

CORPORATE VALUATION

Two days Practical Workshop - Patrick Legland

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DAY 1: Understanding the Core Fundamental Backgrounds of Corporate Valuation - IPO's, listed and non-listed companies

9:05am **Welcome**

9:10am **Open Address by SEM's Chief Executive**

9:15am Valuation of two companies listed on the Stock Exchange of Mauritius (SEM)

Through the valuation of two major listed issuers on SEM, based on the last publicly available accounts, market data and information, participants will understand how to calculate properly the intrinsic value of a public company, and which key indicators should be used to determine a listed company's value. A review of the most popular methods used by analysts and the financial community will be presented. Participants will understand how to estimate the issuer's value per share.

Real case study: Two listed companies on SEM

What you will learn:

- *Building-up a simple Financial analysis dashboard*
- *Understanding potential liquidity, solvency, default risks*
- *Analysing Financial Debt leverage through the extended DuPont model*
- *Making the link between Net Asset Value, Return on Equity and Cost of Equity*
- *Interpreting Asset Turnover ratios for valuation purposes*
- *Valuing distressed companies*

10:45am **Coffee**

11:00am Analysing a company before making a valuation: Financial Analysis and Window Dressing

A successful Corporate valuation supposes first, that a detailed financial analysis of the company is undertaken. Potential window dressing, account manipulations, or assets to be impaired need to be analysed carefully. Through the analysis of the troublesome **Mr BRICOLAGE** international "Do It Yourself" (DIY) retail network, participants will learn how to demystify Financial Analysis and build-up a ready to use straight to the point toolbox.

Real case study: Mr BRICOLAGE (Fr) Accounts Analysis & Valuation - 2013

What you will learn:

- *Comparing Company's performances in an international context*
- *The Agency compensation theory versus the Corporate Theory*
- *To identify the risks of Intangible impairments*
- *To calculate a company's leverage effect*
- *To analyse Value Creation performances*
- *To assess the impact of value creation on Corporate valuations*

12:30pm **Lunch**

1:30pm Valuing a company within the framework of an Initial Public Offering: Discounted Cash Flow valuation model

The IPO of the US Start-up like company **LINKEDIN** (US) in 2011, will be an opportunity to review the core mechanism of a Discounted Cash Flow valuation model. Participants will be exposed to a real Excel DCF valuation model, including estimating the relevant discount rate, understanding the concepts of the Perpetuity growth model, and addressing properly the impact of stock option valuations.

Real case study: LINKEDIN (US) Initial Public Offering – 2011

What you will learn:

- *Building up a Discounted Cash Flow valuation model*
- *Calculating correctly a DCF discount rate, the Cost of Capital*
- *Simplifying a Discounted Cash Flow through the Re-Investment rate methods*
- *Understanding how to treat stock options in a DCF valuation method*
- *The Gordon Shapiro method allowing to calculate the “Gordon Growth Model”*
- *Assessing properly the perpetual growth rate (“to infinity”) and the “Terminal Value”*

3:00pm Coffee

3:15 pm Valuing a company within the framework of an Initial Public Offering (IPO)

The real Initial Public Offering of the company **MEDICA**, which offers temporary and permanent care to dependent people, will be an opportunity to understand all the core valuation methods. Participants will be placed into a real situation. They will have to select from a list of Competitors, the right comparables, and then apply the valuation through multiples (methodologies and examples), P/Es and EVs. Then in a second stage, Discounted Cash Flow valuation techniques will be analysed. Last some valuation simulations will be implemented to reach the most appropriate valuation range for the **MEDICA** Initial Public Offering (IPO). Participants will also discover at which price the placing was done, and how the market reacted

Real case study: MEDICA (Fr) Initial Public Offering - 2010

What you will learn:

- *How to select properly the right comparable companies within competitors*
- *How to properly value a company through Price Earning Ratios (P/Es) taking into account potential differences in capital Structure*
- *To compute Enterprise Value valuation’s (EVs) and to take into account the potential pitfalls related to this method*
- *Analysing a Discounting Cash Flow valuation*
- *Making DCF valuation simulations*
- *Preparing for negotiation, through valuation sensitivities parameters*

5:00pm End of Day 1

DAY 2: Advanced Valuation Techniques: Private Equity Ventures, Brand Valuation, Start-Up Valuation, Buy-Back Impact on Valuation

9:15am Brands and Intangibles valuation techniques

The second day will focus on more advanced valuation techniques. The 2015 take over by the Chinese firm FOSUN of the Holiday Resort group **CLUB MEDITERRANEE**, will be an opportunity to work on Brand and Intangible valuations. Specific methods widely used in M&A transactions, franchise networks, or Board appraisals will be learned.

Real case study: CLUB MED (Fr) acquisition by FOSUN (China) - 2015

What you will learn:

- The Royalty fee Brand Valuation method
- The Income split Brand Valuation method
- How to calculate properly the Weighted Average Return on Assets (“WARA”),
- Computing properly the discount rate to be applied for Brand valuation
- Working on different business development scenarios through the Real Option Method
- Splitting a company valuation between Assets, Intangibles, and Brand

10:45am Coffee

11:00am Valuation of Private Equity Ventures

Participants will have the opportunity to analyse a Business Plan and Investment proposal, related to a Cocoa production company, **SATOCOA in Sao Tomé, Africa**. This will be opportunity to review and analyse a business plan and to challenge some of the core assumptions.

Real case study: SATOCOA (Sao Tomé – Africa) - Private Equity Valuation Ventures Capital Investment - 2011

What you will learn:

- To review and analyse a business plan
- Reconciling the different company accounts
- Linking the Cash Flow statement, with the company Profit & Loss account and the Balance Sheet
- To decide upon the credibility of the medium-term assumptions
- Computing the financing needs required for the business development
- Deciding for potential investment based on various methods

12:30pm Lunch

1:30pm Valuing Start-ups within the framework of fund raising or Shareholders’ pacts

Participants will be working on the 2013 Equity refinancing of the Start-up Biotech Company **NEOVACS**. The case study will be an opportunity to understand the importance of a shareholders’ pact in a start-up valuation, and how pre-money valuation is determined. Through the analysis of **NEOVACS** Equity refinancing participants will learn how to structure an Equity Right Issue, depending on the Theoretical Ex Right Price (“TERP”) and Right value

Real case study: NEOVACS' (Fr) Start-Up valuation and fund raising - 2013

What you will learn:

- Valuing Start-up companies
- Understanding the rationale of a shareholders' pact
- The Signal theory and why it is key within the framework of a start-up valuation, or an Equity re-financing
- To interpret the core shareholders' decisions
- To calculate the Theoretical Ex right Price and the value of the Subscription right
- Assessing value creation generated by a firm

3:00pm **Coffee**

3:15pm The impact of various Dividend policies and share buy backs on valuation

In 2011, the leading US technology company **APPLE** had to face a serious rebellion from some investors willing to have the cUS\$ 100bn cash being paid back to them. This case analyses the impact of a potential Dividend payment or Share Buy Back on **APPLE's** share price valuation and earning growth.

Real case study: APPLE 's (US) potential distribution strategy

What you will learn:

- Understanding why recurring Right issues can be positive for a Corporate Valuation
- The impact of Dividend policy on Corporate Valuation
- The impact of share Buy Back on Corporate valuation
- How to calculate the Cost of Capital for a company being net cash
- Valuing Tech companies through different and complementary methods
- Managing Corporate communication with Shareholders'.

4:45pm **Closing remarks**

5:00pm **End of the two days Corporate Valuation Workshop**