



TRAINING MANUAL:

Business Valuation & Deal Structuring (Investment Banking)

Trainer: J.J.P. (Joris) Kersten, MSc BSc RAB

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Introduction

This is a practical 6-day training in “Business Valuation & Deal Structuring” (Investment Banking M&A) and the main topics are: valuation, leveraged buyouts (LBO’s) and mergers & acquisitions (M&A’s).

The training mainly focusses on giving the participant hands on tools to build financial models in excel to determine the value of a company on 1) a stand-alone basis, 2) in a LBO situation and 3) in a buy-side M&A scenario.

In the training we will look at different valuation techniques to calculate “enterprise value” like: 1) Comparable companies analysis, 2) Precedent transaction analysis, 3) Discounted cash flow analysis (DCF), 4) LBO analysis and 5) Buy-side M&A analysis.

And we will look at different techniques to get from “enterprise value” to the “value of the shares” taking (adjusted) net debt into account.

The training is very practical in a sense that the trainer will explain the concepts first and will then apply them in class to real life companies with the participants. With all the calculations “Microsoft excel” is used to build the needed financial models.

This training is meant for analysts and associates from international investment banks. Moreover, the training is meant for analysts and consultants in: M&A, private equity, venture capital and strategy. In addition, the training is meant for accountants, tax lawyers, bankers in credit analysis, financial managers, CFO’s etc.

During the training will be focussed on international companies listed on the stock exchange. But the valuation techniques are also applicable to (non-listed) private firms.

For any more questions on this training feel free to contact by email: joris@kerstencf.nl and/ or by phone: +31 6 8364 0527 (time zone: Amsterdam).

Kersten Corporate Finance – Mergers & Acquisitions

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Trainer & Consultant:

J.J.P. (Joris) Kersten, MSc BSc RAB

- 130 recommendations on his training can be found on:
www.kerstencf.nl/referenties
- Many articles & blogs of Joris on “Business Valuation” & the “Cost of Capital” can be found on:
www.kerstencf.nl/training



J.J.P. (Joris) Kersten MSc BSc RAB (1980) is owner of “Kersten Corporate Finance” in The Netherlands, under which he works as an independent consultant in Mergers & Acquisitions (M&A's) of medium sized companies.

Joris performs business valuations, prepares pitch books, searches and selects candidate buyers and/ or sellers, organises financing for takeovers and negotiates M&A transactions in a LOI and later in a share purchase agreement (in cooperation with (tax) lawyers).

Moreover, Joris is associated to ‘AMT Training London’ for which he provides training in Corporate Finance & Financial Modelling at leading (“bulge bracket”) investment banks in New York, London and Hong Kong.

And Joris is associated to the ‘Leoron Institute Dubai’ for which he provides finance training at leading investment banks and institutions in the Arab States of the Gulf. This for example at Al Jazira Capital in Saudi Arabia and TAQA in Saudi Arabia.

In addition, Joris provides lecturing in Corporate Finance & Accounting at leading Universities like: Nyenrode University Breukelen, TIAS Business School Utrecht, the Maastricht School of Management (MSM), the Luxembourg School of Business and SP Jain School of Global Management in Sydney.

Moreover, he provides lecturing at partner Universities of MSM in: Peru, Surinam, Mongolia and Kuwait. And at partner Universities of SP Jain in Dubai, Mumbai and Singapore.



Joris graduated in MSc Strategic Management and BSc Business Studies, both from Tilburg University. In addition, he is (cum laude) graduated as “Registered Advisor Business Acquisitions” (RAB), a 1-year study in the legal and tax aspects of M&A's. And Joris obtained a degree in “didactic skills” (Basic Qualification Education) in order to lecture at Universities.

Currently Joris is following the “Executive Master of Business Valuation” to obtain his title as “Registered Valuator” (RV) given out by the “Netherlands Institute for Registered Valuators” (NIRV). This title will enable Joris to give out business valuation judgements in for example court cases.

Learning goals

1. Being able to determine the value of a company using “comparable companies analyses”;
 2. Being able to determine the value of a company using “precedent transaction analysis”;
 3. Being able to determine the value of a company using “discounted cash flow analysis”;
 4. Getting acquainted with “leveraged buyouts” (LBO's);
 5. Being able to determine the value of a company using “LBO analysis”;
 6. Getting acquainted with the process of “sell-side M&A”;
 7. Being able to determine the value of a company using “Merger consequence analysis” (buy-side M&A analysis).
 8. In addition, you will learn all the “excel shortcuts” to become an excellent financial modeller by using your keyboard instead of the mouse.
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Audience/participants/foreknowledge

This training is meant for analysts and associates from international investment banks. Moreover, the training is meant for analysts and consultants in: M&A, private equity, venture capital and strategy. In addition, the training is meant for accountants, tax lawyers, bankers in credit analysis, financial managers, CFO's etc.

During the training will be focussed on international companies listed on the stock exchange. But the valuation techniques are also applicable to (non-listed) private firms.

The participants need to have a basic knowledge of the 1) balance sheet, 2) profit & loss statement and 3) cash flow statement. In addition, participants need to have a basic understanding of Microsoft excel.

Language training: English. Language study materials: English.

Teaching method:

The training is very practical in a sense that the trainer will explain the concepts first and will then apply them in class to real life companies with the participants. With all the calculations "Microsoft excel" is used to build the financial models.

During the training will be focussed on companies listed on the stock exchange. But the valuation techniques are also applicable to (non-listed) private firms.

Planning

1. Wednesday March 18th 2020: 10 AM – 6 PM;
 2. Thursday March 19th 2020: 10 AM – 6 PM;
 3. Friday March 20th 2020: 10 AM – 6 PM;
 4. Saturday March 21st 2020: 10 AM – 6 PM;
 5. Monday March 23rd 2020: 10 AM – 6 PM;
 6. Tuesday March 24th 2020: 10 AM – 6 PM.
- Sunday March 22nd: Not a training day.*
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Subjects

- Day 1 - Morning: Comparable companies analysis;
- Day 1 - Afternoon: Comparable companies analysis + Precedent transaction analysis.

- Day 2 - Morning: Precedent transaction analysis;
- Day 2 - Afternoon: Discounted cash flow analysis.

- Day 3 - Morning: Discounted cash flow analysis;
- Day 3 - Afternoon: Leveraged buyouts (LBO's).

- Day 4 - Morning: Leveraged buyouts analysis;
- Day 4 - Afternoon: Leveraged buyouts analysis.

- Day 5 - Morning: Leveraged buyouts analysis;
- Day 5 - Afternoon: Sell-side M&A.

- Day 6 - Morning: Buy side M&A;
- Day 6 - Afternoon: Buy side M&A.

Laptop & Microsoft Excel:

Participants need to bring their own laptop to the training with microsoft excel on it. In the financial sector one works with windows instead of "apple/ IOS".

All the "shortcuts in excel" that will be discussed in class are based on windows, therefore it is highly recommended to work on a windows laptop/ computer in class and not on "apple/ IOS".

Literature:

1. Investment Banking: Valuation, leveraged buyouts and mergers & acquisitions. Second edition (2013). Joshua Rosenbaum & Joshua Pearl. Wiley Publishing company. 9781118472200.
2. Investment Banking: Workbook. Joshua Rosenbaum & Joshua Pearl. Wiley Publishing company. 9781118456118.

These books are included in the price for this training and will be sent to you after you have registered.



Preparation:

Read the chapters of the book* (you will receive the book after you have registered) below before the training days:

1. Day 1 (Wednesday): Read chapter 1 + chapter 2 before class;
2. Day 2 (Thursday): Read chapter 3 before class;
3. Day 3 (Friday): Read chapter 4 before class;
4. Day 4 (Saturday): Read chapter 5 before class;
5. Day 5 (Monday): Read chapter 6 before class;
6. Day 6 (Tuesday): Read chapter 7 before class.

**Investment Banking: Valuation, leveraged buyouts and mergers & acquisitions. Second edition (2013). Joshua Rosenbaum & Joshua Pearl. Wiley Publishing company. 9781118472200.*

Location training:

The address of the training location is:

Van der Valk Hotel Uden-Veghel

Rondweg 2 - 5406 NK Uden - The Netherlands

You can park your car for free at the training location.

Uden is located at about 30 minutes by car from city Eindhoven (airport) and also about 30 minutes from city 's-Hertogenbosch (also called 'Den Bosch'). And Uden is located at about 90 minutes by car from Schiphol Amsterdam (international airport).

In case you want to stay over in a hotel (not included in the price), you can stay over in the nice and affordable hotel of the training location. And there are plenty other hotels around. Feel free to send me an email and I will send you a list of other available hotels around.

Certificate

After taking this training, attendance of the full 6 days and active participation in class you will receive a certificate of successfully taking this 6-day investment banking training of Kersten Corporate Finance in The Netherlands.



Price & payment:

The price for this 6-day training is 3.900 euro excluding vat.

This price is for the 6-day training including study materials (the 2 books, see literature), coffee and tea all day, luxury lunch at lunchtime and a snack in the afternoon.

There is a maximum of 20 participants for the training based on first come first served. This way there is room for interaction in class.

You can register yourself by sending an email to: joris@kerstencf.nl

You will then receive a registration form for registration.

Early bird discount:

There is an early bird discount for participants who register before 31st January 2020 of no less than 1.000 euro!! So if you register before 31st January 2020 (and the 20 participants have not yet been reached) this training will be only 2.900 euro excluding vat.



Detailed planning

Day 1: Morning (10 AM – 1 PM):

Topic: Comparable companies analysis

Step 1: Select the universe of comparable companies

- Study the target;
- Identify key characteristics of the target for comparison purposes;
- Screen for comparable companies.

Step 2: Locate the necessary financial information

- SEC filings: 10-K, 10-Q, 8-K, and proxy statements;
- Equity research;
- Press releases and news runs;
- Financial information services;
- Summary of financial data primary resources.

Step 3: Spread key statistics, ratios and trading multiples

- Calculation of key financial statistics and ratios;
- Supplemental financial concepts and calculations;
- Calculation of key trading multiples.

Day 1: Afternoon (2 PM – 6 PM):

Topic: Comparable companies analysis

Step 4: Benchmark the comparable companies

- Benchmark the financial statistics and ratios;
- Benchmark the trading multiples.

Step 5: Determine valuation

- Valuation implied by enterprise value (EV)/ EBITDA;
- Valuation implied by Price/ Earning (PE).

Key pros and cons of comparable company analysis



Day 2: Morning (10 AM – 1 PM):

Topic: Comparable transactions analysis

Step 1: Select the universe of comparable acquisitions

- Screen for comparable acquisitions;
- Examine other considerations.

Step 2: Locate the necessary deal-related and financial information

- Public targets;
- Private targets;
- Summary of primary SEC filings in M&A transactions.

Step 3: Spread key statistics, ratios and transaction multiples

- Calculations of key financial statistics and ratios;
- Calculation of key transaction multiples.

Step 4: Benchmark the comparable acquisitions;

Step 5: Determine valuation

Key pros and cons of comparable

Day 2: Afternoon (2 PM – 6 PM):

Topic: Discounted cash flow analysis (DCF)

Step 1: Study the target and determine key performance drivers

- Study the target;
- Determine key performance drivers.

Step 2: Project free cash flow

- Considerations for projecting free cash flow;
- Projection of sales, EBITDA and EBIT;
- Projection of free cash flow.

Step 3: Calculate weighted average cost of capital (WACC)

- Determine target capital structure;
- Estimate cost of debt;
- Estimate cost of equity;
- Calculate WACC.



Day 3: Morning (10 AM – 1 PM):

Topic: Discounted cash flow analysis (DCF)

Step 4: Determine terminal value

- Exit multiple method;
- Perpetuity growth method.

Step 5: Calculate present value and determine valuation

- Calculate present value;
- Determine valuation;
- Perform sensitivity analysis.

Key pros and cons of DCF

Day 3: Afternoon (2 PM – 6 PM):

Topic: Leveraged buyouts (LBO's)

Key participants

- Financial sponsors;
- Investment banks;
- Bank and institutional lenders;
- Bond investors;
- Target management.

Characteristics of a strong LBO candidate

- Strong cash flow generation;
- Leading and defensible market positions;
- Growth opportunities;
- Efficiency enhancement opportunities;
- Low capex requirements;
- Strong asset base;
- Proven management team.



Economics of LBO's

- Return analysis: Internal rate of return (IRR);
- Return analysis: Cash return;
- How LBO's generate return;
- How leverage is used to enhance returns.

Primary exit/ monetization strategies

- Sale of business;
- Initial public offering (IPO);
- Dividend recapitalisation;
- Below par debt repurchase.

LBO financing: Structure

LBO financing: Primary sources

- Bank debt;
- High yield bonds;
- Mezzanine debt;
- Equity contribution.

LBO financing: Selected key terms

- Security;
- Seniority;
- Maturity;
- Coupon;
- Call protection;
- Covenants;
- Term sheets.

LBO financing: Determine financing structure



Day 4: Morning (10 AM – 1 PM):

Topic: LBO analysis

Step 1: Locate and analyse the necessary information

Step 2: Build the pre-LBO model

- Build historical and projected income statement through EBIT;
- Input opening balance sheet and project balance sheet items;
- Build cash flow statement through investing activities.

Day 4: Afternoon (2 PM – 6 PM):

Topic: LBO analysis

Step 3: Input transaction structure

- Enter purchase price assumptions;
- Enter financing structure into sources and uses;
- Link sources and uses to balance sheet adjustments columns.

Step 4: complete the post LBO model

- Build debt schedule;
 - Complete pro forma income statement from EBIT to net income;
 - Complete pro forma balance sheet;
 - Complete pro forma cash flow statement.
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Day 5: Morning (10 AM – 1 PM):

Topic: LBO analysis

Step 5: Perform LBO analysis

- Analyse financing structure;
- Perform return analysis;
- Determine valuation;
- Create transaction summary page.

Day 5: Afternoon (2 PM – 6 PM):

Topic: Sell-side M&A

Auctions

Organisation and preparation

First round

Second round

Negotiations

Closing

Negotiated sale



Day 6: Morning (10 AM – 1 PM):

Topic: Buy-side M&A

Buyer motivation

- Synergies;
- Cost synergies;
- Revenue synergies.

Acquisition strategies

- Horizontal integration;
- Vertical integration;
- Conglomeration.

Form of financing

- Cash on hand;
- Debt financing;
- Equity financing;
- Debt vs. equity financing summary – Acquirer perspective.

Deal structure

- Stock sale;
- Asset sale.

Day 6: Afternoon (2 PM – 6 PM):

Topic: Buy-side M&A

Buy-side valuation

- Football field;
- Analysis at various prices;
- Contribution analysis.

Merger consequences analysis

- Purchase price assumptions;
- Balance sheet effects;
- Accretion/ dilution analysis;
- Acquisition scenario's: 50% stock/ 50% cash, 100% cash, 100% stock.



Planning all (Spring 2020) training sessions of Kersten Corporate Finance:

Financial Modelling in Excel (5 days): 2, 3, 4, 5, 6 February 2020.

Location: Riyadh/ Saudi Arabia;

Business Valuation & Deal Structuring (6 days): 18, 19, 20, 21 and 23, 24 March 2020.

Location: Uden/ The Netherlands;

Financial Modelling in Excel (4 days): 20, 21, 22, 23 April 2020.

Location: Uden/ The Netherlands;

Business Valuation & Deal Structuring (5 days): 22, 23, 24, 25, 26 June 2020.

Location: New York City/ United States.

Kersten Corporate Finance - Mergers & Acquisitions

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