



[The Ticker \(Baruch's Weekly Newspaper\)](#)

Investment Banking Club students get training in financial modeling

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In October, 40 members of the Investment Banking Club attended a total of 28 hours of intensive, hands-on training in financial modeling taught by a professional consultant and Chartered Financial Analyst (CFA), Hamilton Lin.

The Investment Banking Club approached Hamilton Lin earlier this spring and invited him to teach financial modeling to the club's members on campus. Lin works primarily with large financial institutions, and his rates are upwards of \$575 per person per day. After several days of negotiations with the club's officers, an agreement was reached for a discounted price for all four training sessions, which totaled 28 hours.

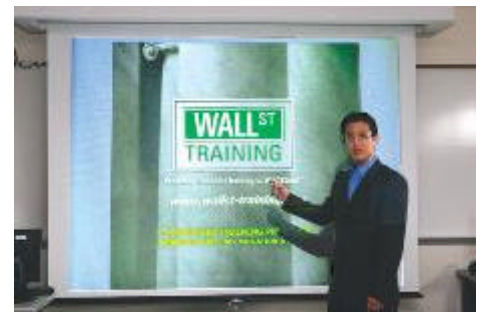
Following the club's petition for additional funding the Undergraduate Student Government agreed to contribute a third of the amount and offered the club logistical assistance. Because of facility constraints, only 40 students were accepted into the training program. The selection committee included two alumni, a USG representative and a faculty member.

The training sessions consisted of basic and advanced financial modeling, Merger and Acquisition deal structuring and basic merger modeling. Included was also a basic introduction to corporate valuation and finance topics, as well as various Excel tools.

A financial model is typically an Excel spreadsheet into which analysts enter sets of data and assumptions about one or more companies involved in a transaction, say, a merger. They create relationships between these variables using simple formulas and then evaluate possible outcomes under various scenarios. Such analyses are critical decision-making tools for senior bankers and research analysts and junior analysts spend most of their waking hours building all sorts of models.

The students in the WST class learned over the course of four days how to build three of the most common models on Wall Street - a Discounted Cash Flow (DCF) model, a merger model and a self-balancing debt financing model, which can be easily extended into a fully integrated leveraged buyout model. A leveraged buyout is the acquisition of a company, primarily using debt as a means of doing so.

On the first day of training, Lin expounded the corporate finance and valuation concepts that students needed to grasp before they ventured to build any model:



Media Credit: Mohamed Wann



Media Credit: Mohamed Wann
Hamilton Lin, top, introduces the course; students build their excel models, bottom.



valuation methods, capital structure (the makeup of a company's method of financing), leverage (debt), enterprise value (the value of a company at its acquisition) and valuation multiples. In the afternoon, the class learned how to project an income statement five years out and adjust the corresponding cash flows to arrive at a range of share prices for a hypothetical company. They had just built a complete DCF model.

That was the easy part. Things became more intense when the class reconvened a week later for its second session. Building on what they had learned the first day, the students built a new five-year projection model for Wal-Mart, only this time they had to look over the retailer's quarterly and annual filings from the Securities and Exchange Commission and extract the information they needed to wire the model. Lin then walked them through the proper way to string together the income statement, balance sheet, cash flow statement and debt pay-down schedule - all while avoiding circular references.

By now, Lin's method had evolved from telling the students exactly what they need to do - especially the correct numbers and formulas to use - to forcing them to think and experiment until they found the right answer or threw the towel in, a point at which he would show them the right way. Lin believes that as financial analysts, these students will have to do a lot of thinking and problem solving on their own. It's not too early for them to begin experiencing these situations in a real Wall Street training setting that can enhance their opportunities for careers in finance.

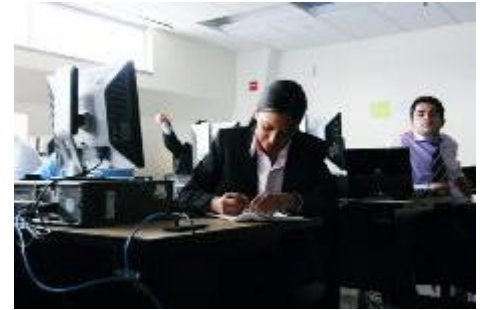
During the third session, Lin and the students ventured to model a merger between Wal-Mart and Target, a deal which, if it were real, would probably cause indignation among antitrust regulators. In what is called a Merger Consequence Analysis, the students determined the financial benefits that would accrue to Wal-Mart for each hypothetical price it paid to acquire Target and the synergies it expected to realize from such merger.

Lin dedicated the last day of training to teaching the students a myriad of Excel tricks to help them become extremely efficient with the software. He introduced various methods of working with Pivot Tables, the drop box tool and regression, to name a few.

From the first day of training onwards, Lin insisted on students not using a mouse to navigate Excel. Part of their training as prospective summer analysts required them to be able to summon any feature in Microsoft Excel directly from the keyboard. In addition to the more than 150 keyboard shortcuts that come with native Microsoft Excel, Lin showed the students how to create their own keyboard shortcuts and icons, thus forever banishing pointing devices from their lives. For example, he showed students how to rig Excel so as to zoom in increments of 15 percent simply by holding Ctrl + J. The end goal, Lin told the class, "is to save microseconds in each step," adding that for the constantly overburdened financial analyst, this could make, in any day, "the difference between going home at 4 a.m. and doing so at 2 a.m."

In addition to skimming microseconds off modeling assignments, Lin also showed the students how to save hours when dealing with "data dumps," welters of text and numbers that needed to be dissected and repackaged neatly, quickly. Throughout the training, the students were introduced to a number of powerful Excel functions - especially when combined - such as CHOOSE, MATCH, OFFSET, XIRR, VLOOKUP, SUM+IF, MIN, MAX and several text functions.

In 28 hours of intensive training, interspersed with Lin's humorous stories about his early days as an analyst in investment banking and his sardonic views about the profession, the students developed knowledge of valuation concepts and financial modeling techniques that can help them in at least two ways - provided that they review the course material frequently and practice persistently after the training. First, they will be thoroughly prepared to handle



Media Credit: Mohamed Wann,
John Lee

Students took the same training course that summer and first-year analysts must take prior to starting their employment at investment banks.

technical interview questions pertaining to valuation and financial modeling. Second, they can take on far more challenging work assignments than their peers during internships.

Students ended the training more than pleased with what they had learned. They felt well-prepared to answer any technical questions that would come up in an interview as well as on the job. As Gil Bouhana said, "A lot of information was dispensed in a short amount of time. There was some type of pressure on getting things done right and fast. All this created an environment, which felt as if we were being trained at a Wall Street firm. It was great."

Asked about their evaluation of this round of training and the club's future plans, the officers said, "Wall Street Training 2006 was our first trial run, and it was a success by any measure. There were some bad news, no doubt: we would have liked to include more students in the training than the 40 we selected, but the biggest computer lab we could secure - with USG and Student Life's help - could only accommodate 40 students. The good news is that the shortage helped us realize that there was a strong, pent-up demand for financial modeling workshops at Baruch, and we are already in negotiations to offer new, enhanced training packages - this time, to all students."

The training packages they are referring to are three levels of training modules, called Wall Street Training Edu-Packs. They are complete with detailed PDF slides, add-ins, shortcuts and blank templates. Level 1 consists of income statement projections, a full discounted cash flow model and data tables. The second level introduces the student to merger and acquisition modeling with accretion/dilution analysis. The package wraps up with leveraged buyout modeling in Level 3.

After students have completed all three levels sequentially, they will then be required to submit models they themselves built. Upon successful completion, they will receive certification.

The club would like to congratulate the 40 students who successfully participated in the 2006 Wall Street Training class. The completion of this program has marked a memorable achievement for both the members and the club.

A to-do list from IBC

The following are attributes that recruiters on Wall Street look for in candidates:

- A very strong GPA - greater than 3.4 and GMAT score if taken while in college
- A solid track record of finance internships by the end of the sophomore year
- Sound knowledge of the financial markets and the careers within
- Strong communication skills, both oral and written
- Outstanding leadership qualities and substantial volunteering experience
- Sharp technical skills in financial accounting and financial modeling

In order to help you be better prepared for the next great opportunity coming your way, we recommend you do the following:

- Learn as much as you can about Wall Street by reading The Vault career guides and selected novels from the Investment Banking Club's reading list
- Learn how the financial markets work and fathom important financial concepts by visiting websites such as www.investopedia.com
- Follow the markets by reading financial publications, e-newsletters such as Knowledge @ Wharton, or S&P Industry Surveys

- Manage your own simulated portfolio on web portals such as www.marketocracy.com
- Learn financial modeling by participating in workshops offered by the Investment Banking Club, such as Wall Street Training
- Develop a track record in finance to enhance your resume with year-round internships with boutique investment banks
- Prepare rigorously for finance interviews by consulting the Vault Guide to finance interviews and participating in mock Wall Street interviews
- Take advantage of career and leadership development programs such as INROADS, NYSSA, SEO, SEMI and corporate scholarships
- Engage in leadership and community activities
- Build a strong network and look for mentors

For a complete, four-page checklist and links to dozens of useful websites, visit: www.investmentbankingclub.com