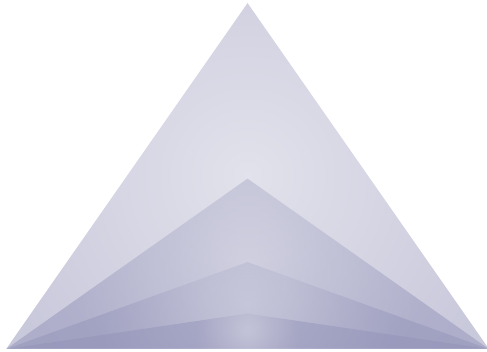


HOW TO VALUE YOUR BUSINESS



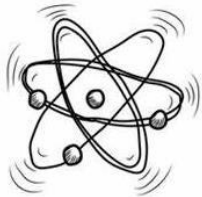
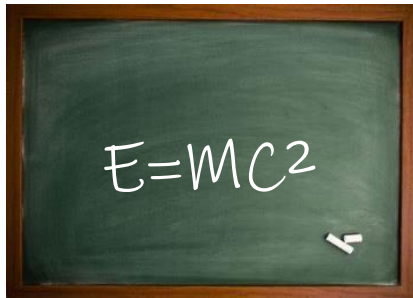
FINTEGRITY

integrated financial services



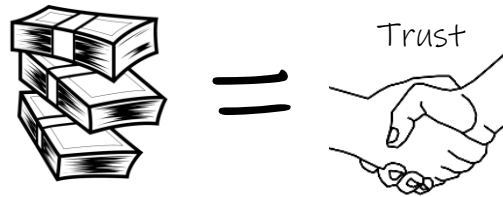
NATURAL PHENOMENA

Relativity



Power
& Mass

Finance



The actual formula for *Value* =

$$\frac{\text{Profit} * (1 - \frac{\text{Growth}}{\text{ROIC}})}{\text{WACC} - \text{Growth}}$$

“Com” + “Panos” = Share Bread
(= Share **Risk** of No Bread)



FINANCE, VALUE & RISK

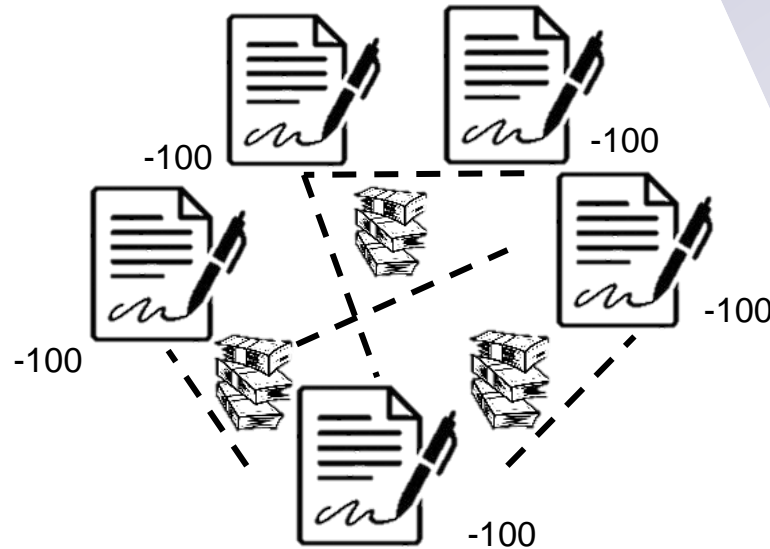
Trust is built on promises.

Risk is the uncertainty surrounding this Trust.

Finance quantifies this Risk and translates it into “Value”



“Company” = A myriad of
(Paper) Promises



Revenue: 600

Profit: 100

Promise →

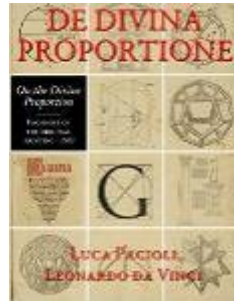
ACCOUNTING & INVENTIONS

500 years ago... Year: ca. 1500

Luca Pacioli



Mathematician &
"Father of Accounting"

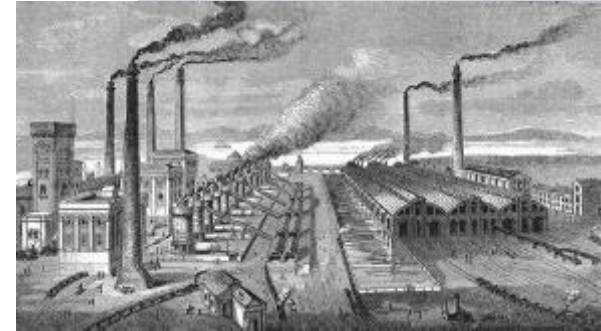


Leonardo Da Vinci
(达·芬奇)



Mathematician,
Inventor, Painter
& friend of Luca Pacioli

Year: 1800



Now



THE WORLD OF FINANCE



Corporate Finance

Liabilities

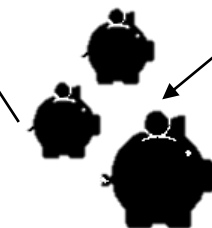
+ Bank Loans

Equity

+ Registered Capital

+ Retained Earnings

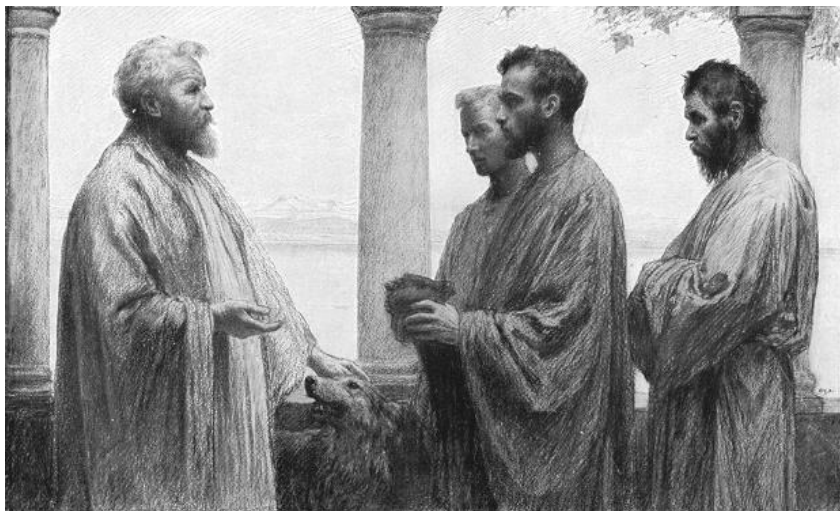
Capital Markets



THE PARABLE OF TALENTS

Don't bury your talent! (人才)

Roman coin: 'Talent'



VALUE: "An amount [...] considered to be a **fair** and suitable **equivalent** for **something else**"

<https://www.merriam-webster.com/>

	+++	++	-
Original	5	2	1
<i>After 1yr</i>	<i>10</i>	<i>4</i>	<i>1</i>
Required Return	1	1	1
Cost of Capital %	20%	50%	100%
Gain	4	1	0
Gain %	80%	50%	0%

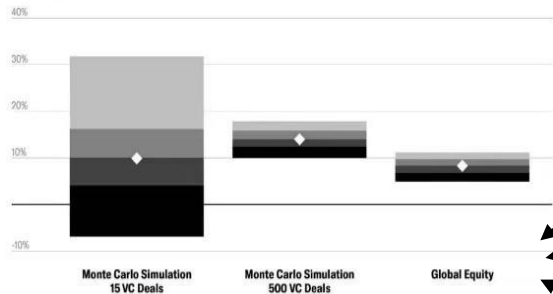
RISK DISTRIBUTION

Corporate Finance

Return Dispersion: 15- vs. 500-Deal VC Funds

Average annual manager return, IRR

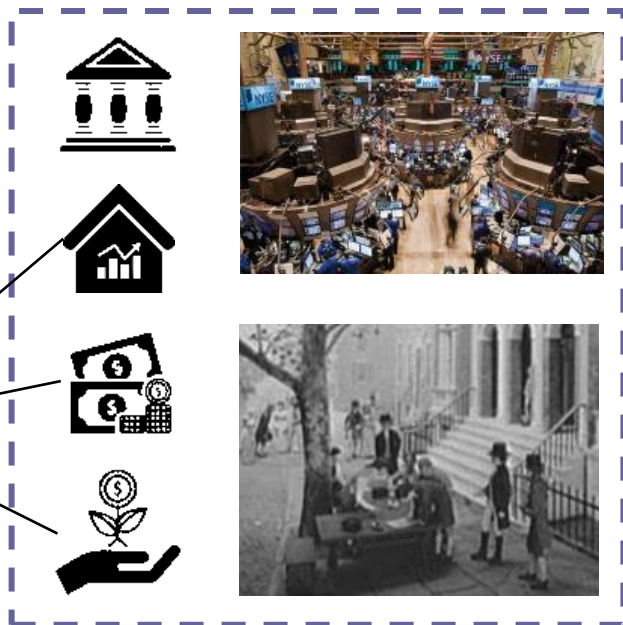
■ 50th-25th percentile ■ 2nd quartile ■ 3rd quartile ■ 75th-95th percentile ◇ median



Source: Monte Carlo simulation by the authors with 2,000 funds created by randomly picking deals using the deal-by-deal returns distribution probability of Correlation Ventures. Gross IRR shown, without fees. | As of June 30, 2019



Capital Markets



THE VALUE FORMULAS



Cashflow

“DCF”
$$Value = \frac{Cashflow}{(1 + Risk)^1} + \dots + \frac{Cashflow}{(1 + Risk)^{y(n)}}$$

“KEY VALUE DRIVER FORMULA”

$$Value = \frac{Profit * (1 - \frac{Growth}{ROIC})}{WACC - Growth}$$

HOW TO VALUE YOUR BUSINESS

DCF ANALYSIS

$$Value = \frac{Cashflow}{(1 + Risk)^1} + \dots + \frac{Cashflow}{(1 + Risk)^{y(n)}}$$

>>> Exact Valuation <<<



KEY VALUE DRIVER FORMULA

$$Value = \frac{EBITDA * \left(1 - \frac{Growth}{ROIC}\right)}{WACC - Growth}$$

>>> Conceptual Valuation <<<



Multiples

- Comparables
- Precedents

Example: EBITDA Multiple

$$Value = EBITDA * \text{Multiple}$$

*Multiple = (industry)
average EV/EBITDA*

CONCEPTUAL VALUATION

VALUE DRIVER FORMULA

$$\text{Value} = \frac{\text{Profit} * (1 - \frac{\text{Growth}}{\text{ROIC}})}{\text{WACC} - \text{Growth}}$$

>>> Conceptual Valuation <<<



What drives the **Value** of my business?

Growth, ROIC & Value

Is **Growth** Good or Bad?

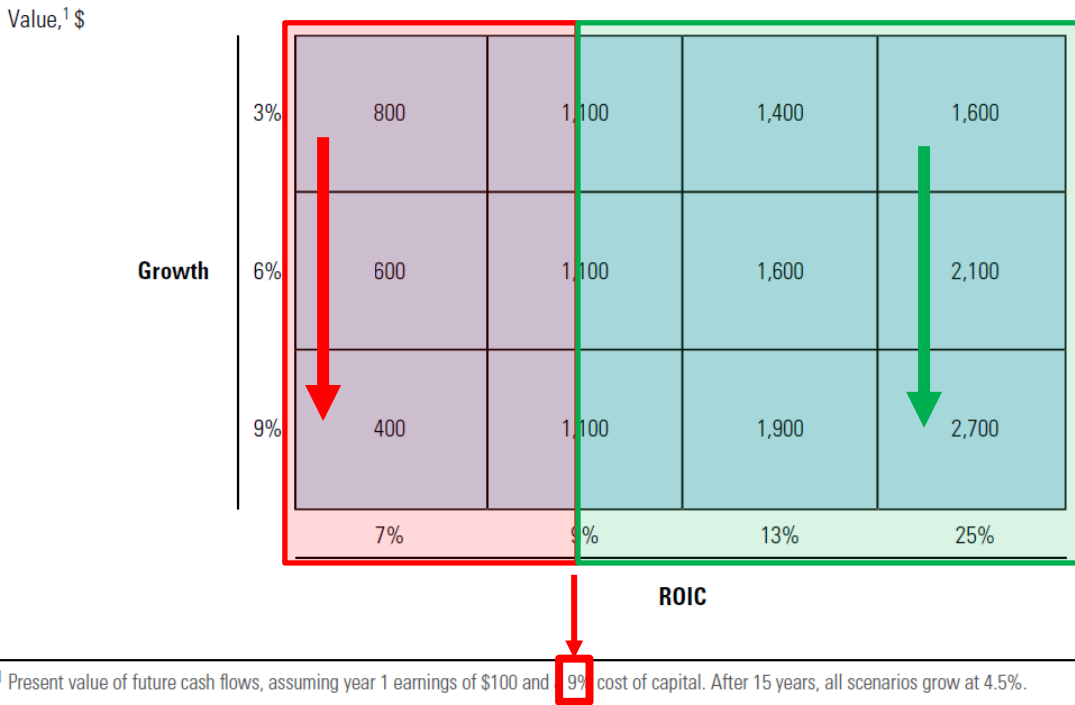
Good, only IF
ROIC > WACC

Do we have enough **cashflow** to grow?

No cashflow does NOT mean 'should not grow'. Instead: Capital Markets

GROWTH: Good or Bad?

EXHIBIT 2.5 Translating Growth and ROIC into Value



$$Value = \frac{Profit * (1 - \frac{Growth}{ROIC})}{WACC - Growth}$$

Growth adds Value IF

(!!! only IF !!!)

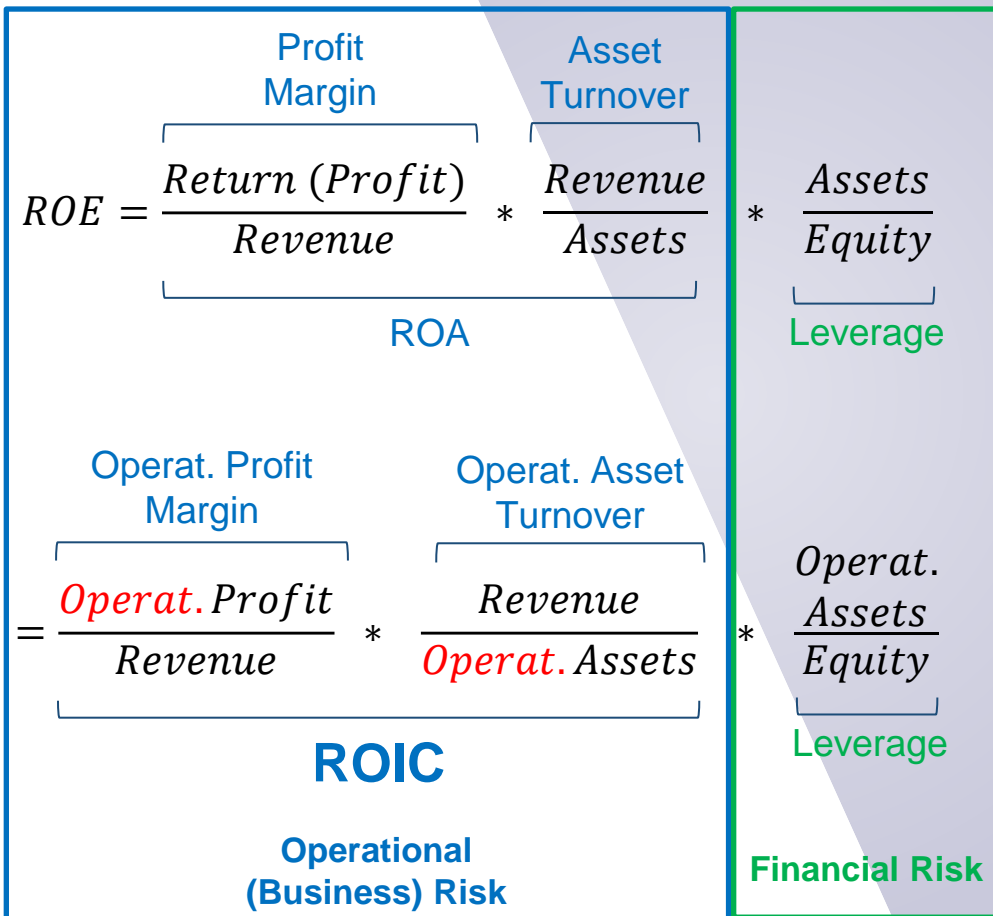
ROIC > Cost of Capital (WACC)

ROIC

Balance Sheet

Assets	Liabilities
+ Cash	+ Accounts Payable
+ Net Accounts Receivable	+ Bank Loans
+ Inventory	
+ Corporate Airplane	Equity
	+ Registered Capital
	+ Retained Earnings
	- Corporate Airplane
Operational Assets =	= Invested Capital (IC)

Dupont Analysis



Thank you

We are very confident that we can safeguard your business sustainable growth and be your long term's strategic partner.

Please contact us for any enquiry!

Berry Schrijen

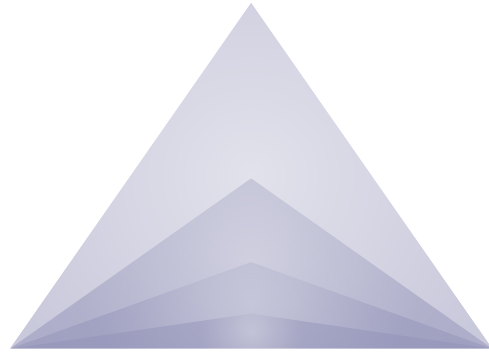
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CFO | Accounting | Financing | Legal | Tax



FINTEGRITY

integrated financial services