LECTURE #4

Valuation Methods

1. Using the current stock price
2. Intrinsic value
3. Dividend Discount Model
4. Comparable method using Trading EBITDA Multiples
5. Comparable method using Acquisition EBITDA Multiples
6. Discount Cash Flow Method
7. Leveraged Buyout Private Equity Expectation Model
8. Using Black-Scholes Option Pricing Model to price the Enterprise Value post-bankruptcy

Key Takeaways

- All the methods listed above are currently used on Wall Street by various investors (sophisticated and unsophisticated), financial analysts, mergers and acquisition specialists and advisors, and creditors.
- Each of the methods mentioned above is more relevant depending who is analyzing the company:
    - **For publicly traded companies** for example, the current valuation methods used for the investor who is interested in buying the stock are methods 1-6.
    - **For investment intermediaries** such as Investment Banks who are interested in pricing a private company that is issuing shares through an Initial Public Offering they could be using methods 4-6 in their assessment of value.
    - **For private equity firms** who are in the process of buying 100% of the company's shares either taking a publicly traded company private of buying a privately-owned company (private-to-private), typically, they will be using methods 4-7, especially method 7 that attempts to measure their equity return expectation.
    - **For existing shareholders** that are currently investors in the company that is going through restructuring or reorganization on pre or post-bankruptcy stages could be using method 8 to find some value of their equity in the future, similar of pricing an equity option.
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This Lecture (Lecture 4) will focus on how to value a publicly traded company using the first 6 methods – See Hyatt Example.