Oil & Gas Financial & Valuation Modeling Seminar

Financial & Valuation modeling training for students pursuing corporate finance, investment banking, and business development careers within the Oil & Gas industry

Overview
Intensive Oil & Gas training program where trainees learn financial & valuation modeling in Excel using a hands-on, case-study approach. The Oil & Gas modeling methodologies covered can include:

- Introduction to Oil & Gas Accounting & Financial Statement Analysis
- Oil & Gas Financial Statement Modeling in Excel
- Oil & Gas Valuation (DCF/NAV) Modeling in Excel
- Oil & Gas M&A Modeling in Excel
- Oil & Gas Trading/Transaction Comparables Modeling in Excel

Step-by-step, intuitive approach
Each modeling methodology is preceded by conceptual introductions that relate academic coursework to the hands-on step-by-step exercises trainees undertake on their computers in class. The program is a synthesis of Excel modeling, navigating through various financial reports, and the application of accounting, corporate finance, and valuation courses.

What sets this program apart?
- This program deconstructs the complex Oil & Gas industry, teaching industry-specific modeling using clear, easy-to-follow materials filled with exercises that test and reinforce covered concepts.
- The training materials that students receive are comprehensive and intuitive, and are designed to serve as stand-alone materials for easy use long after the training session has ended.
- Our instructors are all O&G practitioners (investment bankers, equity research analysts, etc.) with a passion for teaching with years of directly relevant real-world experience. They understand the importance of teaching in a way that empowers students to apply the lessons from the classroom directly on the job.

Complete finance training for students
- Every seminar is preceded by our online Crash Course in Excel for Finance training to ramp students up to a common Excel knowledge base.
- Students have post-seminar access to our Support Staff whom students can e-mail with any content-related questions.
Summary
This workbook provides an intensive introduction to the Oil & Gas (O&G) industry and familiarizes trainees with key methodologies for analyzing O&G companies.

- Introduces O&G financial accounting concepts and financial statement analysis.
- Deconstructs the complex world of the O&G industry, accounting and financial statement analysis using clear, easy-to-follow materials filled with exercises that test and reinforce covered concepts.
- Provides participants with an understanding of the O&G concepts necessary for O&G Financial and Valuation Modeling seminars.

Key Learning Outcomes
- Understand dynamics of the O&G industry and the factors determining crude oil and natural gas prices
- Learn the different business segments—upstream, midstream, and downstream—that make up the O&G industry
- Learn O&G terminology, units, and key terms
- Distinguish between different O&G accounting methods and their impact on financial statements and on financial statement analysis
- Learn the structure and layout of the O&G financial reports and filings (i.e. 10-K, 10-Q, annual report)
- Learn how to analyze and interpret O&G financial statements, footnotes, and disclosures
- Understand how to perform O&G reserves and production ratio analysis

O&G ACCOUNTING & FSA OVERVIEW
Introduction to the O&G industry
- Industry overview
- Oil prices and global oil market
- Natural gas basics and prices
- O&G business segments and operations
- O&G units of measure and conversion factors
- Key O&G industry terms

O&G accounting & financial statement analysis
- Full cost (FC) versus successful efforts (SE) accounting methods
- Reserve recognition accounting
- O&G accounting disclosures
- Reading and analyzing O&G 10Ks
- Interpreting O&G financial and reserves disclosures
- O&G ratios and ratio analysis

FOR STUDENTS PURSUING OIL & GAS CAREERS IN:
- Investment banking
- Equity research
- Private equity
- Business development
- Project finance
- Accounting/Treasury

PREREQUISITES
Financial Accounting
Excel – Beginner level

DURATION
1–4 days

RATES & MORE INFO
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Summary
Participants develop an Oil & Gas (O&G) financial model completely from scratch, inputting historical data as well as macro- and company-specific assumptions to project out financial statements using step-by-step instruction on selecting, locating, and developing appropriate projection drivers. At completion, participants will have developed a complete and comprehensive three-statement O&G model using various supporting schedules.

Interactive, Step-by-Step Learning Approach
Participants follow intuitive, step-by-step instruction manuals while building O&G models using Excel model templates and are directed to the appropriate external documents (SEC filings, research reports, etc.) in order to build comprehensive models the way they would on the job.

Key Learning Outcomes
• Building comprehensive O&G financial models from scratch the way it is done at major financial institutions.
• Forecasting crude oil and natural gas prices
• Understanding the role of price and volume hedges
• Standard formatting best practices.
• Excel best practices, efficient formula construction, and appropriate driver selections.
• Learning to use data tables to present various sensitivities to projected financial metrics.
• Balancing the balance sheet accounts, including excess cash and revolver.
• Fixing circularity problems, iteration, and other common modeling troubleshooting.
• Balancing sheet / cash flow statement crosschecks.

MORNING SESSION (8-11AM)
Introduction to financial modeling
• Overview of financial modeling
• Understanding projections
• Modeling techniques
• Excel best practices foundation and exercises
• Useful Excel shortcuts and functions
• Gathering historical documents/information

MIDDAY SESSION (11AM-3:30PM)
Building the O&G model, step-by-step
• Setting up the core financial statements
• Projecting commodity prices and production levels
• Projecting income statement for each major O&G segment
• Working capital, Depreciation & amortization (PP&E), and Other balance sheet items.
• Shareholders’ Equity & Shares Outstanding
• Debt & Interest

AFTERNOON SESSION (3:30-5PM)
• Improving the finished product
• Controlling circular references using automated circuit breakers
• Balancing the model
• Scenario analysis
Oil & Gas Financial & Valuation Modeling Seminar
Day 2 – Oil & Gas Valuation Modeling in Excel

Summary
Valuation represents the heart of the investment banking and corporate finance skill set. Before building Oil & Gas (O&G) valuation models, participants will learn the conceptual underpinnings of the valuation framework.

• Enterprise valuation vs. market valuation
• Intrinsic valuation vs. relative valuation
• Participants identify and analyze the elements of the O&G financial statement that are key to the value of an O&G firm.
• Treatment of options, preferred stock, minority interests, debt, cash and marketable securities
• An overview to market-based and intrinsic valuation, including comparable company analysis and comparable transaction analysis using appropriate equity and enterprise value multiples (PE, EV/EBITDA, etc.)

Key Learning Outcomes
Participants learn how to build a professional, robust Net Asset Value (NAV) model—the O&G equivalent of the DCF model—in Excel from scratch. The seminar uses real case studies, and teaches industry best practices, and sensitivity analyses.

• Project cash flows for each major project and field to derive the value of Exploration & Production (E&P) segment
• Learn how to value in-ground versus producing reserves
• Perform segment-by-segment valuation of the company’s midstream and downstream operations
• Correctly calculate the discount rate by deriving the cost of debt, of equity, and of capital using CAPM
• Understand the role of capital structure in determining beta, the cost of equity, and ultimately WACC.
• Learn how to delever and relever beta
• Model for and dealing with the circularity inherent in the discount rate calculation
• Calculate shares outstanding using the treasury stock method
• Utilize the enterprise value to determine implied share prices

MORNING SESSION (8-11AM)
Overview of valuation modeling
• Enterprise value vs. Equity value
• Relative vs. Intrinsic value
• Calculating and interpreting multiples (PE ratios, EBITDA multiples, etc.)
• The “football field”

AFTERNOON SESSION (11AM-5PM)
Participants build a complete working NAV model. Training encompasses the following:

• Projecting cash flows for each of the O&G company’s segments—upstream, midstream, and downstream
• Understanding proper valuation methodology and drivers for each major O&G business segment.
• Estimating the weighted average cost of capital (WACC) and common pitfalls to avoid.
• Using data tables to analyze a broad range of scenarios given different assumptions

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□ Equity research
□ Private equity
□ Business development
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□ Accounting/Treasury

PREREQUISITES
Financial Accounting
Excel – Beginner level

DURATION
1–4 days

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Oil & Gas Financial & Valuation Modeling Seminar
Day 3 – M&A (Accretion/Dilution) Modeling

Summary
Participants will build an Oil & Gas (O&G) merger model in Excel to reflect the pro forma impact of various acquisition scenarios. Topics covered include a quick test of accretion-dilution in all-stock deals, pricing structures (exchange ratios/collars/"walk-away" rights), purchase accounting, the step-by-step allocation of purchase price, and the derivation of important O&G metrics and ratios.

Modeling exercises will address common pitfalls and status of changing accounting treatments, and typical adjustments required for arriving at pro forma financial projections.

Key Learning Outcomes
Building a robust merger model:
- Setting up a control area for assumptions
- Inputting deal assumptions (% cash vs. stock considerations, purchase premium, asset write-ups, advisory fees, financing fees, and severance fees).
- Calculating shares outstanding using the treasury stock method
- Appropriate treatment of convertible securities
- Allocating purchase price and calculating goodwill
- Preparing the pushed-down balance sheet
- Making pro forma balance sheet adjustments
- Calculating Sources & Uses of funds
- Inputting operating & synergy projections
- Calculating the stub year period
- Building a pro forma income statement and making appropriate deal-related adjustments to arrive at accretion/dilution per share.
- Error-checking a merger model and inserting circuit breaker switches where appropriate.
- Sensitivity analysis: EPS accretion/dilution in stock vs. cash deal; interest rate assumptions, premium paid.
- Pre-tax synergies required to break-even, and break-even PE analysis
- Revenue, EBITDA, and Net Income contribution analysis

Advanced merger accounting:
- Understanding the differences between asset sales (inc. 338h10 elections) and stocks sales
- Taxation issues, including deferred taxes created by the step-up of asset values
- Legal considerations in acquisitions

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Financial Accounting
Excel – Beginner level

DURATION
1–4 days

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Summary
Trading and transaction comparables analysis is the most widely used valuation methodology, and fundamental part of the core valuation skill set of investment bankers and finance professionals. Participants will learn how to select O&G comparables and build dynamic comps models in Excel from scratch, using real case studies, industry best practices, and sensitivity analyses.

Learning outcomes - Trading Comparables Modeling
• Learn to select appropriate comparable companies by evaluating operational, financial, size, and other similarities
• Set O&G evaluation benchmarks & select comparable companies
• Gather appropriate financial history and projections
• Normalizing operating results and calculating LTM operating results to reflect nonrecurring charges and stock option expenses
• Standardize various expense classifications including FIFO to LIFO inventory accounting
• Calculate shares outstanding using the treasury stock method
• Input financial data & calculate and interpret financial and market ratios
• Presenting trading comps by structuring output schedule
• Selecting key valuation multiples using the VLOOKUP function and generating multiple tables

Key Learning Outcomes – Transaction Comps Modeling
Participants spread trading comps in Excel and learn how to choose peer companies for the target they are valuing. They also learn how to “scrub” the data, select the value drivers, calculate and use multiples correctly, and calculate implied share price from enterprise value
• Similarly to trading comps, participants set evaluation benchmarks, select precedent transactions, gather appropriate financial details, input financial data, and calculate and interpret financial and market ratios.
• Calculating purchase premiums
• Understanding pricing structures (fixed vs. floating, collars, and walk-away rights).
• Best practices for incorporating synergy assumptions and appropriately calculating unaffected pre-deal share prices.

MORNING SESSION (8AM-12PM)
Transaction Comps Overview
• Overview of transaction comps modeling
• Selecting comps and gathering appropriate documents
• Spreading comps and normalizing operating results for LTM calculations in Excel
• Calculating shares outstanding using the treasury stock method
• Selecting and presenting multiples.

AFTERNOON SESSION (1-5PM)
Transaction Comps Overview
• Overview of transaction comps
• Spreading comps and normalizing operating results for LTM calculations in Excel
• Accounting for synergies
• Using data tables to analyze a broad range of scenarios given different assumption