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→ The ratio in which purchasing company issues shares to selling company = Swap ratio / exchange ratio.

Swaps - $\frac{\text{M.P.s of T.C (selling)}}{\text{M.P.s of A.C (purchasing)}}$

$$\text{Swaps} = \frac{\text{€ p.s of T.C}}{\text{€ p.s of A.C}}$$

Swap = $\frac{\text{Book value of TC}}{\text{Book value of A.C.}}$ (BV = 30 + 2.9)

At a glance:- (i) Swap ratio (ii) New shares to be issued
(iii) New EPS (iv) Gain/Loss in case of MPS & Book value

→ Market capitalisation

shares held by public
which are freely
transferable

Phases should be
Promoters which are
not freely transcribed.

1 a) free cash flow:-

(1) free cash flow to firm :- (a) any cash after

Meeting operating and investing needs (cash flows)

(2) value of firm = P.V of free cash flows to firm + P.V of terminal value.

(3) Terminal value = $\frac{\text{free cash flow in } n^{\text{th}} \text{ (last year)} \times (1+g)}{K_0 - g}$

(b) free cash flow to equity :-
Every thing same but in place of K_0 place K_e .

2) Dividend growth model:-

$$\text{value} = \frac{D_1}{K_e - g}$$

↓
value = This figure $\times$ No. of shares

3) Equity growth model

$$= \frac{\text{earnings}}{K_e - g}$$

↓
value = This figure $\times$ no. of shares

4) Net Assets method

Value = Total assets - outside liabilities

5) Capitalisation method (or) earnings capitalization:-

$$= \frac{\text{Profits}}{\text{capitalization rate}}$$

(Abnormal loss, gains needs to be adjusted)

6) EVA

= NOPAT - charge on capital employed $\Rightarrow$ CEXWACC

$$F.L = \frac{EBIT}{EBT}$$

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7) Market Value added

= Market value of capital - capital employed.

8) Multiple based method:-

$$P.E \text{ multiple} = \frac{MPS}{EPS}$$

$$EBITDA \text{ Multiple} = \frac{\text{Enterprise value}}{EBITDA}$$

Enterprise value = market capitalization + Total debt - cash & cash equivalents

9) chop-shop method - Refer 39 sum in institute material

From →

Bungeared for proxy company

$$= \frac{\text{Equity bet of P.C} \times \text{Equity of P.E.}}{\text{Equity of P.C} (EBT - Tax)}$$

$$\text{Value} = \text{Pgeared at } \frac{1}{1+T} \times \frac{\text{Equity}}{\text{Equity} + \text{Debt} (1-T)}$$