



# DIVIDEND QUARTERLY

Spring 2006

## Mission of ACFIN

**To offer** students an opportunity to work directly on a variety of real-world corporate finance problems

**To help** students develop their leadership, negotiation, presentation, problem solving, communication and teamwork skills through critical analysis of corporate finance problems

**To teach** students how to apply technical and theoretical finance tools and concepts to analyze unstructured problems, improve decision-making and develop recommendations based upon their assessment of alternative courses of action

## What's Grown 800% since 1999? Hint: It's Not the Stock Market

A Retrospective by ACFIN Academic Director, Professor Jim Seward

Here's a trivia question for all you interested ACFIN constituents...who are John Hulbert, Hilding Branzell, Jeff Shang, Sachin Tulyani and David Harkavy?

As it turns out, these are the names of the five MBA students enrolled in the very first ACFIN program offered during the 1999-2000 school year. At that time, ACFIN did not even have its own physical space, so the five ACFIN students had to share desks with the Applied Security Analysis (ASAP) program. Those early years, I fondly recall that I could avoid unenviable tasks such as completing the Annual Center Report, since the program had absolutely no separate funding whatsoever. Although that financial condition gave a whole new meaning to the concept of 'zero-based budgeting', and it sure streamlines the reporting of "sources and uses" of funds, we need not feel sorry for the first ACFIN class.

Indeed, I also recall one first-year ACFIN project when the students were working in Milwaukee for a private equity firm. We all piled in two cars for the drive over. Reimbursement forms were considerably easier for us to fill out at that time since there were no reimbursements! However, after our meeting with the client firm, we collectively headed over to the drive-through at a fast food restaurant where my own personal funds were only sufficient to cover five "Happy Meals"! While not exactly the same epicurean experience as this year's class being

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## WHAT'S INSIDE?

# ACFIN NEWS

## Special Thanks to the Following ACFIN Contributors

**Erin Carter** (SAB Miller)

**Vivek Dubey** (Parker Hannifin Corporation)

**William Keitel** (QUALCOMM)

**Rachel Nielsen** (Best Buy)

**Daniel Olszewski** (Director, Weinert Center for Entrepreneurship)

**Aneesh Prabhu** (Standard & Poor's Credit Markets)

**Ann Schwister** (P & G)

**Sachin Tulyani** (Northwestern Investment Management Co., LLC)



**NICHOLAS CENTER FOR  
APPLIED CORPORATE FINANCE (ACFIN)**  
University of Wisconsin-Madison School of Business

## UPCOMING EVENTS

### Wisconsin MBA Orientation

Monday, August 21 – Friday, September 1

(ACFIN Board members & alums: if you'd like to participate in mock interviews, panel discussions and/or resume critiques, please contact Barb Peterson at [bpeterson@bus.wisc.edu](mailto:bpeterson@bus.wisc.edu))

### ACFIN Alumni Reunion and Fall Board Meeting

Thursday, September 21 – Reception & Dinner,  
Fluno Center

Friday, September 22 – Board Meeting,  
Fluno Center

### GBA Golf Outing for Junior Achievement

Friday, September 22 – University Ridge Golf Course

### 10K Jingle Bell Run/Walk for Arthritis Foundation

Saturday, December 9

## ACFIN Students Tour New York Stock Exchange

A debt of gratitude is owed to ACFIN board member Doug Baird, who sponsored an all-access tour of the New York Stock Exchange trading floor for ACFIN students, faculty, and undergraduate assistants during the March 23 trading session. Baird, Managing Director at Deutsche Bank Securities, organized the tour in conjunction with the final presentation a group of ACFIN students was giving to Deutsche Bank. A second group of ACFIN students, those presenting to JC Flowers & Co., was also invited to attend. Students were given the rare opportunity to tour the exchange floor with Deutsche Bank traders and floor brokers replete with thorough explanations of the processes and mechanics of the auction system. Since the events of September 11, tours of the NYSE have been discontinued. With the help of Mr. Baird, ACFIN students were able to weave from one trading crowd to another, monitor numerous securities transactions, and take in the bustling and often-frenzied environment of 11 Wall Street.



# A Retrospective by ACFIN Academic Director, Professor Jim Seward

(continued from cover)

treated to a formal dinner at the Harvard Club in New York City, there still was a certain amount of satisfaction found in the gift surprises included in the "Happy Meal".

ACFIN has come an awfully long way since that trip through the drive-through window, and our journey would not have been possible without the tremendous contributions of a number of constituents that have contributed time, experience, and financial resources to the program. There have been a number of important milestones along the way. Perhaps the first important milestone was the formation of our Board of Advisors. Current Board members Gary Cole, Rick Fleming, Phill Gross, Bill Keitel, Eric Larson, Mike Lehman, Mindy Mount, John Parsons, Paul Shain and Subu Venkataraman have all been around since Day One. Their contributions to the program and the students are too immeasurable to enumerate here, but from that beginning we have grown to 26 Board members today. It would be impossible for me to communicate all the benefits that our students obtain from the interaction they experience with the Board. Each year, I have the opportunity to observe how much our students learn from interacting with such highly successful executives, and I believe that an important part of the program is to create a greater comfort level with experienced executives so that our graduates can be effective on their first assignments after graduation.

The program has benefited substantially from the addition of Cindie Horner as Center Director. Back in 2002, Cindie agreed to put her own PhD plans on hold and took a significant career risk to join the ACFIN team at a time when there still was no permanent funding for the program. Her responsibilities have increased enormously since she joined in 2002, and as our program continues to increase in size, she nonetheless somehow finds time for important responsibilities such as recruiting, internships, placements and advising. The program could not function at the scale it currently does without her involvement, and I am happy to report that her PhD plans are still on hold.

The generosity of Ab Nicholas's financial donation to fund the ACFIN program is really too incredible to adequately express the level of appreciation it deserves. That funding has made so many innovations and improvements possible for the program, including our physical space on the third floor of Grainger, project work, and information and data resources that are unmatched anywhere in the world of business schools. Ab's generosity was also supplemented by a very generous anonymous donor, to the point where we are now an \$8.4 million endowed Center.

Yet another important milestone in our program occurred three years ago when two young undergraduate students from the Investment Banking Club, Tim Hotchandani and Ashok Vishnubhatka, approached me with the idea of involving some of UW's top-notch undergraduates in the ACFIN experience. From that first meeting sprang the idea of incorporating undergrads as research analysts for the MBAs. This development has been a wonderful opportunity for some of the undergrads to experience the substantial project work we now find ourselves involved in. The caliber and dedication of the undergrads to the ACFIN program has really allowed us to have the opportunity to tackle exceptionally challenging, difficult and interesting projects that

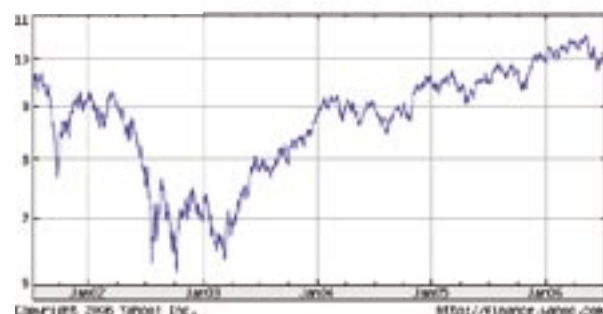
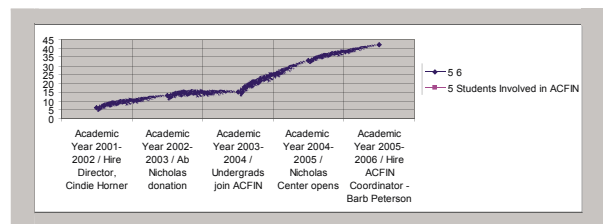
most likely would not have been possible without their involvement.

If you have not had a chance recently to check out the new and improved ACFIN web site ([www.bus.wisc.edu/acfin](http://www.bus.wisc.edu/acfin)), I urge you to do so. The dramatically improved content and visual imagery of the site is due to the creative genius of Barb Peterson, our most recent addition to the ACFIN team. Barb has brought a tremendous energy, presence and flair to many areas of responsibility, including maintaining records and admission progress for all applicants as well as general responsibilities for the day-to-day operation of the Center. Barb has been a wonderful addition to the Center, and will be an important (as well as a most enjoyable) member of our working team.

Finally, the project sponsors themselves have been a wonderful source of experience and challenge to the ACFIN students. During this past academic year, the ACFIN students successfully completed a total of 16 projects throughout the year for sponsors such as Deutsche Bank, Kraft, JC Flowers Private Equity and Best Buy. The lifeline of the ACFIN program is the steady supply of new projects each year, and without these companies permitting our students to address some of their business and financial problems and challenges, ACFIN would simply not exist. The richness of the projects that the students find themselves challenged by is, simply put, incomparable.

ACFIN has come a long way since the trip to the drive-through window. We now have 16 second-year MBAs, 16 first year MBAs, and eight undergraduate students involved in the program each year. By my count, that would be 40 Happy Meals or an 800% growth since our inception. Much has been accomplished since the first five students took a chance and signed up for a program with no physical space, no alums, no placement, no projects and no funding. Whether you are an alum, a current student, a project sponsor, a Board member, a donor or an employer, I hope that you can each reflect on the importance of your contributions to the development and evolution of ACFIN. Without each of you, there would be no program.

## ACFIN vs. S&P 500





## Spring 2006 Consulting Projects

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The Kraft project focuses on its bacon business. Kraft wants to understand how to maximize its profitability from the most efficient use of the pork belly, and has requested that ACFIN evaluate pricing trends, hedging opportunities, and competitor practices in this industry. In addition, questions regarding the most efficient and profitable use of that part of the pork belly not used in the production of bacon are to be addressed.



The purpose of this project is to assess the returns performance of the venture capital industry, identifying key factors driving investment profitability. In addition, return performance across key subgroups of venture capital firms, including:

- “Established” firms, that were in existence prior to 1985
- “New entrants” that entered the venture capital market after 1985
- “Geographically focused” firms that entered the market after 1985
- “Sector specific” firms that focus on a particular technology area



The Applied Corporate Finance program at UW-Madison will provide analysis, prepare and deliver a presentation based upon a thorough and comprehensive assessment of the relationship between the Return on Common Equity (ROCE), forward P/E multiples and stock price performance. The goal of the project is to determine whether there is a strong statistical relationship between forward P/E multiples and a company's ROCE. If so, does the relationship suggest or indicate that proper management of the ROCE can help guide the market to a higher P/E multiple for the company's stock?

### JC Flowers II LP

The JC Flowers II LP is a new \$4 billion private equity fund. The general partners have asked that ACFIN:

- Provide a complete review of private equity trends (including volume, pricing, profitability trends, exit strategies, etc.) in the acquisition, distressed securities and buyout market
- Provide an analysis of financial service industry trends and conditions in order to identify attractive investment areas for the fund. Because of the size of the fund, emphasis should be placed on larger target companies
- Identify and defend one or two specific large acquisition targets for the fund, including the provision of a complete justification, explanation and defense of recommendations

# ACFIN Alumnus Interview

## Ben Morales (MBA, 2003)



### **Briefly describe your current position with Best Buy and what was your most interesting assignment at the company?**

As a senior analyst in the Corporate Development department, I am responsible for supporting the creation, evaluation and presentation of strategic alternatives that assure long-term growth and prosperity for Best Buy. I am responsible for producing and presenting financial and tactical insights for leadership use across

the organization in the evaluation of strategic alternatives. Non-traditional transactions, where Best Buy invests in other companies, is the focus of this group (whether minority investments or outright acquisitions).

In the nearly three years I have been working for Best Buy, I have been involved in a multi-billion dollar outsourcing deal and have contributed to strategic analysis of a variety of business plans – two of which crystallized into acquisitions for Best Buy in the past few months. The most interesting of all was Best Buy's recent \$410 million acquisition of Pacific Sales Kitchen and Bath Centers, Inc., a privately owned retailer of high-end home improvement products with 14 showrooms in Southern California. I was responsible for valuing the transaction. The more than three months I worked with teams across the organization helped me validate assumptions for our financial modeling. The training I received at ACFIN was very valuable, especially when preparing for the deal approval by Best Buy's Board of Directors.

### **In hindsight, what was the most valuable aspect of the ACFIN program in regard to your current position and your future ambitions?**

The most valuable aspect of the ACFIN program was the exposure to real business issues that enabled relevant training in areas that are fundamental to what I do today. Some elements that are highlighted by the nature of the program and I highly value include: the emphasis on tight deadlines, the need to quickly identify key issues, enablement of intellectual debates and lively discussions, encouraging other's interests and strengths, and communicating effectively. All of these are essential to my current position. ACFIN helped me prepare for what I do on a day-to-day basis: present multi-million dollar strategic investment recommendations to different levels of management at Best Buy, including its executive team.

### **What has been your most significant professional achievement to date?**

Only 10 months after having joined Shell, I applied to the vacant position that my boss was leaving behind. After a series of interviews I was given that responsibility, becoming the youngest sales manager in Shell Mexico's history. In the following two years after being promoted, I represented five of Shell Chemicals businesses in Mexico. Unlike these days, 1998 was a stressful period for the

oil industry due to pressures associated with the price of oil being at a 22-year low. To complicate things further, Shell embarked on one of its largest restructuring processes in its chemicals business. At the end of one year, I saw more than 75% of our workforce in Mexico leave the organization as the result of downsizing or a sale of particular businesses. Internal and external pressures made for a challenging period. While the oil industry was undergoing severe pricing pressures, I managed to compete successfully and maintained sales while implementing several improvements to the way we conducted business in Mexico. This period taught me about adversity, change, hard work, and team effort. It would have not been possible for me to maintain that level of performance without my team, who remained dedicated even though the threat of being sold or downsized was still present. I received prizes and recognition, but nothing compares to the feeling of passing a healthy business on to the next person. Looking back, I cherish every day I worked with that team.

### **What career advice would you give to students who are currently in ACFIN?**

Take full advantage of ACFIN and be as open to learning as possible. Every time you stand in front of a client, you are representing the ACFIN program (current students and alumni). Never accept mediocrity and, respectfully, challenge yourself and your teammates at all times. Be aggressive in your preparation and aim high in your career expectations. Look for jobs you will truly like but do not discard those that could take you to where you want to be.

### **What was your most memorable experience during your ACFIN career?**

I still remember every time my team stood in front of our client to present a recommendation, but the last engagement stands out in particular. We spent countless hours preparing the valuation of a set of patented technologies and debating of the content and structure of the presentation. We decided, given the mix of business and technical people in the room, to give an introduction to valuation that would bring everyone to a similar level of understanding and interest in our process and final recommendation. Not knowing that the owner of the company was going to be present, my teammates and I decided to spend the first quarter of the presentation explaining our process and methodology, and I was to be the presenter. Two minutes into my presentation, I was abruptly interrupted by the owner of the company, who recommended we jump to the findings and conclusion (we had been asked to make a recommendation of whether to negotiate a settlement with infringing competitors or pursue compensation via litigation). My team showed no hesitation and adjusted accordingly. We responded to the client's requests and delivered a high-quality product. The client was happy at the end of our presentation, and so were we. Driving back to Madison, I understood that this was what made ACFIN unique, an experience that could hardly be taught in a classroom.



# Scott Peck

## First-Year MBA

### **How did you find out about ACFIN?**

I learned about the ACFIN program while researching the UW-Madison MBA. I was aware of the strong reputation of the UW-Madison School of Business because I graduated from high school in Wisconsin. I lived out of state for nearly 10 years but once I decided to pursue the MBA, I gave UW-Madison a close look. That is when I learned about the career specializations and the finance focus offered by ACFIN.

### **Why did you choose to come to Wisconsin and the ACFIN program?**

My work experience steered me toward the MBA and a corporate finance specialization. I managed projects for several years and my favorite role was creating the business case and financial estimates for each project. These were simple NPV and ROI calculations that helped me realize my strong interest in finance. I developed career goals around this interest and the ACFIN program offered me the best opportunity to gain finance acumen quickly. I was particularly attracted by the second-year consulting projects.

### **What are your career objectives?**

This question is more difficult than it was a year ago. I want to use my finance and communication skills within an international business. I am not restricting myself to positions with the term “financial” in the title, but I will seek a position where finance is critical to decision making and executing strategy.

### **What have you found most surprising about Madison?**

Madison is much more globalized than I expected. I have traveled through more than 40 countries and I've attempted to speak 12 different languages at one time or another. I did not expect to find a strong international community in this small Midwestern city. But the university draws incredible diversity in terms of race, nationalities, languages and view points in both students and faculty. There are loads of ethnic events, community groups and restaurants. I have been well exposed to other cultures and ideas through international students and professors both inside and outside the classroom.

### **What did you want to do in Madison?**

I wanted to meet intelligent and creative people. There are social opportunities all the time. My next door neighbor is earning his PhD in Thai folk stories and I dated a girl who's becoming a rocket scientist. The university attracts amazing people to many different disciplines.

### **What would you like to have known before coming to Madison?**

I didn't know it was such a great sports town. We had an exciting football season, solid basketball, hockey championships for both the men and women teams. I wish I had purchased tickets the day I was admitted!

### **What were you looking for in your internship?**

I was looking for opportunities to apply the finance theory and methods I learned this year in ACFIN and to gain new insights from finance practitioners. Therefore, I was primarily interested in the quality of the finance department, project and my mentor. Second, I want to work for a company I respect. Last, I was interested in experiencing a different industry because I had spent more than five years working for a single financial services firm in the Midwest. I got everything I hoped for! I will be working as a financial analyst intern at Hewlett-Packard out west this summer.



# Sheldon Liu

## Second-Year MBA

### **Why did you choose to come to the University of Wisconsin ACFIN program?**

I have long been attracted to the University of Wisconsin-Madison as a preeminent university which enjoys a global reputation in many fields. Out of the several Big Ten MBA programs that offered me full scholarships, I selected UW because I was impressed by its “real-world” focus and was attracted to ACFIN because of its unique position as the first program in the nation to train students in applied corporate finance. I also wanted to enroll in a program that would provide personal support to students. The Nicholas Center for Applied Corporate Finance was exactly what I was looking for.

### **What are your career objectives?**

My long-term career objective is to head the China office of a global financial institution. Luckily, with the help from ACFIN, I have made one solid step toward this goal by landing a job in January with a Fortune 150 financial service firm in its leadership program, which will expatriate me to my home country after several years’ leadership rotation both in the USA and around the world.

### **Did you have prior work experience in finance?**

Prior to graduate study, I worked for HSBC Bank’s China Office in its Banker Development Program as Credit Risk Executive. I had the opportunity to rotate in both Personal Banking and Corporate Banking departments.

### **What has surprised you about ACFIN?**

I was extremely impressed by the close-knit environment of ACFIN and the personal support from the center. I am particularly grateful to Cindie, the director of ACFIN, who guided me throughout my job hunting and helped me in negotiating with my intern employer to delay the internship to accommodate my family issues.

### **What has been your most rewarding experience during the MBA process?**

I had valuable opportunities participating in four real-world corporate finance projects under the guidance of our academic advisor, Professor Jim Seward, who is an expert in both theory and practice. The projects, ranging from Fortune 500 firms to startups in size, and from manufacturing to hedge fund in nature, provided me with hands-on experience of analyzing problems from different perspectives, gathering data from multiple sources, discussing with teammates from various backgrounds, and presenting confidently to the management of project sponsors.

### **What’s your favorite thing to do in Madison?**

Madison is known for its beautiful scenes, and one of my favorite things is to have drinks and talk with friends on the Memorial Union Terrace by Lake Mendota.

### **Why recommend ACFIN (especially for international students)?**

In terms of reputation and employment records, there is little difference among dozens of non-top-15 MBA programs. It is essential to pick a hidden gem that will offer similar learning experiences and career opportunities as those top 10 schools. UW Madison’s ACFIN program is such a choice. The staff are similarly committed, the faculty are similarly talented, the program is similarly well-thought, and most importantly, the four international students of ACFIN this year have all landed excellent jobs comparable to top-10 schools.

### **What would I have done differently in my first year?**

I should have worked even harder in the two applied finance courses taught by Professor Mello. I should have been more willing to work on black-and-white data. I was at first unaccustomed to this and thus tended to avoid making tough decisions based on limited information in those case studies. But this is actually the way top financial firms work. I am glad that through these demanding courses I have improved my ability to tackle ambiguity more confidently.

### **Tell us a little about your internship experience.**

I interned at the Wisconsin Alumni Research Foundation (WARF), a leading technology commercialization institution in the nation. My main responsibility was to build financial valuation models to value technologies and products to facilitate their commercialization. I also conducted due diligence on discount rates for multiple industries and evaluated an internal start-up equity anti-dilution model. It was an exciting experience to endeavor something brand new to me.



**NICHOLAS CENTER FOR  
APPLIED CORPORATE FINANCE (ACFIN)**  
University of Wisconsin-Madison School of Business



**Barb Peterson**  
ACFIN Program Coordinator  
bpeterson@bus.wisc.edu



**James K. Seward, PhD**  
Director, ACFIN  
jseward@bus.wisc.edu



**Cynthia S. Horner**  
Director, Nicholas Center  
chorner@bus.wisc.edu

**University of Wisconsin-Madison  
School of Business**

3115 Grainger Hall  
975 University Ave. Madison, WI 53706  
ph (608) 265-3996 fax (608) 262-1466  
www.bus.wisc.edu/acfin

**ACFIN BOARD OF ADVISORS**

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Managing Director, Mergers & Acquisitions  
**Citigroup**, Investment Banking Division  
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**Sachin Tulyani**

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Milwaukee, WI

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Managing Director & CRO  
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New York, NY