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Red Star Furniture Group Co. LTD.



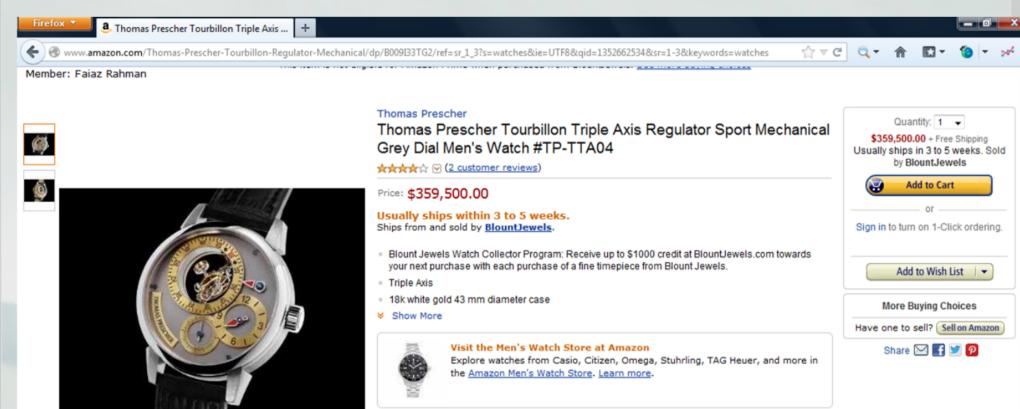
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Valuation!!



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Drand Caller or Callection Name Thomas Drancher























So Coming to the Million \$ Questions???

- · What Is Valuation?
- · What is Discounted Cash Flow??

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Valuation is All About Judgement!!!

Valuation Techniques (such as DCF) are all Quantitative. Hence Valuation is a subjective matter

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DCF:

The DCF calculation Takes all cash flows projected into the future (infinitely) and discounts it back to present value

Represents a company's "intrinsic" value

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Intrinsic Value ??

Intrinsic valuation, relates the value of an asset to its intrinsic characteristics such as:

- 1) Its capacity to generate cash flows
- 2) Risk in the cash flows.
- 3) Growth of the Project's cash flows

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DCF: The Steps

To use discounted cash flow valuation, we need

- · to estimate the life of the asset
- to estimate the future earnings or cash flows during the life of the asset
- to estimate the discount rate to apply to these cash flows to get present value
- · Choose the right DCF model for this asset and value it.

WHY DCF?

- Profit can be influenced by accounting assumptions
 but not cash
- Cash generated in the business cannot be hidden;
 nor it can be hidden by accounting Gimmickry

