

Introduction to Valuation Models

Business Valuation

Ms. Reema Castelino

“Price is what
you pay,
Value is what you
get”

Warren Buffet



Valuation Models

```
graph TD; A[Valuation Models] --> B([Asset Based Approach]); A --> C([Income Based Approach]); A --> D([Market Based Approach]); B --> B1[• Going Concern Value]; B --> B2[• Liquidation Value]; C --> C1[• Discounting Future Income]; C --> C2[• Capitalizing Historical Returns]; D --> D1[• Prior Transaction Approach]; D --> D2[• Public Company Comparable];
```

Asset Based Approach

- Going Concern Value
- Liquidation Value

Income Based Approach

- Discounting Future Income
- Capitalizing Historical Returns

Market Based Approach

- Prior Transaction Approach
- Public Company Comparable

Asset Based Valuation Approach

- **Going Concern:**

Total Assets – Total Liabilities

- **Liquidation Value:**

Net realizable value



Asset Based Valuation Approach

Valuation of Assets:

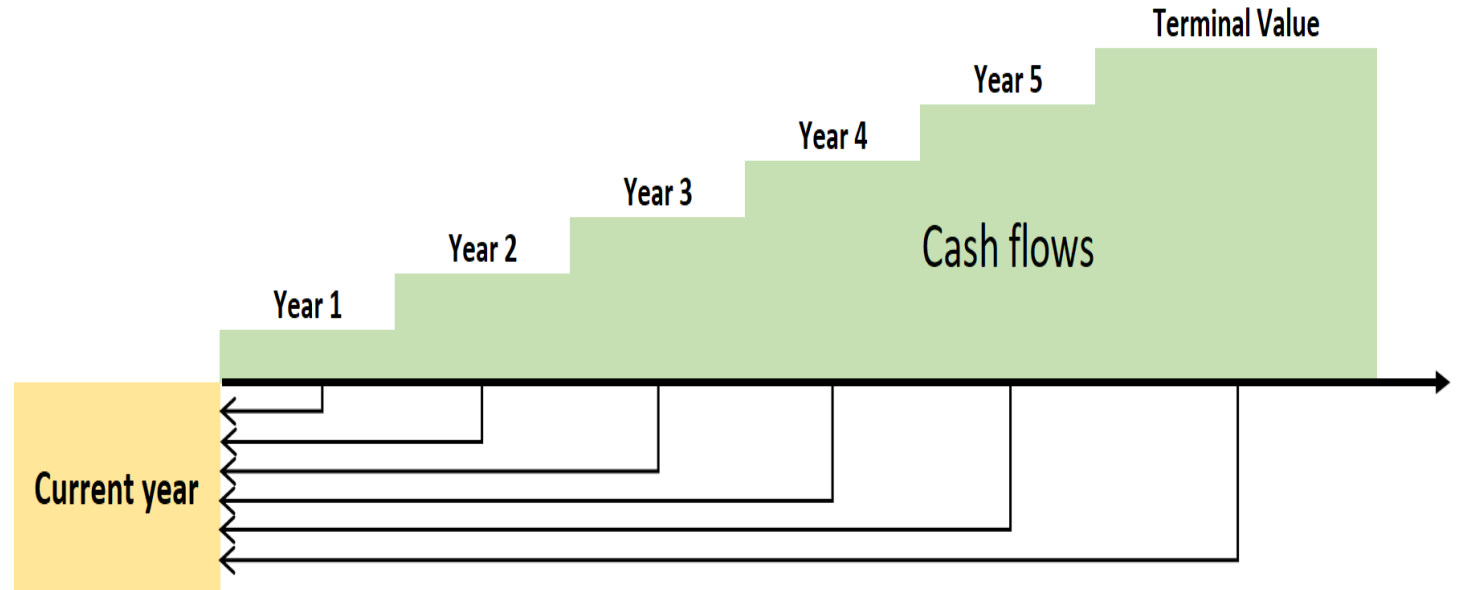
- Cost Method
- Market Value Method
- Replacement Value Method
- Net Realisable Value Method



Income Based Valuation Approach

Discounting Estimate Future Income:

- Dividend Discounting
- Free Cash Flow to Equity
- Free Cashflow to Firm



Market Based Valuation Approach

- Prior Transaction –
Similar Business
- Comparable Public Company –
Illiquidity /Lack of Marketability Discounts
Control Premium

