



Shareholder Value Creation

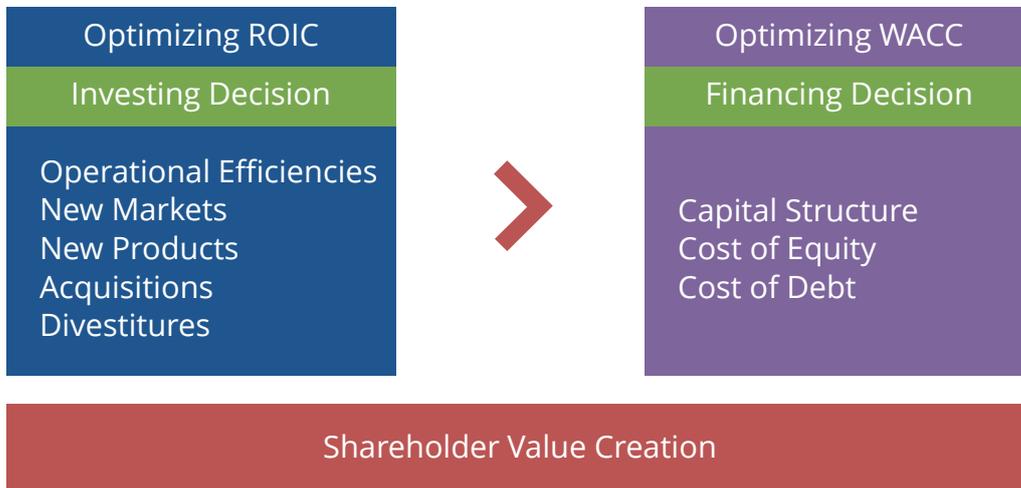
Invested Capital	2,000.0
ROIC	12.0%
WACC	9.0%
Growth	4.0%

EBIT Invested Capital x ROIC 240.0	
Required for Growth Invested Capital x Growth 80.0	Available to Investors EBIT - Required for Growth 160.0
Valuation Available to Investors / (WACC - Growth) 3,200.0	

2

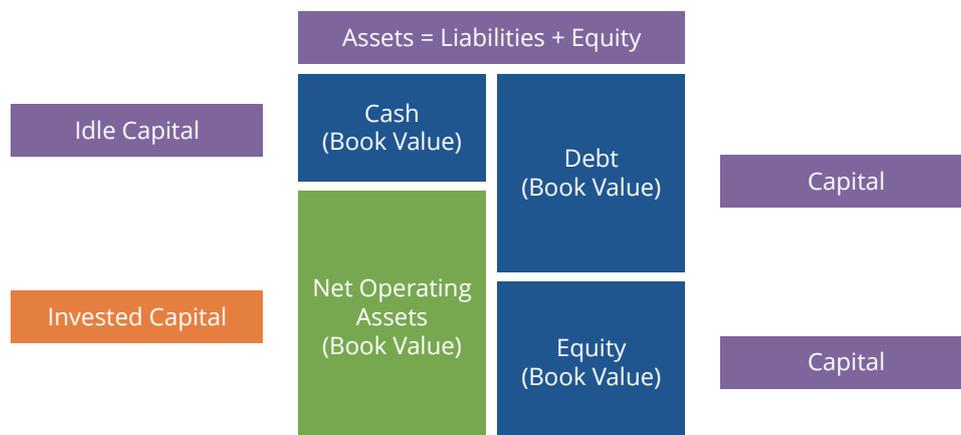
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Corporate Investment vs Financing Decision



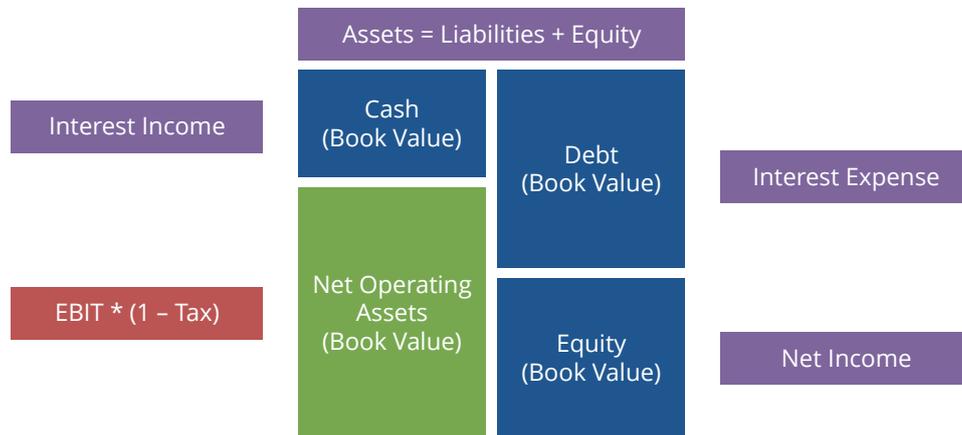
3

Invested Capital



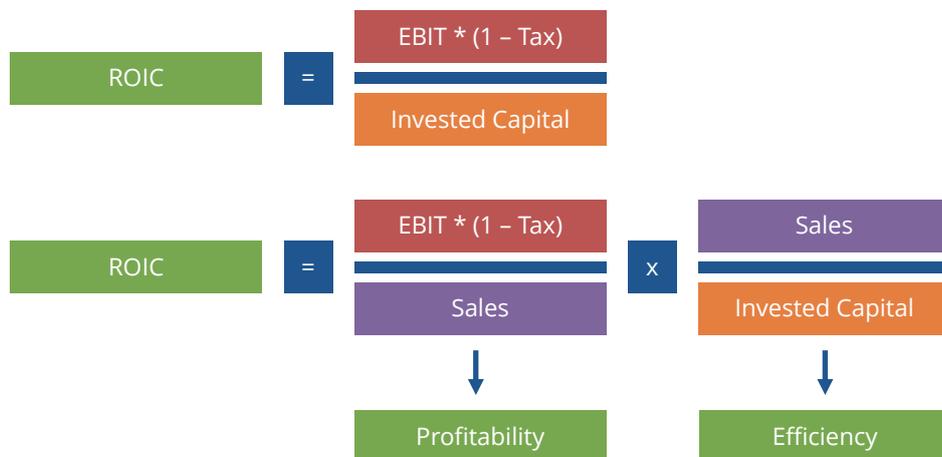
4

Return On Invested Capital



5

Disaggregating Return On Invested Capital



6

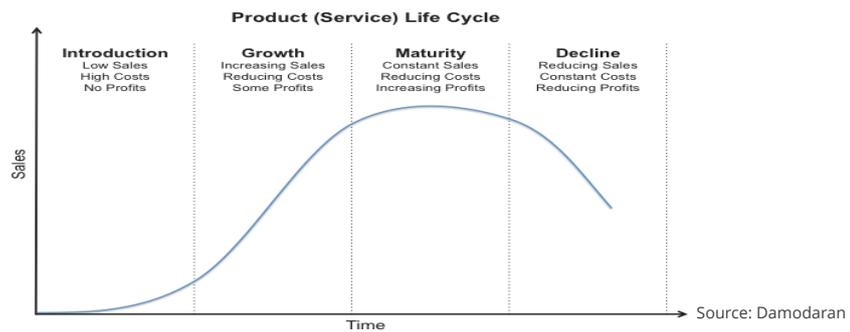
ROIC Example – International Airlines Group



IAG capital markets presentation 2018

7

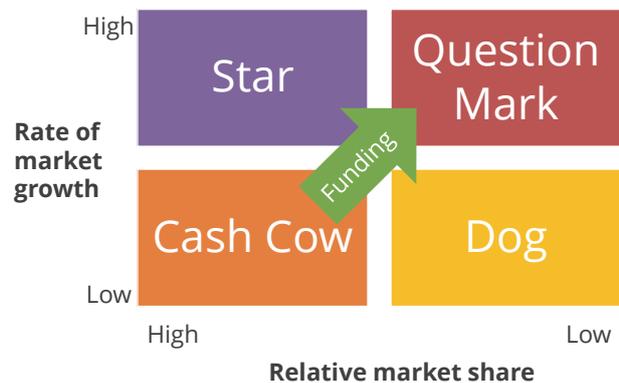
Company Lifecycle – Single Product Company



Profitability	EBIT / Sales	(5.0) 50.0	(10.0%))	40.0 200.0	20.0%	200.0 800.0	25.0%	140.0 700.0	20.0%
Efficiency	Sales / IC	50.0 200.0	25.0%	200.0 400.0	50.0%	800.0 1,000.0	80.0%	700.0 900.0	77.8%
ROIC	EBIT / IC	(5.0) 200.0	(2.5%)	40.0 400.0	10.0%	200.0 1,000.0	20.0%	140.0 800.0	15.6%

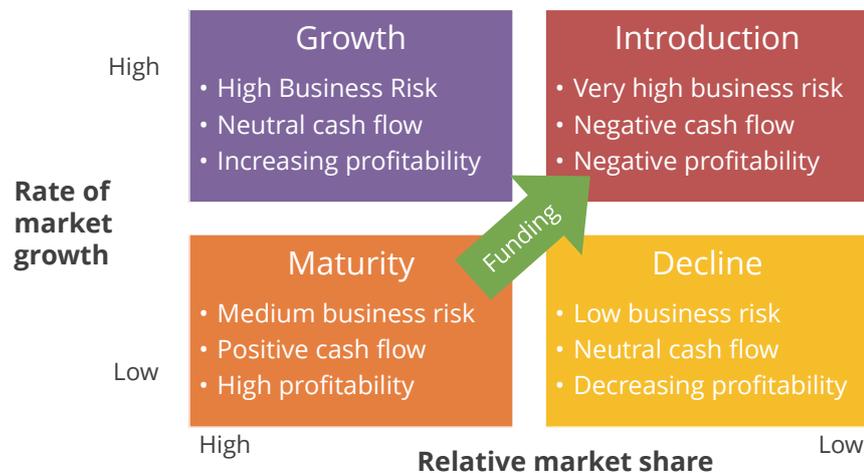
Investment Decision – “Boston Box”

- Tool designed to analyze company strategy
- Allows management to identify growth opportunities
- Easily linked to financial strategy
- Developed by Boston Consulting Group



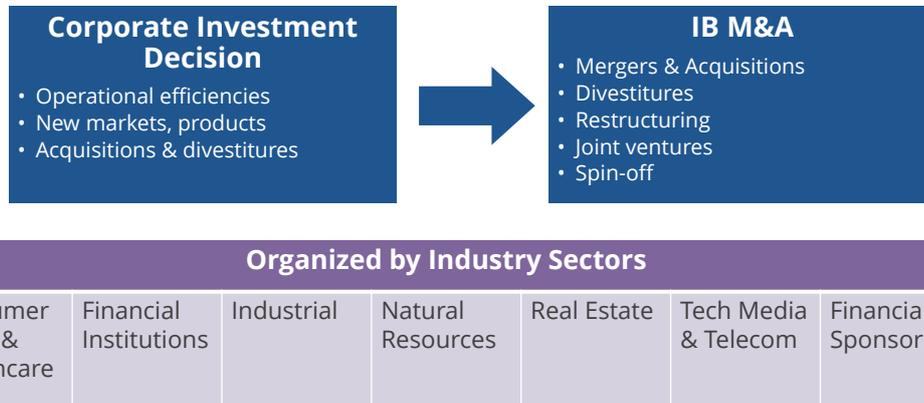
9

Investment Decision – “Boston Box” and Lifecycle Combined



10

Investment Decision and IB



11

Financing Decision – WACC

Cost of debt

Based on market rates – pricing the company's debt in today's market environment

- $k_d = r_f + \text{spread}$
- r_f : government bond yield
- Spread: reflects company's long term credit rating

Cost of equity

Capital asset pricing model

- $k_e = r_f + \beta \times \text{market risk premium}$
- Minimum return is always r_f , market risk premium additional return generated by equity markets (measured through stock market index), beta measures company's exposure to market risk (economic changes, interest rates, regulation)
- MRP & beta: external sources

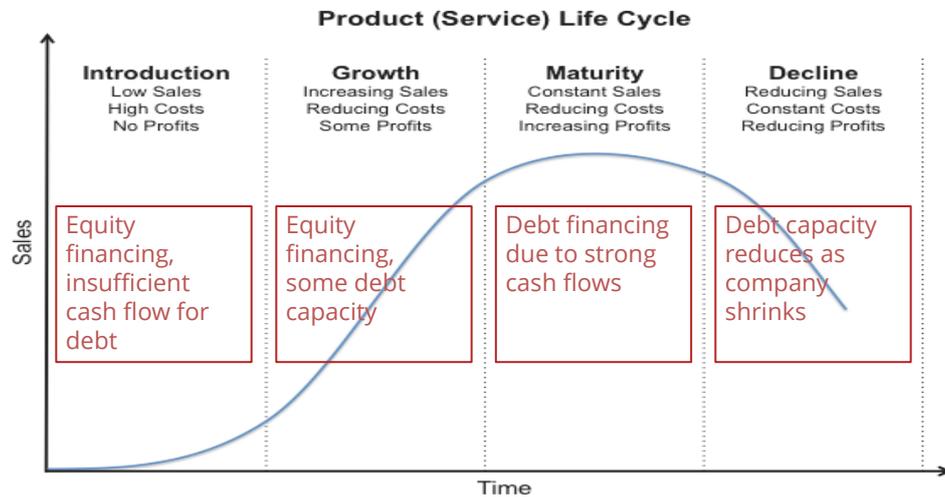
WACC

Based on long term capital structure of company

- $WACC = k_d \times \frac{\text{debt}}{\text{totalcapital}} \times (1 - t) + k_e \times \frac{\text{equity}}{\text{totalcapital}}$
- Total capital = debt + equity (at market value)

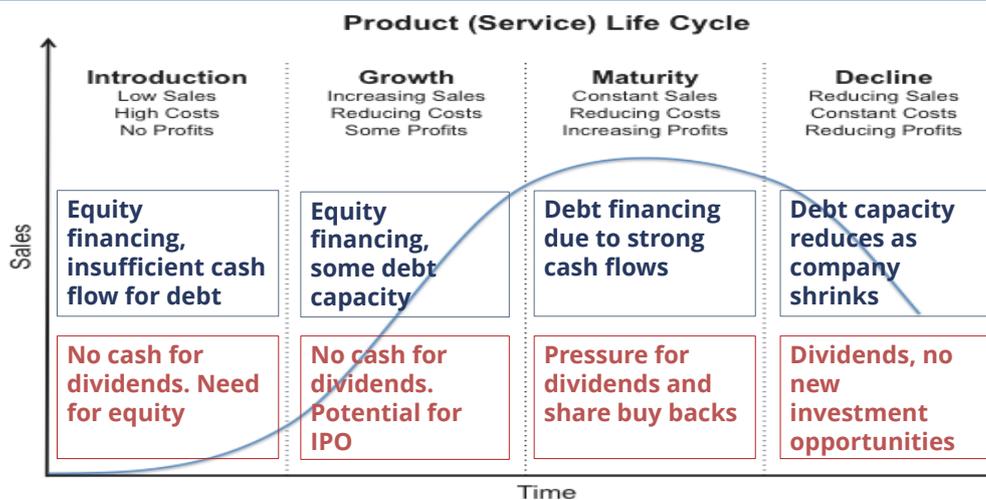
12

Company Lifecycle – Financing Sources



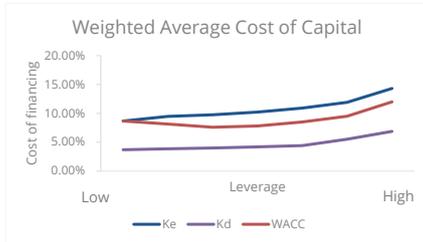
13

Company Lifecycle – Shareholder Returns



14

Financing Decision and IB



Companies aim to minimize their cost of funding whilst maintaining a stable credit rating and the ability to finance new projects

Corporate Financing Decision

- Equity capital
- Debt capital
- Risk management

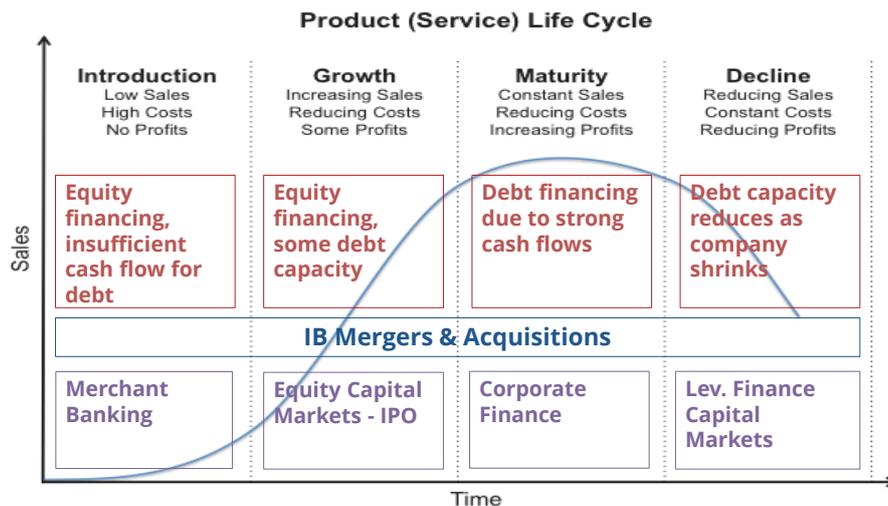


IB

- Corporate Finance
- Equity Capital Markets
- Investment Grade Capital Markets
- Leverage Finance Capital Markets
- Structured Finance
- Corporate Derivatives

15

Company Lifecycle – IB as Partner



16

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