

21. Visit to ITESM, April 2002

Visit to ITESM for Consultation Monterrey Campus Monterrey, Mexico April 29 - 30, 2002

The following is the report of the Tulane University staff visit to ITESM during April 29 and 30 of 2002.

Objectives:

- Review the structure of the Burkenroad reports for the case of Tec.
- Review company reports prepared by students
- Discussion of project issues with Tec faculty.
- Promote the project.

Description of Work Completed at Tec during Fall 2001 and Spring 2002:

During fall 2001, Tec completed the first of the two courses in the Burkenroad report course sequence. During spring 2002, Tec had 3 sections of the second course in which students complete the preparation of the following two types of Burkenroad reports: (1) investment research reports for public companies and for companies seeking private equity and (2) project evaluation reports for companies seeking debt financing for expansion or special projects. 54 students enrolled in 3 sections of the spring 2002 courses prepared 14 reports. The following faculty conducted the 3 courses:

- 1). Hansel Moska, Miguel Moreno, and Conchita del Alto. (4 reports)
- 2). Arturo Lara and Harmen Simons. Project reports (5 reports).
- 3). Sergio Gutiérrez and Iván Aguayo. Project reports (5 reports).

The sequence of activities for the spring 2002 Burkenroad courses was as follows:

- Students and faculty searched for public and private companies and invited them to participate in the program. Participant private companies paid a nominal amount of \$750 to cover travel, publication and other administrative costs required to complete the reports.
- Students and faculty met with company executives to compile information and to visit the production facilities.
- Students conducted industry research using various resources and prepared forecasts of financial statements and key ratios for a period of 2 to 5 years.
- Students wrote either a project evaluation report or an investment research report.
- Students presented the reports to the professors and received feedback.
- Students delivered the reports to management for comments.
- Students made final revisions and delivered the reports to management.

Description of Monterrey Visit, Issues Discussed and Tulane Recommendations:

During our visit to Monterrey, 3 groups of students presented their reports to the Tec Burkenroad faculty and to John Trapani, German Creamer and Pamela Shaw. Without exception, the presentations were excellent. Following the presentations, we obtained feedback from the students regarding both the quality of the educational experience and problems encountered during the semester. Students were enthusiastic about the course.

During discussions with Burkenroad faculty, we discussed the following issues:

- Demand for a fast response and quick preparation of the reports to be able to respond to corporations' and banks' evaluation needs.
- Tec plans to use the same exchange rate for all investment research and project evaluation reports.
- Plans for the investment conference (see the section below)
- Content of the second training workshop. Tec professors would like to spend time on the following issues:
 - Criteria for acceptance of companies into the program
 - Criteria for student loan and investment recommendations
 - Discussion of emphasis to place on various sections of the report
 - Standardization of the methodology for accounting for inflation
 - Other standardization issues, e.g., format.
 - Valuation methods

The investment conference is scheduled for September 2002. Companies that participated in the Burkenroad program will be invited to present to a group of invitees from the Mexican and U.S. investment community. The program will include the following presentations:

- Presentation by 3 public companies: (IMSA Grupo, LAMOSA, and GISA).
- Presentations by 3 private Burkenroad companies that obtained debt financing.
- Presentation by 1 or 2 companies seeking private equity.
- Distribution of Burkenroad reports for public companies and selected private companies.
- Distribution of Executive Summary describing the 14 Burkenroad reports.
- Presentation by other parties interested in the Burkenroad program, e.g., NAFINZA and members of the banking community.

Recommendations:

- Include a risk section
- Use multiple revenue models
- Require historical information for a period of time for non-startup companies.
- Include common size financial statements in the report.

- Use a standard set of ratios for each report and standardize the definitions of these ratios. Add or eliminate ratios as needed to as a starting point for ratio analysis.
- Invite companies to the fall conference that will participate in the program in spring 2003. Ideally they will want to present.

Chronogram of Activities: May – October 2002

Spring 2002 - May:

- Student group presentations to faculty
- Send reports to companies and receive company's feedback.
- Preparation of final draft.
- Send Excel programs and reports to Pamela Shaw, Germán Creamer and John Trapani for feedback.
- Publish Spanish version in paper and on the website.

Summer 2002:

June: Meeting with Peter Richiutti
Translation of reports to English (June 1; 1 month).

July: Publication of English version of reports
Publication of summary of entire project (July 30)

Fall 2002:

Sept. 30 – October 5:

- Review and training session:
 - o Review of method and format of reports.
 - o Review progress of projects in preparation.
 - o Presentation of reports by country.
- Annual meeting.

Other Suggestions/Recommendations:

Please note the section of suggestions and recommendations in the previous report of Venezuela. The same suggestions apply to the case of Mexico.