Exhibit at a glance

DISCOUNTED CASH FLOW VALUATION

Discounted Cash Flow Valuation (DCF) measures the value created by a business by analyzing its cash flows over time. It determines the present value of all free cash flows over two periods: a number of years of explicit cash flows and a terminal value.

DCF contains all elements of value. It allows for the explicit treatment of all value drivers and underlying assumptions, including: cash-flow items, growth rates, projections, time horizon, terminal value, cost of capital and risk.

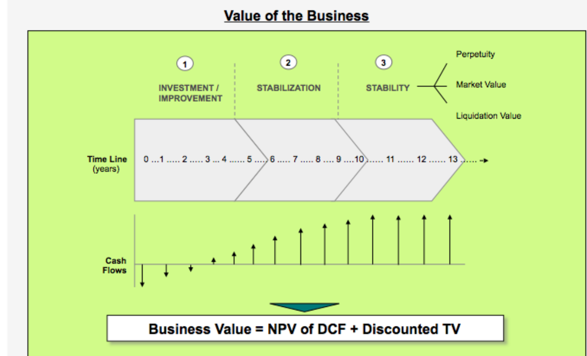
DCF works well in theory and in real-world complications, including: differences in accounting standards by country, inflation, cyclicality, varying patterns of investments, and the existence of non-recurring items.

Purpose: DCF provides five major elements of intelligence:

- Reliable picture of a company's value
- Systematic way to treat all elements of value creation and key assumptions
- Tie between strategy and value creation
- Tool for making major decisions, including investments, mergers, divestitures
- Focus on better decision-making in operating a business

Use:

- Assess the value of a business
- Test hypotheses used in business plans
- Quantify the value created by a strategy
- Bring financial relevance to every decision by supplying the 'bottom line' of its consequences
- Compare relative financial merit of competing options



Contact us to view an actual case example

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