The Financial Times Guide to Corporate Valuation

David Frykman and Jakob Tolleryd

Second edition

Financial Times Prentice Hall is an imprint of



Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Singapore • Hong Kong Tokyo • Seoul • Taipei • New Delhi • Cape Town • Madrid • Mexico City • Amsterdam • Munich • Paris • Milan

Contents

Preface / vii

Acknowledgements / xii

1 Introduction / 1

2 Presentation of model company / 6

3 When do you need to value a company? / 9

Raising capital for growth / Creating an incentive programme to keep and attract employees / Executing a merger, acquisition or divestiture / Conducting an initial public offering (IPO) / Summary

4 Company valuation – an overview / 23

Theoretical overview / The most important valuation models / What models to use? / Summary

5 Ratio-based valuation / 46

Classification of multiples / Finding your multiple / Different multiples / How to find input data for multiple valuations / Summary

6 Discounted cash flow valuation / 74

Estimating the cost of capital – WACC / Calculating free cash flow / Computing terminal value / Discounting and final corporate value / The most important variables in a DCF analysis / The DCF approach – only a calculation machine / Checking your assumptions / Summary

7 Underlying analysis and key value drivers / 100

What is a value driver? / How to identify key value drivers / Structuring the underlying analysis / Generic operational value drivers / Framework for the underlying analysis / Temporary monopolies – an additional tool for the underlying analysis / Summary

8 How to value your company in practice – an example / 125

Underlying analysis of Mobitronics / DCF valuation of Mobitronics / Scenario analysis / Checking the underlying assumptions / Ratiobased valuation of Mobitronics / Piecing it all together – the value of the company / Summary

9 Value-based management / 166

Strategy development / Target setting / Action plans, budgets and training / Incentive programmes / Outcomes of value-based management / Summary

Afterword / 177

Appendix A Inspirational list of key value drivers / 179

Appendix B Suggested information needed for a valuation / 183

Glossary / 193

Further reading / 196

Index / 198