BUSINESS VALUATION
TRAINING WORKSHOP

Workshop Objectives

The goal of this three-day workshop is to provide participants with an overall idea on the concept and parameters of Business Valuation and familiarize participants with the three valuation bases; cost basis, market basis and income basis

Workshop Duration

Three Days

Workshop Outline

The purpose and function of the business valuation

Business Valuations are performed for a variety of reasons:

• M&A – mergers generally both require both companies to be valued, while an acquisition may only require one company (acquired). The terms of the transaction involve cash, notes, stocks or combination of these forms of payments.
• Marital dissolution – in case of separation / divorce
• ESOP
• Liquidation / reorganization of a business
• Stockholders' disputes
• Financing purposes – market values and intangibles are reflected in the historical financial statements
• IPO- corporations statements may need to be amended or the capital structure, or benefit plans, factors such as; prior years' earnings, potential earnings, stock market conditions, stock prices for comparable companies, may be considered for valuing the IPO.

Valuation Concepts

1. Principle of substitution – value of a thing tends to be determined by the cost of acquiring any equally desirable substitute
2. Principle of future benefits – economic value reflects anticipated future benefits

Standards of Value

Depend upon the purpose of the Business Valuation engagement rather than the client of the appraiser.
1. Fair market value (….willing buyer and a willing seller….)
2. Fair value (court judgment)
3. Investment value (value to a particular buyer)
4. Intrinsic value (used by stock analysts)

Bases of Valuation – special cases
• Real estate.

Approaches to Value
1. Market / Sales comparison
2. Assets based approach
3. Income approach
4. Rules of thumb

Cost of Capital

Capitalization vs. Discount Rate

Methods for determining the discount rate
• Build-up, CAPM and WACC

Beta; what is it ?

Risk Factors to consider

Economic	Business	Operating
Asset	Product	Market

Legal	Financial
Regulatory	Technological

• **Premises / assumptions of value**
1. Minority vs. controlling interest?
2. Marketable or non-marketable?
3. Going concern or liquidation basis

• **Excess Earnings Method** – Basically to calculate the excess attribute to intangible assets.

Premium and Discounts
1. Minority Interest discount.
2. Lack of marketability (liquidity) of the business
3. Blockage
4. key person discount
5. Voting vs. non-voting discount (not very much applicable when valuing minority.

What factors reduce discount rates

Field Trips

Selecting companies for comparison

Common Questions

Common Errors

Discounted Cash Flow Methods
1. Discounted Cash Flow
• Why we use it
• What assumptions impact it?
2. Determining present value
• Converting FCF into a DCF valuation
3. Free Cash Flow
• The concept
• Key assumptions in FCF forecasting
4. Free cash flow to the firm (FCFF) and free cash flow to equity (FCFE)

Target audience

Financial Advisors, Bankers, Investment Managers, Strategic Investors, Securities Analysts, Financial Managers and Internal Auditors.

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