



**PENHALLOW ASSOCIATES LIMITED**  
A Financial Knowledge Company

## **Equity Capital Markets**

**Classroom: Duration 2 Days, Price: £1,245**

**Virtual Learning: Duration 12 Hours, Price: £1,120**

### **Introduction**

London's importance as a centre for global Equity trading is illustrated by the 418 foreign companies listed on the London Stock Exchange at the end of 2018\*. The Shanghai-London Stock Connect is the latest idea to encourage this particular trend from China, as that country is increasingly embraced by the international Stock Index providers.

This two-day interactive programme is designed to offer a practical insight into today's Equity Capital Markets, from the different viewpoints of the full range of participants – Investment Banks, Institutional Investors, Private Equity Houses, Corporates. The programme will cover both the Primary New Issuance process & the subsequent Secondary trading & investing activity.

With the latter the Price/Earnings Ratio is the most over-used valuation tool in today's global Equity Markets. Simple & intuitive yes, overly useful, maybe not? What practitioners need to know therefore is which tools to use for which sectors as they navigate today's globally interconnected electronic Equity markets - Price to Sales, Price to Book Values, Enterprise Values, Embedded vs Appraisal Values, Returns on Equity, Dividend Yields, EBIDTA multiples. The list is long, but selecting the right methodology is the starting point for a thorough & transparent analysis.

\*Source - CityUK

### **Learning objectives**

- What drives a Corporate's decision on where to list?
- What does it cost to list on Exchange & how is this broken down?
- Why would a Corporate use Depositary Receipts & how do they work exactly?
- Understanding who is populating the IPO pipeline – The Unicorn Club
- Does it matter from a Corporate's perspective to being listed in an Index?
- An appreciation that there is more out there than a Price-Earnings ratio
- Assets – From tangible to intangible
- Dividends – Real cash flows; but how to value them?
- Sales – Revenues are easier to forecast than profits, but how to value them?
- Enterprise Values – do not forget your Creditors in the equation

## **Key Business Benefits**

- How the Investment Bank syndicates organise & price the New Issuance process
- What Institutional Investors are looking for with newly listed businesses
- The importance of Exchange Traded Funds in the secondary Markets
- Investing or Trading? The rise of High Frequency Trading & Dark Pools
- An understanding that valuing a business is driven by what it does not where it lists
- Real appreciation of the advantages & limitations of modelling in Excel
- Understanding where to look in the absence of Earnings or Dividends

## **Skills acquired**

- Understanding the difference between Order Driven & Quote Driven Price Discovery
- Understanding how a New Issue is priced in a Tender Offer
- Understanding how the mechanics of the Greenshoe option work
- Understanding the Margin calculations behind Short Selling

## **Agenda**

### **Day One**

#### **Session 1**

#### **Structuring a New Equity Listing – The Primary Markets – An Issuer & Investor perspective**

- Public offering or Private placement? What sort of shareholders do you want?
- Pros and cons of going public
- Syndication, Underwriting and the Greenshoe option
- Pricing methodology - Bookbuilding or Tender, Money left on the table
- Role of the Lead Manager and Bookrunner
- What does it cost? What attracts Investors? Cornerstone Investors
- **Case Study - A walk through a New Issue in practice**

#### **Session 2**

#### **Cross Border Listings**

- Considering the case for Cross Border Listings
- Catalysts – Valuation, Liquidity, Cost, Corporate reputation
- Which Exchanges dominate the IPO statistics?
- Depositary Receipts for Emerging Market Corporates – Sponsored vs Un-sponsored
- A look at London's International Order Book
- The new Shanghai-London Stock Connect – A number of 'Firsts'
- **Case Study – What separates 'Emerging' from 'Frontier' Markets?**

## Session 3

### Private Equity involvement in today's Equity Capital Markets

- Who is populating the IPO Pipeline? Private Equity Funds
- From Venture Capital through to Buyout Funds
- Private Equity Fund structures; Fees & Hurdle Rates
- Private Equity involvement with Mergers and Acquisitions
- Public to Private – Leveraged Buyouts
- Private to Public - Looking for the exit – Listing, Trade Sale, Secondary Sale
- A look at the membership of the 'Unicorn' Club

## Session 4

### Life as a listed entity - The Secondary Equity Markets

- Corporate Actions – Dividends, Scrip Issues, Share Splits
- Dark Pool Crossing Networks vs the established Exchanges
- High Frequency Trading – rise of the machines
- Case Study – A look at Share Turnover Velocities across the World's Exchanges
- Order vs Quote Driven Trading, Market-Marking & Securities Lending
- Short Selling – The impact of Hedge Funds in the secondary Markets
- **Day One wrap-up Quiz**

## Day Two

### Session 1

#### Exchange Traded Funds – the new paradigm for Equity Investing & Trading

- Basket Trading - ETFs & traditional Index Funds compared
- Understanding ETFs, the replication mechanism (Physical vs Synthetic)
- Primary (Redemption, Creation process) & Secondary markets
- Core vs Satellite investing
- ETF Variations on a theme - Inverse, Leveraged - & the problems they bring
- A look at some Regional Emerging & Frontier Market ETFs already trading

### Session 2

#### Traditional Earnings & Dividend- based Methodology

- The (doomed) love affair with the Price/Earnings ratio
- Shortcomings of this valuation metric. A more useful tool - PEGs
- Do share buybacks make a Company's shares cheaper?
- Dividend Yields and Cover – who pays them and how much
- Dividend Discount Models – Knowing where to look for the inputs
- Advantages and Disadvantages of this approach
- **Case Study (Excel based) – Dividend Discounting in practice (Financials)**

## Session 3

### Asset Based Valuations - Valuing Real Estate, Insurance, Natural Resources

- Return on Assets (RoA)
- Price to Book Values (premiums and Discounts) – The Real Estate sector
- Resource Companies – Net Asset Values
- Embedded and Appraisal Values – The Insurance sector
- **Case Study - Intangible Assets – What are Brand names worth?**

## Session 4

### Price to Sales & Enterprise Values

- Price to Sales, the basics
- Enterprise Values - What are they and why were they developed?
- EV Multiples - EBITDA, Sales
- Pricing the future – a look at Tesla vs Ford
- **Case Study – Price to Sales in practice**
- **Day Two wrap-up Quiz**

## Trainer Profile



### Paul Meadows

Paul has fifteen years Investment experience through various Front Office roles on the Buyside of the Markets in the UK - Trader, Global Equities Research Head & Portfolio Manager. He has knowledge of working in both Institutional & High Net Worth Private Client environments with the likes of Royal Insurance & Lloyds Private Bank

He has been designing & delivering both Public & in-house Financial Markets Training programmes worldwide since 2000, initially with the in-house tailored training arm of Euromoney, DC Gardner & has been the Managing Director of Chadley House Training since 2004. Clients range from Investment Banks (Citi, Deutsche Bank), Private Banks (Hoare & Co), Fund Managers (Blackrock, Axa IM), Sovereign Wealth Funds (Kuwait Investment Authority), Regulators (from London, Mongolia, Angola & Tanzania), Exchanges (London, Nigeria), Hedge Funds (Brevan Howard, Man Group).

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