

INTERNATIONAL FINANCIAL MARKETS

Course Description – Executive Summary

Content

The aim of the sessions is to review and discuss a number of situations and transactions in the global public and private equity and debt capital markets, including derivatives, and assess the investor community. Focus will be emerging markets.

Learning Approach

As needed, theory / concepts / techniques will be reviewed or introduced in class presentations prior to their application. The dominant modes will be your presentations, financial analysis and strategic decisions in respect to various case studies.

1. You will be required to hand in a 5-page written summary and additional (min) 10 – (max) 15 power point slides (think about an appropriate structure / slides order!) of a general financial analysis for full year 2008 and 1H2009 of Russian gas major **Gazprom** (for financial information please refer to the Gazprom website; for additional information to the web in general) answering – among others – the following questions / focussing on the following themes:
 - a. Company Overview
 - b. Trends in the gas industry and Gazprom's strategic (not financial!) position in the global / European gas industry
 - c. Compare Gazprom key financial parameters for 2008 and 1H2009 with the years 2006 and 2007: Working Capital Analysis (incl. quick and current ratio); Margin Analysis (EBITDA; EBIT; NI); Growth Dynamics (top and bottom lines); Return Dynamics: RoE; RoA; RoI (incl. a full (!) decomposition (!) of each of these three parameters)
 - d. Compare decomposed RoE and RoA for Gazprom 2008 with those of GdF-Suez and Centrica for 2008
 - e. What is Gazprom's current cost of capital? – For this purpose undertake some research in regards to the Russian debt and equity markets and key benchmark securities
 - f. Analyse Gazprom's shareholder structure. – What are the interests of each of these shareholder clusters?
 - g. Analyse Gazprom's share performance for the last 18 months. – Any comments?
 - h. As Gazprom's CFO: What would be your priorities for 2009?
2. You will be required to hand in a 5-page written analysis including a spreadsheet for each financing alternative of the Case Study: "**Repsol-YPF**", focussing on the following:
 - a. Make reasonable assumptions for the terms and conditions of the respective debt and equity portion for each (!) of the three financing alternatives (e.g. interest rates, etc)
 - b. Based on these assumptions, establish a pro-forma combined Repsol-YPF balance sheet and income statement for each (!) of the three financing alternatives
 - c. Establish a pro-forma cash flow statement for each (!) of the three financing alternatives
 - d. Undertake a preliminary analysis for each financing alternative, including: dilution / accretion per share; leverage (D/E). Also, assess the potential credit rating impact of each of the financing alternativesAssuming the perspective of Repsol's CFO you will also be required to hand in additional 10 – (max) 15 power point slides which you will present to the Board, summarising all your thoughts and formulating a recommendation
3. You will be required to hand in a 5-page written analysis and additional 5 – (max) 10 power point slides of the Case Study: "**Paginas Amarelas**", answering the following:
 - a. What are reasonable required rates of returns for investments in Argentina, Brazil and Chile?
 - b. Based on this analysis, what is a reasonable estimate for the value of each business segment in US\$?

Course Material

Hand-outs will be available at the Institute / Institute website

Preparation and Grading

- Your respective Presentations must be handed in at the respective Institute in writing (i.e. paper print-out) **latest** the day before class starts – otherwise no grade will be given.
- Bring a DVD / UBS stick with your presentation for class presentation
- You are encouraged to **team up in pairs** (i.e. 2 individuals – not more!) to prepare the respective presentations and work jointly together on the assignments
- Grading will depend on the quality of hand-ins (50%) and your individual participation in classroom (50%)
- The course is intense and will require substantial amount of individual preparation

Literature

There is a vast amount of excellent literature on capital markets available. I propose that you choose articles and books you feel comfortable with. As a preparation for the course I would suggest that you should become familiar with capital market products, basic valuation techniques and income statement / balance sheet structures