

INVESTMENT BANKING

FULL COURSE - UNIVERSITY OF VIENNA / BWZ

Content

The aim of the Course in Investment Banking (the “Course”) - comprising a series of 3 sessions - is providing insights into selected strategic and / or transactional situations as well as about the industry in general. Subjects will cover – among others – relevant products in this industry which will be applied to specific client-related situations:

- Initial Public Offering
- Fixed Income Offering
- Restructuring
- Mergers & Acquisitions

Learning Approach

As needed, theory and concepts will be reviewed in the sessions whereby the dominant modus operandi will be an interactive approach combining lectures / presentations and case studies. – Prior to each session you will be required to submit Mandatory Hand-Ins to ensure that you arrive sufficiently prepared, but also that you get a maximum out of this Course.

Learning Outcomes

When you have completed this Course, you will be able to:

- Discuss trends affecting the investment banking industry and assess implications
- Understand major investment banking products and services
- Explain how the investment banking industry and the capital markets interact
- Understand internal procedures and decision making to deliver such products and services
- Appreciate the various dimensions of the client interface
- Describe dimensions of performance and risk
- Describe the impact of financial innovation, advances in technology, and changes in regulations has had on the structure and dynamics of the investment banking industry

Course Description

The Course will provide you with an overview about typical transaction-related situations in the investment banking industry. Thereby you will either assume the perspective of a bank or that of a bank’s client: We will discuss transactions in the areas of – among others - equity and debt capital markets, M&A, and restructuring all with a focus on Case Study format.

Case Studies

Case #1: **Pacific Grove Spice** Company is a profitable, rapidly growing manufacturer, marketer, and distributor of quality spices and seasonings. The company's business model requires significant investment in accounts receivable, inventory, and fixed assets to support sales. Although the company is profitable and all of its net income is reinvested in the firm, the firm must utilize significant amounts of debt to fund the necessary growth in assets to support sales. The bank is concerned about the total amount of interest-bearing debt on Pacific's balance sheet and has asked the company to provide a plan to reduce it. Debra Peterson, president and CEO, believes the current four-year financial projections are reasonable and attainable. She is also considering three opportunities: sponsoring a cable cooking show, raising new capital by selling shares of common stock, and acquiring a privately owned spice company. One must analyze the company's financial projections to determine if the reduction in debt meets the bank's requirements. One must also analyze the opportunities

and consider their individual and combined impacts on the company's financial position. The case illustrates the interaction between investment and financing decisions.

Case #2: **Blaine Kitchenware**, a diversified mid-sized manufacturer of kitchen tools contemplates a stock repurchase in response to an unsolicited takeover. The company must determine the optimal debt capacity and capital structure, and subsequently estimate the resulting change in firm value and stock price. Attention is also given to the value of interest tax shields.

Case #3: The CEO of **Air Berlin** must make a decision of whether he should delay Air Berlin's IPO and / or lower the price range in response to tepid reactions from the investment community. The case allows discussing the value of Air Berlin, the rationale for the IPO, and the strategy and timing of the IPO.

Case #4: At three o'clock in the morning on September 10, 2001, Thierry Hautillac, a risk arbitrageur, learns of the final agreement between **Pinault-Printemps-Redoute SA** ("PPR") and **LVMH Moët Hennessy Louis Vuitton SA** ("LVMH"). After a contest for control of **Gucci** lasting over two years, PPR has emerged as the winner. PPR and LVMH have agreed for PPR to buy about half of LVMH's stock in Gucci for \$94 per share, for Gucci to pay an extraordinary dividend of \$7 per share, and for PPR to give a two and a half year put option with a strike price of \$101.50 to the public shareholders in Gucci. The primary task for the participants in this case is to recommend a course of action for Hautillac: should he sell his 2% holding of Gucci shares when the market opens, continue to hold his shares, or buy more shares? One must estimate the risky arbitrage returns from each of these choices. As a basis for this decision, the participants must value the terms of payment and consider what the Gucci stock price will do upon the market's open. One must determine the intrinsic value of Gucci using a DCF model as well as information on peer firms and transactions. One must also consider potential synergies between Gucci and PPR and between Gucci and LVMH. Finally, one must also assess the likelihood of a higher bid, using analysis of price changes at earlier events in the contest for clues.

Participation

All of the following are mandatory and condition to be graded: (i) Full and timely involvement by presence and active participation in all classes, and (ii) delivery of all Mandatory Hand-Ins.

Grading

Grading will be dependent upon the quality of your professional preparation, active participation and contribution in class room, as well as the quality and timely delivery of your Mandatory Hand-Ins and Home Assignment. - You can receive a maximum of 100 points, whereby the eventual grades will be as follows:

Points	Grade
0 – 49	5
50 – 63	4
64 – 77	3
77 – 90	2
90 – 100	1

You can achieve for each of the following criteria the following maximum of points:

- Quality of class room participation & Interim Tests 30 points
- Mandatory Hand-Ins (incl. class room presentations) 70 points

Attitude

The Course is intense and will require time, energy and concentration, but basically we want to learn and have also fun ... - Precondition for this is our professional attitude:

- You are expected to be in class on time, and
- You are expected to professionally prepare and to actively participate in all class sessions.
- Mobile phones and other mobile devices will be – without exception - switched off during the sessions.

Preparation

- You may familiarize yourself with literature / readings about the principles of Bank Management. Basically, feel free to select any literature which suits you. Good references in this context are general Corporate Finance-related books (e.g. great is: Damodaran) or such as Liaw / The Business of Investment Banking.
- A summary of relevant concepts you also find on my website: <http://christianschopper.com/on-finance/>
- Please note and be mindful of the intensity of the Course: You may assume that the preparation of the respective case studies for the Mandatory Hand-Ins will realistically require anything from 20-30 hours, depending upon how familiar you are with the case study method.

Course Schedule

BWZ VIENNA				
COURSE IN INVESTMENT BANKING				
SS 2019				
Date		5.April 2019	6.April 2019	8.April 2019
Time		08.30 - 20.00	08.30 - 20.00	08.30 - 12.00
		Session 1	Session 4	
Hours	1	IB Industry - Overview	Air Berlin - Case	To be Announced
	2	IB Industry - Trends	IPO Mechanics (1)	
	3	Corporate Finance Concepts	IPO Mechanics (2)	
		Session 2	Session 5	
	4	Corporate Analysis	Gucci / LVMH - Case (1)	
	5	Pacific Spice - Case	M&A Mechanics (1)	
	6	Finding Creative Solutions	M&A Mechanics (2)	
		Session 3	Session 6	
	7	Blaine Kitchenware - Case	Gucci / LVMH - Case (2)	
	8	LBO Mechanics	Hostile Takeovers	
	9	CoC Optimisation	Career in IB	
		= Individual Case Study Assignments		
		= Group Case Study Assignment		
		= Lectures (as required)		

Mandatory Hand-Ins

- Mandatory Hand-Ins are useful for you to get more out of the course by preparing and analyzing real situations
- Mandatory Hand-Ins are to be produced in Power Point format, are to be submitted via email to christian.schopper@aon.at no later than by 24.00 the night prior to the start of the Course and will be graded either on an individual or group basis

- Mandatory Hand-Ins are also the basis for a brief (10mins each) class-room presentation by 2-3 of you (either volunteers or to be picked)
- Hence **you will always have your Mandatory Hand-In with you on a USB stick (!)**
 - Downloading presentations during class time is not appropriate and consumes unnecessary valuable time we want to spent together to discuss
- Please do not exceed the suggested maximum number of slides of 10
 - If there is any additional material you wanted to add to a presentation (such as analytics, spread sheets etc), please do add them in an appendix
- Structure of Mandatory Hand-Ins
 - You are asked for a recommendation in regards to the Case Study to your best knowledge
 - Your Power Point presentation (5 - max 10 slides / 10minutes presentation time) will focus on
 - An analysis and assessment of the current situation;
 - Possible alternatives and assessment of them;
 - A recommendation; and
 - Action points / next steps.
- Please mind that a case study is never about “right” or “wrong”, but about best arguments in regards to a real-life situation ... and eventually: What would you do (!) and how would you implement?
- Please do not focus on presenting facts already provided in the case study, but instead on your own analysis and assessment

Miscellaneous

In case of any questions concerning the Course, please feel free to get in touch with me, preferably via email (christian.schopper@aon.at)