

## INVESTMENT BANKING

### FULL COURSE - UNIVERSITY OF VIENNA / BWZ

#### **Content**

The aim of the Course in Investment Banking (the “Course”) is to provide insights into Corporate Finance-related industries as well as selected client-strategic or transactional situations. Subjects will cover – among others – the assessment and implementation of investment banking-related products applied to specific client situations:

- Financial Analysis
- Equity and Debt Capital Markets Products and Services
- Restructuring
- Mergers & Acquisitions

#### **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:

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

#### **Course Description**

The Course will provide you with an overview about typical transactions in the investment banking industry. Thereby you either assume the perspective of a bank or that of a bank’s client: We will discuss transactions related to – 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 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, ne 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 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.

Case #3: **Molycorp**, the western hemisphere's only producer of rare earth minerals, was in the middle of a \$1 billion capital expenditure project in its effort to become a vertically integrated supplier of rare earth minerals, oxides, and metals. Yet it had just reported lower than expected revenues and earnings for the second quarter of 2012. In response to the announcement, its stock price fell 29% (its stock price had fallen from \$77 to \$11 in the past 18 months). The weakening financial performance was due in large part to falling prices for rare earth minerals. With less internally-generated cash flow available to fund the project, management had to decide: how much capital to raise, what kind to raise, and when to raise it. These decisions would determine its capital structure, at least in the short term, as well as its ability to implement its business strategy.

Case #4: On April 8, 2019, Occidental's CEO Vicki Hollub made a private offer to buy **Anadarko Petroleum Corporation** for \$72 in cash and stock. Anadarko's CEO Al Walker said he would consider the offer, yet three days later, on April 11, he signed a merger agreement with Chevron in a deal worth \$65 per share in cash and stock. This agreement included a \$1 billion "break-up" (termination) fee payable to Chevron if Anadarko accepted another offer. To avoid losing the deal, Hollub then made an initial public offer to buy Anadarko for \$76 per share in cash and stock on April 24. When Anadarko failed to respond, Hollub, revised her offer on May 5. Although the revised offer had the same stated value of \$76 per share, it included substantially more cash (\$59 per share instead of the original \$38 per share). With competing offers on the table, Walker now had to decide whether to accept Chevron's \$65 offer or pay the break-up fee and accept Occidental's \$76 offer? Of course, once he had made up his mind, he would have to convince his board that it was the right offer to accept and the right price.

### **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 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

- All relevant themes and topics tackled in the Course you will find in the book: Schopper / Corporate Finance Concepts, 2nd edition, 2022 (as of early 2024 available in its 3<sup>rd</sup> edition).
- 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 20-30 hours, depending upon how familiar you are with the case study method.

### Course Schedule

	20.April 2024	27.April 2024	4.Mai 2024
	08.00 - 20.00	08.00 - 20.00	08.00 - 20.00
	Session 1	Session 4	
1	IB Industry - Overview	Molycorp - Case	To be Announced
2	IB Industry - Trends	Accessing Capital Markets	
3	Corporate Finance Concepts	IPO Mechanics	
	Session 2	Session 5	
4	Corporate Analysis	Anadarko - Case	
5	Pacific Grove Spice - Case	M&A Mechanics	
6	Finding Creative Solutions	Hostile Takeovers	
	Session 3	Session 6	
7	Blaine Kitchenware - Case	Career in IB	
8	CoC Optimisation	Wrap Up	
9	LBO Mechanics		
	= Individual Case Study Assignments		
	= Group Case Study Assignment		
	= Lectures (as required)		

### 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](mailto:christian.schopper@aon.at) no later than 48 hours prior to the start of the Course and will be graded on group basis. Group size will not exceed three (3) individuals. – However, if you preferred to work on an individual basis, then you may be awarded additional up to 5 bonus points per case for grading.

- 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 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 this in a separate appendix
- Structure of Mandatory Hand-Ins
  - You are asked for a recommendation in regards to each case study to your best knowledge
  - 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 (!) and how you would implement your recommendation.
- Please do not repeat presenting facts already provided in the case study, but focus instead on your analysis and assessment.

**Miscellaneous**

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