

INDEX

-
- 3i Group 123
 - ABN Amro Rothschild 99
 - accelerated bookbuilding,
 - concepts 98–9
 - accountancy firms 10–11, 19–20,
 - 84–5, 95, 184
 - accountancy qualifications 15–16
 - accounting
 - alignment of policies 147–8
 - flotations 6–8, 40–2, 52–5
 - profit figures 174–5
 - acquisitions
 - see also* mergers ...
 - concepts 102–13
 - adjusted present value (APV),
 - concepts 190–1
 - ADRs *see* American Depository Receipts
 - Advent 123
 - advisers 2–3, 6–8, 10–11, 13–14,
 - 40–63, 66–81, 84–5, 102, 112
 - AIM *see* Alternative Investment Market
 - Allied Domecq 102
 - allocation of shares, flotations
 - 61–3, 75–81
 - allotment letters 62
 - Alternative Investment Market (AIM) 47–9, 90–4
 - American Depository Receipts (ADRs) 53, 73–5
 - Amoco 104–5
 - amortisation 151–7, 186–9
 - analysts/executives, careers 15–20
 - Anglo-Saxon economies, hostile takeovers 10
 - annual general meetings 35
 - annual reports 33–5, 71–4,
 - 135–42, 197–8
 - see also* financial statements
 - APM *see* arbitrage pricing model
 - appendix 183–198
 - APV *see* adjusted present value
 - Aquitaine 104
 - arbitrage pricing model (APM),
 - concepts 193
 - art, valuations 157
 - asset values
 - concepts 139–40, 177–8, 181
 - intangible assets 181
 - NAV 117–18, 149–50, 155–7, 177, 186
 - terminal values 139–40
 - assignments, corporate finance 513
 - associates/managers, careers 15–20
 - auctions, divestitures 12
 - audits, flotations 54–63

- Autodis 124
Aventis 104–5
- B&Q 100
balance sheets 33, 71–4, 117–18,
120–2, 128, 135–42, 143–6,
154–7, 175–80
see also financial statements
Bank of America 122
Bank of England 121
Bankers' Acceptances (BAs) 28–9
banks 2, 6–8, 26–32, 40, 41,
53–63, 75–81, 99, 118–25,
184
bought deals 94–9
flotations 53–5, 75–81
lead banks 53–5, 57–63, 75–81
MBOs 118–25
syndicates 6–8, 40, 53–63,
75–81, 99
Barclays 98, 122, 123
BAs *see* Bankers' Acceptances
Belgium 42, 102
Berkeley 92
BET 103
betas 168–9, 193–7
bids, divestitures 12–13
biotechnology sector 42, 61
Blackberry devices 19
block trades *see* bought deals
Bloomberg 194–5
Blue Book *see* City Code on
Takeovers and Mergers
boards of directors 13–14, 35, 102
see also directors
fairness opinions 13–14
bonds
see also long-term debt finance
concepts 27, 29–34, 124–5,
130–3
convertible debt 20, 26–7, 36–8,
160
coupon 27, 29–32, 36–8, 124–5,
130–2
credit ratings 30–2, 124–5
government bonds (Gilts)
29–32, 130–2, 166, 170–2,
194–5
high-yield bonds 124–5
international comparisons 30–3
maturity 27, 29–34, 131–2
types 29–32, 124–5, 130–2
US market 30–1, 33–4, 37–8
valuations 130–3
yields 30–2, 38, 124–5, 130–2,
165–6
book values 117–18, 149–50,
153–7, 161–2, 177, 181,
186–7
'bookbuilding' *see* pre-marketing
bookrunners, global offerings
75–81
Boots 177
bootstrap transactions, M&As
109–10
bought deals, concepts 94–9
BP 8, 47, 69, 87, 97–8, 104–5, 133
Brewer Dolphin Securities 14
British Airways 69
British Gas 42, 100
BT 33–4, 37, 69, 77, 87, 90–4
burnout, corporate financiers 20
business fit, divestitures 11
'busted convertibles' 38
buyouts
see also leveraged ... ;
management ...
concepts 13, 20–1, 45, 105–6,
115–25
types 116
BZW 98
- cable television companies 67–8
Canada 68–9, 85–6
capabilities, firms 19

- capital
 see also debt finance; equity finance
 concepts 20, 25–38
 cost of capital 119, 159–72, 175–81, 189–91, 192–7
 expenditure 137–42
 life cycle 26–7, 41
 sources 20, 25–38, 40–63, 66–81, 84–100, 116–25, 160–72
 structures 2–3, 7–8
 working capital 54–5, 59, 118–19, 137–42, 179–80
- capital asset pricing model (CAPM)
 assumptions 169
 concepts 168–72, 192–4
 critique 172, 193–4
 definition 168–9
 literature 169
- capital employed
 concepts 175–81
 intangible assets 181
- capital-charge calculation
 method, economic profit 178–80
- capitalisation of earnings
 approach, valuations 148–9, 187–9
- capitalisation of forecast earnings, survey 187–9
- capitalisation of historic earnings, survey 1879
- CAPM *see* capital asset pricing model
- careers, corporate finance 15–20
- carve-outs 13–14, 43, 44–5
- cash cover, bank finance 120–2
- cash flow return on investment (CFROI)
 see also shareholder value added
 concepts 174–81
- cash flows 21, 118, 128, 136–42, 151–2, 153–7, 160, 161–2, 174–81, 185–92
- DCF 21, 130, 134–46, 160, 175–7, 185–92
- free cash flow 136–42, 153–7, 161–6
- cash on hand, enterprise value 143–6
- cash offers, M&As 107–10
- Cazenove 94, 99, 123
- CC *see* Competition Commission
- CFROI *see* cash flow return on investment
- Chinese Walls
 see also confidential information
 concepts 3–21
 definition 3
 share prices 3–6
- Chrysler Corporation 67
- Cisco Systems 103
- Citibank 122
- City Code on Takeovers and Mergers 110–13
- City of London 2, 20
- clients 19–20
 acquisition/retention needs 19–20
 flotations 6–8, 40–63, 66–81
- Coca-Cola 177
- Collins Stewart 45
- Comet 100
- commercial banks 10
 see also banks
- commercial paper (CP) 28–9, 160
- commissions
 international equity offerings 79–81
 rights issues 90–4
- common stock *see* ordinary shares
- comparable valuation techniques
 see relative valuation techniques

- Competition Commission (CC)
 111
 confidential information 3–21,
 95–6
 see also Chinese Walls
 divestitures 12
 marketed offerings 95–6
 conflicts of interest 34, 52
 conglomerate mergers
 see also mergers ...
 concepts 105, 106–7
 conglomerates
 see also mergers ...
 concepts 103–4, 105, 106–7
 consolidated financial statements,
 global offerings 71–4
 conversion premium, concepts
 36–8
 conversion ratio, concepts 37–8
 convertible debt 20, 26–7, 36–8,
 160
 see also hybrid securities
 concepts 36–8, 160
 issuers 36
 share prices 38
 convertible preference shares 36
 corporate, definition 1
 corporate bonds
 see also bonds
 concepts 27, 29–32, 130–2
 corporate finance
 see also transactions
 assignments 5–13
 careers 15–20
 Chinese Walls 3–21
 concepts 1–21, 26, 84–5, 95–6,
 100, 102, 104, 110–13, 160
 definition 1–2
 departmental locations 4–5
 investment banks 2–3
 project management 18–20
 relationships 3, 13–14, 54–63
 corporate finance directors 184
 corporate financiers
 burnout 20
 careers 15–20
 early retirement 20
 induction/training programmes
 18
 Machiavellian qualities 19
 roles 2–3, 5–14, 18–20, 26,
 84–5, 95–6, 100, 102, 104,
 110–13, 160
 skills 15–20
 ‘title inflation’ 17–18
 corporate valuation methods
 see also valuations
 approaches 127–8, 132–57,
 185–6
 concepts 2, 10–12, 18–20, 21,
 60–3, 127–57, 183–98
 examples 152–7
 fairness opinions 2–3, 13–14
 intrinsic value 128, 132–57,
 185–6
 relative valuation techniques
 21, 128, 132–3, 142–3,
 146–57, 185–6
 sources of information 197–8
 survey 130, 183–98
 types 2, 21, 127–8, 132–57,
 185–98
 cost of capital
 see also weighted average cost
 of capital
 CAPM 168–72, 192–4
 concepts 119, 159–72, 175–81,
 189–91, 192–7
 definition 160–2, 178
 minimisation efforts 160
 risk 178
 ROCE 177–81
 cost of debt, concepts 165–6,
 178–80
 cost of equity
 concepts 74, 161–2, 166–8,
 174–5, 192–7
 definition 166–7

- costs 74, 119, 159–72, 174–81,
189–91, 192–7
flotations 46–7, 66–7, 71, 79–81
M&As 105
rights issues 90–4
coupon
see also bonds
concepts 27, 29–32, 36–8,
124–5
coverage ratios 120–2
CP *see* commercial paper
Crawford's Directory 184
credit ratings, bonds 30–2, 124–5
credit risk 29–32
CREST 91
cumulative preference shares 34
currencies, LIBOR 32
custodians, DRs 74
- Daimler Benz 67, 71
data rooms, divestitures 12–13
Datastream 194–5
DCF *see* discounted cash flow
debentures
see also bonds
concepts 29–32, 36
debt finance 20, 26–33, 36–8,
41–2, 116–25, 144–6, 151–7,
160–6, 178–80, 189–92
see also long-term ...; short-
term ...
convertible debt 20, 26–7, 36–8,
160
cost of debt 165–6, 178–80
definitions 27
MBOs 116–25
types 27–32, 36–8
debt risk premium, concepts
165–6
debt securities
see also bonds
concepts 27–32, 107–8
debt–equity ratio 121–2, 162–3,
189–92
deep discounted rights issues,
concepts 93–4
delistings 13
demergers, concepts 100
Depository Receipts (DRs) 53,
73–5
depreciation 136–42, 151–7, 181,
186–9
Detica Group plc 49–51
Deutsche Bank 122
dilution
M&As 109–10
rights issues 85
directors 7–8, 13–14, 17–20, 35,
72–3, 86, 111–13
see also boards ...; managers
external directors 7–8, 52
fairness opinions 13–14
managing directors 17–20
remuneration 147–8
roles 19–20
disclosures, flotation costs 46–7,
71
discount rates
concepts 21, 88, 128, 131–42,
143, 146, 160–72, 192–7
cost of capital 160–72, 192–7
determination 143, 146, 160–72
inflation rates 163–5
real discount rates 163–5
rights issues 88, 93–4
risk 132
discounted cash flow (DCF) 130,
134–46, 160, 175–7, 185–92
approaches 189–92
APV method 190–1
concepts 130, 134–46, 160,
175–7, 185–92
critique 145–6, 186
ECF method 190–2
forecasts 134–46, 160, 190–1
survey 185–92
SVA method 190–1

- discounted cash flow (DCF) (*cont.*)
 terminal values 134–46, 191–2
 WACC method 189–92
- distribution, flotations 61–3,
 75–81
- diversification
 global offerings 68–9
 M&As 104, 105
 secondary offerings 43–4
- divestitures
 auctions 12
 bids 12–13
 business fit 11
 concepts 2, 8, 11–13, 20–1
 confidential information 12
 data rooms 12–13
 financial statements 12
 forecasts 12
 information memorandum 12
 letters 12
 short-lists 11–13
 valuations 11–12
- dividend discount model,
 concepts 192–3
- dividend yield, concepts 150–1,
 153–7
- dividends 13–14, 32–8, 150–1,
 153–7, 166–7, 192–3
see also shares
 concepts 32–8, 150–1
 preference shares 32–4
 special dividends 13–14
- Dixons 44
- documentation 7–8, 10–11,
 18–20, 48–9, 52–63, 70–81
 flotations 48–9, 52–63, 70–81
 international equity offerings
 70–81
 prospectuses 7–8, 18–20, 48–9,
 54–63, 70–81
 rights issues 84–100
 underwriting agreements 7–8,
 53–5, 62–3, 77–81
- Dresdner Kleinwort Benson 99
- Dresdner Kleinwort Wasserstein
 14
- DRs *see* Depository Receipts
- dual listings 67–8
- due diligence 10–11, 19, 54, 56,
 57–63, 76–81
 flotations 54, 56, 57–63, 76–81
 global offerings 76–81
- early retirement, corporate
 financiers 20
- earnings
 adjustments 109–10, 136–42,
 147–8, 151–7, 161, 179–80,
 186–9
 PE ratios 107, 109–10, 142–3,
 148–54
 per share (EPS) 109–10, 176
- earnings before interest, tax,
 depreciation and amortisation
 (EBITDA) 151–7, 186–9
- earnings before interest and tax
 (EBIT) 136–42, 147–8, 154–7,
 161, 179–80, 186–9
- EBITDA *see* earnings before
 interest, tax, depreciation and
 amortisation
- ECMs *see* equity capital markets
- economic profit
see also shareholder value added
 advantages 175–7
 calculation 177–81
 components 175–81
 concepts 21, 173–81, 190–1
 critique 181
 definition 174–5
 intangible assets 181
 limitations 181
 short-termism dangers 181
- economic value added (EVA)
see also shareholder value added
 concepts 128, 173–81, 190–1
- economies of scale 105
- ECP *see* EuroCommerical Paper

- ego-driven mergers 106
Electrabel 102
electricity industry 69
Elf 104
emerging markets 66, 68–9
Enel 42, 45
Energis 99
enterprise value 143–6, 151–7,
186–9
 components 143–6
 concepts 143–6, 151–7
 definition 144, 151
 enterprise value/EBIT ratio
 186–9
 enterprise value/EBITDA ratio
 151–7, 186–9
 survey 186–9
EPS *see* earnings per share
equities *see* shares
equity capital markets (ECMs)
2–3, 6–7, 8
equity carve-outs 13–14, 43, 44–5
equity cash flow (ECF), concepts
190–1
equity finance 26–7, 32–8, 40–63,
66–81, 118–25, 160–8, 174–5,
178–80
 see also shares
equity risk premium (ERP)
169–72, 193–7
equity value
 concepts 144–6, 150–1, 155–7
 definition 145
ERP *see* equity risk premium
estimation errors, forecasts 145–6
EURIBOR 32
Eurobond market 75, 133
EuroCommerical Paper (ECP) 28
'Euroland' 30–1
Europe 28, 30–1, 42–3, 69, 78–9,
85, 98, 111, 113, 123, 125, 142
Excel spreadsheets 134
executives/analysts, careers
15–20
expected returns 161–72
external directors 7–8, 52
 see also directors
fairness opinions 2–3, 13–14
 see also financial advice
FCF *see* free cash flow
fees
 international equity offerings
 79–81
 rights issues 90–4
 underwriters 80–1, 90–4
Fina 104
finance, definition 1
financial acquisitions
 see also leveraged buyouts;
 management buyouts;
 mergers ...
 concepts 105–6, 107, 115–25
financial advice, concepts 2–3,
13–14
financial advisors 14, 84–5, 102,
112
 major players 14, 84–5, 102
 quoted companies 14, 102, 112
Financial Services Authority
(FSA) 50–1, 110–13
financial statements 12, 19–20,
33, 35, 54–63, 71–4, 128,
135–46, 154–7, 175–80
 see also annual reports; balance
 sheets; income statements
divestitures 12
Financial Times 86–7
financing, M&As 107–10
Finelist 124
fixed-income securities *see* bonds
floating rate notes
 see also bonds
 concepts 29, 31–3
flotations 2–3, 4, 6–8, 39–63,
65–81
 see also initial public offerings;
 new issues

- flotations (*cont.*)
- advantages 40–2, 46, 66–8
 - AIM 47–9
 - allocation of shares 61–3, 75–81
 - concepts 6–8, 40–63, 65–81
 - costs 46–7, 66–7, 71, 79–81
 - definition 40
 - disadvantages 46–7
 - disclosure costs 46–7, 71
 - documentation 48–9, 52–63, 70–81
 - due diligence 54, 56, 57–63, 76–81
 - global offerings 47–9, 61, 65–81
 - LSE 47–51
 - marketing aspects 52–5, 56, 57–63, 75–81
 - methods 479
 - over-subscribed offerings 62
 - parties 6–8, 40–4, 52–5, 75–81
 - placings 47–8, 61–3, 74–5
 - pricing problems 13–14, 40–2, 46–7, 61, 63
 - processes 52–63
 - prospectuses 7–8, 18–20, 48–9, 54–63, 70–81
 - reasons 40–6
 - regulations 6–8, 40–2, 49, 52–63, 69–81
 - 'roadshows' 48–9, 56, 60–3, 76, 99
 - secondary offerings 8, 40, 42–5, 61, 83–100
 - share prices 40–2, 46–7, 48, 55–63, 68–9, 77–81, 127
 - strategy formulation 46
 - structural considerations 46, 56
 - suitability considerations 49, 52
 - syndicates 6–8, 40, 53–63, 75–81
 - timetables 7–8, 40, 55–63, 71–81
 - verification 54, 56, 57–63
- Forbes Global* 110
- Ford 105
- forecasts 12, 54–5, 59, 134–46, 190–1
- DCF 134–46, 190–1
 - divestitures 12
 - estimation errors 145–6
 - flotations 54–5, 59
- formal marketing, flotations 59–60
- France 42, 102, 124
- free cash flow (FCF), concepts 136–42, 153–7, 161–6
- Freeserve 44
- FSA *see* Financial Services Authority
- FTSE 100 86
- funding triangle 118–19
- further equity offerings 2, 4, 20–1
- GAAP *see* Generally Accepted Accounting Principles
- Galley, Carol 86–7
- GDRs *see* Global Depository Receipts
- gearing 13, 40–2, 120–2, 162–3, 190
- see also* debt–equity ratio
- gearing ratio, bank finance 1202
- Generally Accepted Accounting Principles (GAAP), US 54, 71
- geometric mean 195–6
- Germany 42, 67, 71
- Gilts *see* government bonds
- GlaxoSmithKline 47, 105
- Global Depository Receipts (GDRs) 73–5
- global offerings
- see also* international equity offerings
 - bookrunners 75–81
 - diversification 68–9
 - due diligence 76–81
 - flotations 47–9, 61, 65–81
 - international investors 68–9

- liquidity reasons 69
prospectuses 71–81
reasons 66–81
regulations 69–81
returns 68–9
trends 66, 69–70
US 67–81
- global syndicates 77–81
glossary 199–218
Goldman Sachs 94, 122
government bonds (Gilts) 29–32,
130–2, 166, 170–2, 194–5
see also bonds
government Treasury Bills (T-
bills) 28
graduates 15–16, 18
Great Wall of China 3
'greenshoe' options 81
Gucci 43
'gut feelings' 188–9
- Hanson 103
Hertz 105
high-yield bonds 124–5
see also bonds
historic book value 181, 187
historical financial results,
divestitures 12
'hold and fade' method, cash flow
valuations 191–2
horizontal mergers
see also mergers ...
concepts 104–6
hostile takeovers 10, 67
see also mergers and
acquisitions
Anglo-Saxon economies 10
HSBC 47, 99, 123, 167–8, 171
hybrid securities
see also convertible debt
concepts 36–8
types 36
- ICI-ZENECA 100
Impact Day, underwriting period
63
'in the money' convertibles 38
income statements 71–4, 128,
135–42, 154–7, 175–80
see also earnings
induction/training programmes,
corporate financiers 18
inflation rates, discount rates
163–5
information memorandum,
divestitures 12
initial public offerings (IPOs) 2, 4,
6–8, 13, 20–1, 26–7, 39–63,
77, 95–6, 127, 134
see also flotations
concepts 6–8, 13, 20, 26–7,
39–63, 77, 95–6, 127
definition 40
parties 6–8, 40–4, 52–5, 75–81
processes 52–63
insider information 4–5
institutional buyouts (IBOs),
concepts 116
institutional investors 11–12, 41,
47–8, 61–3, 68–70, 74–5,
116–25
bought deals 94–9
MBOs 116–25
placings 47–8, 61–3, 74–5
QIBs 74–5
intangible assets 181
integrated securities houses 10
interest cover ratio, bank finance
120–2
interest payments
see also coupon
concepts 27–32, 36–8, 120–2
interest rates 29–32, 120–2, 166,
168–72, 193–7
internal rate of return (IRR)
private equity firms 122–3
survey 187–8

- international equity offerings
see also global offerings
 bookrunners 75–81
 concepts 48–9, 61, 65–81
 costs 66–7, 71, 79–81
 Depository Receipts 53, 73–5
 diversification 68–9
 documentation 70–81
 investors 68–9
 liquidity reasons 69
 M&As 67
 marketing 75–81
 prospectuses 71–81
 reasons 66–81
 regulations 69–81
 returns 68–9
 sectors 67–8
 share prices 68–9, 77–81
 stabilisation processes 81
 tranches 76–81
 trends 66, 69–70
 US 67–81
- international investors, global offerings 68–9
- Internet 3–4, 12–13, 42, 44, 61, 99, 103, 107–8
- 'Internet bubble' 3–4, 42, 44, 107–8
- intrinsic value
see also discounted cash flow
 concepts 128, 132–42, 185–6
 uses 134
- Introduction, Detica Group plc 49–51
- invested capital *see* capital employed
- investment banks
see also banks
 concepts 2–21, 52–5, 57–63, 76–81, 95–9
 corporate finance 2–3
 departments 6
 flotations 52–5, 57–63, 76–81
- investment stories 7–8
- investment-grade bonds 124
- investors 11–12, 41, 47–8, 61–3, 68–70, 74–5, 116–25, 175–81
see also institutional investors; shareholders
- IPOs *see* initial public offerings
- Ireland 49–51
- IRR *see* internal rate of return
- Italy 42, 45, 77
- Japan 30, 42, 71–3
- joint ventures 9
see also mergers
- JP Morgan 73–4, 122
- KBC Peel Hunt 14
- Kingfisher 100
- Kohlberg, Kravis and Roberts (KKR) 107
- Lattice 100
- lawyers 10–11, 19–20, 53–63, 76–81, 84–5, 95–6
see also legal issues
- LBOs *see* leveraged buyouts
- lead banks, flotations 53–5, 57–63, 75–81
- legal issues 6–8, 10–11, 19–20, 40–2, 52–63, 76–81, 84–5, 95–6
see also lawyers
 flotations 6–8, 40–2, 52–63, 76–81
- Lehman Brothers 122
- letters, divestitures 12
- leveraged buyouts (LBOs)
 concepts 13, 105–6, 116–25, 127, 152
 definition 116
- LIBOR *see* London Inter-Bank Offer Rate
- life cycle, sources of capital 26–7, 41
- limited liability, shares 35

- liquidity reasons, global offerings 69
- listed companies 7–8, 13, 34–5, 40–63, 66–81, 85
see also flotations; quoted companies
advantages 40–2, 46, 66–8
AIM 47–9, 90–4
delistings 13
disadvantages 46–7
dual listings 67–8
listing particulars 7–8, 54–63, 70–3
LSE 47–51, 90–4
suitability considerations 49, 52
- listing particulars 7–8, 54–63, 70–3
- Lloyds TSB 177
- loans 10, 26–32, 41, 118–25
M&As 10
MBOs 118–25
- locations, corporate finance departments 4–5
- London Business School 90–4, 194–5
- London Inter-Bank Offer Rate (LIBOR) 31–2, 121–2
- London Stock Exchange (LSE) 8, 13, 47–51, 53–63, 85, 89, 90–4, 100
- long-term debt finance 20, 26, 29–34, 36–8, 144–6, 151–7
see also bonds
concepts 26, 29–34, 144–6
definition 29
issuers 29–30
types 29–32, 36–8
uses 27, 29–32
- LSE *see* London Stock Exchange
- M&As *see* mergers and acquisitions
- Machiavellian qualities, corporate financiers 19
- management buyins (MBIs), concepts 116
- management buyouts (MBOs)
concepts 13, 20–1, 45, 105–6, 115–25, 127
core financial elements 116–18
definition 105–6, 116
example 116–18
financial structure 118–25
secured lending 120–5
trends 116–17, 122–3
types 116
unsecured debt 120, 123–5
- management fees 80
- managers 13, 15–21, 45, 80, 105–6, 115–25, 127
SVA judgements 181
syndicates 75–81
- managers/associates, careers 15–20
- managing directors 17–20
see also directors
- market capitalisation, concepts 148–9, 151–7, 187–9
- market risk premium, concepts 168–72, 193–7
- market to book value ratio 149–50, 153–7
- market values
concepts 89, 132–4, 148–57, 161–6
definition 133
rights issues 89
- marketed offerings, concepts 94–6
- marketing aspects
flotations 52–5, 56, 57–63, 75–81
international equity offerings 75–81
secondary offerings 95–100
- Marshall, Alfred 174
- maturity, bonds 27, 29–34, 131–2
- MBA 15–16, 18
- MBIs *see* management buyins

- MBOs *see* management buyouts
 mean and median statistics,
 valuation example 152–7
 meetings 18–20
 merchant banks 52–5, 97
 see also banks
 mergers and acquisitions (M&As)
 2–3, 6–13, 16, 20–1, 67, 93–4,
 100, 101–13, 116–25, 134,
 185–7
 bootstrap transactions 109–10
 cash offers 107–10
 City Code on Takeovers and
 Mergers 110–13
 concepts 2–3, 6–13, 20–1, 93–4,
 100, 101–13, 134, 185–6
 demergers 100
 diversification 104, 105
 ego-driven mergers 106
 EPS 109–10
 examples 104–5
 financing options 107–10
 hostile takeovers 10, 67
 international aspects 67, 102–4
 loans 10
 MBOs 13, 20–1, 45, 105–6,
 115–25
 parties 6–8
 PE ratios 107, 109–10
 premia 187
 reasons 102–4
 regulations 110–13
 shares 100, 107–13
 short-lists 9–10
 strategy 9, 11, 102–4
 synergies 10, 185
 taxation 108–9
 trends 102–3, 106–7
 types 104–6
 valuations 10, 132, 134
 value creation 104
 waves 106–7
 Merrill Lynch 86–7, 98
 mezzanine finance 118–20, 123–5
 concepts 120, 123–5
 definition 120
 mining companies 68
 minority shareholdings 150–1
 money markets
 see also short-term debt finance
 concepts 27–9
 Monument Oil and Gas 92–3
 Moody's 124
 MORI 86

 NASDAQ 67–8
 National Computer Systems
 (NCS) 93–4
 National Grid 99
 National Westminster Bank 104
 NAV *see* net asset value
 NCS *see* National Computer
 Systems
 negotiated transactions,
 divestitures 12
 net asset value (NAV) 117–18,
 149–50, 155–7, 177, 186
 net operating profit after tax
 (NOPAT) 161, 163–4, 177–80
 new issues
 see also flotations
 concepts 5, 6–8, 20–1, 26,
 40–63, 66–81
 timetables 7–8, 26, 40, 71–81
 New York Stock Exchange 67, 71
 NM Rothschild 97–8
 nominal rates, WACC 163–5
 non-cumulative preference shares
 34
 non-executive directors 52
 non-voting ordinary shares 35
 NOPAT *see* net operating profit
 after tax

 offers for sale, flotations 47–8,
 62–3
 Office of Fair Trading (OFT) 90,
 111

-
- 'Official List', LSE 47
 - OFT *see* Office of Fair Trading
 - oil and gas industry 42, 100, 104–5, 107
 - opportunity cost of capital
 - see also* weighted average cost of capital
 - concepts 160–6, 168–9
 - 'optimal issue price' 61
 - optimal weightings, WACC 162–6
 - ordinary shares 20–1, 34–8, 145, 160
 - see also* shares
 - 'over-allotted' shares 81
 - over-subscribed offerings 62
 - overdrafts 26–7
 - see also* banks
 - overview 20–1

 - Panel on Takeovers and Mergers (Takeover Panel) 110–13
 - par values, shares 32–3
 - pathfinder prospectuses 48–9, 60–1
 - payment in kind bonds (PIK), M&As 108
 - PDF files 12
 - PE ratios *see* price earnings ratios
 - Pearson 87, 93
 - pension funds 69–70
 - PER *see* price earnings ratios
 - performance issues, SVA 174–81
 - Pernod Ricard 102
 - perpetuities 140–2, 191–2
 - Pharmaceutical sector 107
 - placings, flotations 47–8, 61–3, 74–5
 - PR teams 19, 54–5, 84–5, 95–6
 - pre-emption rights
 - see also* rights issues
 - concepts 85–100
 - pre-marketing, flotations 59–60, 77–81
 - preference shares 20–1, 32–4, 36, 107–8, 144–5
 - characteristics 32, 34
 - concepts 32–4, 36, 107–8, 144–5
 - dividends 32–4
 - premia, mergers and acquisitions 187
 - present value, concepts 128, 130–2, 134–42, 181, 190–1
 - presentations, flotations 48
 - price earnings (PE) ratios 107, 109–10, 142–3, 148–57
 - concepts 109–10, 142–3, 148–54
 - definition 148
 - price to book value ratio *see* market to book value ratio
 - 'price-sensitive' information 4–5
 - price/EBIT multiple 149
 - pricing problems 13–14, 40–2, 46–7, 61, 63
 - primary offerings 40–63
 - see also* flotations
 - private equity firms 11–12, 122–3
 - privatisations 42–3, 45, 48, 66, 69, 79–80, 97–8
 - profit and loss statements *see* income statements
 - project management 18–20
 - promissory notes 28
 - see also* commercial paper
 - prospectuses
 - documentation 7–8, 18–20, 48–9, 54–63, 70–81
 - global offerings 71–81
 - pathfinder prospectuses 48–9, 60–1
 - regulations 57–9, 70–81
 - public companies 7–8, 13, 34–5, 40–63
 - see also* listed companies
 - delistings 13

- Qualified Institutional Buyers (QIBs) 74–5
 questionnaires, corporate
 valuation methods 184–98
 quoted companies 13–14, 40–63,
 66–81, 85
 see also flotations; listed
 companies
 delistings 13
 financial advisors 14, 102
- R&D *see* research and
 development
 Railtrack 69
 real options 187
 ‘red herring’ prospectuses 71–2
 redundant assets 143–6
 registration statements, SEC 70–3
 regulations 6–8, 21, 49, 52–63,
 69–81, 95–100, 110–13
 flotations 6–8, 40–2, 49, 52–63,
 69–81
 international equity offerings
 69–81
 M&As 110–13
 prospectuses 57–9, 70–81
 rights issues 84–100
 secondary offerings 95–100
 relationships, corporate finance 3,
 13–14, 54–63
 relative risk, betas 168–9, 193–7
 relative valuation techniques
 adjustments 147–8
 concepts 21, 128, 132–3, 142–3,
 146–57, 185–9
 critique 146–8, 185
 earnings’ adjustments 147–8
 examples 152–7
 multiples adjustments 147–8,
 152–7
 uses 134, 142–3, 146–57, 185
 remuneration, management
 excesses 147–8
 replacement cost asset value 187
 reporting accountants, flotations
 54–5
 reputations 13–14, 40–2, 67
 research and development (R&D)
 178
 research reports, flotations 60
 research, sales and trading 3–4
 residual income *see* shareholder
 value added
 residual values *see* terminal
 values
 retention, clients 19–20
 return on capital employed
 (ROCE) 175–81
 return on equity, shortcomings
 1756
 returns 21, 35–8, 68–9, 118–20,
 122–3, 128, 152–7, 160–6,
 173–81, 187–8, 189–91
 CAPM 168–72
 emerging markets 68–9
 expected returns 161–72
 institutions 123
 IRR 122–3, 187–8
 risk 118–24, 160–6, 168–72,
 175–81
 SVA 21, 128, 173–81, 190–1
 WACC 160–6, 175–81, 189–91
 rights issues
 concepts 8, 83–100
 costs 90–4
 deep discounted rights issues
 93–4
 dilution protection 85
 discounts 88, 93–4
 documentation 84–100
 examples 87
 fees and commissions 90–4
 international comparisons 85–6
 regulations 84–100
 share prices 8, 87–9, 93–4
 theoretical rights price 88–9
 timetables 90–4
 underwriters 88, 90–4

- risk
- betas 168–9, 193–7
 - CAPM 168–72
 - cost of capital 178
 - discount rates 132
 - reduction 68–9
 - relative risk 168–9, 193–7
 - returns 118–24, 160–6, 168–72, 175–81
 - SVA 17581
 - types 168–9
- risk-free rates 166, 168–72, 193–7
- RJR Nabisco 107
- 'roadshows' 48–9, 56, 60–3, 76, 99
- ROCE *see* return on capital employed
- Rothschild 97–8
- Royal Bank of Scotland 104, 122
- Rule 144a, SEC 74–5
- running yield 123
- Sanofi 104–5
- SBC Warburg (UBC Investment Bank) 98
- Scandinavian markets 68
- Schroders 92–3
- SCM *see* Strategic Capital Management
- seasoned equity offerings
see also secondary offerings
definition 84
- SEC *see* Securities Exchange Commission
- secondary markets 28
- secondary offering, definition 84
- secondary offerings
- accelerated bookbuilding 98–9
 - bought deals 94–9
 - concepts 8, 40, 42–5, 61, 70, 83, 95–100
 - definition 42–3, 84
 - marketed offerings 94–6
 - marketing aspects 95–100
 - regulations 95–100
 - sectors 42, 61, 67–8
- secured lending, MBOs 120–5
- Securities Exchange Commission (SEC) 49, 70–3, 74–5
- Seymour Pierce 14
- share buybacks 13–14, 26
- share options 40
- share prices 3–6, 8, 26, 40–2, 48–9, 55–63, 68–9, 77–81, 87–9, 93–4, 127, 132–57
- Chinese Walls 3–6
- convertible debt 38
- flotations 40–2, 46–7, 48, 55–63, 68–9, 77–81, 127
- international equity offerings 68–9, 77–81
- market to book value ratio 149–50, 153–7
- PE ratios 107, 109–10, 142–3, 148–54
- price/EBIT multiple 149
- pricing problems 13–14, 40–2, 46–7, 61, 63, 108
- rights issues 8, 87–9, 93–4
- shareholder value added (SVA)
- advantages 175–7
 - calculation 177–81
 - components 175–81
 - concepts 21, 128, 173–81, 190–1
 - critique 181
 - definition 174–5
 - example 177–80
 - historical background 174
 - intangible assets 181
 - limitations 181
 - short-termism dangers 181
- shareholders 6–8, 21, 40–63, 66–81, 100, 107–13, 117, 128, 150–1, 173–81, 190–1
- demergers 100
- flotations 6–8, 40–63, 66–81
- international investors 68–9

- shares 3–8, 13–14, 32–8, 40–63,
 66–81, 109–10, 132–57,
 192–3
see also rights issues
 allocation of shares 61–3, 75–81
 buybacks 13–14, 26
 convertible debt 20, 26–7, 36–8,
 160
 demergers 100
 dividends 13–14, 32–8, 150–1,
 153–7, 166–7, 192–3
 EPS 109–10, 176
 flotations 2–3, 4, 6–8, 40–63,
 66–81
 limited liability 35
 M&As 100, 107–13
 new issues 5, 6–8, 20–1, 26,
 40–63, 66–81
 PE ratios 107, 109–10, 142–3,
 148–54
 pricing problems 13–14, 40–2,
 46–7, 61, 63, 108
 types 20–1, 32–8, 144–5, 160
 valuations 132–57
 voting rights 32–5
 short-term debt finance 20, 26–32,
 33
see also money markets
 concepts 26–32
 definition 27
 issuers 27–8
 types 27–9
 uses 27
 short-term traders (stags) 61–2
 short-termism dangers, economic
 profit 181
 skills required, corporate
 financiers 15–20
 solicitors to the issue 53–5
see also lawyers
 sources of capital 20, 25–38,
 40–63, 66–81, 84–100,
 116–25, 160–72
 cost of capital 160–72
 life cycle 26–7, 41
 sources of information, corporate
 valuation methods 197–8
 sources and uses of funds
 statements 71–3
 special dividends 13–14
 spin-offs *see* carve-outs
 sponsors *see* lead banks
 spread, concepts 29–30
 spread calculation method,
 economic profit 178–80
 stabilisation processes,
 international equity offerings
 81
 stags *see* short-term traders
 Standard & Poor's 124
 Stock Exchange *see* London Stock
 Exchange
 stock market crash of 1987 8
 stockbrokers 6–8, 40–2, 52–5,
 84–5, 184
 Strategic Capital Management
 (SCM) 123
 strategy
 flotations 46
 M&As 9, 11, 102–4
 structural considerations,
 flotations 46, 56
 sub-underwriters 8, 63, 90–4
 succession planning 43–4
 Suez 102
 Superdrug 100
 supply chains 105
 surveys, corporate valuation
 methods 130, 183–98
 SVA *see* shareholder value added
 syndicates 6–8, 40, 53–63, 75–81,
 99
 synergies 10, 185

 T-bills *see* Treasury Bills
 The Takeover Panel *see* Panel on
 Takeovers and Mergers

- takeovers
 see also mergers ...
 concepts 10, 67, 102–13
 hostile takeovers 10, 67
- target/optimal weightings,
 WACC 162–6
- taxation 136–42, 147–8, 151–7,
 161–6, 177–80, 186–9
 flotations 6–8
 M&As 108–9
- technology-driven companies,
 M&As 103–4
- telecommunications sector
 107–8, 125
- terminal values
 approaches 139–43
 DCF 134–46, 191–2
- theoretical rights price,
 calculation 88–9
- Time Warner–AOL 102
- timetables
 flotations 7–8, 40, 55–63, 71–81
 new issues 7–8, 26, 40, 71–81
 rights issues 90–4
- ‘title inflation’ 17–18
- Tomkins 103
- Toronto Stock Exchange 68
- Total 104
- trading multiples of companies in
 the industry 187–9
- training programmes, corporate
 financiers 18
- tranches, international equity
 offerings 76–81
- transactions, concepts 2–21
- Treasury Bills (T-bills) 28
- Treasury Bonds (US) 29
 see also government bonds
- true value *see* intrinsic value
- 84–100, 102, 106–7, 110–13,
 116–17, 121, 170–2
- UK Listing Authority (UKLA) 49,
 55–7
- undervaluations 13–14, 42, 46–7,
 61
- underwriters 7–8, 53–5, 62–3,
 77–81, 88–94
 fees 80–1, 90–4
 flotations 7–8, 53–5, 62–3,
 77–81
 rights issues 88, 90–4
- underwriting agreements,
 documentation 7–8, 53–5,
 62–3, 77–81
- unsecured debt
 see also mezzanine finance
 concepts 120, 123–5
- US 28, 29–34, 37–8, 49, 54,
 67–81, 85–6, 95–100, 106–7,
 116, 122–5, 142, 170
- valuations
 see also asset values
 art 157
 bonds 130–3
 capitalisation of earnings
 approach 148–9, 187–9
 concepts 2, 10, 18–20, 21, 60–3,
 127–57, 181, 183–98
 corporate valuation methods 2,
 127–57, 183–98
 DCF 21, 134–46, 185–92
 divestitures 11–12
 dividend yield model 150–1,
 153–7
 fairness opinions 2–3, 13–14
 intrinsic value 128, 132–42,
 185–6
 M&As 10, 132, 134
 market to book value ratio
 149–50, 153–7
 methods 21, 127–57, 183–98

- valuations (*cont.*)
PE ratios 107, 109–10, 142–3,
148–54
price/EBIT multiple 149
relative valuation techniques
21, 128, 132–3, 142–3,
146–57, 185–6
shares 132–57
sources of information 197–8
undervaluations 13–14, 42,
46–7, 61
value creation
M&As 104
SVA 21, 128, 173–81, 190–1
Vauxhall 105
VCs *see* venture capitalists
VEBA 177
venture capitalists (VCs) 26–7, 41,
43, 44–5, 184
concepts 45
typical companies 45
verification, flotations 54, 56,
57–63
vertical mergers
see also mergers ...
concepts 105
'virtual' data rooms, divestitures
12
voting rights, shares 32–5
WACC *see* weighted average cost
of capital
Wall Street 2
water companies 69
weighted average cost of capital
(WACC)
see also cost of capital
concepts 160–6, 175–81,
189–91
DCF 189–91
definition 160–2
nominal rates 163–5
taxation considerations 161–3
Wellcome plc 44
Woolworths 100
working capital 54–5, 59, 118–19,
137–42, 179–80
yield to maturity 30–2, 38, 131–2,
165–6
yields
bonds 30–2, 38, 1245, 130–2,
165–6
dividend yield 150–1, 153–7
ZENECA 100
zero-coupon bonds 130–2
see also bonds