CEU
CENTRE EUROPEEN UNIVERSITAIRE DE NANCY

MASTER 1
Études Européennes et Internationales

UNIVERSITÉ DE LORRAINE

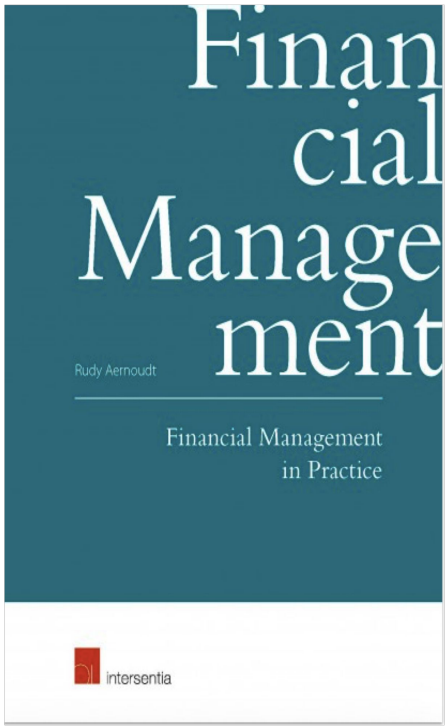
Financial Management

"Introduction au management (financier) des entreprises"

Prof. R. Aernoudt

Practical

- 3 days – 25 hours
- Interactive and case-based
- Evaluation:
  - 50% case (last course)
  - 50% end exam.
- Course book: Financial Management in practise, Intersentia, 2017



module :Stratégies et financement des entreprises en Europe

Politiques monétaires et régulation du système financier en Europe

- Prof. Esther Zana-Nau

Marché financiers en Europe, les marchés d'actions, les marché d'obligations et les marchés des dérivés

- Prof. Vincent Fromentin

Management (financier) des enterprises

- Prof. Rudy Aernoudt

Content

1. Basis concepts Financial Management
2. Investment analysis
3. Credits
4. Value of a company
5. Venture capital
6. Business angels (crowdfunding, lovemoney, BA)
7. Reality cases
8. Wrap-up

Definitions

Financial Management:

- *"Increase the value of the company for the shareholders"*
- "Shareholders value approach"
- Corporate governance

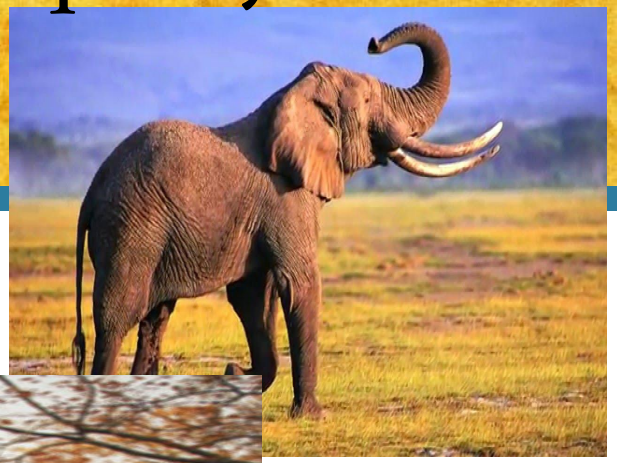
Importance of financial management

- Two main reasons for bankrupcy:
  - Management
  - Financing
- Major obstacle growth:
  - Lack of financing
- CEO versus CFO

Comments

1. Managerial revolution
   - Maximising versus satisfying behaviour
   - Agency theory (Jensen & Meckling): solution
     - Options/tantièmes
     - Shares
     - Cooperatives (Marx)
2. Stakeholders value
   - Customers, supplyer, staff, region, environment, ..
   - ESG score
   - Triple bottom approach (people/planet/profit)
   - Ex. Nike, Anita Roddick, Shell, ..
3. Human resources
   - Main value leaves the company in the evening

What type of company?



“Not all companies are the same”

five types	Financial needs	Actors	Comments
Mice and SME (85%)	limited	Banks/ subsidies	PBC Garantuees
Eliphants (1%)	NO – are liquid	Play themselves banker	P2P
Zombies (10%)	Survival credits	Banks/ subsidies	Operational pofits < fin. costs
Gazelles (4%)	Equity fin	VC/BA	"Happy few"
Unicorns (0 %)	Scale-up money	Scale-up funds	Scale-up gap

Not all the money is the same

	Pros	Cons
1. Friends, family & fools	- easy to get - patient	- limited added value - no deep pockets
2. Public sources	- free - patient	- bureaucratic - slow, hard to locate
3. Banks	- potentially cheap - relatively fast	- unpredictable - require security, impatient
4. Business angels	- fast, unbureaucratic - business understanding	- no deep pockets - often unsystematised
5. Private equity	- deep pockets - value added easy to ascertain, clear agenda	- potentially unpredictable agenda, potentially slow - high expectations - difficult to get

I. Financial management (narrow)

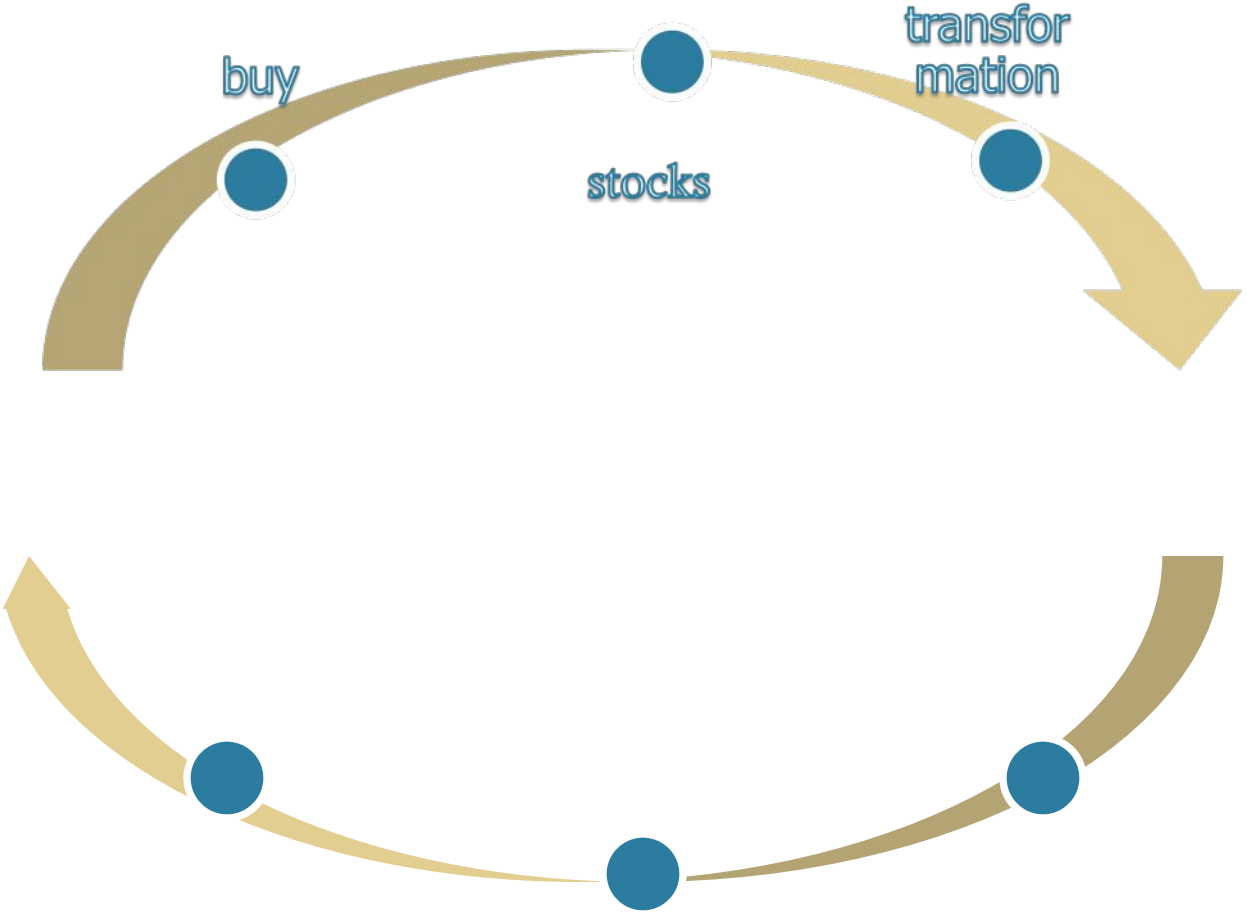
How to finance my company?

- Own funds
  - Capital
  - Reserves
  - Reported results
- Mezzanine (quasi-own funds)
  - Subordinated
  - Convertable
- Debts
  - Short term
  - Long term

Balance sheet

Assets	Liabilities
Fixed assets	**Own funds**
	DLT
Floating assets	**DST**

Entreprise cycle



P&L

Costs	Revenues
Buys **Added value** **BRUTO MARGIN** **COSTS** **GROSS PROFITS (EBITDA)** **DEPRECIATION** **PROFIT BEFORE FIN RESULTS (EBIT)** **FIN RESULTS** **GROSS PROFITS (EBT)** **TAXES** **NET PROFIT**	**TURNOVER** CF = CIF – COF = Result + Depreciation P&L impact on own fund

II. Financieel management (broad)

1. **Management working capital:**
   - **How big is it?**
   - **How influence level**
   - **Hoe inlfuence the need**
2. Dividendpoliticy:
   - Payout ratio
   - Miller-Modigliani
3. Investeringsanalysis
   - DCF methode
   - Payback methode

WC = OF + DLT – FIXED

WK = FLOATING - DST

Assets	Liabilities
Fixed assets	**Own funds**
	DLT
Floating assets	**DST**

Working capital

Financial plan

- Means are bigger than needs
- Objective: determine financing modalities
- Case: CVBA Lakatos (p. 62)
- Make exercises 1 & 2!

Bankrupcy prediction Models

DEFAULT RATE

1. Alarm levels
2. Altman
3. Multiple regression-analysis

Summary

	NORM	AL	Comments
OF/TA (solv)	1/3	15%	Quasi-capital
WC (liq)	Acid test Turnover	WC: 10%	Liquidity trap
CF/TA (rend)	8 à 12% PBC	6%	Gearing; CF/TA = CF/Turnover x Turnover/TA

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II. Financial managemant

- Dividendpolitiek:Payout ratio
- Three theories:
  - Letzenburger-Ramaswany: paying div. Increases taxes
  - Gordon: “bird in the hand”
  - Miller-Modigliani:
    - Value of the company = f(profit capacity)
      = f(investment policy)

      Not dividend policy of financing policy
    - comments:
      - Fiscality
      - Perfect financial markets

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