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Corporate finance in a day

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BUILD IT

# *Corporate Finance in a Day*

Presented by:

Daniel Feiman, MBA, CMC<sup>®</sup>, Visiting  
Professor

# Agenda

- Debt vs. Equity funding
- Basic Financial Analysis
- Legal Entities
- SBA Loan Programs
- Seven "Cs" of Credit
- 2X4 story
- Finance Success/Failure Stories

# Debt vs. Equity funding

- Debt is borrowed money
  - Must be repaid
  - Carries a cost (interest)
  - Interest is tax deductible
- 3 types of debt capital
  - Loans
    - RLOC
    - Term
    - Secured
    - Unsecured
  - Bonds
    - Debentures (unsecured)
    - Secured (collateralized)
    - Annuity
    - Zero coupon
  - Leases
    - Operating
    - Capital (Finance)

# Equity capital

- Ownership
  - Not repaid
  - Cash cost is dividends
  - Dividends are *after tax*
- Stock
  - Preferred stock
  - Common stock
  - Capital stock
  - Treasury stock

# Question?

- Which costs more:
  - Debt or Equity?
  - Why?



# Basic Financial Analysis

- Assessment of the firm's past, present and future financial conditions
- Done to find firm's financial strengths and weaknesses
- Primary Tools:
  - Financial Statements
  - Comparison of financial ratios to past, industry, sector and all firms

- Net Present Value (NPV)
- Internal Rate of Return (IRR)
- Modified Internal Rate of Return (MIRR)
- Profitability Index (PI)
- Economic Value Added (EVA)
- Residual Income (RI)
- Net Operating Profit After Tax (NOPAT)
- Return on Equity (ROE)
- Return On Assets (ROA)
- Return On Investment (ROI)



# Basic Financial Analysis

- Break even
- Variance analysis
- Growth rates
  - Internal Growth Rate (IGR)
  - Sustainable Growth Rate (SGR)
- Ratios
  - **Liquidity**-the ability of the firm to pay your short-term obligations on time
  - **Turnover**-related to working capital, the operating & cash cycles
  - **Profitability**-how profitable are you compared to goals
  - **Leverage**-Long-term debt to equity financing the firm
  - **Market**-value as established by the market

# Liquidity ratios

- Current
- Quick
- Cash
- Working capital turnover
- Inventory to working capital
- Current debt to inventory
- Current debt to equity

# Turnover ratios

- Accounts receivable turnover
- Average collection period
- Accounts payable turnover
- Inventory turnover
- Days sales in inventory
- Net working capital turnover
- Net worth turnover
- Fixed assets turnover
- Total asset turnover
- Capital intensity ratio

# Profitability ratios

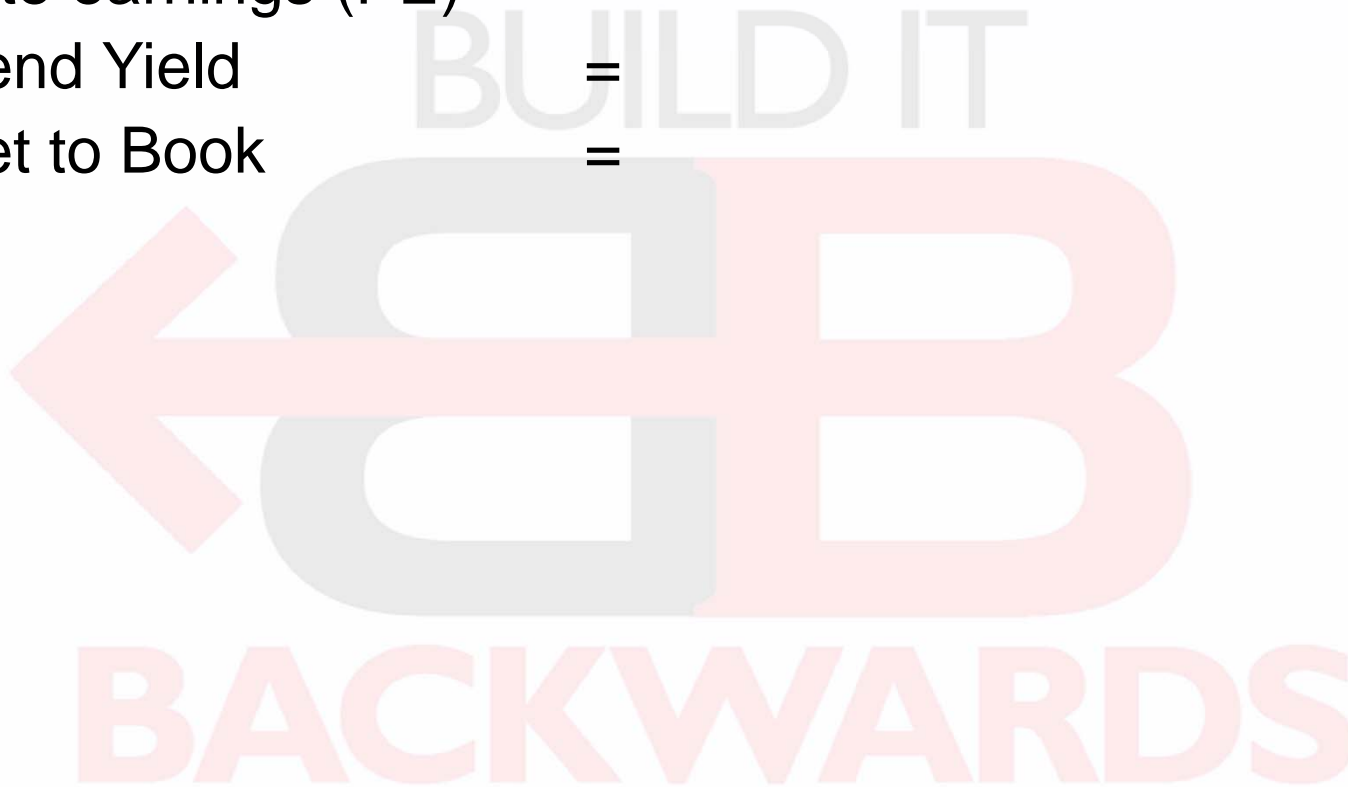
- Gross profit =
- Operating profit margin =
- Net profit margin =
- Return on total assets =
- Return on equity =
- Return on working capital
- % Operating return on net worth
- % Operating return on total assets

# Leverage ratios

- Total Debt Ratio
- Leverage ratio
- Debt to Equity
- Equity Multiplier
- Long-term debt to net worth
- Fixed assets to equity
- Equity multiplier
- Long-term debt to working capital

# Market ratios

- Earnings per share (EPS) =
- Price to earnings (PE) =
- Dividend Yield =
- Market to Book =





# Legal Entities

- Sole proprietorship
- Partnership
  - General
  - Limited
- Corporation
  - “S”
  - “C”
- Limited Liability Company (LLC)
- Limited Liability Partnership (LLP)



# SBA Loan Programs

- [7\(a\) Loan Program](#)
- [Microloan Program](#)
- [CDC/504 Loan Program](#)



# Seven "Cs" of Credit, etc.

1. Cash flow
2. Credit
3. Collateral
4. Capacity
5. Character
6. Common sense
7. Compassion

# 2X4 story



# Finance Success/Failure Stories

## *Successes*

- Law firm
  - RLOC
  - Term
- Precision machine shop
  - Cash flow
  - Cell
- Insurance broker
  - Financial modeling

## *Failures*

- Tea distributor
  - Selling yourself broke
- Television station
  - No plan
- Online insurance
  - No cash flow

# What have you learned today?

- A review



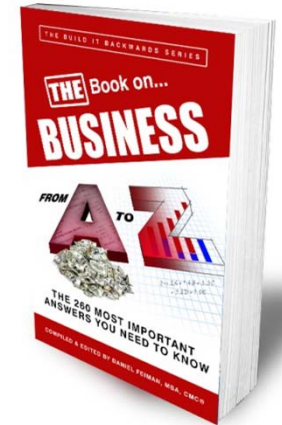
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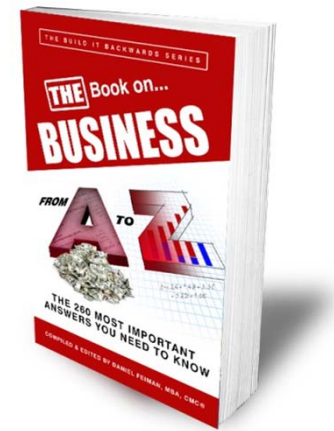
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# Daniel Feiman, MBA, CMC<sup>®</sup>, Visiting Professor

Consultant, Trainer, Author, Publisher, Reviewer

Daniel Feiman, MBA, CMC<sup>®</sup>, Visiting Professor is the Founder & Managing Director of *Build It Backwards*, a consulting & training firm based in Redondo Beach, CA. He turns Roadblocks into Roadmaps<sup>(SM)</sup> by teaching companies how to Assess, Achieve & Accelerate exceptional success; with measureable results in 90 days. His core competencies include: *Strategy; Finance & Process*. Mr. Feiman is an internationally recognized seminar facilitator; working with firms such as Apple, ADNOC (United Arab Emirates), ARAMCO (Saudi Arabia), California Institute of International Business & Economics, Credit Suisse, Hilton Hotels International, Institute for Supply Management (ISM), Mattel, PEMEX (México), Promigas (Colombia) Reliance (India), TRW, University of Manchester (UK), & others.

He is adjunct faculty at the University of California, Los Angeles (UCLA) Extension Department (since 1990) has taught at the University of Manchester (UK) & is the Visiting Professor at the Business School of the University of Huddersfield (UK).

He has consulted with firms in many industries including, manufacturing, distribution, financial services, oil & gas, education, healthcare, consumer products, legal, & hospitality. His diverse knowledge-base & world-wide contacts is leveraged to assist his clients in gaining advantages not available through other resources. (Please see [www.BuildItBackwards.com](http://www.BuildItBackwards.com) for case studies and testimonials).

Mr. Feiman is a reviewer for the New York Journal of books (<http://www.nyjournalofbooks.com/>).

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Mr. Feiman has over 18 years' experience in all facets of both the traditional & nontraditional commercial finance industry. These include lending, marketing, leasing, management and problem loan workouts.