

Introduction to Business Valuation Model

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Model Checks

Balanced Sheet balanced?

Yes

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Income Statement

All figures in USD thousands unless stated

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
Revenue	50,589	51,648	53,761	56,481	57,616	58,775	59,659	60,257
COGS	(24,544)	(25,104)	(25,779)	(27,111)	(27,656)	(28,212)	(28,636)	(28,923)
Gross Profit	26,045	26,544	27,981	29,370	29,961	30,563	31,023	31,334
SG&A	(5,877)	(6,006)	(6,144)	(6,359)	(6,550)	(6,746)	(6,915)	(7,088)
Other	(1,764)	(1,931)	(2,026)	(2,097)	(2,160)	(2,225)	(2,280)	(2,337)
EBITDA	18,404	18,607	19,811	20,914	21,251	21,592	21,828	21,909
Depreciation	(2,960)	(3,196)	(3,452)	(4,288)	(4,637)	(4,995)	(5,357)	(5,729)
EBIT	15,444	15,411	16,359	16,626	16,614	16,597	16,471	16,180
Interest Expense	(1,688)	(2,200)	(2,350)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)
Interest Income	200	180	193	59	115	178	242	311
EBT	13,956	13,391	14,202	15,485	15,529	15,575	15,513	15,291
Provision for Taxes	(3,489)	(3,080)	(3,054)	(3,252)	(3,261)	(3,271)	(3,258)	(3,211)
Net Income	10,467	10,311	11,148	12,233	12,268	12,304	12,255	12,080

Cash Flow Statement

All figures in USD thousands unless stated

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
CASH FROM OPERATING								
Net Income	10,234	9,541	10,091	12,233	12,268	12,304	12,255	12,080
Depreciation	2,960	3,196	3,452	4,288	4,637	4,995	5,357	5,729
Cash From Accounts Receivable	(600)	(625)	(291)	(339)	(140)	(143)	(109)	(74)
Cash From Inventory	(400)	(131)	(86)	152	(37)	(38)	(29)	(20)
Cash From Accounts Payable	(260)	181	114	(348)	60	61	47	31
Subtotal	11,934	12,162	13,280	15,986	16,787	17,179	17,520	17,747
CASH FROM INVESTING								
Capital Expenditure	(9,015)	(11,733)	(2,000)	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
Subtotal	(9,015)	(11,733)	(2,000)	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
CASH FROM FINANCING								
Change in Long-Term Debt	-	(4,000)	(4,000)	-	-	-	-	-
Change in Common Equity	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Dividends	(3,465)	(3,761)	(3,216)	(2,447)	(2,454)	(2,461)	(2,451)	(2,416)
Change in Revolving Credit Line	-	-	-	-	-	-	-	-
Subtotal	(3,465)	(7,761)	(7,216)	(3,447)	(3,454)	(3,461)	(3,451)	(3,416)
CASH BALANCE								
Beginning of the Year	9,671	9,125	1,793	5,857	11,496	17,780	24,223	31,092
Increase / (Decrease)	(546)	(7,332)	4,064	5,639	6,283	6,443	6,869	6,643
End of the Year	9,125	1,793	5,857	11,496	17,780	24,223	31,092	37,735

Balance Sheet

All figures in USD thousands unless stated

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
ASSETS								
Cash	9,125	1,793	5,857	11,496	17,780	24,223	31,092	37,735
Accounts Receivable	5,708	6,333	6,624	6,963	7,103	7,246	7,355	7,429
Inventories	1,792	1,923	2,009	1,857	1,894	1,932	1,961	1,981
Total Current Assets	16,625	10,049	14,490	20,316	26,777	33,401	40,409	47,145
Property Plant & Equipment	58,759	67,296	65,844	68,456	70,870	73,150	74,994	76,952
Total Assets	75,384	77,345	80,334	88,773	97,647	106,551	115,402	124,097
LIABILITIES								
Accounts Payable	3,024	3,205	3,319	2,971	3,031	3,092	3,138	3,170
Revolving Credit Line	-	-	-	-	-	-	-	-
Total Current Liabilities	3,024	3,205	3,319	2,971	3,031	3,092	3,138	3,170
Long-Term Debt	28,000	24,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Liabilities	31,024	27,205	23,319	22,971	23,031	23,092	23,138	23,170
EQUITY								
Common Equity	38,670	38,670	38,670	37,670	36,670	35,670	34,670	33,670
Retained Earnings	5,690	11,470	18,345	28,132	37,946	47,790	57,594	67,258
Total Shareholders' Equity	44,360	50,140	57,015	65,802	74,616	83,460	92,264	100,928
Total Liabilities & Equity	75,384	77,345	80,334	88,773	97,647	106,551	115,402	124,097
Check	-	-	-	-	-	-	-	-

All figures in USD thousands unless stated

Excerpts Provided from Financial Statement

	2022A	2023F	2024F	2025F	2026F	2027F
Net Income	11,148	12,233	12,268	12,304	12,255	12,080
Depreciation	3,452	4,288	4,637	4,995	5,357	5,729
Interest Expense, net	2,157	1,141	1,085	1,022	958	889
Tax Rate	22%	21%	21%	21%	21%	21%
After-tax Interest Expense (Int Exp * (1-Tax))	1,693	902	857	808	757	702
EBIT	16,359	16,626	16,614	16,597	16,471	16,180
Unlevered Taxes	(3,518)	(3,492)	(3,489)	(3,485)	(3,459)	(3,398)
EBITDA	19,811	20,914	21,251	21,592	21,828	21,909
Capital Expenditures	(2,000)	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
Change in working capital	(263)	(535)	(118)	(120)	(92)	(62)
Long term debt	20,000					
Cash	5,857					

Intrinsic Valuation - Determining Unlevered Free Cashflow (UFCF)

All figures in USD thousands unless stated

UFCF Using EBIT

	2023F	2024F	2025F	2026F	2027F
EBIT	16,626	16,614	16,597	16,471	16,180
Less: Unlevered Taxes	(3,492)	(3,489)	(3,485)	(3,459)	(3,398)
Net Operating Profit After Taxes (NOPAT)	13,135	13,125	13,112	13,012	12,782
Depreciation	4,288	4,637	4,995	5,357	5,729
Capex Investment	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
Change in working capital	(535)	(118)	(120)	(92)	(62)
Unlevered Free Cash Flow (UFCF) using EBIT	9,987	10,594	10,711	11,077	10,761

UFCF Using Net Income

Net Income	12,233	12,268	12,304	12,255	12,080
Depreciation	4,288	4,637	4,995	5,357	5,729
After-tax Interest Expense (Int Exp * (1-Tax))	902	857	808	757	702
Capex Investment	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
Change in working capital	(535)	(118)	(120)	(92)	(62)
Unlevered Free Cash Flow (UFCF) using Net Income	9,987	10,594	10,711	11,077	10,761

UFCF Using EBITDA

EBITDA	20,914	21,251	21,592	21,828	21,909
Unlevered Taxes	(3,492)	(3,489)	(3,485)	(3,459)	(3,398)
Capex Investment	(6,900)	(7,050)	(7,275)	(7,200)	(7,688)
Change in working capital	(535)	(118)	(120)	(92)	(62)
Unlevered Free Cash Flow (UFCF) using EBITDA	9,987	10,594	10,711	11,077	10,761

Using the Capital Asset Pricing Model (CAPM) to calculate the Cost of Equity

Risk free rate	3.0%
Beta	1.5
Equity Risk Premium	6.0%
Cost of Equity	12.0%

Calculation of Weighted Average Cost of Capital (WACC)

Target Debt Weight (% of Total Capital Structure)	10.0%
Target Equity Weight (% of Total Capital Structure)	90.0%
Cost of Debt	6.0%
Tax Rate	21.0%
After-tax Cost of Debt	4.7%
Cost of Equity	12.0%
WACC	11.3%

Intrinsic Valuation - Determining Terminal Value using a Perpetual Growth Rate

WACC	11.3%
Terminal Growth Rate	2.0%

All figures in USD thousands unless stated

Unlevered Free Cash Flow (UFCF)

Perpetuity UFCF_{t+1}

Terminal Value using a Perpetual Growth Rate

2023F	2024F	2025F	2026F	2027F
9,987	10,594	10,711	11,077	10,761
				10,977
				118,359

Intrinsic Valuation - Determining Terminal Value using an EBITDA Multiple

WACC	11.3%
Terminal Multiple	7.2x

All figures in USD thousands unless stated

Unlevered Free Cash Flow (UFCF)

EBITDA

Terminal Value using EBITDA Multiple

2023F	2024F	2025F	2026F	2027F
9,987	10,594	10,711	11,077	10,761
				21,909
				158,555

Intrinsic Valuation - Discounting Unlevered Free CashFlows (UFCF) and Terminal Values

All figures in USD thousands unless stated

Terminal Value using Perpetual Growth Rate
 Terminal Value using EBITDA Multiple
Average

2022A	2023F	2024F	2025F	2026F	2027F
					118,359
					158,555
					138,457

Unlevered Free Cash Flow (UFCF)
 Terminal Value
 Total Cash Flows

9,987	10,594	10,711	11,077	10,761
				138,457
9,987	10,594	10,711	11,077	149,219

WACC	11.3%
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Discounting Period
 Present Value of Cash Flows

1.0	2.0	3.0	4.0	5.0
8,976	8,556	7,774	7,225	87,469

EQUITY VALUE ¹

Enterprise Value	120,001
Less: Net Debt	(14,143)
Equity Value	105,858

EQUITY VALUE PER SHARE

Equity Value		105,858
Shares Outstanding	(FD 000)	17,100
Equity Value	(\$/sh)	6.19
Current Price	(\$/sh)	7.25
Upside/(Downside)		(15%)

IMPLIED PERPETUITY GROWTH AND TERMINAL MULTIPLE

2027F UFCF	10,761
Terminal Value using EBITDA Multiple	158,555
Implied Perpetuity Growth Rate ¹	4.2%
Implied Perpetuity Growth Rate ²	3.8%
2027F EBITDA	21,909
Terminal Value using a Perpetual Growth Rate	118,359
Implied Terminal Multiple ¹	5.4x
Implied Terminal Multiple ²	5.7x

Assumes end-of-period discounting. ⁽¹⁾

Assumes mid-year discounting. ⁽²⁾

Intrinsic Valuation - Using NPV and XNPV

All figures in USD thousands unless stated

WACC	11.3%
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Fiscal Year End
Cash Flow Timing

Valuation	Discrete Forecast						Terminal
(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)
22/12/31	23/12/31	24/12/31	25/12/31	26/12/31	27/12/31	27/12/31	27/12/31
22/12/31	23/06/30	24/06/30	25/06/30	26/06/30	27/06/30	27/06/30	27/06/30

Unlevered Free Cash Flow (UFCF)
Average Terminal Value
Total Cash Flows

2022A	2023F	2024F	2025F	2026F	2027F
	9,987	10,594	10,711	11,077	10,761
					138,457
-	9,987	10,594	10,711	11,077	149,219

Manual End-of-Period Discounting Convention

Discounting Period
Present Value of Cash Flows
Enterprise Value
Equity Value

119,968
(\$/sh) 6.19

	1.0	2.0	3.0	4.0	5.0
-	8,976	8,554	7,772	7,223	87,444

Manual Mid-Period Discounting Convention

Discounting Period
Present Value of Cash Flows
Enterprise Value
Equity Value

126,606
(\$/sh) 6.58

	0.5	1.5	2.5	3.5	4.5
-	9,472	9,027	8,202	7,623	92,282

Using the NPV function (End-of-Period Discounting) ¹

Enterprise Value
Equity Value

120,001
(\$/sh) 6.19

Using the XNPV function (End-of-Period Discounting) ⁴

Enterprise Value
Equity Value

119,968
(\$/sh) 6.19

Using the XNPV function (Mid-Period Discounting) ⁴

Enterprise Value
Equity Value

126,606
(\$/sh) 6.58

The NPV function assumes cash flows are evenly spaced; you do not typically include the first cash flow (if there is one), as NPV will discount that cash flow as well. ⁽¹⁾
The XNPV function is more accurate as it takes into account precise dates; it will not discount the first cash flow.
However, we must hardcode a zero value at the valuation date for XNPV to correctly discount the cash flows ⁽²⁾

Intrinsic Valuation - Using IRR and XIRR

All figures in USD thousands unless stated

WACC	11.3%
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**Fiscal Year End
Cash Flow Timing**

Valuation	Discrete Forecast						Terminal
(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)	(YY-MM-DD)
22/12/31	23/12/31	24/12/31	25/12/31	26/12/31	27/12/31	27/12/31	27/12/31
22/12/31	23/06/30	24/06/30	25/06/30	26/06/30	27/06/30	27/06/30	27/06/30

Unlevered Free Cash Flow (UFCF)
Average Terminal Value
Total Cash Flows

2022A	2023F	2024F	2025F	2026F	2027F
	9,987	10,594	10,711	11,077	10,761
					138,457
(20,000)	9,987	10,594	10,711	11,077	149,219

Using the IRR function ¹

Internal Rate of Return (IRR) 78.9%

Using the XIRR function (End-of-Period Discounting)

Internal Rate of Return (IRR) 78.8%

Using the XIRR function (Mid-Period Discounting)

Internal Rate of Return (IRR) 101.3%

Both IRR and XIRR require an initial cash outflow to calculate;
The XIRR function is more accurate as it takes into account precise dates.⁽¹⁾

		Equity Value per Share				
		Perpetuity Growth Rate				
		-	1.0%	2.0%	3.0%	4.0%
WACC	13.3%	5.09	5.21	5.35	5.51	5.71
	12.3%	5.42	5.57	5.74	5.95	6.20
	11.3%	5.80	5.98	6.19	6.46	6.80
	10.3%	6.22	6.45	6.73	7.08	7.54
	9.3%	6.72	7.01	7.37	7.86	8.52

		Equity Value per Share				
		Terminal Multiple				
		5.2x	6.2x	7.2x	8.2x	9.2x
WACC	13.3%	4.66	5.00	5.35	5.69	6.03
	12.3%	5.02	5.38	5.74	6.10	6.46
	11.3%	5.44	5.81	6.19	6.57	6.94
	10.3%	5.94	6.33	6.73	7.12	7.51
	9.3%	6.55	6.96	7.37	7.78	8.19

Relative Valuation - Using Comparable Company Analysis

All figures in USD thousands unless stated

Peer Companies	Industry	Location	Share Price	Shares Outstand.	Market Cap	Net Debt	Enterprise Value ¹	EBITDA		Net Income		EV / EBITDA		P / E ²	
			\$	mm				2022A	2023F	2022A	2023F	2022A	2023F	2022A	2023F
Alpha.com	Supermarkets	Canada	21.70	368	7,992	2,150	10,142	1,086	1,097	553	586	9.3x	9.2x	14.5x	13.6x
Big Bucks Company	Supermarkets	USA	35.88	301	10,796	50	10,846	2,169	2,212	770	809	5.0x	4.9x	14.0x	13.4x
Centibillions Inc.	Supermarkets	USA	15.37	670	10,301	1,283	11,584	1,530	1,576	632	651	7.6x	7.4x	16.3x	15.8x
Deep Pockets Ltd.	Supermarkets	USA	39.92	248	9,921	2,866	12,787	1,142	1,165	461	484	11.2x	11.0x	21.5x	20.5x
Evergreen Co.	Supermarkets	Canada	45.63	261	11,932	396	12,328	2,055	2,096	693	700	6.0x	5.9x	17.2x	17.0x
Fat Cat Inc.	Supermarkets	Canada	37.93	245	9,282	1,218	10,500	2,625	2,625	732	739	4.0x	4.0x	12.7x	12.6x
Nav Inc.	Supermarkets	USA	46.36	379	17,569	17,200	34,769	4,688	4,688	1,092	1,168	7.4x	7.4x	16.1x	15.0x
JJ Co.	Supermarkets	Canada	40.57	122	4,961	1,433	6,394	850	884	276	282	7.5x	7.2x	18.0x	17.6x
LRM Ltd.	Supermarkets	Ghana	18.94	49	928	122	1,050	252	257	74	76	4.2x	4.1x	12.5x	12.2x
Zhao Ltd.	Supermarkets	China	15.37	96	1,478	122	1,600	402	402	114	122	4.0x	4.0x	13.0x	12.1x
Average												7.2x	7.1x	16.0x	15.5x
Median												6.8x	6.6x	15.4x	14.7x
Maximum												11.2x	11.0x	21.5x	20.5x
Minimum												4.0x	4.0x	12.7x	12.6x
Target Company Value at Median Multiples															
2022A EV/EBITDA			7.03	17,100	120,280	14,143	134,423	19,811				6.8x			
2023F EV/EBITDA			7.26	17,100	124,227	14,143	138,370		20,914				6.6x		
2022A P/E			10.02	17,100	171,414	14,143	185,557			11,148				15.4x	
2023F P/E			10.54	17,100	180,185	14,143	194,328				12,233				14.7x

Enterprise Value = Market Cap + Net Debt. ⁽¹⁾
 Calculated as Market Cap divided by Net Income. ⁽²⁾

Relative Valuation - Using Precedent Transaction Analysis

All figures in USD thousands unless stated

Date	Acquirer	Target	Share Price	Offer Price	Control Premium	Shares Outstand.	Market Cap at Offer	Net Debt	Enterprise Value	EBITDA 2022A	EBITDA 2023F	EBITDA 2024F	EV / EBITDA 2022A	EV / EBITDA 2023F	EV / EBITDA 2024F
(YYYY-MM-DD)			\$	\$		mm							x	x	x
2022-03-11	Cake	Ice Cream	25.50	31.11	22%	129	4,013	2,528	6,541	485	509	535	13.5x	12.8x	12.2x
2022-03-06	Salt	Pepper	37.25	46.56	25%	568	26,446	18,248	44,694	4,382	4,689	5,064	10.2x	9.5x	8.8x
2021-09-17	Fish	Chips	16.80	21.17	26%	688	14,565	9,759	24,323	1,622	1,784	1,891	15.0x	13.6x	12.9x
2020-11-13	Peanut Butter	Jelly	31.11	37.33	20%	1,429	53,345	34,674	88,019	8,075	8,883	9,682	10.9x	9.9x	9.1x
2020-08-13	Brisket	NoSauce	29.29	37.20	27%	1,198	44,566	27,631	72,196	4,512	4,918	5,312	16.0x	14.7x	13.6x
2020-05-01	Biscuits	Gravy	12.34	15.30	24%	934	14,290	9,146	23,436	2,092	2,280	2,486	11.2x	10.3x	9.4x
2020-09-17	CTM	GTM	9.00	8.75	(3%)	156	1,365	860	2,225	371	404	425	6.0x	5.5x	5.2x
2015-09-17	CTM	Jik	23.82	30.49	28%	1,219	37,167	25,273	62,440	4,995	5,145	5,299	12.5x	12.1x	11.8x
2014-11-13	Octane	Lime	60.00	72.50	21%	141	10,223	6,338	16,560	974	1,071	1,179	17.0x	15.5x	14.1x
2014-08-13	HHV	Dela	14.00	17.36	24%	1,377	23,905	14,343	38,248	2,318	2,503	2,729	16.5x	15.3x	14.0x
Average													12.8x	11.8x	11.0x
Median													12.3x	11.6x	10.8x
Maximum													16.0x	14.7x	13.6x
Minimum													10.2x	9.5x	8.8x
Target Company Value at Median Multiples															
2022A EV/EBITDA			7.25	13.48	86%	17,100	230,432	14,143	244,575	19,811			12.3x		
2023F EV/EBITDA			7.25	13.31	84%	17,100	227,657	14,143	241,800		20,914			11.6x	
2024F EV/EBITDA			7.25	12.63	74%	17,100	216,033	14,143	230,176			21,251			10.8x

Football Field Chart

