



DCF Model Exercise

DCF Model Exercise

- ❖ I have provided a simple DCF Model for this exercise
- ❖ Basic Discounted Cash Flow Model Exercise.xls
- ❖ The image is also available as an image file

DCF Valuation									
Year End	December								
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	2019	2020	2021	2022	2023	2024	2025	2026	
Growth Assumption									
Forecast EBIT									
Plus									
Depreciation			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Interest Expense			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
TBC									
TBC									
TBC									
Total			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Less									
Capitalised Items									
Exceptional Items									
TBC									
TBC									
TBC									
Cash Flow before Interest and Taxes (A)			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Income Tax (B)	30%		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Cash Flow before Interest and After Tax (A-B)			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Sustaining Capital Expenditure									
Tax Shield on Sustaining Capex									
Working Capital Investment									
Discretionary Cash Flow from Operations, before Interest and After Taxes			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
High Value	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	2019	2020	2021	2022	2023	2024	2025	2026	
Discount Rate	0.00%			1	2	3	4	5	
Discretionary Cash Flow from Operations, before Interest and After Taxes				£0.00	£0.00	£0.00	£0.00	£0.00	
Discount Factor				100%	100%	100%	100%	100%	
Discounted Cash Flow				£0.00	£0.00	£0.00	£0.00	£0.00	
								£0.00	
Low Value									
Discount Rate	0.00%			1	2	3	4	5	
Discretionary Cash Flow from Operations, before Interest and After Taxes				£0.00	£0.00	£0.00	£0.00	£0.00	
Discount Factor				100%	100%	100%	100%	100%	
Discounted Cash Flow				£0.00	£0.00	£0.00	£0.00	£0.00	
								£0.00	
Terminal Value		Low		High					
Cash Flow before Interest and Tax	Yr 5	£0.00		£0.00					
Income Tax on Forecast EBIT		£0.00		£0.00					
Cash flow before interest and after taxes		£0.00		£0.00					
Less: Sustaining capital expenditures									
Tax shield on sustaining capital expenditures									
Discretionary cash flow before interest and after taxes		£0.00		£0.00					
Capitalization multiple									
Capitalized discretionary cash flow before interest and after taxes		£0.00		£0.00					
Discounted value of tax shield on the unamortized cost of capital									
Value as at:		£0.00		£0.00					
Discounted factor		100%		100%					
Residual value as at the Valuation Date		£0.00		£0.00					
Plus Cash Flow		£0.00		£0.00					
		Low		High					
Total DCF Value		£0.00		£0.00					
Cost of Equity		Low		High					
LT Treasury Bonds (Risk Free Rate)									
Equity Risk Premium									
Beta									
Cost of Equity		0.00%		0.00%					

DCF Model Exercise

- ❖ The cells highlighted in green are the input cells for the model
- ❖ The values for these cells are provided in the second spreadsheet
- ❖ DCF Model Exercise Inputs.xls

DCF Valuation									
Year End	December								
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	2019	2020	2021	2022	2023	2024	2025	2026	
Growth Assumption									
Forecast EBT									
Plus									
Depreciation			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	

Discretionary cash flow before interest and after taxes		£0.00		£0.00					
Capitalization multiple									
Capitalized discretionary cash flow before interest and after taxes		£0.00		£0.00					
Discounted value of tax shield on the unamortized cost of capital									
Value as at:		£0.00		£0.00					
Discounted factor		100%		100%					
Residual value as at the Valuation Date		£0.00		£0.00					
Plus Cash Flow		£0.00		£0.00					
		Low		High					
Total DCF Value		£0.00		£0.00					
Cost of Equity		Low		High					
LT Treasury Bonds (Risk Free Rate)									
Equity Risk Premium									
Beta									
Cost of Equity		0.00%		0.00%					

DCF Model Exercise

	2019	2020	2021	2022	2023	2024	2025	2026
Growth Assumption								
Forecast EBT			£1.70	£1.94	£2.20	£2.48	£2.80	£3.17
Cost of Equity		Low		High				
LT Treasury Bonds (Risk Free Rate)		5.00%		5.00%				
Equity Risk Premium		6.00%		6.00%				
Beta		1.10		1.35				
Capitalization multiple		12		15				

- ❖ To complete the exercise / project simply use these values to update the DCF model and complete your DCF Valuation

DCF Model Exercise

- ❖ To check your work, I have provided a completed version of the DCF model
- ❖ Please do not open this until you have done the exercise
- ❖ Then use it to check your results.

DCF Model Exercise

- ❖ Once you have completed the exercise, you can try changing some of the key valuation metrics
 - ❖ Risk Free Rate
 - ❖ Equity Risk Premium
 - ❖ Beta
 - ❖ Capitalisation Multiple
- ❖ To see the impact on the valuation

DCF Model Exercise

