

CORPORATE FINANCE 1 / - REVISED VERSION

MBA PROGRAM / ELECTIVE - KYIV SCHOOL OF ECONOMICS

Content

The MBA Elective in Corporate Finance 1 (the “Course”) focuses on strategic decision-making by applying corporate financial theory and concepts to cases of financial analysis and valuation, selected financial instruments and the optimization of a firm’s capital structure. Participants will realize that such decision making is frequently more a matter of art and that reality may pose certain limits on what is reasonably achievable.

The classes are structured to optimize a synergy between theory and practice, providing portable, durable and marketable tools. Case Study Assignments will put you into the role of an executive requiring a thorough analysis, assess alternatives and then take – sometimes tough – decisions.

Learning Approach

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

Learning Outcomes

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

- Evaluate financing, transactional and investment decisions
- Apply analytical and valuation techniques to a variety of problems in corporate financial management and appreciate concepts of capital structure optimization and their implementation
- Describe the institutional environment in which financial decisions are made including identifying the sources of financial risk and their relevance in financial management,
- Critically evaluate finance theories, concepts, assumptions, limitations and arguments
- Instantly apply concepts learned in your daily practice

Schedule

acad hrs	Thursday, 15.2.2024	Friday, 16.2.2024	Saturday, 17.2.2024	Sunday, 18.2.2024
1	Corporate Analysis	Corporate Valuation	Wilson Lumber	Pacific Grove Spice
2				
3				
4			Loan Policy	Private & Public Capital
5			Veuve Clicquot	Blaine Kitchenware
6				
7				
8			Accessing Capital Markets	Capital Structures
9			Corporate Finance Concepts & Mini Cases	Wrap Up
10				
11				
12				
	Interactive Lecture			
	Case Study Discussion			

Case Study Assignments

- **Case #1: Wilson Lumber** is a fast growing SME seeking to restructure its banking relationship with a view to expand and optimize its working capital funding. A risk assessment and a proper term sheet are required. And how will the bank make money ...? -- Assignment: You are the Coverage Officer at Northrup National Bank responsible for Wilson Lumber and are asked for a Power Point presentation to the Board of the Bank to decide upon whether to extend a loan or not (3 slides / max 5 minutes presentation time)
 - Slide 1: Run a credit analysis on Wilson Lumber (decomposition / break-down of RoE and RoA, liquidity ratios, leverage ratios, interest coverage ratios, etc.)
 - Slide 2: Come up with a detailed term sheet for a loan by Northrup National Bank and break out all terms, covenants, pledges, other securities you may think of
 - Slide 3: Present how the Northrup National Bank can / will make money
- **Case #2: The Veuve Clicquot** Case from the 1960's is as a classic, as is the product it deals with. Family shareholders consider an IPO and valuation will be a key decision feature.
- **Case #3: 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 re-invested in the firm, it 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. Therefore, 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 #4: 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 as well as 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.

Participation

All of the following are mandatory and a 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 classroom, as well as the quality and timely delivery of your Mandatory Hand-Ins. - 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 28 points
- Mandatory Hand-Ins (incl. class room presentations) 72 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

- All relevant themes and topics tackled in the Course you will find in the book: Schopper / Corporate Finance Concepts, 3rd edition, 2024.
- Other good references are general Corporate Finance-related books, such as by Damodaran.
- 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 20-25 hours, depending upon how familiar you are with the case study method.

Mandatory Hand-Ins

- Mandatory Hand-Ins are useful for you to get a maximum 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 48 hours prior to the start of the Course and will be graded on an individual basis.
- Mandatory Hand-Ins are also the basis for brief (approx. 10mins each) 2-3 class-room presentations per case (you will either volunteer to present or be picked).
 - Hence, **you will always have your Mandatory Hand-In with you ready and available in class, backed up by a USB stick.**
 - Downloading presentations during class time is to be avoided and consumes unnecessary valuable time we want to spent together to discuss.
- Please do not exceed a 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 this in a separate appendix

- Proposed structure of Mandatory Hand-Ins
 - You are asked for a recommendation in regards to each case study to your best knowledge (i.e. What shall we do next? ...)
 - Your Power Point presentation (max 10 slides / 10mins presentation time) will focus on
 - An analysis and assessment of the current situation;
 - Viable alternatives, their in-depth analysis and respective assessment;
 - 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 you would decide to do (yes: to do!) and how you would implement your recommendation.
- Please do not repeat presenting facts already provided in a case study, but focus instead on your analysis and assessment.

Academic Integrity

Cheating, plagiarism, and any other violations of academic ethics at KSE are not tolerated.

Miscellaneous

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