

UNIVERSIDADE CATÓLICA PORTUGUESA

CLSBE

FIRM VALUATION

DATE: 31/10/2012

DURATION: 2H

I

- a) Using the valuation methods you feel are appropriate, determine the value of Felix Resources (max 3 pages, 10 points).
- b) You are the blogger that wrote appendix 7. Please present detailed comments of why you do not agree with the valuations presented in the case (max 1 page, 2 points).

II

- a) Comment: “when making a valuation of a start-up company, using the DCF approach, we should not add the cash in place to the enterprise value, because as start-up’s “burn cash”, this cash is not available to be distributed to shareholders, but is part of the working capital needs” (max ½ page, 4 points).
- b) The Portuguese government is changing the tax law regarding the way interest is deductible for tax purposes. According to the new law interest will only be tax deductible up to 30% of the EBITDA level. Explain how this may or may not affect the valuation of Portuguese companies (max ½ page, 4 points).

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FIRM VALUATION

DATE: 31/3/2012

DURATION: 2H

I

Using the valuation methods you feel are appropriate, determine the value of Air Arabia (max 3 pages, 12 points).

II

- c) Comment: “APV is not a good method to be used in countries with low or zero tax rate on profits” (max ½ page, 3 points).

- d) Comment: “VCF should be used in order to help the restructuring of economic sectors that are facing difficulties like the construction and public works companies” (max ½ page, 3 points).

- e) Comment: “The Catholic Church is very rich because they own lots of real estate” (max ½ page, 2 points).

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FCEE

FIRM VALUATION

DATE: 27/10/2011

DURATION: 2H

I

- a) Using the valuation methods you feel are appropriate, determine the value of the non Turkish operations of Finansbank (max 3 pages, 10 points).
- b) What do you think of the methods employed by NBG, DB and YF Securities to value Finansbank? (max ½ page, 2 points)

II

- f) Your company is going to bid for the privatization of “AP-Aguas de Portugal”, the leading water and sewage operator in Portugal. The bidding rules state that AP must maintain in the future several financial ratios, namely a Equity/Total Assets (at book value) ratio larger than 30%. Explain how this might or might not affect your valuation (max ½ page, 3 points).
- g) You have to make a valuation of the management company (MC) of several venture capital funds (VCF’s). This VCF’s are quite typical (closed end, termination after 10 years) and so are the revenues of the MC (base commission on assets + success fee on the fund profits). Explain how you should do this valuation (max ½ page, 3 points)
- h) Comment: “Reducing the size of a company or its growth rate, will increase the value of the company for the shareholders” (max ½ page, 2 points).

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FCEE

FIRM VALUATION

DATE: 30/3/2011

DURATION: 2H

I

- c) Using the valuation methods you feel are appropriate, determine the value of Robertson Tools for Monmouth (max 3 pages, 10 points).
- d) Should Monmouth make a exchange offer or a cash offer? Why (max ½ page, 2 points)

II

- i) Zon, the leading cable operator in Portugal has, since 2006, been paying dividends that are higher than the annual net profit. Explain what might be the rationale for this decision (max ½ page, 3 points).
- j) Comment: “Transaction multiples are very useful in M&A context because they reflect the control premium” (max ½ page, 2 points)
- k) Comment: “A reasonable level of leverage will increase the value of companies. One of the outcomes of the current crisis is a systematic reduction of leverage for all types of companies, so we will witness destruction of value in the next months, with a decrease of share prices” (max ½ page, 3 points).

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FCEE

FIRM VALUATION

DATE: 8/04/2009

DURATION: 2H

I

Using the valuation methods you feel are appropriate make a valuation of Pecom on a stand alone basis (max 3 pages, 12 points).

II

l) Companies that sell renewable sources of energy (biodiesel, wind mills, etc) can sell their products at a minimum selling price. This minimum price is guaranteed by the government and is a % of the spot price of oil in the international markets. What are the consequences of this situation for the valuation of this type of companies (max ½ page, 3 points).

m) Sonae Sierra is one of the major European shopping mall owners and operators. All shopping mall are operated through subsidiaries in which Sonae Sierra has a majority stake (normally 51% to 60%). Recently the subsidiary which owns M30 (a Madrid shopping mall) has filled for bankruptcy protection.

What, if any, is the impact of this decision in the valuation of Sonae Sierra (max ½ page, 3 points).

n) Comment: “A reasonable level of leverage will increase the value of companies. One of the outcomes of the current crisis is a systematic reduction of leverage for all types of companies, so we will witness destruction of value in the next months, with a decrease of share prices” (max ½ page, 2 points).

UNIVERSIDADE CATÓLICA PORTUGUESA

FCEE

FIRM VALUATION

DATE: 7/04/2009

DURATION: 2H

I

- a) How much are worth the both Lyonnaise des Eaux and Dumez on a stand alone basis. In your answer you may use any data from the case or from other sources and make the assumptions you feel are correct (max 3 pages, 8 points).
- b) How much have to be the proposed synergies (assuming they are equal in each of the following 5 years) to justify the premium paid (max 1 page, 3 points)
- c) Comment “Third, after the merger, Lyonnaise des Eaux - Dumez might still be considered as a “green” stock, with corresponding earnings multiples.” (max ½ page, 3 points)

II

- o) Comment: “The cost of equity of a company like Virgin Galactic (low orbit flights for tourists) most be high, because it is a risky business, with a business model not yet tested” (max ½ page – 3 points).
- p) An investment fund has approached all major Hollywood studios with the following proposal:

- ⇒ They will pay up-front 1 million usd for every film that is produced in 2010. The payment will be made now;
- ⇒ Usually a studio will make 100 to 120 films per year, so they will pay the studios 100 to 120 million usd even without knowing the film names, content or actors;
- ⇒ With this payment they will be the owners of all rights (films, merchandising, etc) related to an hypothetical sequel of the original film;
- ⇒ So in 2011 to 2013 they can either produce the sequel, or sell the rights to who pays the higher price, or do nothing. After 2013 their rights are void;
- ⇒ Typically there are sequels for 10% of the movies produce in one year;
- ⇒ Usually a sequel generates about 70% of the profit of the original movie.

How can we make a valuation and what valuation tools can we use to know if this proposal is fair (max ½ page, 3 points).

UNIVERSIDADE CATÓLICA PORTUGUESA

FCEE

FIRM VALUATION

DATE: 4/04/2008

DURATION: 2H

I

How much is worth the company “Portola” . In your answer you may use any data from the case or from other sources and make the assumptions you feel are correct (max 3 pages, 11 points).

II

- q) Comment: “A company with a very good financial situation, this meaning no debt and excess cash, will surely have a higher PER or PCF when compared with other companies in the same industry” (max ½ page – 3 points).
- r) The rules for the “toll free motorways” are going to change so that they will become “toll motorways” (this means that instead of being the government paying for the use of the road, the user will have to pay). This implies extra costs and extra revenues along several years. What discount rate should we use to assess the impact of this changes in the company that owns the motorway? (max ½ page, 3 points)
- s) We have to make a valuation of a company that has stock options outstanding (given to employees and to the management) How to take them into account, knowing that they can be expensed in the profit and loss, or just take into account in the number of shares outstanding. Give and justify your opinion (max ½ page, 3 points)