ABBA – Bird in Hand (What do we think the company is worth)

- *Purpose is to determine a value, preferably based on assets, of the company at this time.*

Which valuation approach is most applicable (Liquidation value/Replacement Value/Private Market value/Sum of the Parts) Why?	
Do any of the other approaches suggest preferred approach is unrealistic	
Have there been any m&a transactions in the last 3 years and if so, what are the details of the prices paid	

What prices do similar companies trade at in the marketplace	

Extra assets

Are there any extra assets such as vacant land, investments and if so, what is the approximate value (before and after tax)	
Is the company divisible meaning parts (or a division) could be sold without hurting the core (for example, multiple radio stations vs single source mfg facility)	
Are any segments/product lines/divisions losing money *What are the net assets tied up in this segment/product line* *Is there a plan to dispose of this segment or line in the next 3 years* *What will be the proceeds and impact if this segment/line is disposed of*	

Is there hidden value in their distribution channel (dealer organization), licenses, patents	
Is there any hidden value or liability in the cost or structure of debt	
Off balance sheet liabilities such as: *Leases (incl any known closures)* *Guarantees incl investment returns* *Environmental* *Litigation* *Derivatives*	

How much cost/expense incl overhead could an acquirer remove from business	
LIFO reserves or evidence (history of) over- provisioning	
Tax loss carryforwards (note capital vs non-capital and expiry)	

Is there a Pension plan and post retirement deficit?	

ABBA – Bird in Hand:

Liquidation value/Replacement cost/Private Market Value/Sum of the Parts:

ABBA – Bird in Hand

List and value any extra assets:

ABBA – Bird in the Bush (Where is the valuation going)

- *Purpose is to understand the key assumptions and magnitude of any potential change in the valuation over the next 3 years.*

Where will margins likely be in 3 years and why (consider gross margin and sg&a)	
Is this a cyclical business? Are margins falling, flat, increasing? What was the prior peak margin and is that achievable in the next 3 years?	
What is the outlook for pricing over the next 3 years	

What is the outlook for unit sales over the next 3 years	
What are the largest costs and what is the outlook for these?	
What does business look like in 3 years and what does company need to do to get there	

Are there any large expansion/replace capex plans	
What happens to valuation if I get this wrong meaning what is the downside	
What is the risk/return in other parts of the capital structure	

ABBA – bird in bush

3 year net intrinsic value:

What are the key assumptions (key items that really matter and will impact the value (Buffett referred to these as links in the chain; focus should be on weak links). List Key assumption, why likely and risks.

3 year outlook based on assumptions

3 year outlook negative case (in other words, what happens if assumptions are wrong)