VALCON2017
EMERGING VALUATION ISSUES IN BANKRUPTCY AND BEYOND
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AIRA
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Session 2 - Valuation Basics

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Agenda

- **Restructuring and Fulcrum Securities**
- **Business Valuation Basics**
  - Income or Discounted Cash Flow Approaches
    - Firm Free Cash Flow
    - Discount Rate
    - Frictionless Model
    - WACC
  - Market Value Approaches
    - Guideline Public Multiples
    - Precedent Transaction Multiples
  - Other valuation approaches
    - Adjusted Present Value
    - Dividend Discount Model
    - Flow-to-Equity Model
    - Sum-of-the-Parts
    - LBO Valuation
    - Replacement cost of the assets – Value in Trade or Liquidation
- **Valuation Hot Topics**

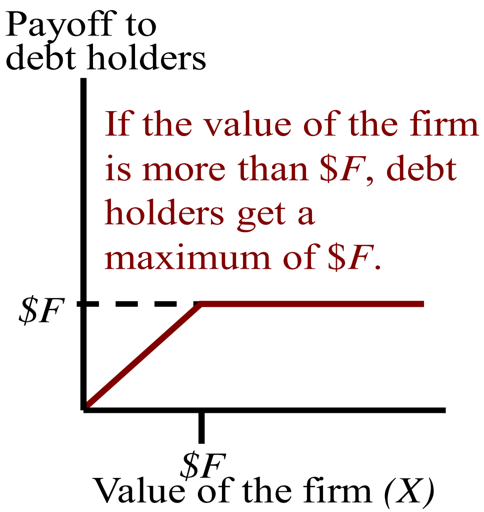
Corporate Restructuring Activity

- **Restructuring** is the management term for the act of reorganizing the legal, ownership, operational, or other governance structures of a company for the purpose of making it more profitable or efficient.

- Restructuring can be:
  - an organizational restructuring (by product line, customer, geography) or flattening or the organizational structure
  - a change of ownership or ownership structure
  - a restructuring transaction such as a merger, acquisition, carve-out or spin-off
  - a response to a crisis such as bankruptcy or buyout attempt (poison pill, etc.)
  - A debt (financial) restructuring

Debt and Equity as Contingent Claims

Creditors

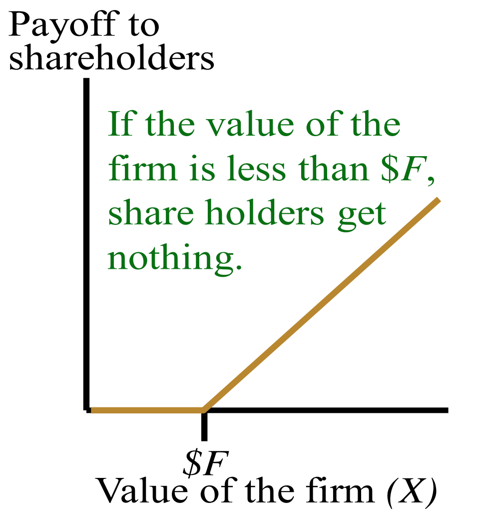


Debt holders are promised $\$F$.

If the value of the firm is less than $\$F$, they get the whatever the firm if worth.

Algebraically, the bondholder's claim is: Min[$\$F$,$\$X$]

Shareholders



If the value of the firm is more than $\$F$, share holders get everything above $\$F$.

Algebraically, the shareholder claim is: Max[0,$\$X – \$F$]

Title search: Fundamentals of Valuation Methodologies

Also available as part of the eCourse
2017 VALCON eConference

First appeared as part of the conference materials for the
2017 VALCON session
"Fundamentals of Valuation Methodologies"