Module 4 - Introduction

Corporate Financial Decision-Making for Value Creation

Introduction
(Risky business...)

Presenter: Sean Pinder

Key decisions

Project Evaluation
What do we invest in?

Financing and Payout
How do we pay for investment and how should profits be distributed?

Takeovers and Corporate Restructuring
When should we acquire other business units or sell our own?

Risk Management
When should we manage risk, and what instruments should we use?

Motivation

"The Company is exposed to certain market risks such as changes in interest rates, foreign currency exchange rates, and commodity prices, which exist as a part of its ongoing business operations. Management uses derivative financial and commodity instruments, including futures, options, and swaps, where appropriate, to manage these risks. Instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract…"

(Kellogg's 2014 Annual Report, pg. 65)

Risk Management

1. Using forwards and futures
2. Introducing options
3. Drivers of option values
4. Caps, floors and collars
5. Creating value with risk management

Source list

Slide 3:

Quote from Kellogg, *Kellogg Company 2014 Annual Report*, 2014 (http://investor.kelloggs.com/files/doc_financials/annual_reports/K_2014-Annual-Report_v001_q725z5.pdf), page 65. Accessed 10/06/2015.