

# Valuation Modeling

For Portfolio Managers

By:



*Providing Software and Services to  
Institutional Investors Since 2003*

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# Performance Measurement Should Link Closely with Shareholder Value

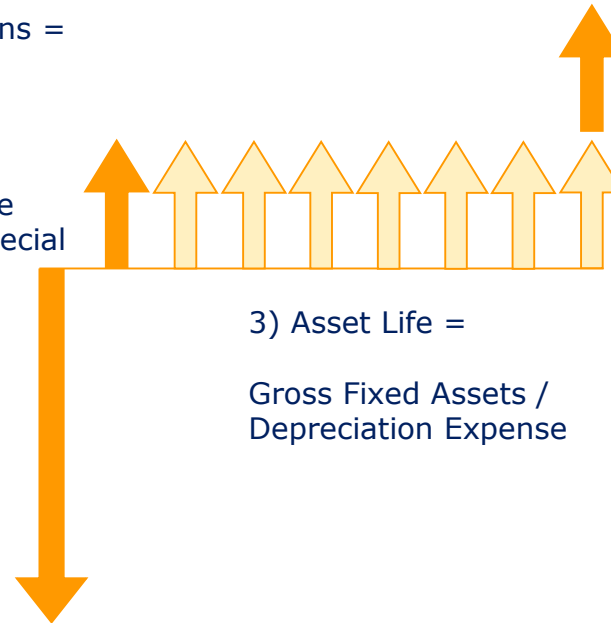
## Cash Flow Internal Rate of Return (CFIRR)

2) Cash Flow From Operations =

+ Net Income  
 + Depreciation  
 + Amortization  
 + After Tax Interest Expense  
 excludes non-recurring & special items

1) Inflation Adjusted  
 Gross Investment =

+ Gross Fixed Capital  
 + Working Capital



4) Salvage Value =

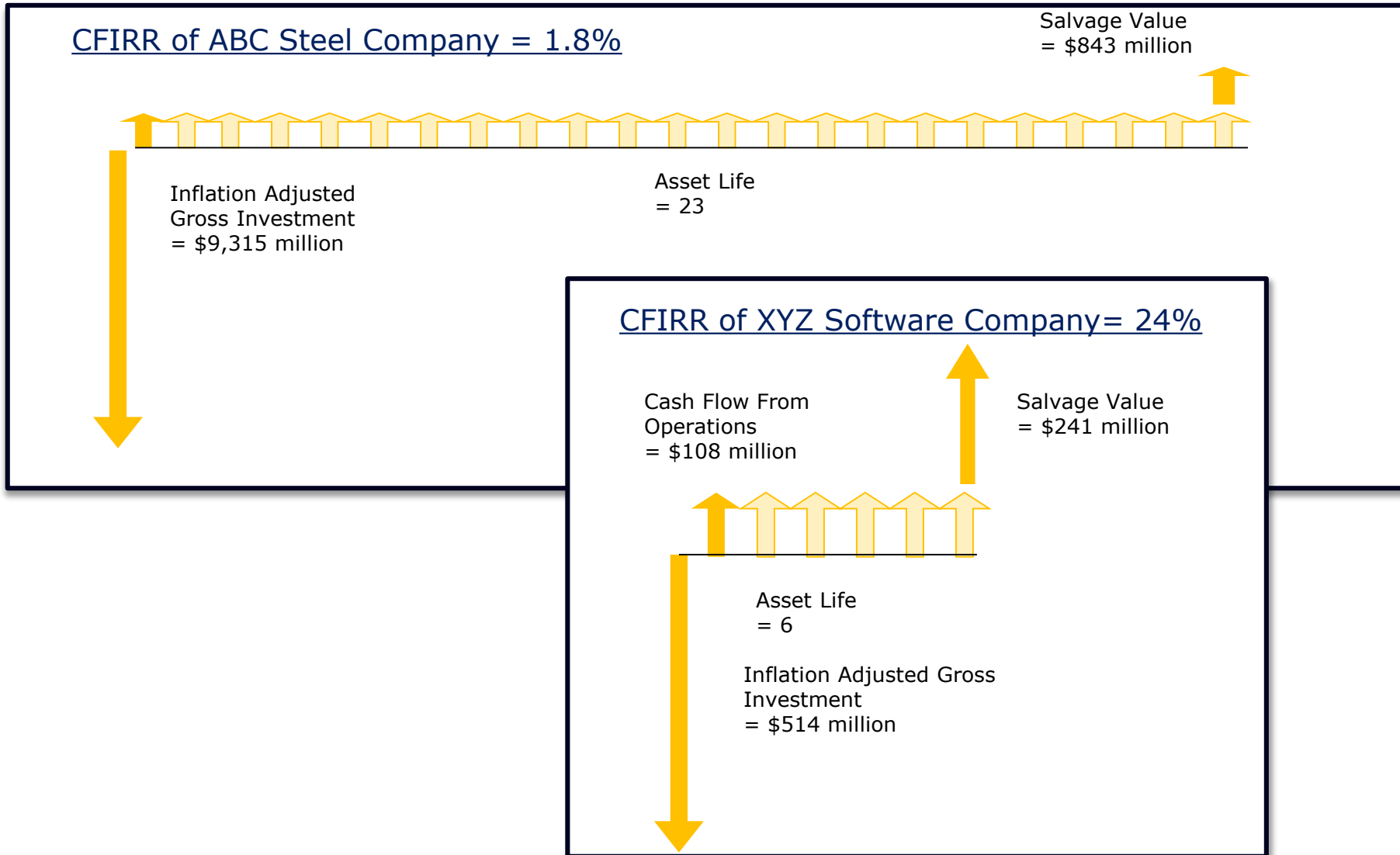
Working Capital

3) Asset Life =

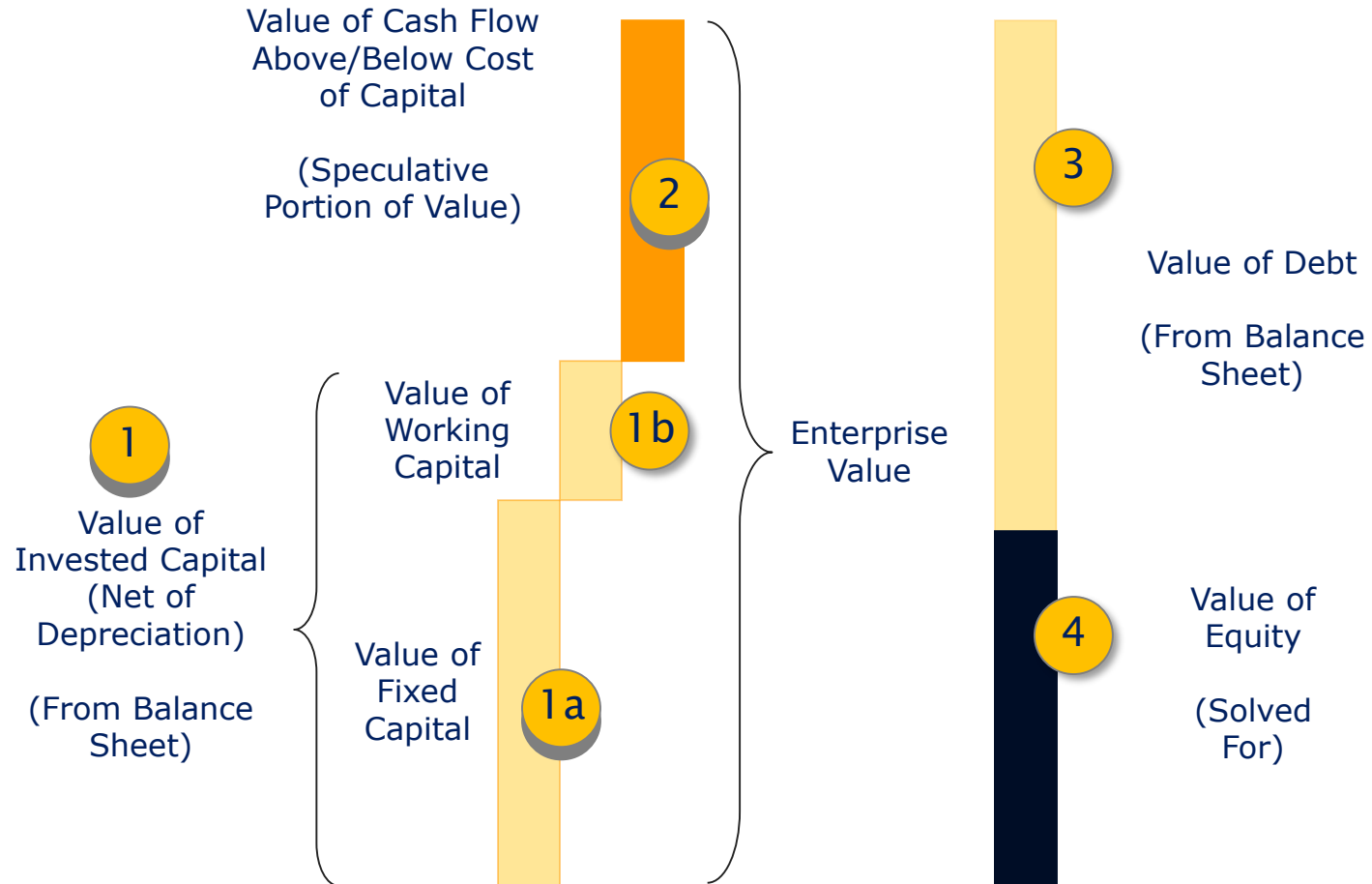
Gross Fixed Assets /  
 Depreciation Expense

Economic performance measures link to shareholder value better than traditional accounting measures.

# Compare a Steel Company vs. a Software Company



# Solving for the Value of Equity



# Competitive Lifecycle. Who can "Beat the Fade?"

Competition drives down returns.

Fade is a driver of value

