

Financial Modeling

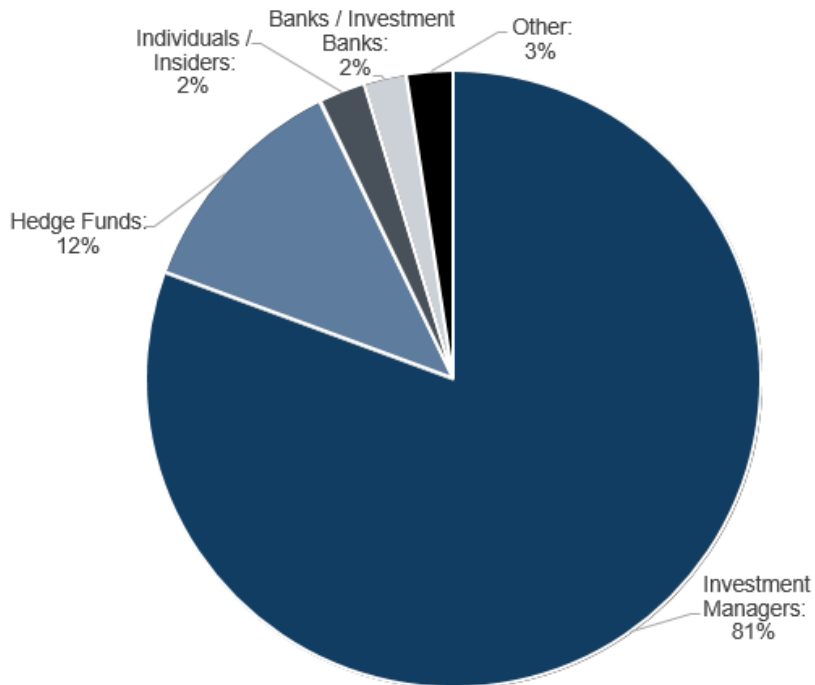
– Certification Quiz Questions

Module 9 – Valuation Interpretation and Real-Life Usage (Jazz Pharmaceuticals)

1. Suppose that you are drafting a “Long” stock pitch for a healthcare company, where you recommend investing in the company’s stock because you think its price will rise.

Which of the following is NOT an appropriate Catalyst?

- a. Generic drugs potentially entering the market within the next year and driving down prices for the company’s core products.
 - b. An ongoing lawsuit that is likely to be settled in the company’s favor this year, which will extend the exclusivity period for its highest-priced drugs.
 - c. The launch of new drugs in the company’s pipeline in 2-3 years, following approval in the U.S. and EU.
 - d. The announcement of clinical trial results from the company’s most promising drug in ~6 months; the results are rumored to be positive.
 - e. All of the above (NONE of these is an appropriate Catalyst).
 - f. Answer choices 2, 3, and 4.
 - g. Answer choices 1 and 3.
 - h. Answer choices 1, 2, and 4.
2. You are creating an investment banking pitch book to propose a valuation and potential sell-side M&A process to the Board of Directors of this pharmaceutical company. As part of this pitch book, you insert a slide that contains a profile of the company’s common shareholders, as shown below:



Why is this analysis significant in a pitch book for a potential sell-side M&A deal?

- Since large investment managers own over 80% of the shares, they'll be less likely to challenge an acquisition of this company.
- Since insiders own a small percentage of the shares, a key person such as the CEO or Founder does not have much power to challenge any deal.
- If this analysis had a breakout of the *types* of investment managers and hedge funds, the presence or lack of activist funds could also indicate whether or not a deal is likely to be challenged.
- All of the above.