Certificate in Corporate Valuation

Syllabus

Module 1: Foundations of Valuation

- Value, price and cost: why they differ.
- Purposes of valuation: transactions, financial reporting, tax, regulatory, litigation, insolvency and strategic decisions.
- Standards of value: fair value, fair market value, investment value and intrinsic value.
- Premises of value: going concern, orderly liquidation and forced liquidation.
- The three approaches to valuation: income, market and cost.
- The valuation process, from engagement to conclusion.
- Information needed for valuation and its sources.
- Valuation as judgement: bias, uncertainty and professional scepticism.
- Intrinsic value and market price.

Module 2: Financial Statement Analysis for Valuation

- Reading the balance sheet, statement of profit and loss and cash-flow statement for value.
- Normalising earnings: one-off items, related-party transactions and owner-specific costs.
- Quality of earnings and accounting red flags.
- Ind AS considerations: revenue, leases, business combinations and financial instruments.
- Return on invested capital (ROIC), growth and value creation.
- Invested capital, operating and non-operating assets.
- Working capital and capital expenditure analysis.
- Peer benchmarking and ratio analysis.

Module 3: Forecasting and Financial Modelling

- Building a three-statement model for valuation.
- Revenue drivers, margins, reinvestment and capital intensity.
- Linking strategy, industry and competitive position to the forecast.
- Explicit forecast periods and steady-state assumptions.

- Scenario, sensitivity and break-even analysis.
- Introduction to Monte Carlo simulation.
- Model structure, integrity checks and good modelling practice.
- Common forecasting errors.

Module 4: The Cost of Capital

- The concept of the cost of capital and the opportunity cost of funds.
- Risk-free rates, equity risk premium and country risk premium.
- Cost of equity: CAPM and its alternatives (build-up, multi-factor and implied cost of equity).
- Beta: estimation, unlevering, relevering and bottom-up betas.
- Estimating the cost of equity for unlisted and small companies: size and company-specific risk premiums.
- Cost of debt: yields, credit ratings and synthetic ratings.
- Target capital structure and the weighted average cost of capital (WACC).
- Cost of capital in emerging markets and cross-border valuations.
- Common misconceptions about the cost of capital.

Module 5: Discounted Cash Flow Valuation

- Free cash flow to the firm (FCFF) and the enterprise DCF model.
- Free cash flow to equity (FCFE) and the dividend discount model.
- Terminal value: Gordon growth and exit-multiple methods.
- Consistency between growth, reinvestment and returns in the terminal value.
- Mid-year convention and timing of cash flows.
- From enterprise value to equity value: net debt, debt-like items, minority interests and non-operating assets.
- Value per share: options, warrants and convertible instruments.
- Interpreting and stress-testing DCF results.
- Applicability and limitations of DCF analysis.

Module 6: Other Income-Based Models

- Adjusted present value (APV) model.
- Economic profit and economic value added (EVA) models.
- Residual income valuation.
- Capitalisation of earnings and maintainable profits methods.
- Valuing companies with changing capital structures.

- Reconciling results across income-based models.

Module 7: Relative Valuation

- The logic and steps of relative valuation.
- Equity multiples: P/E, P/B, P/S and PEG.
- Enterprise value multiples: EV/EBITDA, EV/EBIT, EV/Sales and sector-specific multiples.
- Selecting comparable companies and normalising data.
- Comparable transactions (precedent transactions) method.
- Trailing versus forward multiples.
- Control premiums and discounts for lack of marketability (DLOM).
- Best practices and pitfalls in using multiples.
- Reconciling relative valuation with intrinsic valuation.

Module 8: Asset-Based and Other Approaches

- Net asset value and adjusted book value.
- Replacement cost and reproduction cost.
- Liquidation value.
- Sum-of-the-parts (SOTP) valuation for conglomerates and holding companies.
- Holding company discounts.
- Valuation of shares in investment and family holding companies.
- Weighting and reconciling the results of different approaches.

Module 9: Real Options and Contingent Claims

- Uncertainty, flexibility and value.
- Types of real options: expand, defer, abandon and switch.
- Option pricing fundamentals.
- The binomial model.
- The Black–Scholes model.
- Applications: natural resources, R&D, patents and strategic investments.
- Valuing equity in distressed firms as an option.
- Common mistakes in real option valuation.

Module 10: Valuation of Intangible Assets

- Definition and classification of intangible assets.

- Purpose and basis of intangible asset valuation.
- Relief-from-royalty method.
- Multi-period excess earnings method (MPEEM).
- With-and-without method and cost approaches.
- Brand, customer relationship, technology and data valuation.
- Valuation of goodwill.
- Purchase price allocation (PPA) under Ind AS 103.
- Impairment testing under Ind AS 36.

Module 11: Valuation in Special Situations

- Start-ups and early-stage companies: venture capital method, scorecard and first Chicago methods.
- High-growth and loss-making technology companies.
- Banks, NBFCs and insurance companies.
- Real estate, infrastructure and project companies.
- Cyclical and commodity companies.
- Private and family-owned businesses.
- Distressed companies and valuation under insolvency.
- Cross-border valuations and currency considerations.
- ESG factors and climate risk in valuation.

Module 12: Valuation in Transactions

- Valuation for mergers and acquisitions.
- Synergies: estimation, timing and sharing.
- Share swap ratios in mergers and demergers.
- Leveraged buyouts (LBO) and private equity valuation.
- Valuation in IPOs, preferential allotments and buybacks.
- Fairness opinions.
- Employee stock options (ESOPs) and sweat equity.
- Deal structures: earn-outs, contingent consideration and deferred payments.

Module 13: Regulatory Framework and Valuation Standards

- International Valuation Standards (IVS).
- ICAI Valuation Standards.
- Ind AS 113: Fair Value Measurement.

- Registered valuers under the Companies Act, 2013 and the IBBI framework.
- Valuation requirements under SEBI regulations.
- Pricing guidelines under FEMA for cross-border share transfers.
- Income-tax valuation rules for shares and securities.
- Valuation in insolvency and resolution processes.
- Judicial review of valuation and landmark principles.
- Ethics, independence and professional conduct of valuers.

Module 14: Valuation Reporting and Value Creation

- Structure and contents of a valuation report.
- Disclosure of assumptions, limitations and sources.
- Reporting standards for written business valuations.
- Presenting valuation conclusions to boards, investors and regulators.
- Value drivers and value-based management.
- DCF and EVA approaches to value creation.
- Assessing whether management is creating shareholder value.
- The challenges of value enhancement.

Module 15: Case Studies in Valuation

- Valuing a listed consumer company using DCF and multiples.
- Valuing a loss-making technology company.
- Brand valuation.
- Valuation and swap ratio in a merger.
- Valuing a bank or NBFC.
- Valuing an early-stage start-up for a funding round.
- Purchase price allocation following an acquisition.
- Valuing an infrastructure project company.
- Valuation of a family-owned business for succession.