MERCURY

Business Valuation and Financial Modeling Method

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Introduction

The Business Valuation and Financial Modeling Method course develops an understanding of how financial information is transformed into reliable estimates of business value. It examines valuation principles, financial statement analysis, forecasting, financial modeling, and interpreting value drivers. Participants explore discounted cash flow, market multiples, transaction multiples, asset-based valuation, and other approaches used to assess companies. The program explains how integrated financial models connect revenue, costs, working capital, capital expenditure, financing, cash flow, and valuation assumptions. It emphasizes analytical judgment, scenario analysis, sensitivity testing, and evaluating assumptions that influence valuation outcomes. Participants build a disciplined framework for analyzing business performance and applying financial modeling methods to strategic valuation decisions.

Targeted Groups

This Business Valuation and Financial Modeling Method training targets professionals seeking knowledge and skills:

- Financial analysts evaluating company performance and value.
- Investment professionals assessing acquisitions and investments.
- Corporate finance specialists supporting strategic decisions.
- Accountants analyzing financial statements and business drivers.
- Valuation professionals applying structured valuation methods.
- Managers reviewing forecasts, scenarios, and financial outcomes.
- Entrepreneurs assessing enterprise value and growth potential.
- Private equity teams analyzing investment cases and returns.

Course Objectives

Participants will achieve the following objectives by completing the Business Valuation and Financial Modeling Method course:

- Explain core principles of business valuation and financial modeling.
- Analyze financial statements to identify value creation drivers.
- Build structured revenue, cost, working capital, and cash flow forecasts.
- Apply discounted cash flow valuation using appropriate assumptions.
- Compare market-based and transaction-based valuation methods.
- Calculate enterprise value, equity value, and key valuation multiples.
- Develop integrated financial models linking the three core statements.
- Assess capital structure, cost of capital, and financing assumptions.
- Perform scenario analysis to evaluate alternative business outcomes.
- Use sensitivity analysis to test critical valuation variables.
- Interpret forecast quality, model integrity, and valuation reliability.
- Evaluate growth, profitability, liquidity, leverage, and cash generation.
- Present valuation conclusions using clear financial reasoning.
- Support investment, acquisition, financing, and strategic decisions with evidence.

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Targeted Competencies

Participants will gain the following competencies during the Business Valuation and Financial Modeling Method program:

- Financial statement interpretation and normalization.
- Business valuation method selection and application.
- Financial forecasting and assumption development.
- Three-statement financial model structuring.
- Discounted cash flow valuation analysis.
- Comparable company and transaction analysis.
- Enterprise value and equity value assessment.
- Scenario and sensitivity analysis.
- Cost of capital evaluation.
- Cash flow and profitability analysis.
- Valuation risk and uncertainty assessment.
- Investment-focused financial reasoning.

Real-world Case Studies

In this Business Valuation and Financial Modeling Method training, participants develop skills through the following cases:

- A manufacturer is valued using forecast cash flows and market multiples.
- A technology firm is assessed under growth and conservative scenarios.
- An acquisition target is analyzed using transaction multiples.
- A distressed business is reviewed through liquidity, leverage, and asset values.
- A company model tests growth, margins, working capital, and capital expenditure.

Course Content

Unit 1: Foundations of Business Valuation and Financial Modeling

- Define business valuation and explain its role in financial decision-making.
- Examine the relationship between company value, performance, and future cash generation.
- Distinguish enterprise value from equity value and market capitalization.
- Identify major business valuation methods and their appropriate applications.
- Review financial statements as primary inputs for valuation analysis.
- Assess historical performance before developing forward-looking financial assumptions.

Unit 2: Financial Statement Analysis and Financial Model Development

- Analyze income statements, balance sheets, and cash flow statements.
- Identify revenue, profitability, working capital, and liquidity drivers.
- Normalize historical financial information for valuation purposes.
- Build assumptions for revenue growth, operating costs, margins, and working capital.
- Develop integrated three-statement financial modeling structures.
- Link operating assumptions with cash flow, financing, and balance sheet movements.

Unit 3: Discounted Cash Flow and Income-Based Valuation

- Explain the principles underlying discounted cash flow valuation.

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- Forecast free cash flow using operating and financial assumptions.
- Determine appropriate discount rates and understand the role of WACC.
- Calculate terminal value using growth and exit multiple approaches.
- Apply discounted cash flow valuation to different business situations.
- Evaluate how growth, margins, capital expenditure, and discount rates affect value.

Unit 4: Market-Based Valuation and Comparative Analysis

- Explain the logic behind comparable company analysis.
- Select relevant companies using industry, size, growth, and profitability criteria.
- Calculate and interpret P/E, EV/EBITDA, EV/Sales, and other valuation multiples.
- Examine precedent transactions and acquisition valuation benchmarks.
- Compare market-based approaches with intrinsic valuation results.
- Assess differences between company valuation, trading multiples, and transaction values.

Unit 5: Advanced Valuation Analysis and Decision-Making

- Integrate valuation outputs into a coherent financial decision framework.
- Conduct scenario analysis across base, optimistic, and conservative assumptions.
- Perform sensitivity analysis on key valuation variables and assumptions.
- Assess financial risk through leverage, liquidity, profitability, and cash flow measures.
- Evaluate investment, acquisition, financing, and strategic valuation implications.
- Present valuation conclusions with transparent assumptions and defensible financial reasoning.

Final Insights & Key Takeaways

Business valuation combines financial analysis, forecasting, market evidence, and disciplined judgment to determine a company's economic value. Effective financial modeling strengthens valuation accuracy by connecting assumptions, financial statements, cash flows, scenarios, and strategic decisions.