Advanced Operational Modeling (Expansion)

Advanced Operational Modeling of an Expansion Scenario

Summary

This hands-on advanced modeling course deals with a common issue encountered by finance professionals: how to modify an existing model to dynamically incorporate a new potential operating and/or financing scenario?

This session will cover design and flexibility concepts as well as various Excel techniques.

Participants will be given an existing model of a company and asked to include an expansion scenario.

Prerequisites

This course builds on "Building a Financial Model (of a Company)", so participants may want to complete that course prior to taking the "Advanced Financial (Expansion) Modeling" session.

Timing

This course requires 8 hours.

Learning Topics

1. Design and Structure a Financial Model
- ✓ Design a clear and logical financial model
- ✓ Incorporate an assumptions section that sets out the parameters of the expansion project

2. Build Powerful Scenarios and Financial Statements
- ✓ Include a switching mechanism to turn the expansion on and off
- ✓ Permit the user to choose the year of expansion and the schedule/timing of Capex and incremental production capacity

3. Modify All Relevant Schedules
- ✓ Calculate the impact of the expansion on the company, including:
  - – incremental revenues; and
  - – adjusted costs resulting from the expansion (including semi-variable costs)
- ✓ Incorporate a new term loan (with mandatory repayments) in the model to finance the project
- ✓ Add an excess cash flow sweep feature to an existing term loan
- ✓ Ensure that the pre-existing debt schedules continue to work properly
- ✓ Properly incorporate the new financing into the financial statements and ensure the balance sheet stays balanced
- ✓ Value the expansion project to determine its impact on the overall value of the company
- ✓ Assess the credit quality of the company taking into account:
  - – Leverage ratios and recommended covenant structure
  - – Revolver size
  - – Dividend sustainability

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