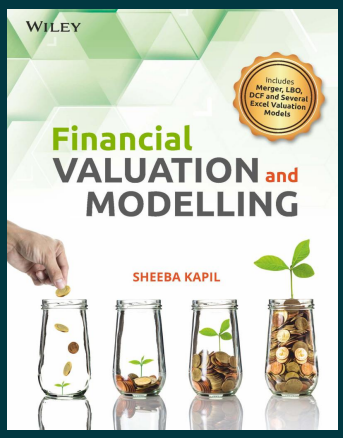
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Financial Valuation and Modelling

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.

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.

Table of Contents

Preface

About the Author

Acknowledgments

Chapter 1 The Valuation Business

1.1 Introduction

1.2 Valuation Approach

1.3 Valuation Spectrum

1.4 Asian Economies and Shareholder Return

1.5 Valuation and Share Price

Chapter 2 Business Valuation

2.1 Introduction

2.2 The Historical Cost Approach

2.3 The Residual Income Approach

2.4 The Multiples Approach

2.5 The Dividend Discount Model

2.6 The Discounted Cash Flow Approach

2.7 Economic Value Added

Chapter 3 Understanding DCF Valuation

3.1 Introduction

3.2 Components of DCF

3.3 Valuing Firm with DCF

3.4 Unlevering Beta and Firm Valuation

Chapter 4 Cost of Capital

4.1 Introduction

4.2 Defining Cost of Capital

4.3 Opportunity Cost of Capital

4.4 Mode of Financing

4.5 Sources of Funds

4.6 Cost of Debt

4.7 Cost of Debt and Tax Advantage

4.8 Determining Cost of Debt

4.9 Synthetic Credit Rating

4.10 Cost of Equity ke

4.11 Weighted Average Cost of Capital

Chapter 5 Undervaluation and Financial Distress

5.1 Introduction

5.2 Trading and Earnings Multiples and Undervaluation

5.3 Enterprise Value Multiples

5.4 EV/Sales

5.5 EV/EBITDA

5.6 Financial Distress and Undervaluation

5.7 Managing Financial Distress

Chapter 6 Relative Valuation

6.1 Introduction

6.2 Steps in Comparable Analysis

6.3 Equity Value

6.4 Enterprise Value

6.5 EBITDA

6.6 Gross Profit Margin

6.7 Growth Metric

6.8 Credit Profile

6.9 Precedent Transaction Analysis

Chapter 7 Start-Up Valuation

7.1 Introduction

7.2 Convertible Debt for Start-Ups

7.3 Equity Series Round

7.4 Pre- and Post-Money Valuations

7.5 Future Dilution

7.6 Option Pool

7.7 Preferred Stock and Liquidation Preference

Chapter 8 Private Equity and Valuation

8.1 Introduction

8.2 Functions of a PE Firm

8.3 Structure of a PE Firm

8.4 Private Equity and Hedge Funds

8.5 PE Investment Strategy

8.6 Types of Private Funds

8.7 Regulation of PE Market

8.8 Factors Responsible for Private Equity Growth

8.9 PE in India

Chapter 9 M&A Valuation and Merger Modelling

9.1 Introduction

9.2 Purchase Price and Stock Payment

9.3 Pro Forma Balance Sheet

9.4 Valuation of Target with Multiples

Chapter 10 LBO Economics

10.1 Introduction

10.2 LBO Sponsors
10.3 LBO Mode of Target Acquisition
10.4 Criteria for Selecting LBO Candidates
10.5 LBO Capital Structure
10.6 Concept of Financial Leverage and Risk
10.7 History of LBOs
10.8 Role of Private Equity Investors
10.9 Theories of LBOs
10.10 Exit Strategies for LBO
10.11 LBOs in India

Chapter 11 LBO Valuation and Modelling

11.1 Introduction
11.2 LBO Economics
11.3 LBO Valuation

Chapter 12 Real-Option Valuation

12.1 Introduction
12.2 DCF and Real Options
12.3 Option Basics
12.4 Real-Option Binomial Model Approach
12.5 Real Option with the Black–Scholes Model
12.6 The Black–Scholes Equation
12.7 Categories of Real-Option Opportunities
12.8 Conclusion

Chapter 13 Brand Valuation

13.1 Introduction
13.2 M&A and Brand Valuation
13.3 Brand Valuation Methods
13.4 IFRS and Brand Valuation
13.5 Intangible Assets
13.6 Value Drivers for Valuation

Chapter 14 Hedge Funds

14.1 Introduction
14.2 Hedge Funds and M&A
14.3 Characteristic Features of Hedge Funds
14.4 Growth of Hedge Funds
14.5 Hedge Fund Indices and Databases
14.6 Types of Hedge Fund Investors

14.7 Hedge Fund Investment Strategies

Chapter 15 Investment Banks

15.1 Introduction

15.2 Investment Bank Structure

15.3 Investment Bank Functions

15.4 Investment Bank Fee

15.5 Regulation of Investment Banks

15.6 Investment Banks in India

Chapter 16 Intellectual Property Rights and Patent Valuation

16.1 Introduction

16.2 Categories of Intangible Assets

16.3 India and Trips

16.4 Indian IPR Regulations

16.5 Patent Law in India

16.6 Accounting for Intangible Assets

16.7 IFRS 3 and Intangible Assets

16.8 Valuation of Intangible Assets

16.9 Valuation Methods

16.10 IPR and Patent as Financial Asset

16.11 IPR and Patent Taxation

Index

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