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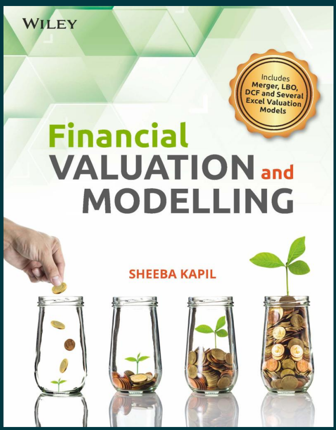


# Financial Valuation and Modelling

By Sheeba Kapil

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## Description

Post-Covid 2019, the business world has entered a fast-forward era of disruption, digitization, realignment of value chain activities, and innovation. Valuation has become an integral part in every sphere of day-to-day business activities. Financial Valuation and Modeling is a comprehensive guide to valuation concepts, application, valuation models, and investment banking. This book also covers emerging concepts and approaches for patent & IPR valuation, brands, startup valuation, real-options valuations, M&A valuation, merger modeling, relative valuation, LBO valuation and modeling, and undervaluation and financial distress. This book uses valuation methods that are currently used by valuators across the globe, Wall Street, and Dalal Street. With each method and concept, it builds a chronological knowledge base and understanding, defining key terms, financial concepts, valuation methods, various approaches, and modeling processes throughout the book.

The book takes the readers through the various underlying concepts, methodologies, Excel-based valuation models, and simulation models to better understand the valuation concepts. The book contains tables, graphs, illustrations, real business cases, and Excel models to understand valuation across assets and investment decisions. With simple and lucid language and excellent presentation, this book would be immensely useful for MBA (Finance) students, chartered accountants, company secretaries, lawyers, and management professionals as it provides deep understanding of valuation and valuation models.

## Model Spreadsheets

| Chapter Name | Excel Models | Description |
|---|---|---|
| Understanding DCF Valuation | Chapter 3 Model 1 DCF Modeling | Discounted cash flow (DCF) is a valuation model used to estimate the value of a firm, project based on its expected future cash flows. |
| | Chapter 3 Model 2 FCFF Model | FCFF, or Free Cash Flow to Firm, is the cash flow available to all stakeholders, such as debt holders, common shareholders, etc. It is the unlevered cash flow or surplus cash flow available to a business if it was debt-free. FCFF is used to value the firm using DCF approach. |
| Cost of Capital | Chapter 4 Model 1 Cost of Capital | Cost of capital measures the return required to compensate the stakeholders for the risk they take. The model calculates the weighted average cost of capital raised from different stakeholders. For cost of equity, we use CAPM model. |
| | Chapter 4 Model 2 Capital Structure Model | Capital structure model helps to ascertain the capital structure modelling various debt and equity values. The model simulates the return to stakeholders and return to equity owners at different debt levels. |
| | Chapter 4 Model 3 Unlevered Beta & Application Model | Beta calculated with market price data can be unlevered for various business decision applications. The three broad applications are built on unlevered beta model to determine the adjusted beta. |
| Undervaluation and Financial Distress | Chapter 5 Altman Z-Score Model | The Altman *Z*-score model is popularly used for determining whether a company, especially in the manufacturing space, is headed for bankruptcy. |

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| Relative Valuation | Chapter 6 Model 1 Relative Valuation Model Using Comparables | Valuation model where relative peer comparable companies are used for valuation. The peer group comparable are selected based on the business model, target markets segment, size, etc. |
| | Chapter 6 Model 2 Relative Valuation Model Using Transaction Precedence Multiples | Valuation model where relative peer groups transactions are used for valuation of similar transactions. |
| Start-up Valuation | Chapter 7 Term Sheet and Series A Funding Valuation Model | Term sheet and start-up valuation model for pre-money and post-money valuation and share issuance for a start-up firm. |
| M&A Valuation and Merger Modelling | Chapter 9 Merger Modeling | Merger model is a comprehensive end-to-end M&A simulation model that models the proforma combination of acquirer and target in an M&A deal, with purchase price ratio (PPR) analysis, sources and uses of funds, proforma balance sheet with adjustments, EPS accretion and dilution deal analysis, valuation of target with DCF model, comparable model, transaction multiple model, and football field. |
| LBO Valuation and Modelling | Chapter 11 LBO Modeling 1 | Leveraged buyout (LBO) Model 1 simulates end-to-end leveraged buyout deal incorporating sources uses of funds, equity purchase price, proforma balance sheet and debt schedule, IRR return with exit values, with two-factor sensitivity analysis. |
| | Chapter 11 LBO Modeling 2 | Leveraged buyout (LBO) Model 2 is about simulating end-to-end leveraged buyout deal incorporating equity purchase price, sources uses of funds, debt schedule, cash flow balance, MOIC, and IRR return with exit values, with one-factor sensitivity analysis. |
| Real-Option Valuation | Chapter 12 Real Option Valuation | Real-option model using Black–Scholes for valuing investment options to expand, delay, and abandon investments. |
| Intellectual Property Rights and Patent Valuation | Chapter 16 Patent Valuation Model | Patent valuation model values the patent using royalty rate with DCF approach. |

## Other books by Dr. Sheeba Kapil

### Mergers and Acquisitions: Strategy, Valuation, Leveraged Buyouts, and Financing

### Financial Management

## About the Author

### Sheeba Kapil

**Dr. Sheeba Kapil** is a Professor of Finance at the Indian Institute of Foreign Trade, New Delhi, India. She has over 23 years' of experience in research and academics. Her interest areas are alternative investments, mergers and acquisitions, and valuations. She has successfully tenured the post of Director – IQAC (Internal Quality Assurance Cell) at IIFT New Delhi and has held several other portfolios. Dr. Kapil has also chaired MBA-IB flagship program, executive postgraduate programs in International Business and Finance. She has been instrumental in designing and reviewing various postgraduate programs in Finance.

Dr. Kapil is also a member of the National Assessment and Accreditation Council (NAAC) of India for accreditation process of universities and management schools in India. She has authored the book *Financial Management* and has co-authored the book *Mergers and Acquisitions: Strategy, Valuation, Leveraged Buyouts, and Financing* published by Wiley India. Dr. Kapil has published several papers in international peer-reviewed journals. In 2019, she was honored with the Emerald Literati Award. She has also authored several cases published in leading global case centers. Dr. Kapil is also on the editorial board of several Indian and international peer-reviewed journals.

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