

Introduction to Strategic Drivers Analysis



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- ❖ As we have seen in the previous section, the model assumptions are critical to the success of your DCF model
- ❖ They are critical to the success of any valuation exercise
- ❖ Garbage in = Garbage out!

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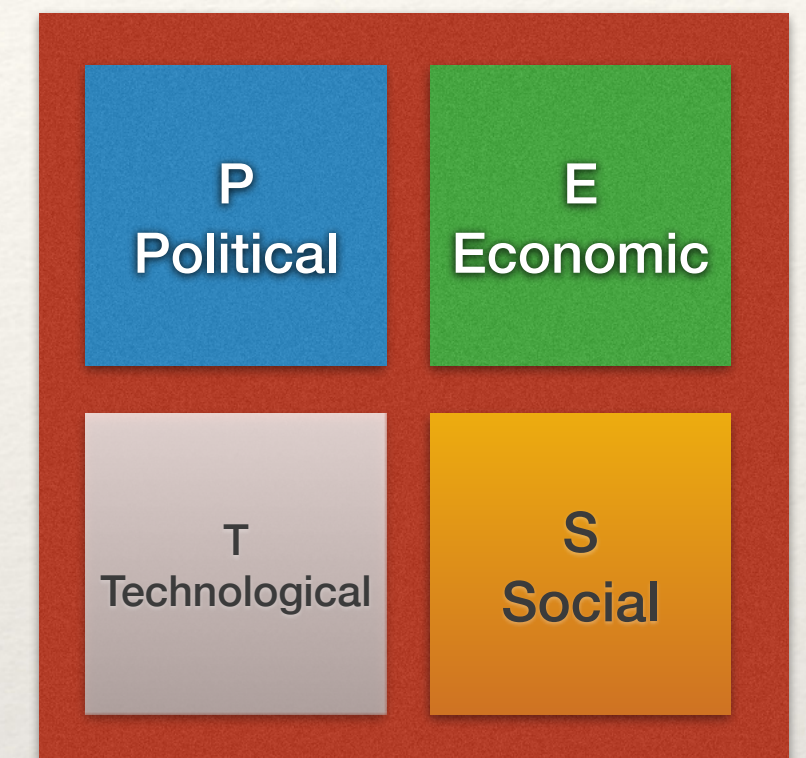
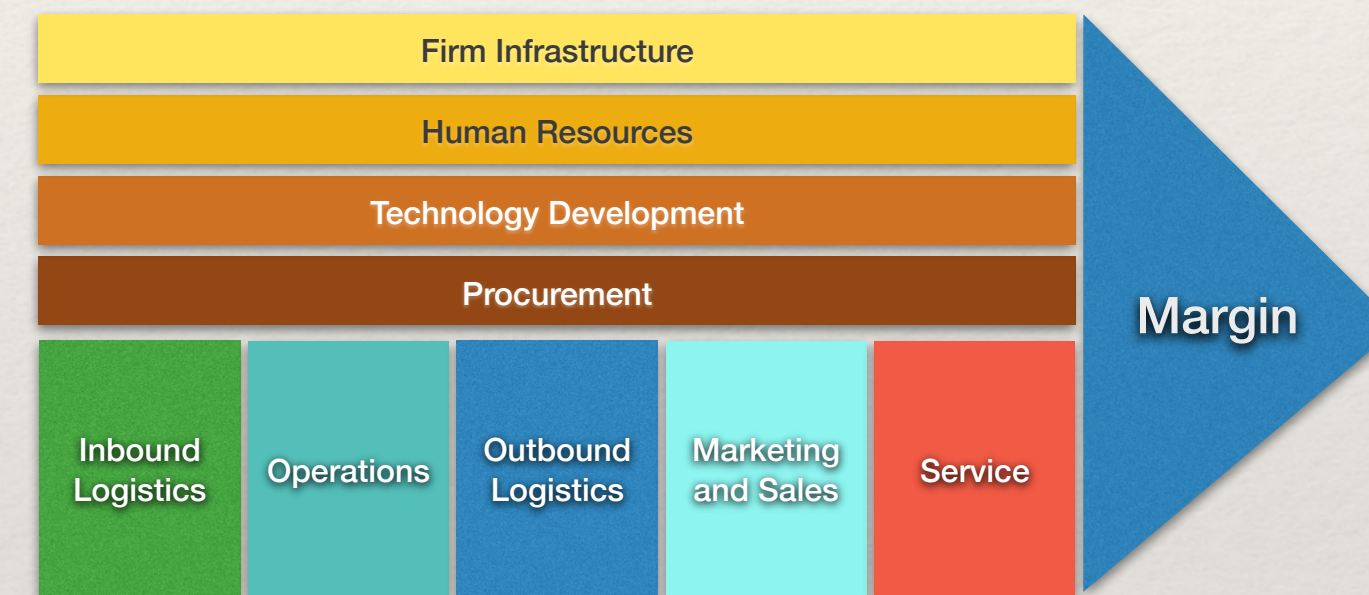
- ❖ While a DCF analysis provides a quantitative approach to valuation, your assumptions can be formulated using a qualitative approach
- ❖ I would also add that this qualitative exercise is a worth while undertaking in its own right to help you to understand fundamentally how the business creates value

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- ❖ In order to do this we need to go back to business school
- ❖ We will review a number of the most frequently used business models to help us to evaluate the business we are valuing
- ❖ Don't forget that the purpose is to enable us to formulate better input assumptions, to better understand the drivers of the business

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- ❖ We will review;
 - ❖ PEST Analysis
 - ❖ Porter's Five Forces
 - ❖ Porter's Generic Strategies
 - ❖ Porter's Value Chain
 - ❖ SWOT Analysis
 - ❖ Core Competency
 - ❖ Business Lifecycle



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- ❖ Those of you who have taken my strategy courses will be familiar with a wider range of models that can also be studied.

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- ❖ Remember as you go through these models and apply them to your business, keep asking yourself “So What?”
- ❖ How does this model shed light on the drivers of the business?
- ❖ How will it influence your input assumptions for your DCF model?

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