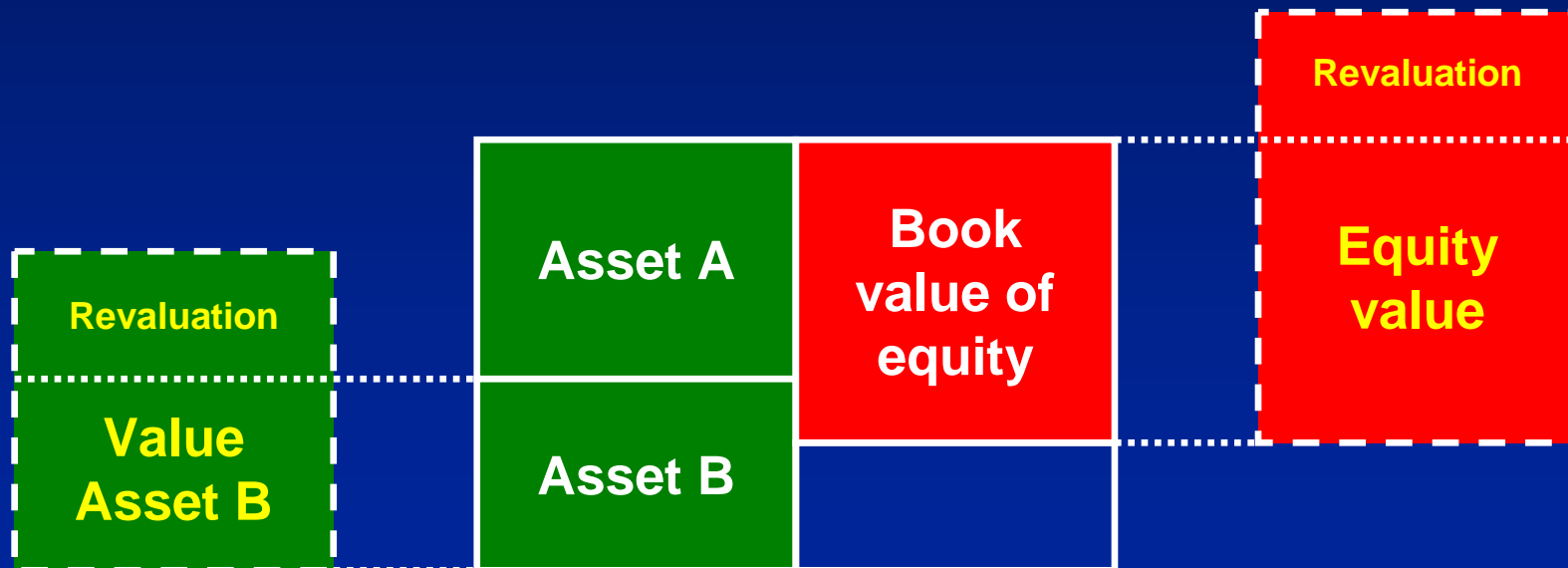


# **Corporate Finance Valuation Panorama**

## 1. Patrimonial method (1/2)

- This method aims at **revaluing the market value of assets and liabilities** and to adjust book value of equity of identified capital gains or losses



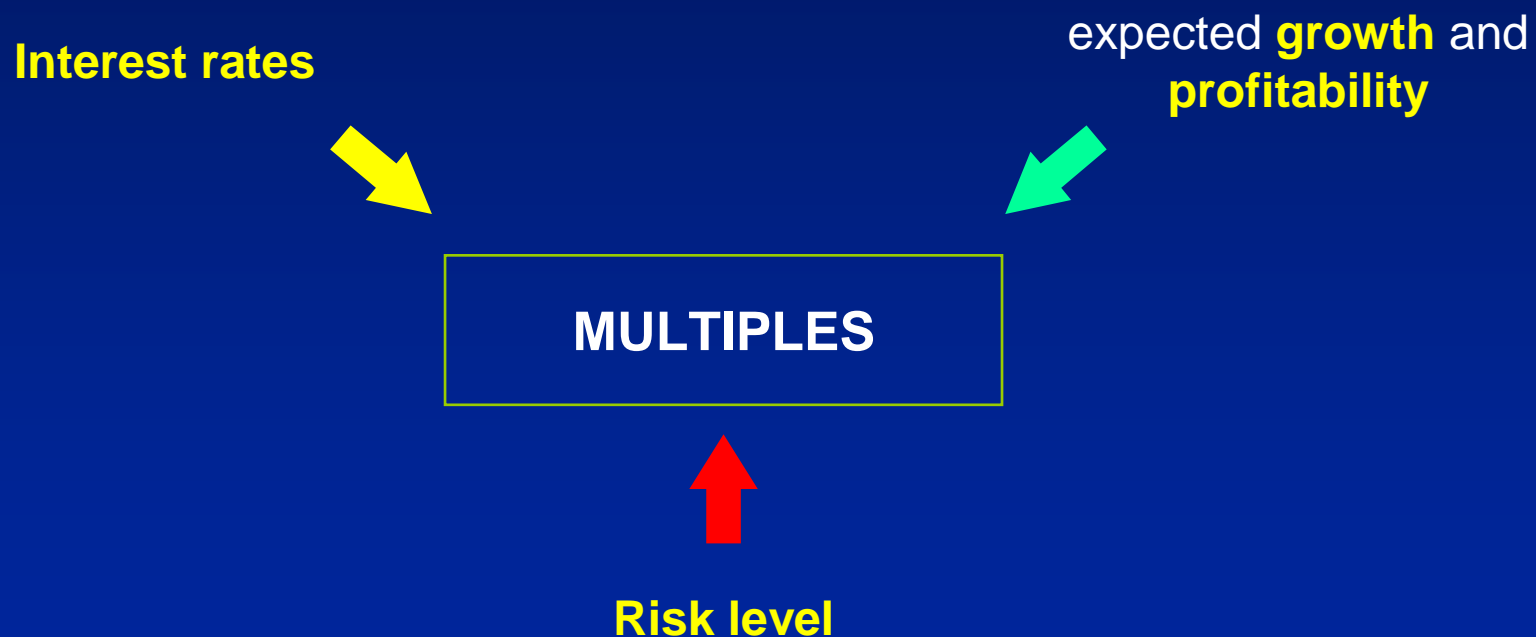
## 1. Patrimonial method (2/2)

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- Possible approach ?
  - **Liquidation** approach
  - **Going forward** approach
- Tax impact is different
- Difficulty to determine the **continuing value** of assets

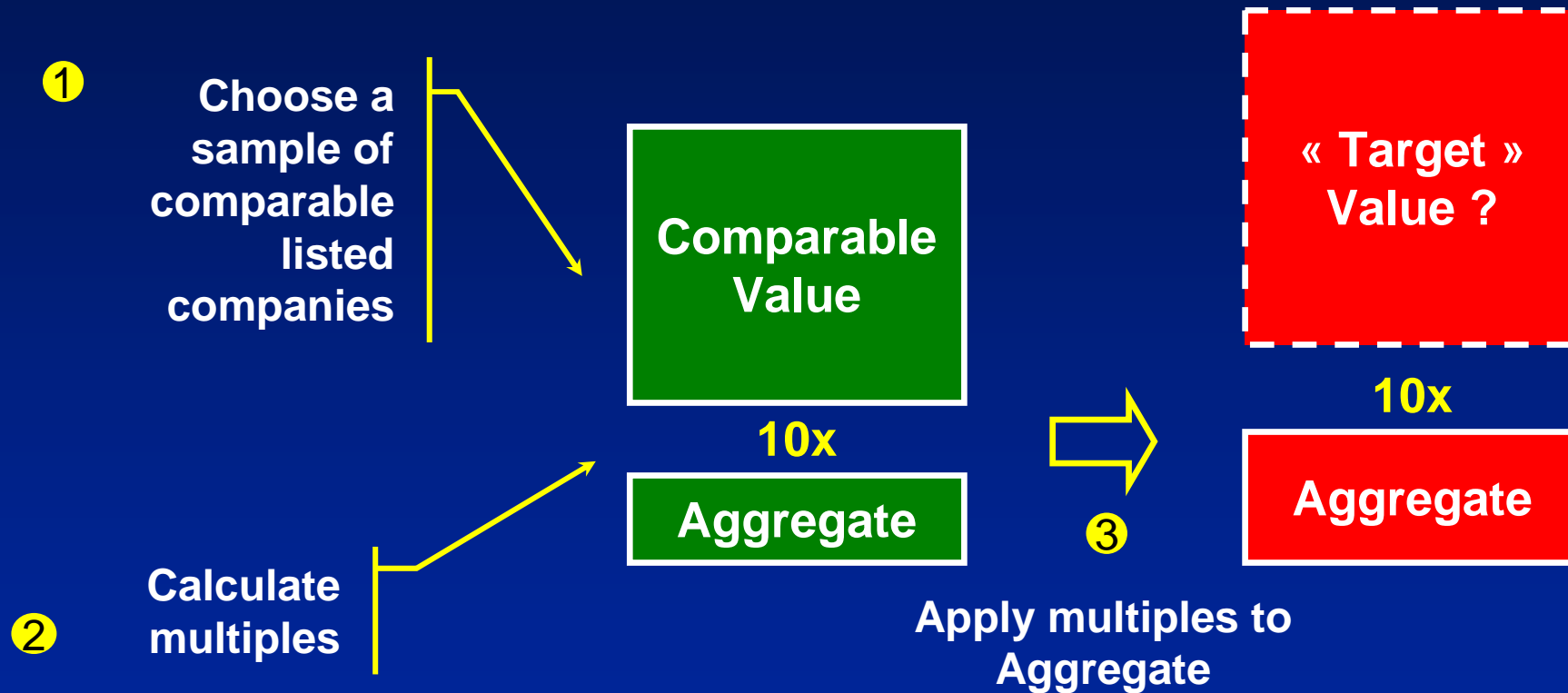
## 2. Analogical method (1/2)

- Principle : applying to the target a **multiple**, observed on a sample of **peers**
- Multiples give a value which integrates :



## 2. Analogical method (2/2)

- **Three steps** in multiple method:



### 3. Intrinsic method (1/2)

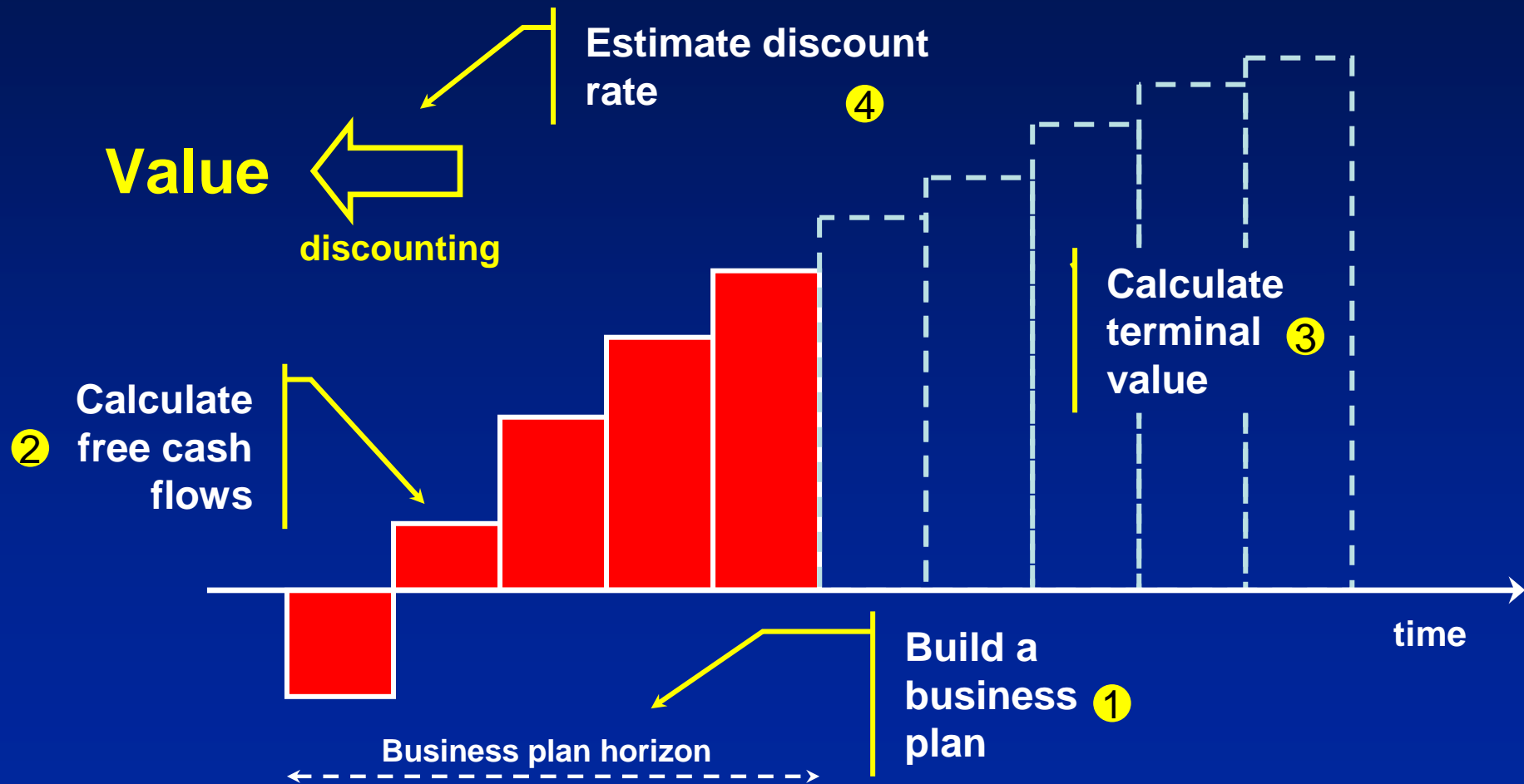
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- Principle: « **a firm is like a bond !** »
- The value of the firm is obtained, through **discounted free cash flows** at a rate depending on **risk**
- We get the following formula:

$$\text{Value} = \sum_{i=1}^{\infty} \frac{\text{Free Cash Flows year } i}{(1 + k)^i}$$

### 3. Intrinsic method (2/2)

- **The 4 steps** of the DCF method



## 4. Real Options (1/3)

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- Principle: taking into account company life **flexibility**
- Those flexibilities are options to valorize, what leads to **Adjusted Present Value (APV)**

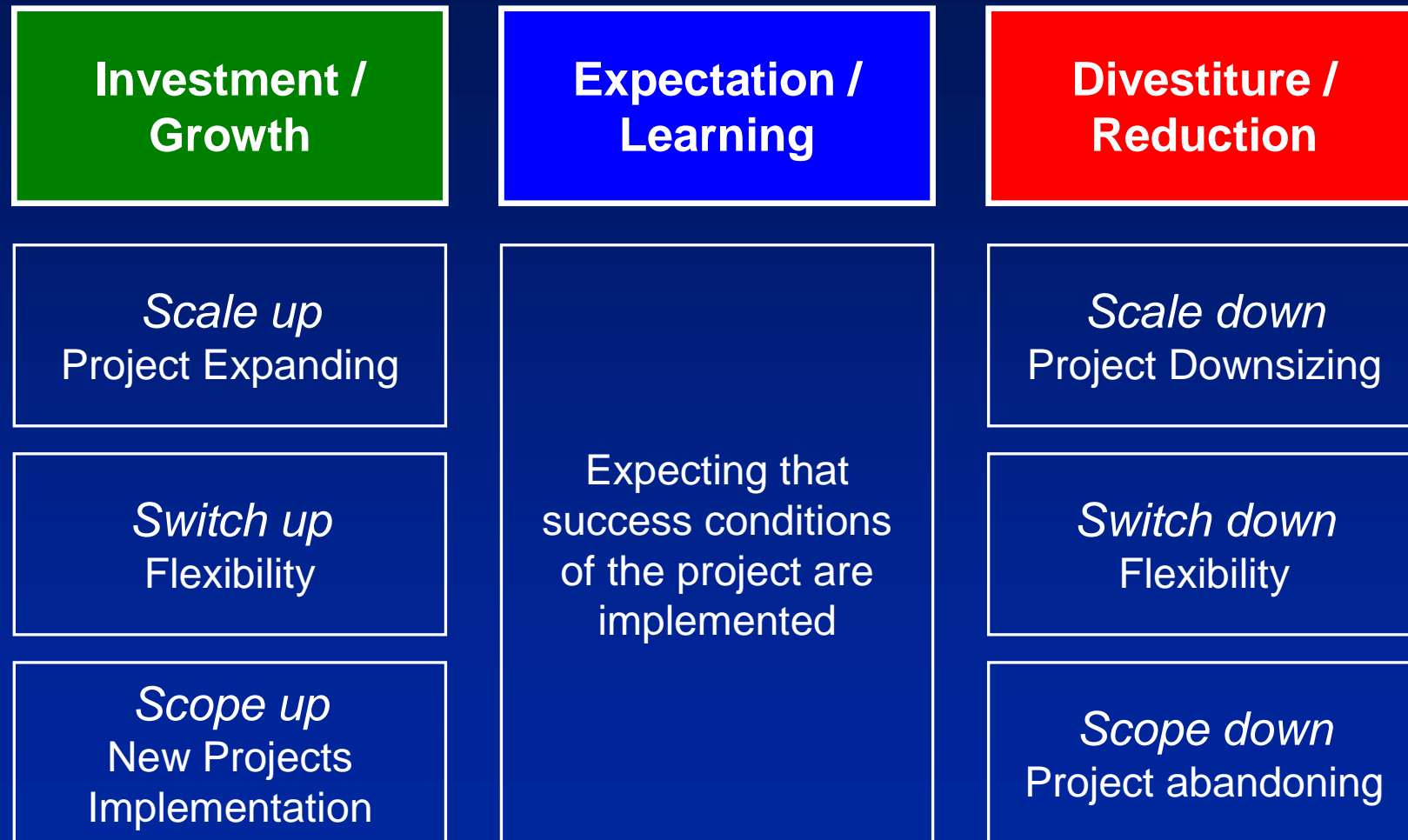
$$\text{APV} = \text{DCF Value} + \text{Real Options Value}$$

- Real Options are a tool to integrate **time value** in a firm valuation



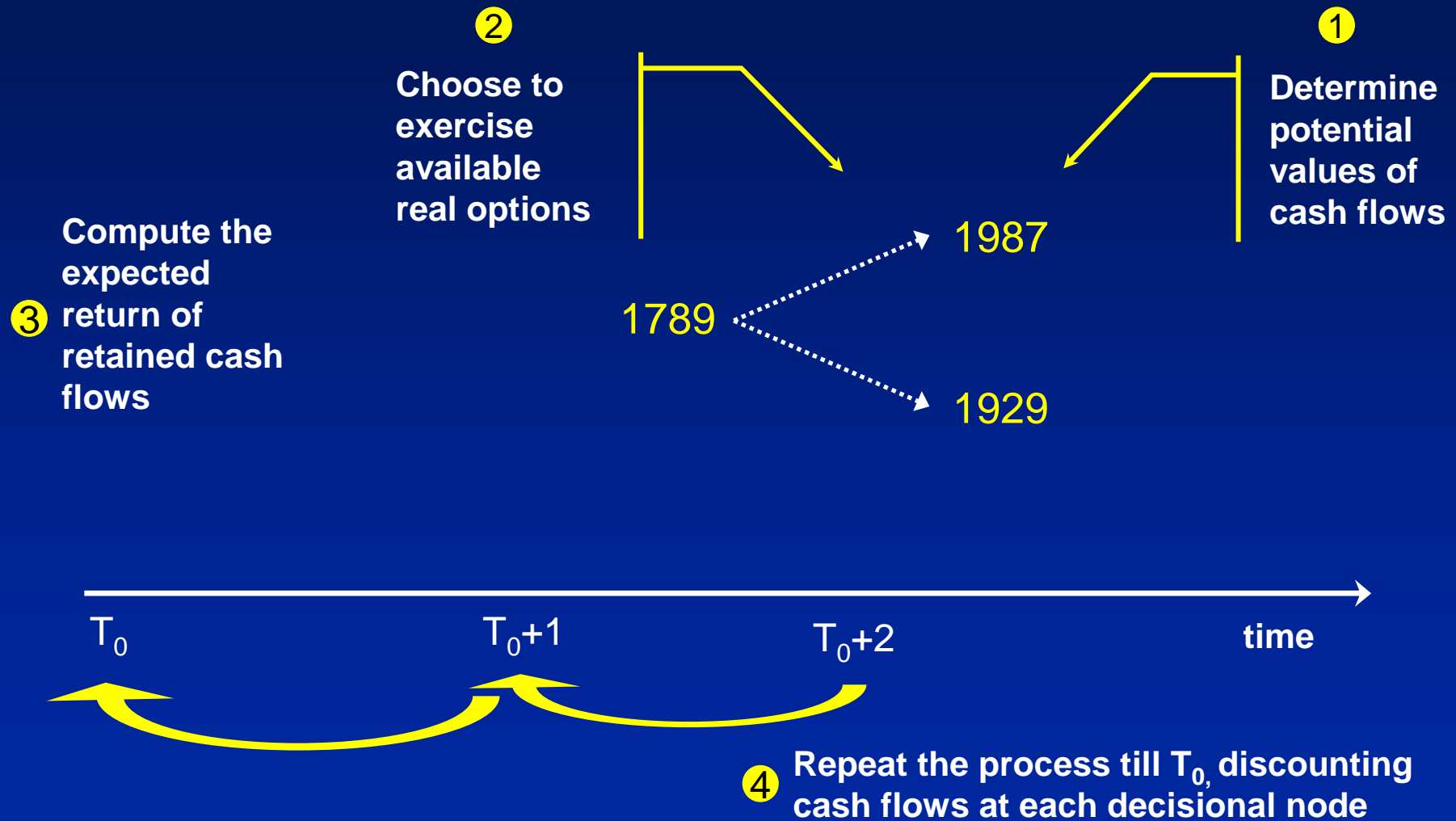
## 4. Real Options (2/3)

- Real Options declination



## 4. Real Options (3/3)

- The **four steps** of real options method



# 1. Valuation methods advantages and drawbacks

	Advantages	Drawbacks
Patrimonial Method	<ul style="list-style-type: none"> <li>• <b>Easy reference</b></li> <li>• Relevant for <b>small companies</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Book</b> approach</li> <li>• <b>Going concern</b> value is an issue</li> <li>• <b>Limited</b> application <b>fields</b></li> </ul>
Multiples	<ul style="list-style-type: none"> <li>• <b>Simple</b> and <b>popular</b></li> <li>• <b>Tangible reference</b> in a negotiation process</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Reliability</b> of the sample</li> <li>• Share price <b>signification</b></li> </ul>
DCF	<ul style="list-style-type: none"> <li>• <b>"Intrinsic"</b> method</li> <li>• Thoughts about <b>business and profitability</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sensitivity</b> of retained <b>assumptions</b></li> <li>• Choice of <b>terminal value</b> and <b>wacc</b></li> <li>• <b>Circularity</b> of the method</li> </ul>
Real Options	<ul style="list-style-type: none"> <li>• <b>Managerial view</b> close to reality</li> <li>• <b>Time Value</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Heavy implementation</b></li> <li>• Difficult to <b>price</b></li> </ul>