

# Corporate Valuation Bootcamp

## Overview

This practical **two-day course** will deepen your understanding of valuation and will enable you to apply different valuation techniques. The programme will be built around the use of our in-house models, therefore allowing the attendees to get their “hands dirty” in the valuation work rather than just covering pure theory.

## Objectives

By the end of the course, participants will have the tools and techniques to be able to:

- Understand and evaluate the drivers of corporate value
- Understand the concept and estimation of enterprise value
- Derive the equity value bridge (waterfall)
- Build and use the Discounted Cash Flow model
- Develop a multiple based valuation.
- Practical assess the sanity of the inputs used to derive the valuation

## Target Audience

This programme is targeted at finance professionals with limited prior experience, who are looking to develop their practical and technical skills. The programme requires a good working knowledge of Microsoft Excel and basic accounting. This is an introductory to intermediate programme.

## Content

### The value of the firm

Understanding and identifying the value drivers and how to maximise the value of the firm is critical. As is answering the key questions: Which assets to invest in? How to determine buy, sell and hold calls. Analysts will learn the transition from an accounting perspective to the intrinsic valuation and fundamental view.

- The firm and its value
  - Firm value
  - Equity value
- The key drivers of value:
  - Cash
  - Risk
  - Growth
- Overview of company valuation methodologies
  - Football field summary
  - Relative valuation
  - Absolute valuation

- Affordability
- Valuation requirements

**Absolute valuation: discounted cash flow**

Fundamental cash flow analysis is centred primarily on the Discounted Cash Flow methodology. The concept of fundamental valuation will be explored in detail. Analysts will get insight into how and where to find the constituents of the valuation methodologies and understand how important financial forecast techniques are for the valuation range by implementing sensitivity and scenario analysis.

Case study: The analysts will develop the DCF on Diageo plc. This allows the application of Excel modelling skills together with the valuation technical skills. The analysts will be shown how to run the DCF model commercially so that they understand and appreciate the ease with which the model can be run to show a significant under or over valuation and how the cash flow drivers interact.

- How does DCF fit in with other valuation techniques?
- The cost of capital
- Cost of new equity
  - CAPM
  - Finding and evaluating the input data – data source quality
  - Risk free rates
  - Equity market risk premiums
  - Raw and adjusted betas
  - Interpreting a Bloomberg beta
- Cost of debt
- Using WACC
- Forecast horizon, visible forecast and terminal periods
- Estimating growth
- The drivers of free cash flows
  - Free cash flow to equity vs. free cash flow to the firm
  - The key drivers of free cash flow:
    - Sales growth rates
    - Margins
    - Working capital management
    - Capex
    - Cash taxes paid
- Unlevered free cash flows
- Terminal value - calculating the terminal value using
  - Perpetuity growth rates
  - Terminal multiple methods
- Understanding the equity bridge:
  - What is captured in EV?
  - Bridging to equity
- DCF sanity checks
  - Ratio analysis
  - Full analysis of historic performance and position
  - Enterprise value splits
  - Benchmarking key inputs against peers, consensus research and economic data
  - Backing out the growth rate from multiples
  - Full historic review of numbers
  - CAGR review

**Relative valuation: comparable companies' analysis**

What is a company worth? Valuation can be derived from market information. Analysts will learn how an investor will evaluate investing in a company by comparing it with public trading companies and precedent transactions. This comparison only makes sense if we know how to adjust the numbers and take into account the accounting knowledge covered previously.

- What drives a multiple?
- Why companies may trade at a premium or discount?
  - Cash
  - Risk
  - Growth
- Considerations for selecting a comparable universe
- Collecting the source data
- Calculating firm value – dealing with;
  - Market capitalisation – getting to right NOSH
  - Diluted market capitalisation calculation
  - The treasury method to anticipate option dilution
  - Net debt
  - Non-controlling interests
  - Joint ventures and associates
  - Normalising the earnings metrics
- Working with historical, last twelve months (LTM) and forecast data

Case study: The bulk of the instruction this day will be built around a number of trading comparable case studies. Each case study has been designed to bring out certain learning points, such as:

- EV calculations
- The treatment of joint ventures and associates
- Cleaning multiples
- Creating equity bridges
- How would an analyst determine the appropriate multiple with which to value the target company
- How to analyse the output of a comps sheet

**Relative valuation: comparable transaction analysis**

- Transaction comparables – capturing the premium
- Identifying the comparable deal universe
- Available databases and tools
- Controlling stake acquisitions
- Grossing up equity values
- Premium paid analysis
- Picking a clean pre-announcement stock price

**Course Reference Guide**

The Complete Investment Banker is included as part of the programme (Normal RRP £195). Also included are The Kit and Merger Model Construction Kit.

## Juan Cabrera, Ph.D, CFA



Since 2004, Juan has taught and developed finance courses throughout North America. His range of courses include, but are not limited to: Corporate Finance, Investment Analysis, Quantitative Finance, Financial Accounting and International Finance. In addition, he teaches more specialized courses, such as Corporate Valuation and Market Microstructure.

He has extensive knowledge in designing and implementing business courses in a variety of formats tailored to the target audience. These formats include online, hybrid, lecture-based and case-based courses. His extensive training experience has provided him with the ability to successfully deliver complex topics to audiences with a wide range of topical expertise. Evidence of his skills is the long track record of positive feedback he has received over the years.

Despite Juan's extensive work in the higher education industry, he started his professional career in the banking industry. Prior to joining Fitch Learning, Juan worked as a financial analyst who provided analytical support to the marketing and sales department within the mutual fund division of the company. He has also worked as a corporate consultant to medium and small size business in the U.S. and South America, including non-profit organizations.

Juan has delivered training for the following clients:

- Caribbean Information and Credit Rating Services Limited (CariCRIS)
- People's Bank of China
- Central Bank of Peru
- Nomura
- JP Morgan
- Abu Dhabi Investment Authority
- RBS
- SEO (Sponsors for Educational Opportunity)
- Banreservas