

## CHRISTIAN SCHOPPER

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### FINANCIAL MODELLING & FORECASTING

Course Description – Executive Summary

#### Content

The central theme of the sessions is to get a feel for financial modelling and forecasting on the basis of building an integrated financial model (profit & loss account; balance sheet; cash flow statement; valuation model).

#### 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 and financial analysis of various companies and several case studies as well as joint modelling on PCs.

1. You will be required to hand in a 5-page written analysis and additional 10 power point format slides analysing the balance sheet and income statement on the basis of the Annual Report for the year 2010 of **Verbund** (<http://www.verbund.com>; results will be published on 2 March 2011), answering – among others – the following questions / themes:
  - a. Provide a full financial analysis about Verbund including – among others - Cash Flow; Working Capital; Margins; Growth Dynamics; Return Dynamics. Basis of your analysis is a de-composition (!) of: RoE; RoA; RoI, whereby you compare 2010 with 2009 and 2008. Explain what are the reasons for the trends you observe (what’s the “story” behind ...)
  - b. Provide a strategic analysis on a pan-European basis vis-à-vis Verbund’s competitors, such as Electricite De France (EdF), RWE, Vattenfall and Iberdrola and compare the de-composed RoE and RoA of these players vis-a-vis Verbund. Explain where the differences come from
  - c. Determine a “fair valuation” for Verbund based on various valuation techniques, such as a Discounted Cash Flow approach and comparable multiples (taking Verbund’s pan-European competitors as benchmarks): Is Verbund’s share price fair, overvalued, or undervalued?
2. You will be required to hand in a 5-page analysis (including a detailed spreadsheet!) of the Case Study: “**Novon Cement**”. The spreadsheet calculation should be helpful to answer the following question: At what price should Novon bid in the tender process or should Novon not bid at all? – Provide all your reasons for the decision you come up with, run various scenarios according to the Case and be ready to defend your conclusion.
3. Actively participate in the financial modelling exercise on the second day of the course. For this whole-day exercise you best bring your own PC / laptop or – as a minimum - ensure your own access to a PC in the laboratory.

#### Course Material

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

#### Preparation and Grading

- Your respective Presentations must be sent to me (only and exclusively!) via Opolis Secure Mail (please open a free account via [www.opolis.eu](http://www.opolis.eu)) **latest** the day **before** class starts – otherwise no grade will be given. (Also all our other correspondence – for any questions, as there may be -will be via Opolis only)
- 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. **But**, having said this, you have to work on the assignments **together** – **just splitting up the cases as such is not acceptable**
- 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 accounting and valuation 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 basic MS-Excel modelling and income statement / balance sheet structures.