Providing financial training to Wall Street ®
www.wallst-training.com

ADVANCED FINANCIAL MODELING
VALUATION MODELING
M&A MODLING

JULY 2016 BOOT CAMP

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Wall St. Training
Founder & CEO

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ABOUT WALL ST. TRAINING

WALL ST. TRAINING OVERVIEW

Wall St. Training provides professional financial training solutions to Wall Street through hands-on classroom training and customized corporate training programs for financial analysts. All of our courses take a hands-on, interactive, practical, non-theoretical approach and is exactly how it is done on Wall Street.

Wall St. Training Overview

- Corporate training
- Public, open-enrollment seminars
- Self-study, video-based learning

Wall St. Training Services

- Train finance professionals
- Conduct new hire and lateral hire training
- Teach fundamental financial analytics
- Instruct and promote mastery of advanced topics
- Provide practical, real-world, hands-on instruction

Wall St. Training Specialties

- Investment Banking and M&A (analysts & associates)
- Securities Research (equity & fixed income)
- Asset and Investment Management
- Credit Analysis (corporate & commercial banking)
- LBO Modeling (private equity & high yield)
- CFA (Chartered Financial Analyst)

WALL ST. TRAINING COURSE TOPICS

Wall St. Training offers a wide variety of topics ranging from Basic to Advanced levels. Our courses are designed for participants with various backgrounds, from students and entry-level professionals to professionals with some work experience to professionals in the midst of a career transition.

Basic and Fundamental Concepts

- Accounting and Financial Statements Integration
- How to Analyze a 10K
- Introduction to Finance ("Finance 101")
- Corporate Valuation (including Corporate Finance)

Core Financial Modeling Topics

- Basic Financial Modeling
- Advanced Financial Modeling (Core Model) & Valuation Analysis
- Revenue and Segment Build-up Model
- Trading & Deal Comps Analysis

Merger Modeling Topics

- M&A Deal Structuring and Merger Modeling
- Basic and Complex LBO Modeling & LBO Enhancements
- Advanced Merger Modeling
- Roll-Up Acquisition Modeling

Technical Applications & Topical Subjects

- Insurance Company and REIT Financial Modeling
- Overview of the Financial Markets
- Advanced Excel for Data Analysis + Intro to Macros

WHY CHOOSE WALL ST. TRAINING

We analyzed the current learning process in finance and Wall Street, figured out how teaching and training should be done and then implemented our learning processes. In short, our strengths that separate us from our competitors include:

- Hands-on, interactive, practical, non-theoretical, no "b.s." approach
- Training modules replicate exactly how it is done on Wall Street
- Blend of real-world and effective teaching style that is more down to earth and at the audience's level
- Fast-paced learning where the goal is for participants to become experts and extremely quick and efficient so they could spend more time on analysis of the numbers rather than pure number crunching
- Learn how to completely avoid using the mouse when building financial models
- Ability to translate difficult and advanced concepts into plain English while providing highly detailed explanations and intricacies; ability to integrate a variety of disparate topics into one focused theme
- Teach nuances and real-life intricacies, not just the basic how-to; we teach the rules and the exceptions!
- Models that are built more cleanly, more efficiently and are meant to be self-contained reference models
- Highly interactive, dynamic teaching approach – we guarantee you will learn AND have fun!

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FINANCIAL MODELING, VALUATION & M&A BOOT CAMP

- **ADVANCED FINANCIAL MODELING** July 12-14, 2016
- **VALUATION MODELING** July 18-19, 2016
- **M&A MODELING** July 20-21, 2016

FINANCIAL MODELING, VALUATION & M&A BOOT CAMP		
Topic	**Format**	**Duration**
Advanced Financial Modeling (July 12-14, 2016)		3 days
Advanced Financial Modeling – Core Model	Excel	1 day
Segment Build-up Sensitivity Modeling	Excel	1 day
Enhancements to the Core Model	Excel	1 day
Valuation Modeling (July 18-19, 2016)		2 days
Corporate Valuation Methodologies	Discussion	½ day
Private Company Valuation	Excel	½ day
Basic Financial Modeling + DCF Modeling	Excel	½ day
Quick & Dirty Trading Comps Analysis	Excel	< ½ day
Deal Comps Analysis (Precedent Transactions)	Excel	< ½ day
Relative Valuation – Football Field	Excel	< ½ day
M&A Modeling (July 20-21, 2016)		2 days
M&A Deal Structuring	Discussion	½ day
Merger Modeling Basics	Excel	½ day
Intermediate/Advanced Merger Modeling	Excel	½ day
M&A Earnout Modeling	Excel	½ day

All participants receive access to applicable courses via our online video-based content. Prerequisites are meant to be done prior to the first day of live training and are available before and after the training.

Online Course Access (included with each participant's tuition):
Package 1: Basic & Fundamental Concepts, including the following courses: Accounting & Financial Statement Integration, How to Analyze a 10K, Finance 101: Intro to Finance, Company Overview

These are intensive financial modeling training programs based off our training to large Wall Street investment banks, hedge funds and asset managers and are meant to challenge, teach and inspire you, not put you to sleep!

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Logistics

- Held in New York City (Midtown)
- Bring a PC laptop with Microsoft Excel installed. If you can only use a Mac, please avoid Office 2008 and be sure to set up a Windows environment via Boot Camp, Parallels, or VMware

Benefits

- Become extremely fast and efficient with Excel; apply these skills in many finance and related classes
- Instill and encourage you to apply thought and reasoning when building financial models
- Get on-going support from WST & participate in live forums & discussions
- Bridge the gap between academic theory and the textbook with practical, real-world application
- Enables you to take on more challenging tasks during summer programs, e.g. building financial models
- Be better prepared for any full-time or post-MBA position at boutique investment firms or firms with little to no formal training programs

****IMPORTANT - PLEASE NOTE****

To maximize the educational value of this program, we strongly recommend that you have an intermediate understanding of Excel. Lack of basic Excel skills will impede your ability to effectively acquire and implement the techniques and shortcuts that are presented in this program. Our courses are extremely interactive, hands-on with intensive focus on Excel shortcuts and efficiency.

ADVANCED FM DAY ONE: ADVANCED FINANCIAL MODELING

Advanced Financial Modeling – Core Model

Build a fully integrated financial statement projection model with income statement projections, a self-balancing balance sheet, an automated cash flow statement, and the balancing cash flow sweep/debt schedule. While knowledge of advanced accounting concepts is not required for this course, you should possess knowledge of basic accounting ratios and a basic understanding of how the major financial statements are inter-related. Emphasis is placed on the integration of the major financial statements and becoming experts in Excel. Incorporate different methodologies to forecasting the different types of assets on the balance sheet and compare and contrast with projecting liabilities. Learn how to balance a model utilizing the debt sweep and the revolver and not using any "plugs". Appreciate the danger of and properly control for circular references. Avoid messy nested "if" statements!! You will leave the classroom with a fully constructed model that can be customized and applied to other companies. The final model is a fully scalable model that can be added upon.

Learning Objectives:

- Build an integrated set of financials, including income statement, balance sheet & cash flow
- Learn how to balance a model utilizing debt sweep, no "plugs" and the danger of circular references
- Become super-efficient in Excel through intensive use of keyboard shortcuts and best practices

Course Sections:

5-Year Financial Statement Projection Model:
- How do you project a company's Income Statement from revenues and expenses down to Net Income?
- What are the different methodologies to forecasting the different types of assets on the balance sheet and how do they compare and contrast with projecting liabilities?
- How do you project the shareholders' equity account?
- What is the importance of financial ratios in building the balance sheet projections?
- How do you approach building an integrated cash flow statement?
- How do you build each component of the cash flow statement and why is cash the last item to project?

Supporting Schedules:
- Incorporate calculation and payment of dividends into your integrated financial model
- Emulate announced share repurchase program by estimating implied price and shares repurchased

Integration and Balancing of Financial Model:
- Balance the model using the debt schedule and debt sweep logic – the most important analysis in terms of balancing the model!!
- How does the cash actually flow through the model?
- Incorporate automatic debt payments and use cash generated to either pay down debt or build cash
- How does the revolver facility actually balance the model? Avoid messy nested "if" statements!!
- How does the balance sheet and financial statements balance by itself without the use of "plugs"?
- How are the financial statements integrated using the Interest schedule?
- What are circular references, why should they be avoided and how to get around circular references

ADVANCED FM DAY TWO: SEGMENT BUILD-UP

Segment Build-up Sensitivity Modeling

Learn how to build detailed revenue and segment build-ups into your larger financial model. Many financial projection models are based off simple revenue growth rate and expense margin assumptions, resulting in reduced precision in the projection model. This course teaches various approaches to true, bottoms-up, fundamental analysis, from both an "account-by-account" and "business segment" basis (very detailed build-up vs. division by division). The results of build-up analysis roll-up into a consolidating income statement that feeds into the Income Statement revenue items.

Learning Objectives:

- Learn detailed revenue build-up algorithms for various types of businesses and scenarios
- Provide additional credibility, support and precision to your financial models
- Understand and analyze the true drivers of growth in a business and translate into Excel
- Build sensitivity analysis into model by incorporating different scenarios and cases

Course Sections:

Operating & Division Segment Build-Up:

- Model out historical change in key drivers of growth and project future detailed growth
- Analyze and break down growth based on publicly available data and inputs from 10K filing
- Incorporate and remove effect of growth from non-core items such as foreign exchange rate fluctuations
- Project future detailed growth assumptions that roll up into larger projection model
- Instead of just calculating 10% growth rate in revenue, dig into deeper layers of growth drivers
- For instance, for a retailer, calculate Sales / Sq Foot / Type of Store, which captures: (i) number of stores (store count growth); (ii) size of each store (expansion and size creep); (iii) profitability of each sq foot and same store comps sales (YoY sales growth)

Detailed Account by Account Build-Up:

- Project sources of revenue based on growth in number of accounts and customers
- Model out revenue per account and associated commissions and expenses
- Incorporate rate increases into model
- Further enhance model via sensitivity & scenario modeling and analysis
- Detailed build-up consolidates into Consolidating Income Statement which feeds into model
- Account for inter-company eliminations in historical pro forma model and projections

Sensitivity Analysis and Multiple Cases:

- Layer sensitivity analysis on top of segment build-up to incorporate various assumptions and cases
- Build multiple scenarios and cases, including Base Case, Optimistic & Pessimistic Cases
- Toggle and sensitize profitability and cash flow of model based on various case assumptions

Industry-Specific Drivers of Growth:

- Discussion on industry-specific drivers of growth
- Focus on oil & gas services sector and alternative energy

ADVANCED FM DAY THREE: ENHANCEMENTS TO THE CORE MODEL

Enhancements to the Core Model – Part 1

Enhance core integrated financial model by building a detailed revenue and segment build-up into your larger financial model, properly deriving a depreciation schedule, analyzing financial ratios, and automating credit and leverage statistics. For capital intensive businesses, it is critical to derive a more precise depreciation schedule that flows off Capital Expenditures assumptions instead of merely projecting percentage of revenue. Simplify your credit analysis as we automate the estimated credit ratios analysis for you with our unique proprietary construction that is supplied for you and flows from the Core Model and the projection model. This Enhancements course will allow you to have a much more detailed stand-alone financial model and valuation model!

Course Sections:

Depreciation Schedule
- Build a stand-alone depreciation schedule to better estimate working capital changes and free cash flow by depreciating existing PPE as well as new capital expenditures
- Capture and incorporate detail such as remaining useful life estimates
- Allocate accumulated depreciation correctly
- Depreciate existing Net PPE and new CapEx based on weighted average life

Enhancements to Core Integrated Financial Model
- Create quick financial summary exhibit that summarizes key figures from financial model
- Build an analysis of trading statistics that can be used to compare companies across an industry
- Provides current snapshot of the current public market valuation
- Sensitize trading analysis through an "Analysis at Various Prices" analysis
- Hypothetical "what if" scenario based on acquisition offer prices and implied multiples

Financial & Credit Ratio Analysis
- Construct detailed financial accounting ratios to quantify profitability & operating efficiency metrics
- Analyze liquidity ratios, profitability ratios and asset management efficiency ratios
- Credit and leverage statistics ratio analysis with automated comparisons vs. S&P rating statistics
- Distinguish between various types and tranches of debt

Detailed Business Segment Build-Up
- Model out historical change in key drivers of growth and project future detailed growth
- Analyze and break down growth based on publicly available data and inputs from 10K filing
- Incorporate and remove effect of growth from non-core items such as foreign exchange rate fluctuations
- Project future detailed growth assumptions that roll up into larger projection model

Valuation Modeling
- Construct a discounted cash flow analysis, estimate unlevered free cash flow (free cash flow to firm) and terminal value using multiples approach and perpetuity growth approach
- Build reference range and football field to summarize valuation

VALUATION DAY ONE MORNING: CORPORATE VALUATION METHODOLOGIES

Corporate Valuation Methodologies

How can you tell if a company is undervalued or overvalued? Is the current stock price the only measure of value? Why would one company command a higher or lower premium than its direct competitor? This course takes a practical, tangible, and non-theoretical approach to examining how corporations are valued and the major analytical tools that are used. Go beyond the academic theory of financial ratios and apply fundamental analysis and real-world methods of evaluating a company's intrinsic value. Gain insight into relative valuation methodologies (trading comps, deal comps) to fundamental valuation (discounted cash flow analysis, break-up / sum of the parts valuation). Coverage goes beyond the academic theory of financial ratios to the practical application of fundamental analysis, offering alternative, real-world methods of evaluating a company's intrinsic value. The Course includes a crucial primer to Corporate Finance and its non-theoretical application; apply learning objectives and goals immediately to today's environment.

Learning Objectives:

- How to value a company (trading comps, deal comps, DCF, LBO, break-up and asset valuation)
- Importance of Enterprise Value, EBITDA, capital structure, leverage and WACC
- Analyze valuation multiples and ratios; why are PE ratios sub-optimal as a valuation metric?
- Practical, non-theoretical application of introduction to corporate finance

Course Sections:

Introduction to Valuation and Corporate Finance

- How much is a company worth? Why is the current stock price not an accurate indication of value?
- How do you tell if a company is under-valued or over-valued?
- Why would one company command a higher or lower premium than its direct competitor?
- What is the importance between enterprise value and equity value?
- TEV: what is the correct treatment of minority interest and capital leases from a standalone valuation aspect vs. credit perspective vs. change of control
- What is the relevance of capital structure and leverage on a company's value?
- Why and how is corporate finance so critical to managing a firm's profitability?

Ratios and Multiples Discussion

- What exactly does a multiple tell us? Learn the correct way to use P/E ratios and other multiples
- Why are P/E ratios misunderstood and what other profitability-related ratios are more important?
- What is EBITDA and why is it so important?
- Utilizing the correct numerator for multiples analysis
- Calculating implied value based on multiples analysis

Detailed Valuation Analysis

- Analysis of "football field" and reference ranges
- Detailed discussion of the major valuation methodologies, their nuances and application in the real-world
- Analyzing, comparing and contrasting trading comps, deal comps and premiums paid
- Detailed explanation of Discounted Cash Flow (DCF) valuation, its theory and application
- Discussion of why the DCF is arguably one of the most important analyses while simultaneously one of the most academic and least practical of them all
- Review of WACC (weighted average cost of capital), CAPM (Capital Asset Pricing Model)
- How do you approach valuing a company with completely disparate businesses?

VALUATION DAY ONE AFTERNOON: PRIVATE COMPANY VALUATION

Private Company Valuation

This course builds upon our basic Corporate Valuation course and introduces the complex nuances associated with analyzing and valuing private companies. We dive deep into the details and concepts deeply imbedded with valuation of large publicly traded and listed companies and take it to next level by applying it to companies and regions with very sparse publicly available data. Learn nuances of adjusting for DCF valuation, WACC analysis when no data exists, how to select and adjust peer comparables when no "good comp" exists. While there is certainly no magic bullet to the tough questions and lack of information, there are techniques and best practices to get us as close as possible.

Course Sections:

Debt & Lending Overview
- Capital Structure & Implications on Loan Seniority
- Lender Concerns, Borrower Creditworthiness & Measurement & Ratings Agencies
- Bank Debt / Senior Secured Loans Overview
- Bank Debt comparison with High Yield notes

Credit Agreements
- Introduction to Credit Agreements
- Role of Covenants
- Administrative Agent
- Defaulting on Credit Agreements: Types of Default and Post-default
- Debt Tranche Interdependence: Conflicts of Interest & Cross-Defaults
- Relative importance of Bank Debt to High Yield note covenants
- Formal Sections of Credit Agreement: Introduction to Solutia Case Study

Standard & Variable Provisions of the Credit Agreement
- Explanation of standardization
- General Overview of major CA sections
- Section summary specific to Solutia case study
- Title Page: Importance of Legal Borrower, Corporate Structure Overview
- Table of Contents
- Recitals: Detail on Guarantors
- Definitions: Emphasize importance of definitions due to variability across CAs
- Loan Terms: Detail on amortization structures of loans, company-specific amortization preferences
- Representations & Warranties
- Conditions (to closing)
- Events of Default: Overview of cure period & amendments
- Other & Voting majority

VALUATION DAY TWO MORNING: BASIC FINANCIAL MODELING + DCF MODELING

Basic Financial Modeling + DCF Modeling

This course builds upon, and implements in Excel, the fundamental financial analysis and valuation topics. Create a top-down, five year income statement projection model and then construct a basic discounted cash flow analysis on top of your projection model. This course provides a non-academic, real-world, hands-on primer to the quantitative and technical aspects of financial modeling. The model could be further expanded for valuation purposes or analyzing mergers and acquisitions – either way, you will leave the classroom with a template model that is scalable and applicable to other companies immediately. In addition, learn about subtle nuances including the proper figure for "cash flow" in perpetuity growth models and handling dilutive options for valuation.

** Don't get thrown off by the world "basic" – this Basic Financial Modeling serves as the fundamental basis for all of our additional Excel-based courses. Before you "graduate" onto our advanced modeling courses, we HIGHLY recommend you take this course for the full background on working efficiently in Excel the way we want you to, otherwise you may have a much steeper learning curve in our other classes. **

Learning Objectives:

- How do you construct a projection model with a five-year forecast?
- How do you begin to forecast a company's profitability?
- What are the intricacies involved with model building?
- What are the basic methods of projecting a company's revenues and expenses?

Course Sections:

5-Year Income Statement Projection Model

- Input historical financial results and recast as necessary
- Calculate historical growth rates and margins which serve as the basis for your projection assumptions
- Calculate your projected profitability from revenue down to EPS
- Learn the correct way to calculate diluted shares outstanding

Discounted Cash Flow Analysis

- How is a discounted cash flow analysis actually constructed?
- Estimate unlevered free cash flow (free cash flow to firm)
- Why is amortization non-tax-deductible from a tax perspective and what are the implications on value?
- What are different proxy methods for calculating working capital?
- Terminal Value estimation: what are the differences between the EBITDA multiple and perpetuity growth approaches and what are the implications on value?
- Learn subtle nuances including the proper figure for "cash flow" in perpetuity growth models
- Calculate from enterprise value down to equity value and ultimately down to stock price per share

VALUATION DAY TWO AFTERNOON: COMPS & RELATIVE VALUATION

Quick & Dirty Trading Comps Analysis

Build a basic, quick and dirty, back-of-the-envelope trading comps analysis (analysis of selected publicly traded companies). This course will allow you to quickly construct a relative valuation analysis and serves as a critical basis for our Complex Trading Comps Analysis course.

Course Sections:

- Input historical results and analyst projections for comparable companies (public traded competitors)
- Calculate current standalone market valuation multiples

Deal Comps Analysis (Precedent Transactions)

Build a deal comps analysis (analysis of selected acquisitions), similar to trading comps analysis, but from an acquisition context using historical transaction data instead of current market valuation data. This course will allow you to properly construct a deal comps analysis the correct way, uncovering some of the nuances related to calculating transaction value and purchase price. This course is not a complex course and in fact, is a relative breeze compared with our Complex Trading Comps course, but builds upon the concepts in the latter course.

Learning Objectives:

- Analyze market data from a historical acquisition perspective (trading comps)
- Learn the nuances of "spreading" comps and how to avoid common mistakes
- Normalizing financials for extraordinary items, non-recurring and restructuring charges
- Calculating transaction value (purchase price), premiums and multiples in past deals
- Best practices on inputting and checking data, "Do's and Don'ts" tips

Course Sections:

Deal Comps Instruction

- Learn the steps required to construct a deal comps analyses and how to filter straight to the relevant information
- Plow through the myriad of deal information such as 8K filings, 10K filings, press releases and industry databases
- Calculate transaction value (purchase price), premiums and multiples in past deals
- Uncover subtle nuances of determining correct enterprise value and avoid valuation mistakes

Relative Valuation – Football Field

Relative Valuation Basics is an extracted section from Advanced Financial & Valuation Modeling - Enhancements course module. In particular, we construct the reference range and football field analysis to complete the valuation picture.

Course Sections:

- Build reference range that quantifies fundamental and valuation methodologies
- Summarize valuation modeling techniques including: quick & dirty trading comps, reference range analysis
- Crystallize and appreciate the capital structure and the relationship between total enterprise value, equity value and price per share
- Utilize best practices to reduce average construction time from 2 hours to 30 seconds
- Update dynamic football field to graphically summarize valuation metrics
- Step-by-step 25 page graphic instruction on how to create football field from scratch

M&A DAY ONE MORNING: M&A DEAL STRUCTURING

M&A Deal Structuring

The goals of this course include: (i) understand the major steps and timelines of M&A; (ii) learn how to structure an M&A deal; (iii) explore common deal structures and determine optimal deal structures such as cash vs. stock consideration, stock vs. asset deals; and (iv) accretion / dilution and breakeven analysis. This course provides the fundamental knowledge required to understand, analyze and structure mergers & acquisitions. To hone the concepts learned in this module, be sure to follow-up with our hands-on, Excel-based Merger Modeling Basics course.

Learning Objectives:

- Common structural issues in a transaction (stock vs. asset, 338(h)(10) elections)
- Merger consequence analysis including accretion / dilution and financial implications of a deal
- Build a fully functional accretion / dilution model that accounts for different transaction structures
- Learn how to sensitize financial projections and the financial impact on a transaction

Course Sections:

Mergers & Acquisitions Overview

- Motivations for mergers and acquisitions
- M&A sale process and timetable
- Review of strategic planning & preparation of required materials
- Examination of the types of potential buyers
- Description of the due diligence process
- Overview of negotiation & closing processes
- Overview of representations and warranties

M&A Deal Structuring

- Review of various deal considerations and deal structuring options (cash vs. stock)
- Common structural issues in a transaction (stock vs. asset, 338(h)(10) elections)
- Buyer and seller preferences for various deal structures and rationale
- Tax implications of transactions based on deal structure and FASB 142 goodwill amortization
- Brief discussion of upfront vs. deferred payments, employee retention and bonus pools

Accretion Dilution Analysis

- Merger consequence analysis including accretion / dilution and financial implications of a deal
- Discussion of key components with financial impact on transactions
- Detailed explanation and analysis of line-by-line construction of accretion / dilution model
- Analysis of breakeven PE for both 100% stock and 100% cash considerations
- Contribution analysis and its relevant in the analytical process

M&A DAY ONE AFTERNOON: MERGER MODELING BASICS

Merger Modeling Basics

This merger modeling course builds on top of our M&A Deal Structuring course in which you will build an accretion / dilution analysis, a generic "ability to pay" analysis, and a simple merger model slapping together two income statements, selected balance sheet items and cash flow sweep for debt payment. This course will allow you to quickly understand basics of merger modeling. To maximize your learning in this module, you need to absolutely understand the concepts in our M&A Deal Structuring course! This course serves as the backdrop to our super-advanced, complex merger modeling course.

Learning Objectives:

- Common structural issues in a transaction (stock vs. asset, 338(h)(10) elections)
- Merger consequence analysis including accretion / dilution and financial implications of a deal
- Build a fully functional accretion / dilution model that accounts for different transaction structures
- Learn how to sensitize financial projections and the financial impact on a transaction

Course Sections:

Accretion Dilution Model

- Build dynamic merger consequence analysis (accretion / dilution) incorporating the following:
- Synergies switch, cash vs. stock sensitivity
- Amortization of goodwill switch (depending on purchase price allocation)
- Common structural issues: Stock vs. asset deals and 338 (h)(10) elections
- Tax implications of transactions based on deal structure and FASB 142 goodwill amortization
- Analysis of breakeven PE for both 100% stock and 100% cash considerations
- Calculate pre-tax and after-tax synergies / cushion required to breakeven

Ability to Pay Analysis

- Construct an "Ability to Pay" Analysis, a reverse Accretion / Dilution analysis
- Calculate maximum equity value and enterprise value based on cost of debt
- Sensitize analysis based on interest rates and pre-tax synergy assumptions

Simple Merger Model

- Construct a merger model, simple combination of Income Statement for target and acquiror
- Project simple stand-alone Income Statement for both target and acquiror
- Analyze selected balance sheet figures and ratios and multiples
- Estimate target valuation and deal structure
- Calculate selected Pro Forma balance sheet items
- Combine target and acquiror's Income Statement and estimated synergies
- Calculate cash flow for debt repayments to estimate debt repayments and cash balances
- Compute interest expense and interest income based on paydowns
- Calculate accretion / dilution and credit ratios

M&A DAY TWO MORNING: INTERMEDIATE/ADVANCED MERGER MODELING

Intermediate/Advanced Merger Modeling

Our Intermediate/Advanced Merger Modeling course significantly builds upon our Merger Modeling Basics course. We go beyond the simple concepts of accretion /dilution and build additional precision into estimating the correct, pro forma combined earnings. First, enhance the Sources & Uses of Funds to allow for additional clarity in deal structure. Then, dive right into the fine details of the complex FASB 141/142 and IFRS 3 purchase price allocation rules and fair market value tangible assets step-up intertwined with intangibles asset allocation. We tackle and quantify the resulting nuances in deferred tax liabilities and better quantify our synergies estimates. Participants should have mastered the merger concepts and financial modeling techniques covered in our M&A Deal Structuring and Merger Modeling Basics course.

Course Sections:

Construct a merger model, simple combination of Income Statement for target and acquiror
- Project simple stand-alone Income Statement for both target and acquiror
- Analyze selected balance sheet figures and ratios and multiples
- Estimate target valuation and deal structure

Build an expanded Sources and Uses of Funds analysis that controls the merger model
- Utilize cash from the acquiror to fund the merger, balanced with minimum cash balances
- Dynamically handle different percent cash and stock deal structures
- Incorporate target net debt refinanced / assumed
- Calculate and incorporate proper treatment of debt financing fees and transaction costs

Merge target and acquiror income statements and calculate starting balance sheet items
- Calculate selected Pro Forma balance sheet items (full B.S. not projected)
- Combine target and acquiror's Income Statement
- Estimate various types of synergies – revenue, COGS and SG&A synergies

Estimate condensed Cash Flow Statement and simplified Debt Sweep
- Calculate cash flow for debt repayments to estimate debt repayments and cash balances
- Compute interest expense and interest income based on paydowns
- Calculate accretion / dilution and credit ratios

Calculation of Purchase Price Allocation (FASB 141/142 and IFRS 3)
- Allocate purchase price among tangible book value (existing assets at cost), step-up in basis to FMV, tax deductible and non-tax deductible identifiable intangibles and goodwill
- Proper accounting treatment of transaction costs, tender costs and accrued interest of any refinanced debt and debt transaction financing fees
- Account for differences in GAAP book deductibility and tax deductibility of intangible assets
- Build in the ability to treat acquisitions as an asset sale for tax treatment

M&A DAY TWO AFTERNOON: M&A EARNOUT MODELING

M&A Earnout Modeling

This Merger Modeling – Earnout Discussion module builds upon our M&A Deal Structuring and Merger Modeling Basics course by reconciling differences that arise in private middle-market transactions in which a buyer wants to be rewarded for future growth and a seller is only willing to pay for growth that has been achieved. But, the seller reckons – "why should I sell when I believe I can achieve greater growth and then sell for an even larger valuation at that future point". The main tool to bridge this gap is for the seller to put his money where his mouth is – if you say you can achieve $1 billion of revenue, then prove it – one should be willing to accept deferred, contingent payments for such future growth that has yet to be realized. In this add-on module, we explore different ways to analyze and structure earnouts.

Learning Objectives:

- Detailed discussion of earnouts including
- Advantages and disadvantages of utilizing earnouts in acquisitions
- Different techniques in structuring earnouts
- Defining, adjusting and calculation of earnout benchmarks

Course Sections:

Super-Earnout Modeling

- Construct a sample earnout model based on a base earnout and a "super-earnout":
- Create a two-tiered earnout structure that is dependent on achieving management projections
- Structure earnout based on both Revenue and EBITDA targets
- Evaluate the "base" target financial goals and calculate corridor earned
- Review best practices in calculating the actual earnout earned
- Repeat analysis for second earnout tier, the "super-earnout", a much more difficult to achieve set of projections
- Evaluate pros and cons of being too optimistic in management projections vs. being too pessimistic

Buy-Side Earnout Modeling

- Detailed analysis of HFOF transaction sensitizing and analyzing management projections and deal economics
- The Transaction: a large financial services company looking to acquire a rapidly growing hedge fund of funds with extremely aggressive management projections
- The Task: the potential acquiror had several considerations in this transaction:
- How to structure an earnout that is financially fair for both parties
- Financial implications for 100% equity deal and a 50% equity / 50% cash deal
- Other ways to think about the transaction:
  - First, the target's "hockey stick" management projections were modified to a base case
  - Involves applying certain conservative growth and operating assumptions based on industry knowledge
  - Using the revised, more realistic projections, an earnout structure was constructed
  - Performed a ROE (Return on Equity) analysis
  - Ran a basic accretion / dilution model and constructed a back-of-the-envelope IRR analysis

Sell-Side Earnout Modeling

- Detailed analysis of middle-market transaction comparing two bidders' terms and economics of earnouts
- The Transaction: middle market insurance broker with approximately $15 million in revenue
- The Task: analyze the proposals of the two final bidders focusing on the following aspects:
  - Guaranteed vs. deferred earnout portion
  - Detailed earnout analysis that required adjustments to management projections
- The Approach: when measuring future profitability to determine earnout targets, acquirors typically make certain adjustments that have financial implications including: employee benefits, depreciation assumptions, insurance expense, corporate overhead allocations, new incentive plans

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