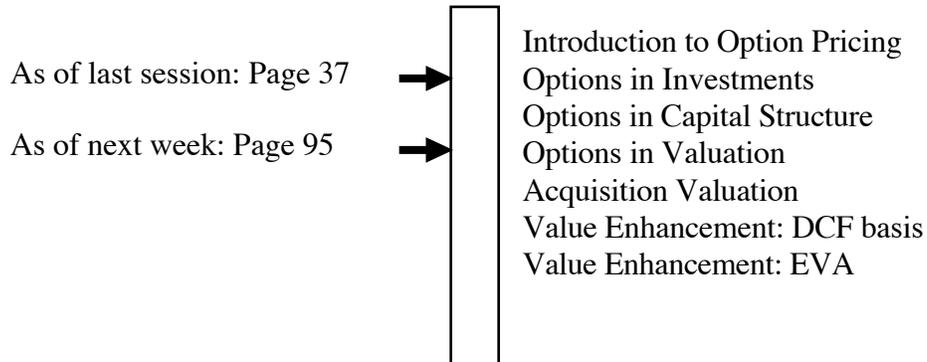


## Valuation: Newsletter – April 26, 2014

*Where we are in class...*

### Lecture Notes Packet 3 (pdf)



*Where you should be in the project...*

### Rest of Project

#### *Item*

1. Complete your DCF valuation
2. Find comparable firms
3. Pick a multiple
4. Collect information on the multiple and variables that determine that multiple for comparable firms
5. Develop a subjective estimate of what the multiple should be for your firm
6. Run a regression for your multiple across comparable firms
7. Use the market regression to estimate the multiple for your firm
8. Based upon (5), (6) and (7), decide which one you believe best represents the relative value.
9. Apply the option pricing model to value equity in your firm
10. Calculate the face value of the debt and the weighted duration.
11. Estimate the variance in firm value
11. Value equity as an option
12. Make a recommendation.

*Data Notes...*

There are a number of good web sites dedicated to real options. Here are a few:

For a good site that provides links to papers and books on real options, try this site:

<http://www.realoptions.org/index.html>

Real options in petroleum: <http://marcoagd.usuarios.rdc.puc-rio.br>

How Boeing used Crystal ball for Real options: This is a commercial for Crystal Ball but it is still interesting: [http://www.decisioneering.com/stories/boeing\\_ro.html](http://www.decisioneering.com/stories/boeing_ro.html)

If you want to see a binomial tree develop before your eyes, try this site. (It is great...)

<http://www.hoadley.net/options/binomialtree.aspx?tree=B>

### *Miscellaneous FAQs*

*Where should I be on the project?*

You should have completed your relative valuation.

*When is the final exam?*

The final exam is on May 14.

*When is the final project report due?*

On the last day of class, which is May 12.