New York University
Stern School of Business

B40.3188 – Topics in international Finance: Applied Financing Strategies

Summer 2010

Prof. Tommaso Albanese

Course Objectives

The course is intended for future finance professionals and corporate executives seeking a “practitioner’s” grasp on how to structure and execute financing strategies in the international capital markets. As such, the course is largely taught from the borrower’s perspective, looking at his/her interaction with the investment banks and the capital markets. The borrower must develop the best financing strategy in order to facilitate the achievement of the company’s business objectives.

The first part of the course will review the instruments, markets and pricing methodologies typically utilized to formulate a financing strategy. The second part will focus on the analytical framework necessary for a company to assess the appropriate capital structure, in terms of leverage, instruments and related markets. The third part will include sophisticated derivatives and structured finance techniques. Students will be exposed to decision-making situations across different industries, geographies and financial conditions. The course will make large use of real case studies written by the instructor based on his professional experience. This course would be particularly useful to students who are interested in a career in the capital market department of investment banks, in the finance department of corporates, or as an advisor on financing strategies.

Course Method

This is an applied course. It aims at providing students with the required skills for structuring and executing financing strategies in the international capital markets. The case study approach provides an opportunity to apply products and methodologies to real-life deals. The course will be taught in the form of lectures together with cases studies intended for class discussion.

As in any case-based course, the method of analysis and the questions posed are far more important than the final answers. Consequently, the lessons and insights drawn from these cases are largely a function of the effort and care students invest into being fully acquainted with the readings and cases for each session. Classes will include discussion of readings, case analysis and group activities.

Instructor

Tommaso Albanese is an Adjunct Professor in Finance at Stern. He is a former Managing Director of Morgan Stanley & Co, Co-Head of Global Capital Markets in Europe and Global Head of Corporate Derivatives. He also teaches at the Cass Business School in London.

Text and Cases

The textbook for the course is: E.Brigham, M.Ehrhardt, Financial Management: Theory and Practice, (South-Western, 2008) (“FMTP”). The additional readings and assigned cases will be provided on Blackboard during the course. Class notes will be distributed in advance of each session.
Assignments

All case assignments will be turned in by groups of three to four students each. In addition to preparing for each class, groups will be responsible for the following:

- One case presentation in class.
- Two case write-ups for the remaining cases.

Class presentation. There are five cases assigned for the course to be allocated between the groups. Each presentation will last no longer than 20 minutes. It should focus on the substantive issues rather than being a question-by-question response. Spend time on presenting insights not background information. Attention should be paid to the clarity and quality of your message.

Write-up. The coversheet should include the name of the case and the group members. The first page should be titled "Executive Summary” and should contain the main insights that have emerged from analyzing the case. The next one or two pages (no more) should contain a numbered list with the answer to each question in the case (all supporting work in appendices). The write-up will be graded for content and format. Write-ups should be turned in electronic format at talbanes@stern.nyu.edu and in hardcopy format prior to the session for which they are assigned.

Grading

Grades will be computed as follows:

<table>
<thead>
<tr>
<th>Grading Category</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Case Assignments (as per above)</td>
<td>40%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40%</td>
</tr>
<tr>
<td>Class participation</td>
<td>20%</td>
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</tbody>
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Final Exam. The final exam will be an individual effort. It will last about sixty minutes and will consist of a list of questions (six to eight) to test the depth of your understanding of the material. The questions will only refer to the topics covered in class. It is a closed book exam.

Class Participation. It will be evaluated on the basis of participation to the class discussion. Quality is more important than quantity. Quality comments are those who move the conversation forward, or offer a different, unique and relevant perspective, or build on other comments, or raise apparent tradeoffs in the analysis. The evaluation is adversely affected by lack of attendance or the creation of negative classroom externalities.

First Day of Class

Please bring the course outline, a name tag and a calculator. Please be on time.

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“If you tell me, I will listen. If you show me, I will see. But if you let me experience, I will learn”.
Lao Tze (Chinese philosopher, 5th century BC)
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Course Outline

SESSION 1 – Financial Markets and Financial Instruments
Why companies raise capital in the markets?
The globalization of capital markets
Investment banks’ capital markets department
Debt financing (and leveraged finance)
Equity financing
Case studies discussion

SESSION 2 – Impact of Debt Financing
Capital structure overview
Assess debt capacity
Impact on firm’s value
Optimal debt ratio
Case studies discussion
Dresser-Rand case presentation (Group 1)

SESSION 3 – Capital Structure Decisions
WACC analysis
CAPM limitations
Firm life cycle
Capital structure decisions
Case studies discussion
First Data case presentation (Group 2)

SESSION 4 – Financial Derivatives and Risk management
Non-core risk and derivatives
Option and swap instruments
Advanced pricing models
Corporate risk management
Fat tail risk
Case studies discussion
Autostrade case presentation (Group 3)

SESSION 5 – Structured and Project Finance
Structured finance
Securitization techniques
CDO and ABCP
Project finance approach
Infrastructure finance
Case studies discussion
Chicago Skyway case presentation (Group 4)

SESSION 6 – Restructuring
Balance sheet restructuring
Future trends in capital markets
Sainsbury’s case presentation (Group 5)
Q & A
Final Exam (60 minutes)