



## Basic Technical Interview Questions

- Why would two companies with identical earnings in the same industry have different P/E multiples?
- Would you use Enterprise Value/Net Income as a multiple?
- In a perfect (tax-free) world, if you have a company with an enterprise value of \$5 billion and you take out \$2 billion in debt, what is the new enterprise value? What is the enterprise value if you subsequently use the \$2 billion to pay out a dividend? What is the enterprise value if instead of paying out the dividend, you invest the \$2 billion in a new project with an NPV of \$3 billion?
- In a world with taxes, if you issue debt for 1000 and pay it out as a dividend, how does it affect your enterprise value?
- Why might a company be trading at a lower EV/EBITDA multiple than its competitors of the same size in the same industry?

### Valuation Questions

- Give me an overview of at least five valuation methodologies for a company.
- Which of the valuation methods will tend to lead to the highest valuation?
- Which method of valuation is most robust? What are the pluses/minuses of each method?
- What percent of total DCF value is usually in the Terminal Value? What proportion did the Terminal Value contribute to the Enterprise Value? Why? What concerns are there?
- Explain the difference between WACC and IRR.
- How do you treat deferred taxes in a DCF?

### M&A questions

- What are the pros/cons on a stock vs. cash acquisition?
- Who would pay more to acquire a company - a financial buyer or a strategic buyer? Why?
- Why do accretive mergers still sometimes see a falling stock price?
- Talk to me about some hostile deals that have been initiated lately. When does a hostile deal make sense? What percent of hostile deals are completed by the buyers who started the process?

### **Capital Structure and Financing**

- If you were pitching to be an underwriter for an IPO, what would the table of contents of the pitch book look like?
- What implications are there for cash dividend versus stock repurchase? Why and when would you use one versus the other?
- How can a company reduce its Debt/EBITDA ratio without increasing EBITDA or paying down debt?
- What is staple financing?

### **LBO questions**

- What is the IRR with an equity investment of £100m and exit equity value of £300m after three years? Give me the calculation formula.
- Give an example of Circular Reference in an LBO model.

### **Accounting questions**

- Walk me through the impact of an asset write-down on the financial statements.
- If a company changes from a LIFO to FIFO, how would that impact its financial statements?
- Where would you put a convertible bond on the balance sheet?
- Suppose you reviewed the financial statements of a firm for two consecutive years. Every line item on the income statement showed the same value for both years, but the numbers on the lines in the cash flow statement are different for the two years. Speculate on a few things that may have happened to cause this outcome.
- If convertible debt gets converted, what is the impact on the balance sheet?

Note - answers to those questions are included in our [AskIvy Investment Banking Technical Guide](#), which contains 100+ other investment banking technical interview questions.

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