Cocacola Valuation

* Valuation → estimating the cash company will generate in future & bringing it to today's value.

* COGS

→ cost of goods sold.
→ Direct cost of making the drinks.

* ~~marke~~ operating expenses

marketing, salaries

* EBIT

→ earnings before interest & taxes.

EBIT = Revenue - COGS - OPEX

* Tax

→ calculated on the EBIT

∴ Tax = EBIT x Tax Rate

* FCFF

→ Free cash flow to the firm.
→ cash after paying for operational & growth expense (left).
→ FCFF = EBIT x (1-tax rate)

accounting trick → + depreciation

real cash from the capital → - Capital expenditure

cash stuck → ± change in working capital

→ shows the actual money your business produced.

* Discounting

→ rupee next year ≠ rupee today. due to inflation, etc.
→ eg: 100 today, is ₹ 90 tom.

∴ the discount is 10%.

→ hence helps convert the future cash to today's value

* WACC (weighted average cost of capital)

→ Return expected by investors.

* Terminal value

value of the company after the last year.

* Enterprise value

discounted FCFF + discounted T.V.
→ value of entire business.

* Equity value

→ money belonging to the shareholders.
→ = enterprise value - debt

* share price

If company A has 100 shares & the equity value is 1600

∴ share price = $\frac{1600}{100}$ = ₹16 //

* Basis on which you can give the recommendation:

eg: share price (your) = ₹ 16.
market price = ₹ 16. so

here the difference is quite small

∴ we hold //

→ not cheap enough to buy.
→ not expensive enough to sell.

* Discount factor

→ how much is ₹1 in the future worth today.

→ $= \frac{1}{(1+WACC)^{\text{year no.}}}$

* WACC

→ assumed from net.

In this, project I created a valuation for the company 'coca cola' using 'DCF'. I began by setting up assumptions for Revenue growth, operating margins, WACC, tax rate & the terminal growth. using historical data upto 2023, I developed 5 year projections for revenue, COGS, OPEX, EBIT, tax, depriciation, Capex & changes in working capital. This calculation allowed me to calculate the annual cash flow to the firm (FCFF). After this I calculated the discounted FCFF & got the company's ~~exatu~~ enterprise value. when finding the share price, I compared the intrinsic value to the market price (actual). Indicating that the company is fairly valued 'today'. This made me give the recommendation to 'Hold'. Neither sell nor buy. with the intrinsic share price at ₹54.698 & implied share price at ₹55.12.

well, this taught me how a company is valued.