

Valuation Basics

By Ramiro J. Atristaín-Carrión

Harris, N.A.-BMO Financial Group/DePaul University

Analysis

- Valuation

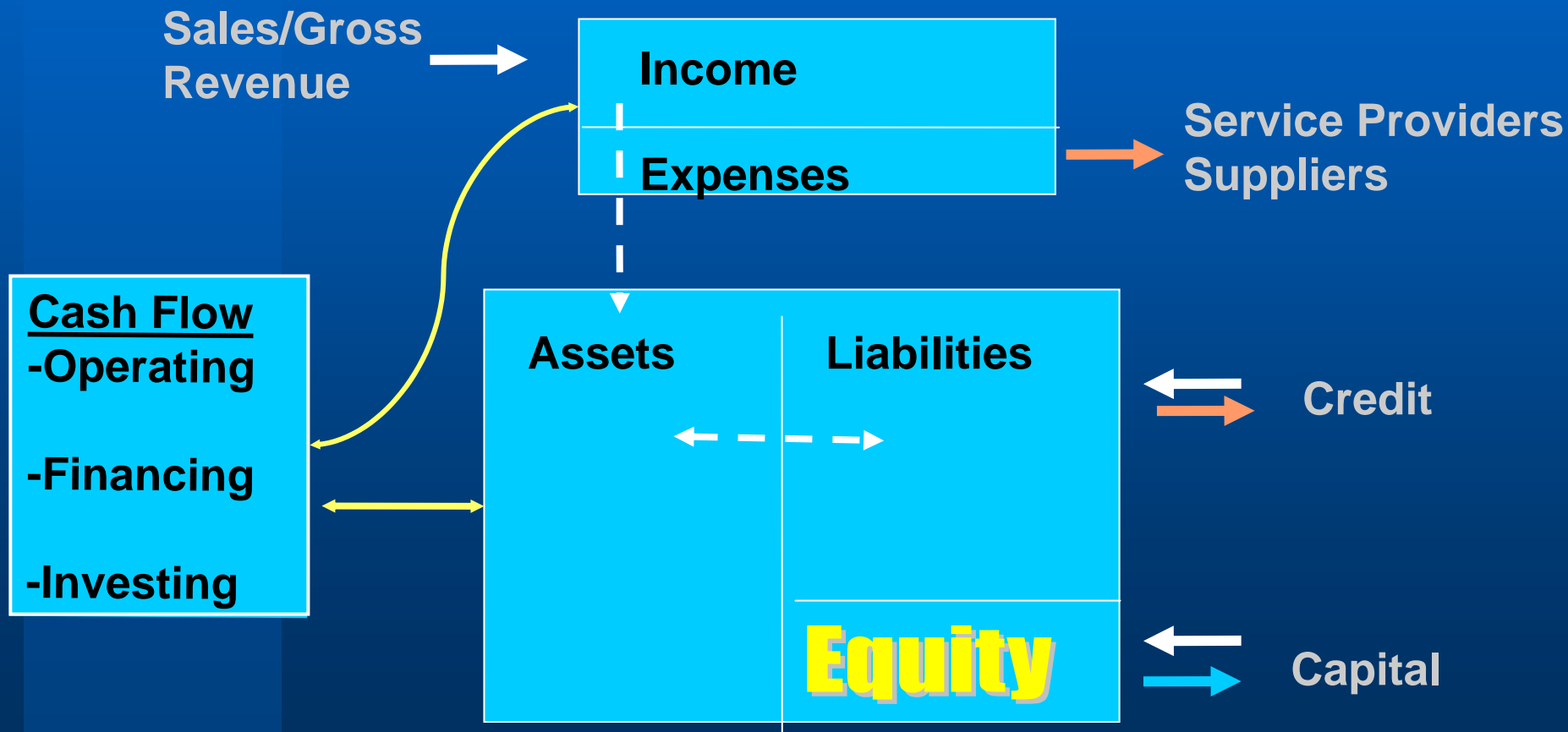
- Financial assets are acquired for the cash flows expected from owning them (perceptions of value have to be backed by reality)
- Valuation is not an objective exercise
- The price paid for any asset should reflect the cash flow it is expected to generate

- Investment decision

- Investigation, due diligence, negotiation and pricing, exiting

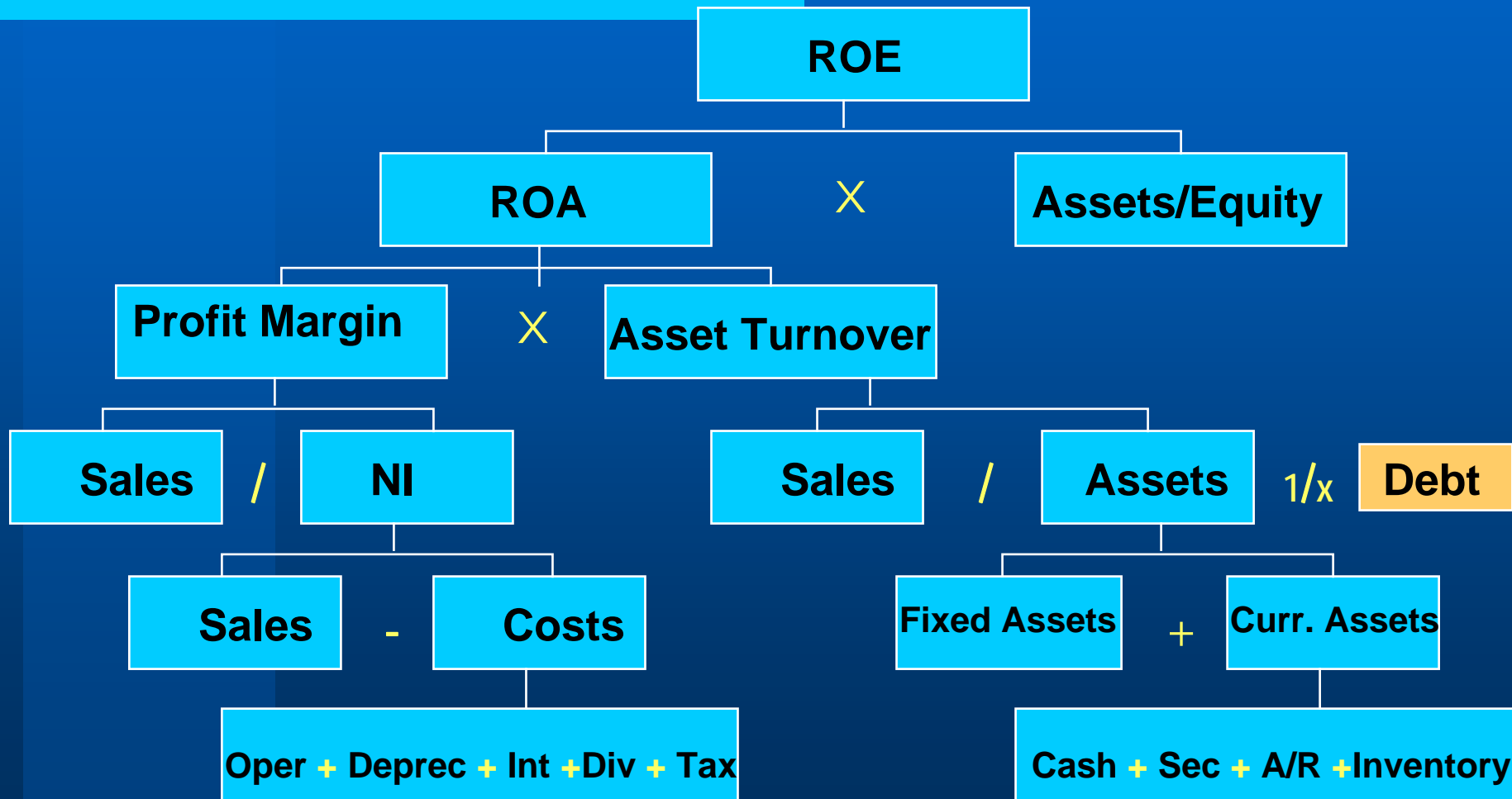
Evaluate: NPV, IRR, Break-even point, etc.

Doing your Homework w/Financial Stmts.

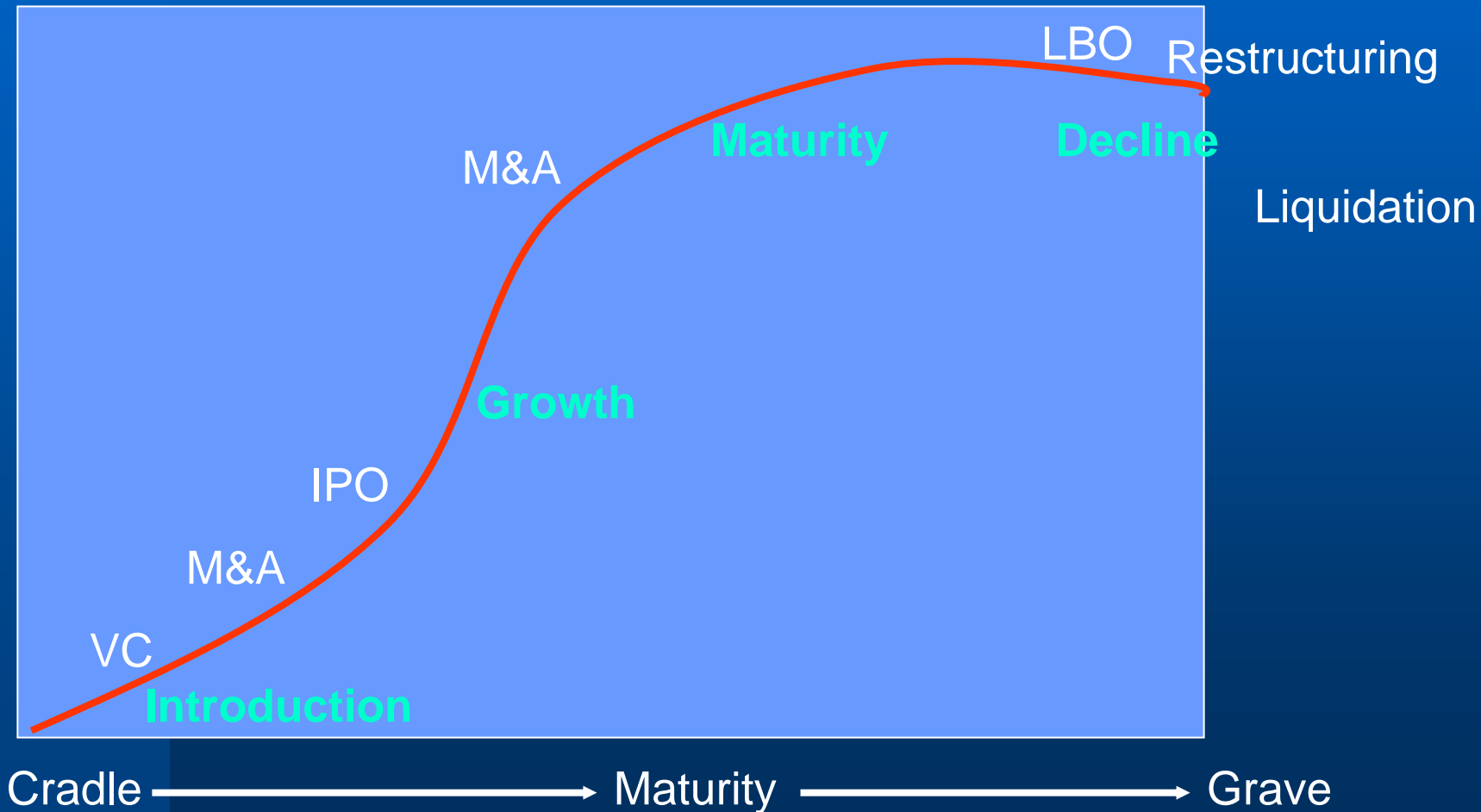


Goal = Maximize Value

Doing your Homework w/Financial Stmt



A Firm's Life Cycle



Key Milestones of A Firm's Life

- **Raising Venture Capital**
- **Flotation on a Stock Exchange**
- **Making Acquisitions**
- **Management Buy-outs**
- **Financial Restructuring**

Key Milestones of A Firm's Life

Raising Venture Capital [High-risk for investor]

- Two types: leveraged and equity
- Fragmented market, specialized,
- Structure: public/institutional, private (LP), Banks, Corporate
- Offers management assistance
- Stages: start-up/seed (1st), development (2nd), expansion (3rd), growth, LBO, turnaround, IPO
- Vehicle: Common/Preferred Stock, Convertible Debenture