies will include:
- ❖ Procter & Gamble, Coca-Cola, Nestlé Group, Electrolux, Walt Disney Company, Telenor, Henkel, Microsoft, Hewlett-Packard, etc.
- ❖ Practice session using real company names

Session 14: - Capital structure of Depository Institutions (DI)

- ❖ How a depository institution works
- ❖ Determination of the capital structure curve
- ❖ Conclusions

Working Capital Risk Management Series

- ❖ **Course Coverage :** Course to get covered using Webinars , Skype Conference Calls , Audio , Video Calls. Sessions are highly interactive and participants are most welcome to ask any questions during the Course.
- ❖ **Course Duration :** Course duration is 40 Hrs + 2 Hrs of Complimentary Skype Call which to be taken within 3 Months of completion of the Course.
- ❖ **Course Material**
 - Course Presentations – 100% interactive, Screenshots , Examples
 - International Bank Research Reports
 - Live Corporate Case Studies
 - Excel Solvers