Amsterdam Institute of Finance

Financial Modeling for Acquisitions in Excel

Edward Bodmer

Objectives

Financial Modeling for Acquisitions in Excel will provide participants with the ability to create and understand different types of acquisition models. Through building models in a hands-on environment, you will be better able to value the benefits and costs of different types of merger and acquisition transactions; to quantify the risks to lenders and equity investors in a transaction; and to create efficient and transparent analyses.

Key benefits

By attending this program, you will learn to:

- Understand the objectives and the structure of different types of acquisition models
- Work through accounting and financing issues in acquisition models and development of pro-forma balance sheets
- Create an acquisition model that includes various modeling complexities and evaluates the effect of different acquisition structures on different measures of financial performance from the perspective of lenders and equity investors
- Compute the value of acquisitions and synergies using different techniques, including alternative discounted cash flow, returns earned in acquisitions, accretion versus dilution and the net present value of synergies relative to premiums
- Quantify risks inherent in acquisitions and understand mistakes in risk assessment made in the financial crisis
- Learn Excel techniques to make better presentations from models and to make models more transparent and efficient

Who should attend?

Financial professionals involved in analysis of mergers and acquisitions who are interested in creating acquisition models or who simply would like to understand how to interpret models created by others.

For those less experienced in Excel, a complimentary optional pre-course is available on the evening prior to the program.

Dates & Fees

May 8 – 10, 2012

€ 3,350

CFA Institute
CE Qualified Activity
CFA 18 CE credit hours

Faculty

Edward Bodmer provides financial and economic consulting services to a variety of clients; he teaches professional development courses in an assortment of modeling topics (project finance, M&A, and energy) and delivers courses for the University of Texas.

"Very practical and useful."

Analyst / Non- Executive Board Member
Intrinsic Value Investors, United Kingdom

Program Content

Day 1

Part I – Introduction

- A review of acquisition terminology, acquisition accounting, financial objectives and basic model structure

Exercises and Discussion using Case Study

- Valuation and modeling mistakes in acquisitions analysis
- Typical acquisition analysis – DCF model, multiples, IRR analysis and accretion and dilution analysis
- Acquisition terms and modeling of consideration, premium and break-even synergies
- Accretion and dilution analysis with stock transaction
- DCF model – problems and manipulation, flexible modeling and WACC problems
- Derivation of P/E and EV/EBITDA multiples from growth rates, cost of capital and returns
- IRR analysis and LBO simulation

Part II – Acquisition Exercises

Participants will complete a series of case exercises that represent components of an acquisition model.

Exercises

- Structure of LBO model and discussion of complexities
- Timing issues and periodic modeling
- Development of pro-Forma balance sheet using alternative transaction structures
- Debt analysis with amortizing, bullet and capitalizing debt

Day 2

Part II – Acquisition Exercises *continued*

- Analysis of risk and return for alternative debt instruments using sensitivity, break-even and scenario analysis
- Computation of probability of default and required credit spread using Monte Carlo simulation
- Cash flow sweep, covenants and working capital facilities
- Depreciation complications in modeling
- Income tax complications in modeling
- Management incentives and IRR sharing

Day 3

Part III – Accretion Analysis and Valuation Modeling in Acquisitions

This part addresses valuation and risk analysis issues that arise in acquisition analyses.

Exercises

- Detailed analysis of EV/EBITDA ratio for evaluating entry and exit multiples with alternative varying growth rates, changing risk premium, and differing returns versus the cost of capital
- Valuation of synergies
- Construction of integrated financial model with pro-forma balance sheet and combined financing
- Detailed DCF valuation issues – Terminal capital expenditures and depreciation, stable deferred taxes, stable working capital
- DCF Valuation adjustments – Debt valuation, stock options, fair value of derivatives
- Construction of accretion and dilution analysis and evaluation of credit rating after acquisition