

## Teuer Furniture (A): Discounted Cash Flow Valuation



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**DCF: The Steps**

- For discounted cash flow valuation, we need:
  - to estimate the life of the asset
  - to estimate the future earnings in cash flows during the life of the asset
  - to estimate the discount rate to apply to these cash flows
  - to estimate the present value
  - to choose the right DCF model for the asset and value it

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**Intrinsic Value ?!**

intrinsic value refers to the value of an asset as it is, without any assumptions made as to the future or current cash flows or risk in the cash flows.

It's worth of the project over time

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**Valuation is All About Judgments!**

Valuation techniques such as DCF are all quantitative. Intrinsic valuation is a subjective matter

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**WHY DCF?**

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

THE KING

Revenue is mostly DCF of equity cash in Brazil - version 10/11

Over time the market will adjust the share price, much of Great New Media 10/11

**DCF:**

The DCF calculation takes all cash flows projected into the future (indefinitely) and discounts it back to present value. Represents a company's "intrinsic" value

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So Coming to the Million \$ Question??

- What is Valuation
- What is Discounted Cash Flows

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**Limitations & Assumptions of DCF**

DCF is a very flexible risk value method. It is not a magic wand. It is the mathematical model of discount rate and present value

- Very sensitive to cash flows
- Assumptions about the future are not only reality but different to what is expected. Assumptions about the future are not only reality but different to what is expected. Assumptions about the future are not only reality but different to what is expected.

**DCF Works Best When**

if the risk of changing the market value of the asset is low, the DCF model is more accurate. The DCF model is more accurate when the risk of changing the market value of the asset is low.

**Seems so easy, aint it??**

Don't get it? It's not easy by using simple DCF Valuation

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## Teuer Furniture (A): Discounted Cash Flow Valuation







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- b
- Ca
- no



# Valuation!!

Firefox Thomas Prescher Tourbillon Triple Axis ...

www.amazon.com/Thomas-Prescher-Tourbillon-Regulator-Mechanical/dp/B009I3TG2/ref=sr\_1\_3?s=watches&ie=UTF8&qid=1352662534&sr=1-3&keywords=watches

Member: Faiaz Rahman

**Thomas Prescher**  
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★★★★☆ (2 customer reviews)

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**Product Specifications**

**Watch Information**

Brand, Seller, or Collection Name: Thomas Prescher

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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.

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