

Course Outline



Course Outline on Valuation Modelling on Excel



Valuation Modelling on Excel

Day 1

Session 1: Introduction to Corporate Valuation

- Objectives of Corporate Valuation
 - Fund raising
 - Mergers and acquisitions
 - Investment analysis
- Overview of Corporate Valuation Techniques
- What valuation is, and what it is not

Session 2: Financial Statement Analysis

- The Financial Reporting System
 - The Balance Sheet
 - The income Statement
 - The Statement of Shareholders Equity
 - The Cash Flow Statement
- Analysis of Assets and Liabilities
 - Analysis of Inventories
 - Analysis of Long-dated Assets
- Case Study
- Exercise

Session 3: Financial Statement Analysis (Cont'd)

- Analysis of Cash Flows
 - Reconciling cash flow statement, income statement and balance sheet
- Financial Shenanigans
 - How Management Can Manipulate Earnings and other Financial Information
- Case Study and Exercise

Session 4: Historical Earnings Valuation

- Recast of Historical Financials
- Debt-Paying Ability
- Capitalization of Earnings/Cash Flows
- Gross Income Multipliers/Capitalization of Gross Income
- Dividend-Paying Ability
- Exercise



Session 5: Asset-Based Valuation

- Book Value and Price/Book Value
- Liquidation Value
- Tobins Q
- Pitfalls in Using Assed-Based Valuation Techniques
- Case Study
- Exercise

Day 2

Session 6: Market-Based Valuation

- Comparing P/E Ratios
- The Comparable Sales Method
- Rules of Thumb/industry Averages
- Other Comparables
- Risk-Adjusted Valuation
 - CAPM and other models
- Case Study
- Exercises

Session 7: Future Earnings and Cash Flow Valuation

- Discounted Cash Flow Models
 - Introduction to DDM models
 - The zero growth model
 - The constant growth model
 - A two-stage growth model
 - Multi-stage growth models
 - Deriving growth rates from accounting ratios
 - Estimating the discount rate
 - The relationship between risk (beta) and the P/E ratio
 - Sensitivity analysis
 - Case study
 - Exercise

Session 8: Future Earnings and Cash Flow Valuation (Cont'd)

- Introduction to Free Cash Flow Analysis
- The Company's Value Drivers
 - Sales growth
 - Operating profit margin



- Taxes
- Working capital investments
- Fixed capital investments
- Free Cash Flow to Equity vs. Free Cash Flow to Firm
- Deriving the Free Cash Flows
- Deriving the Discount Rate and the Enterprise Value
- Analysis of Shareholder Value Creation
- Practical Case Study
- Small Exercise

Session 9: Future Earnings and Cash Flow Valuation (Cont'd)

- Residual Income Valuation
 - Residual income models vs. DDM models
 - Calculating residual income
 - Economic Value Added, Market Value Added and the measures
 - The EVA™ Model
 - Residual income models: strengths and weaknesses
 - Practical case study
- Small Exercise
- Incorporating uncertainty and simulation in cashflows
- Working with a simulation engine
- What all numbers to agitate
- Simulating on Excel
- Developing a probability distribution of likely values on Excel