



# IBCC – Excel at your financials

IB CASE COMPETITION



6 February 2020

**FIH PARTNERS**  
STRATEGIC FINANCIAL ADVISORY

# Today's presenters from FIH Partners



**Alexander From**

**Associate**

**Experience:**  
+1 year

**Education:**  
M.Sc. Finance @  
Aarhus University (2019)

**Select case experience**

1 Winner, CBS Finance  
Competition 2018



2 Winner, BSS Master Case  
Competition 2017



**Daniel Ellegaard Bechmann**

**Associate**

**Experience:**  
+1 year

**Education:**  
M.Sc. Applied Economics and  
Finance @ CBS (2019)

**Select case experience**

1 Writer, CBS Finance  
Competition 2018



2 Member, CBS  
international case teams



# Today's agenda

**Brief introduction to FIH Partners**

Workshop: Excel at your financials

Part 1 – Building a business case

Part 2 – Excel: Tips and Tricks

Break

Part 3 – Working in Excel

Wrap-up and Q&A

Networking @ Nexus

# FIH Partners at a glance

**+250**  
Transactions completed

**EUR +100bn**  
Deal value

**~45**  
Professionals



Divestments



Infrastructure projects



Acquisitions



IPO and ECM advisory

Based in CPH & NYC



Select examples



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# Focus of today's workshop

1



## Building a business case

- ✓ Identifying key financial value drivers in a business
- ✓ Creating financial forecasts based on revenue, cost and cash flow drivers

2



## Excel: Best practice

- ✓ Best practice for building dynamic and efficient Excel models
- ✓ Key functions and tools in Excel relevant for case competitions

3



## Working in Excel

- ✓ Practical part of workshop going through a retail expansion case
- ✓ Using the tools and functions of the workshop to measure impact

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**Part 1 – Building a business case**

Part 2 – Excel: Tips and Tricks

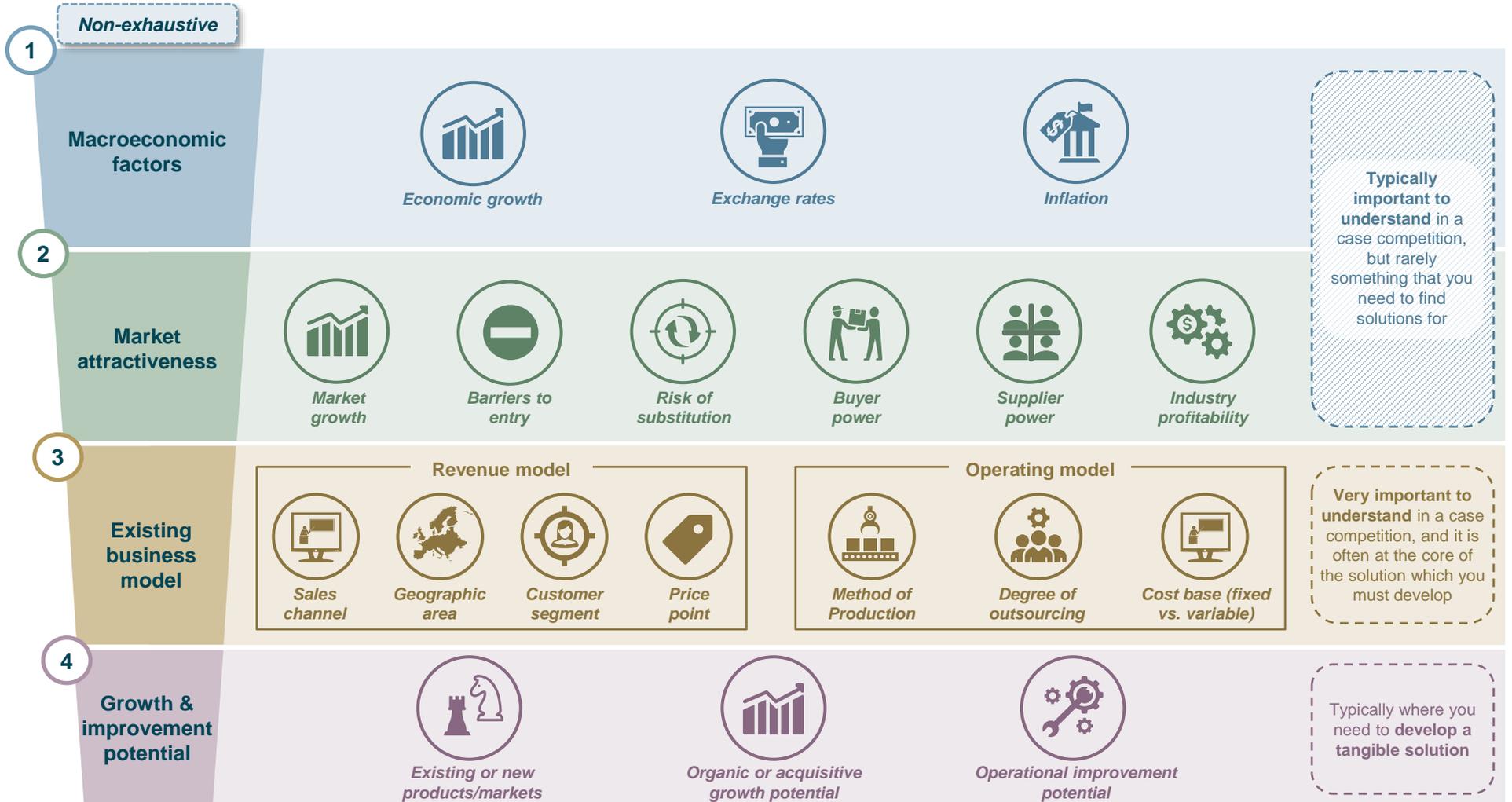
Break

Part 3 – Working in Excel

Wrap-up and Q&A

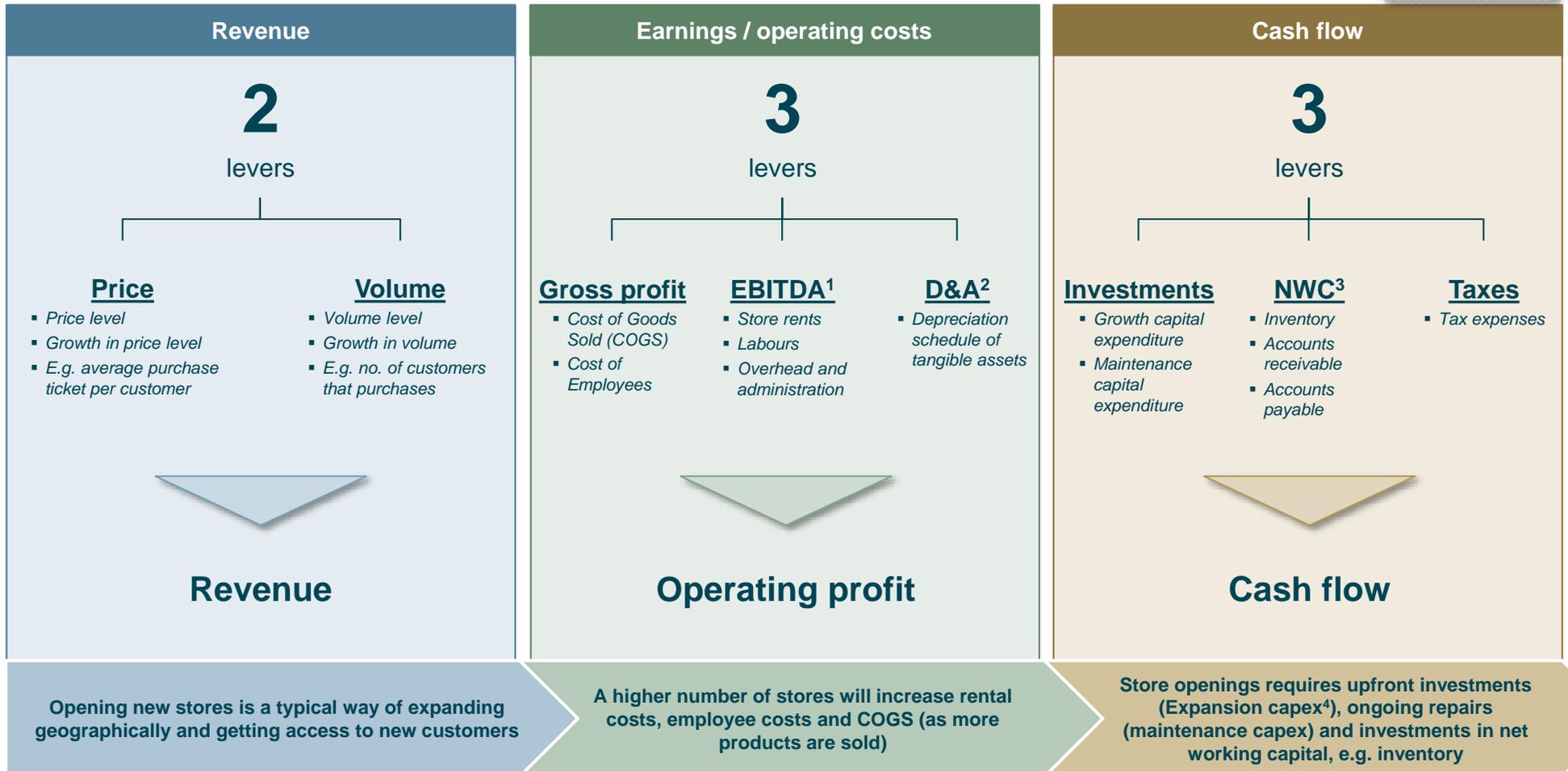
Networking @ Nexus

# 1 Introduction to different levels of value drivers



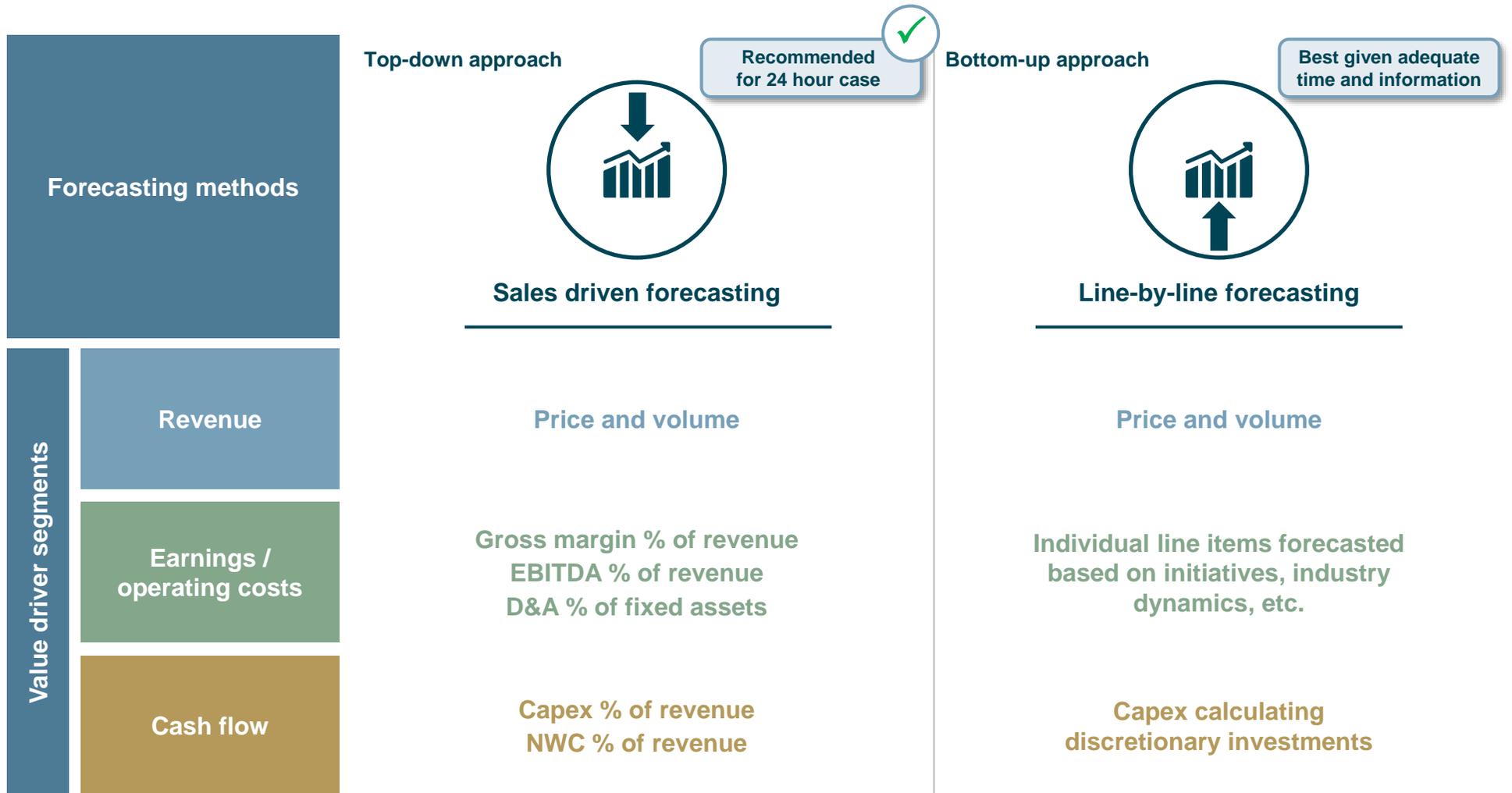
## 2 Identifying value drivers is the first step of forecasting

Example retail



Notes: 1) Earnings before Interest, Taxes, Depreciation & Amortisation; 2) Depreciation & Amortisation; 3) Net Working Capital; 4) Capital Expenditure

# 3 Two general approaches to building financial forecasts



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# Getting the settings right will save you a lot of time



24 hour case



Limited time



Optimise time  
where possible!



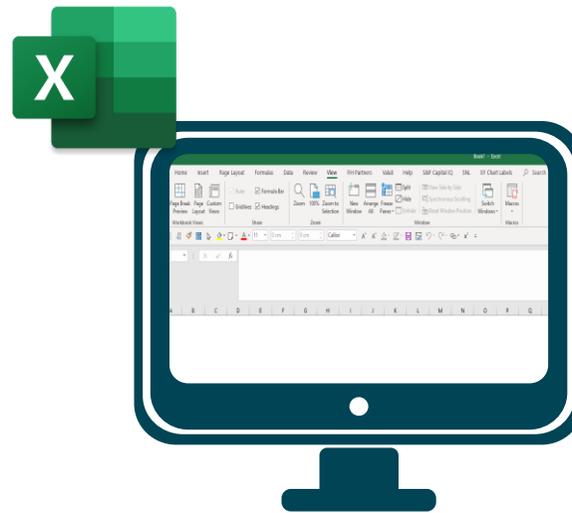
**1** Setting up quick access toolbar and graph formatting

**2** Learning best practices method of Working in Excel

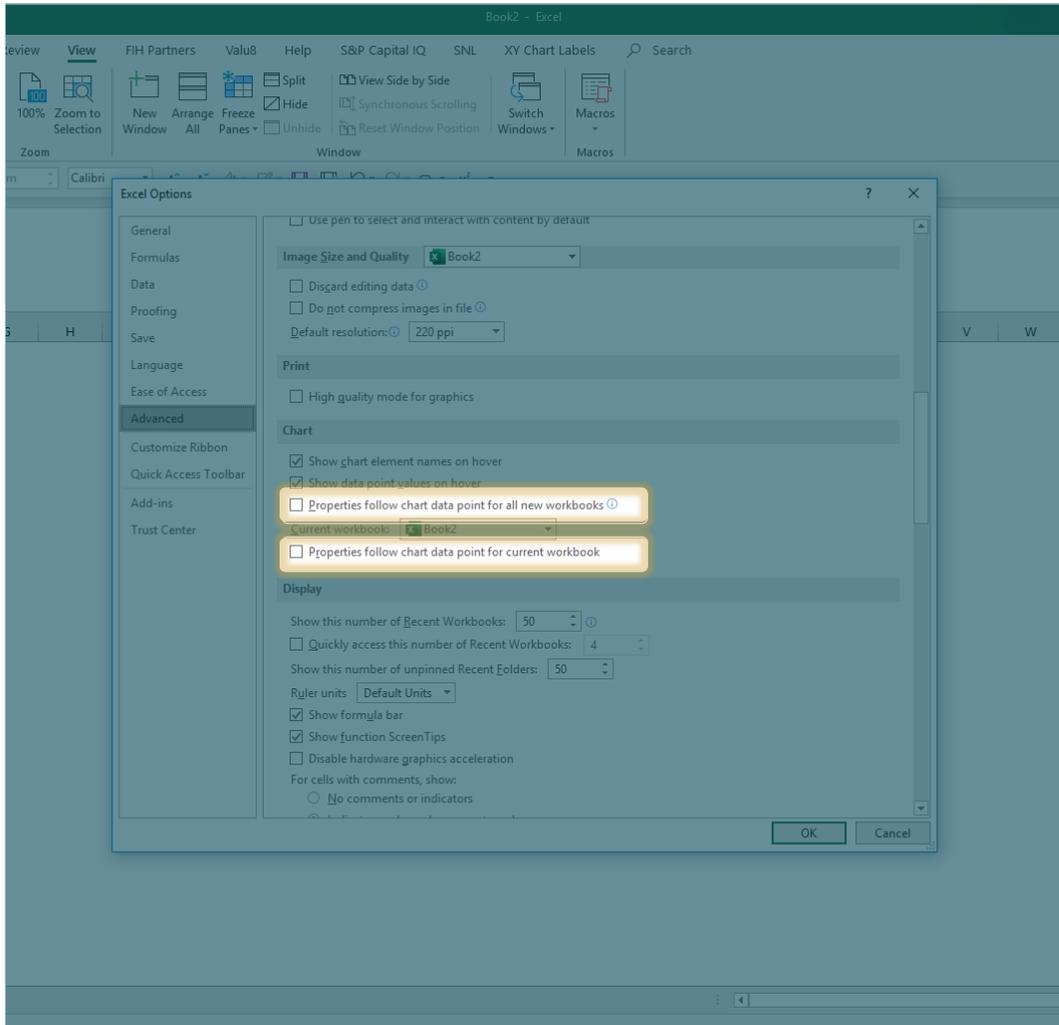
**3** Knowing the essential tools and functions in Excel

# Time to open Excel

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# 1 Setting up graph formatting to remain when changing input



## Setup guide (Windows)

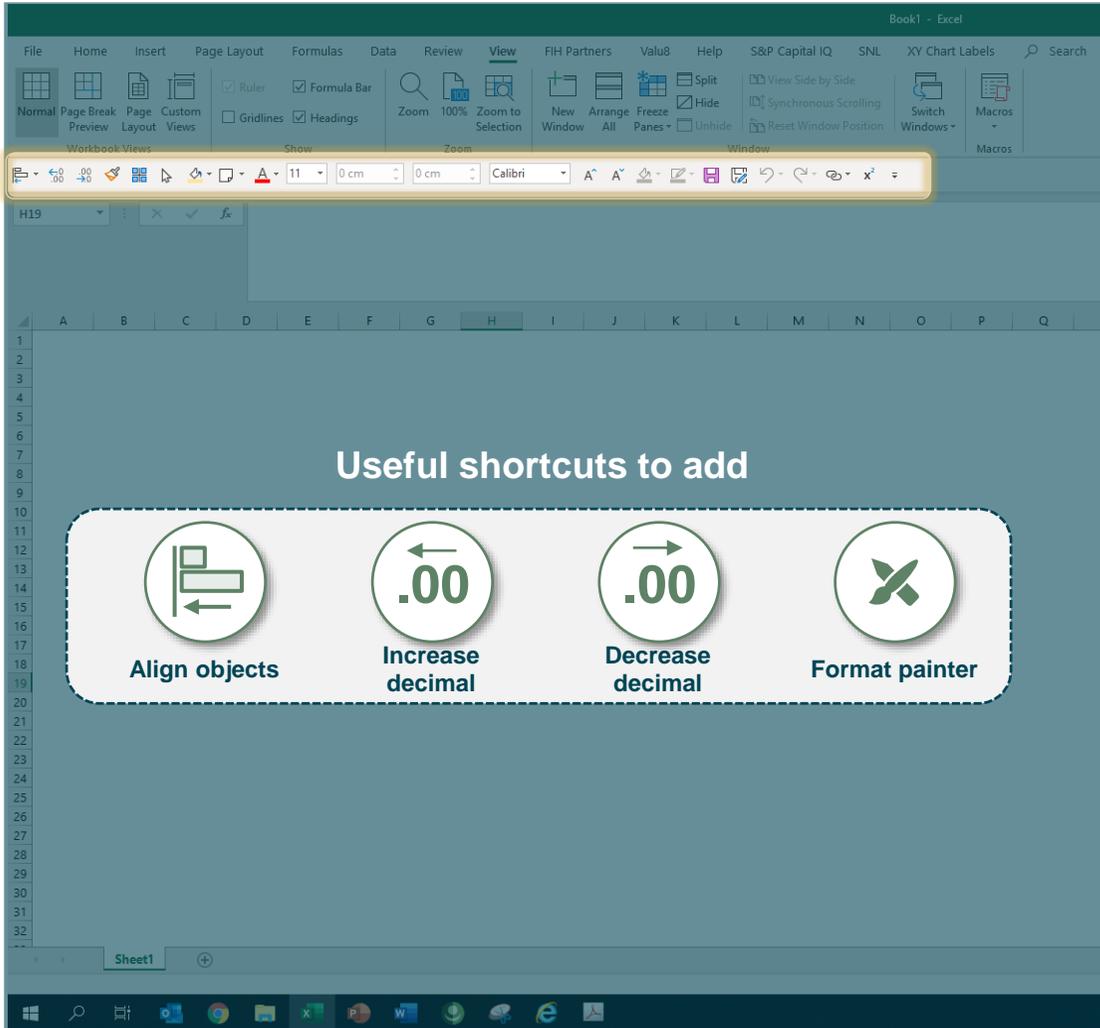
**Step 1** – Go to “File” and click “Options” at the bottom

**Step 2** – Click on “Advanced”

**Step 3** – Scroll down to “Chart” and unclick the two tick marks as showed to the left



# 1 Setting up quick access toolbar with useful shortcuts

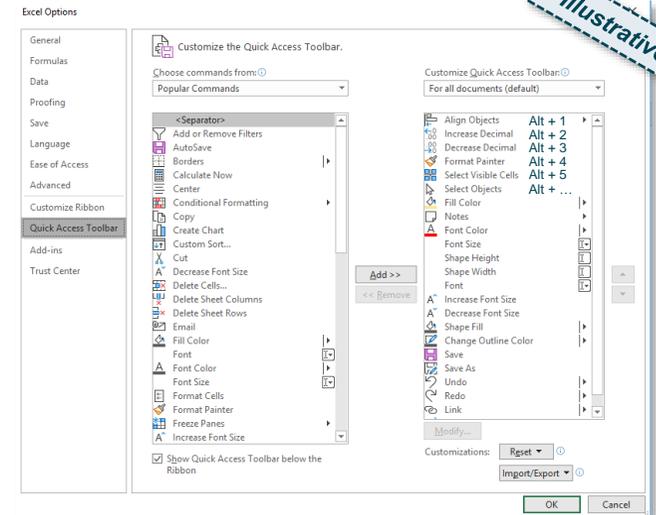


## Setup guide (Windows)

**Step 1** – Go to “File” and click “Options” at the bottom

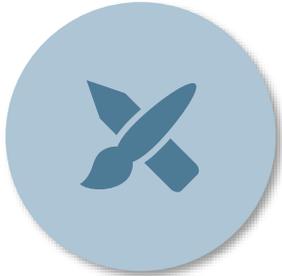
**Step 2** – Click on “Quick Access Toolbar”

**Step 3** – You can now customise the toolbar at your own preference



*\*For Windows operating systems, you can now access the functions in the quick access toolbar without using the mouse by pressing “Alt”*

## 2 Learning best practices method of working in Excel

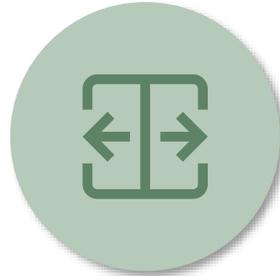


### Use **formatting**

Input (hard typed): **Blue**

References: **Green**

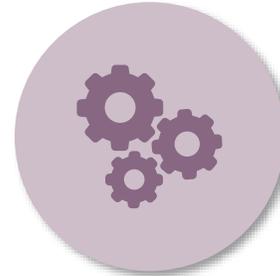
Calculations: **Regular black**



### **Separate** input from output

Separating input cells from output cells will make your sheets a lot more manageable

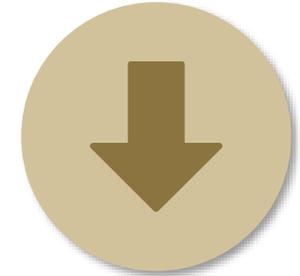
Show unit of measurement for clarity and to avoid mistakes



### Keep formulas **simple**

Keep formulas simple and intuitive to understand

Nobody is impressed (or understands) 16 line formulas



### Always **work vertically**

Work vertically as you will have unlimited rows to work with and

Write years horizontally

# A few formulas will make your life easier in Excel

## Formula name and description

## Area of application

### **CHOOSE**

*CHOOSE(INDEX NUMBER,  
INDEXED VALUES)*



Useful for building various case scenarios of a financial forecast

### **IF / IFERROR**

*IF(LOGICAL CONDITION, IF TRUE,  
IF FALSE)*



Useful for returning specific values under certain conditions

### **INDEX MATCH**

*INDEX(RETURN ARRAY,  
MATCH(VALUE, MATCH ARRAY, 0))*



Useful for returning data from other sources by matching specific values in specific arrays

### **SUMIFS / AVERAGEIFS / COUNTIFS**

*SUMIFS(SUMRANGE, CRITERIA1,  
CRITERIA RANGE1, .....)*

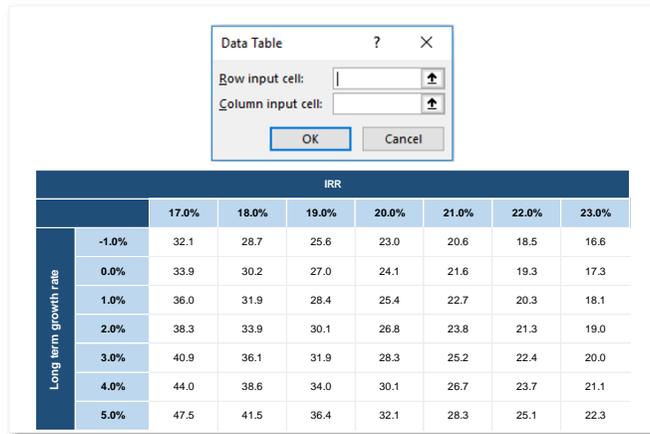


Useful for summarising, averaging or counting cells by customised conditions

# 3 Bridges and data tables are excellent tools in case competitions

## Data tables

### NPV sensitivity table



### Pros

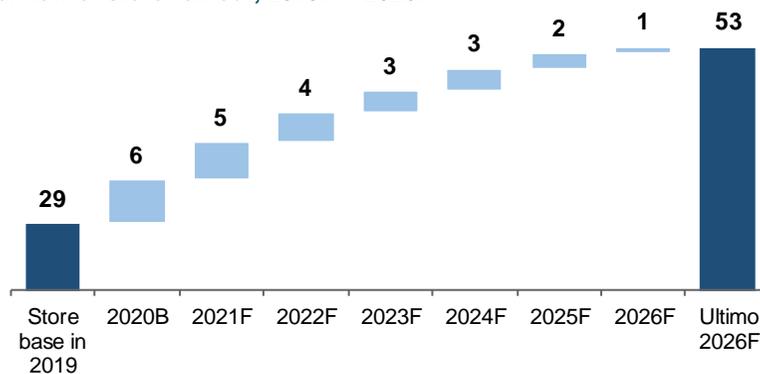
- ✓ Easy way of sensitising your results with several different assumptions
- ✓ Applicable for any type of input

### Cons

- ÷ The iterative calculations slow down the Excel model significantly

## Bridge graphs

### Overview of store roll-out, 2019A – 2026F



### Pros

- ✓ Easily communicated
- ✓ Enables ability to break down impact in separate initiatives
- ✓ Clearly illustrates if financial impact is feasible or seems too ambitious or unambitious

### Cons

- ÷ Requires dynamic model to calculate the isolated effects
- ÷ Can take time to make without template

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**Break**

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# 1 Today's case



## Case description

- 1) A national bakery chain called International Bakery (IB) established in 2011 in Aarhus by an extremely passionate founder
- 2) The company has achieved huge success in the regional market with sales of DKK ~140 million last fiscal year (LFY, 2019) and the founder is now ready to expand the business given the saturation in Jutland around the main city of Aarhus
- 3) To do so requires both significant capital and a more professional approach in expanding and managing large store networks
- 4) Therefore, the founder hired CBS M&A Advisors who provided sell-side advisory and helped the founder find the right investor, which led to a 55% sold equity stake to private equity fund, Sunshine Partners
- 5) Sunshine Partners and the founder have identified Copenhagen as the next step in their expansion strategy and see a large potential for opening a significant number of stores around this area



## Questions



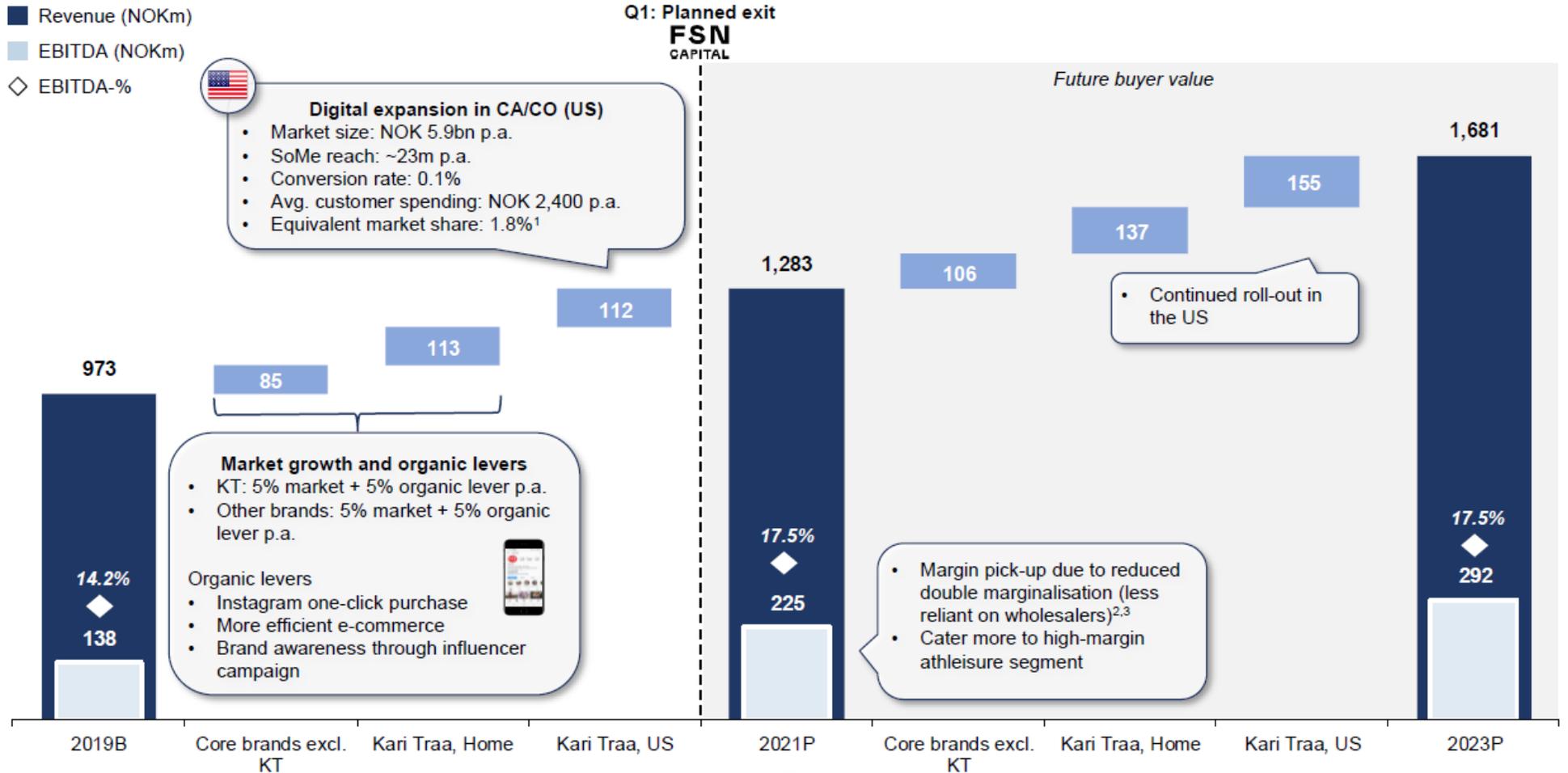
- 1) *What level of returns could IB expect from the expansion into the Copenhagen area?*
- 2) *Based on your conclusion, Sunshine would like you to back up your conclusion to expand in Copenhagen or not with a 6-year financial business plan (P&L, cash flow effects)*
- 3) *Perform sensitivity analysis for Sunshine to see the certainty of the business case when assumptions change*
- 4) *Are there any other factors, you would like to consider verifying the feasibility and attractiveness of the store roll-out?*





# 3 An example of bridges in case competition

Financial impact from proposed strategy



Slide from the winning team of CBS Finance Competition 2019 consisting of 4 team members from FIH partners

## 4 An example of tables in case competition

### Key assumptions underlying the DCF valuation



Transaction date: **Q1 2021**



First year of terminal period: **2029**



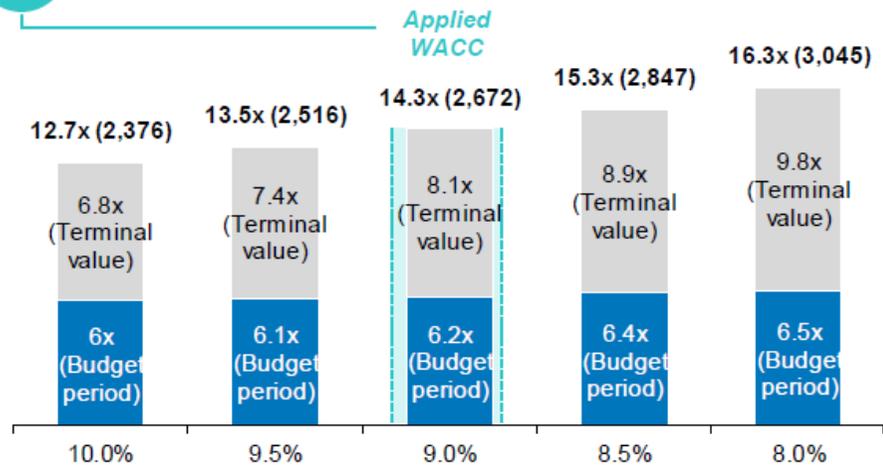
Value driver formula: 0% ROIC-spread and long-term growth rate of: **2.0%**



Tax rate applied: **22.0%**



Weighted average cost of capital: **9.0%**



### Sensitivity analysis of DCF Enterprise Value and implied EV/EBITDA multiples<sup>1</sup>

Deep dives on:

- WACC (p. 35)

		Parallel shift in EBITDA-%				
		-1.0%	-0.5%	0.0%	0.5%	1.0%
LT growth (%)	2.5%	2,377 12.8x 10.2x	2,535 13.6x 10.8x	2,692 14.4x 11.5x	2,850 15.3x 12.2x	3,007 16.1x 12.9x
	2.0%	2,360 12.7x 10.1x	2,516 13.5x 10.8x	2,672 14.3x 11.4x	2,828 15.2x 12.1x	2,984 16.0x 12.8x
	1.5%	2,344 12.6x 10.0x	2,498 13.4x 10.7x	2,652 14.2x 11.3x	2,806 15.1x 12.0x	2,960 15.9x 12.7x
WACC (%)	8.0%	2,683 14.4x 11.5x	2,864 15.4x 12.3x	3,045 16.3x 13.0x	3,227 17.3x 13.8x	3,408 18.3x 14.6x
	8.5%	2,512 13.5x 10.7x	2,680 14.4x 11.5x	2,847 15.3x 12.2x	3,015 16.2x 12.9x	3,183 17.1x 13.6x
	9.0%	2,360 12.7x 10.1x	2,516 13.5x 10.8x	2,672 14.3x 11.4x	2,828 15.2x 12.1x	2,984 16.0x 12.8x
	9.5%	2,225 11.9x 9.5x	2,371 12.7x 10.1x	2,516 13.5x 10.8x	2,661 14.3x 11.4x	2,806 15.1x 12.0x
	10.0%	2,104 11.3x 9.0x	2,240 12.0x 9.6x	2,376 12.7x 10.2x	2,511 13.5x 10.7x	2,647 14.2x 11.3x
ΔCAPEX (%)	-1.0%	2,481 13.3x 10.6x	2,637 14.1x 11.3x	2,793 15.0x 12.0x	2,949 15.8x 12.6x	3,105 16.7x 13.3x
	0.0%	2,360 12.7x 10.1x	2,516 13.5x 10.8x	2,672 14.3x 11.4x	2,828 15.2x 12.1x	2,984 16.0x 12.8x
	1.0%	2,239 12.0x 9.6x	2,395 12.8x 10.2x	2,551 13.7x 10.9x	2,707 14.5x 11.6x	2,863 15.4x 12.2x



Slide from the winning team of CBS Finance Competition 2019 consisting of 4 team members from FIH partners

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# Wrap up of 3 things, we've been going through

1



Building a business case

2



Excel: Best practice

3



Working in Excel

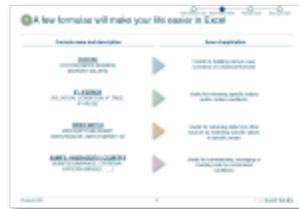
Finding key value drivers



Specify to the case



Utilise tools and functions



Use best practice tips



Learn by doing



Sensitise your results



# Finance lessons learned from our experience



## Importance of **impact**

Finance sections are the **back bone of your strategy** and is what makes the overall business case attractive or not



## Think **logically**

*It **doesn't matter** whether the number is 705 or 699.*

*However, it **does matter** if the impact seems reasonable and there are clearly defined causalities and explanations behind the drivers*



## Keep it **simple**

*Most good forecast models can be based on **maximum 8 value drivers***

*(80/20 principle)*



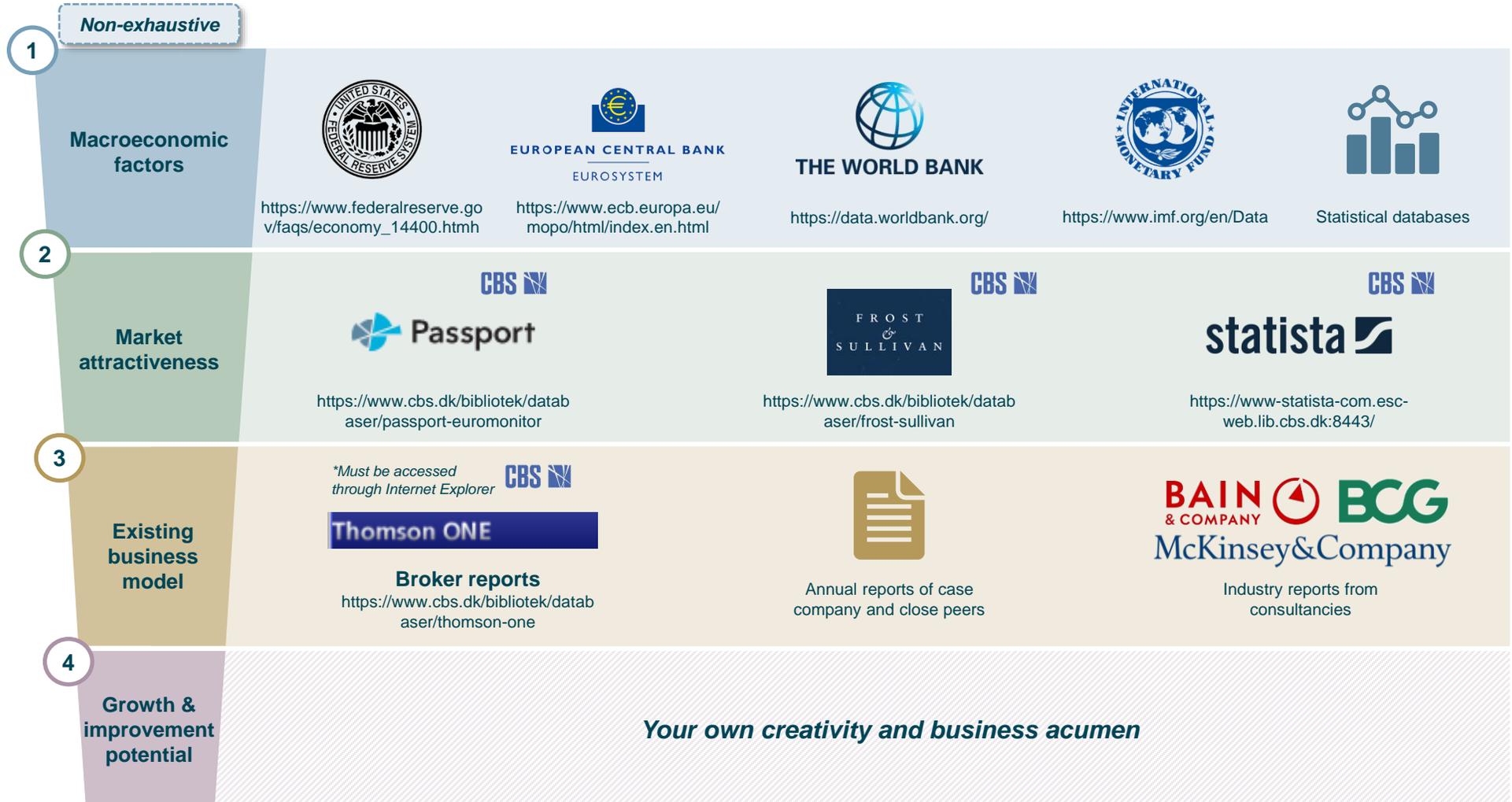
## **GIGO**-principle

*GIGO-principle (Garbage in, Garbage out)*

*Remember to have **sources for your input** and an explanation for the given input value*



# A short list of key sources of information



# List of abbreviations

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- **EBITDA:** Earnings Before Interest, Tax, Depreciation & Amortisation
- **EBIT:** Earnings Before Interest & Tax
- **NOPAT:** Net Operating Profit After Tax
- **D&A:** Depreciation & Amortisation
- **Capex:** Capital Expenditure
- **NWC:** Net Working Capital
- **FCF:** Free Cash Flow
- **FCFF:** Free Cash Flow to Firm
- **COGS:** Cost of Goods Sold
- **M&A:** Mergers & Acquisitions
- **NPV:** Net Present Value

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