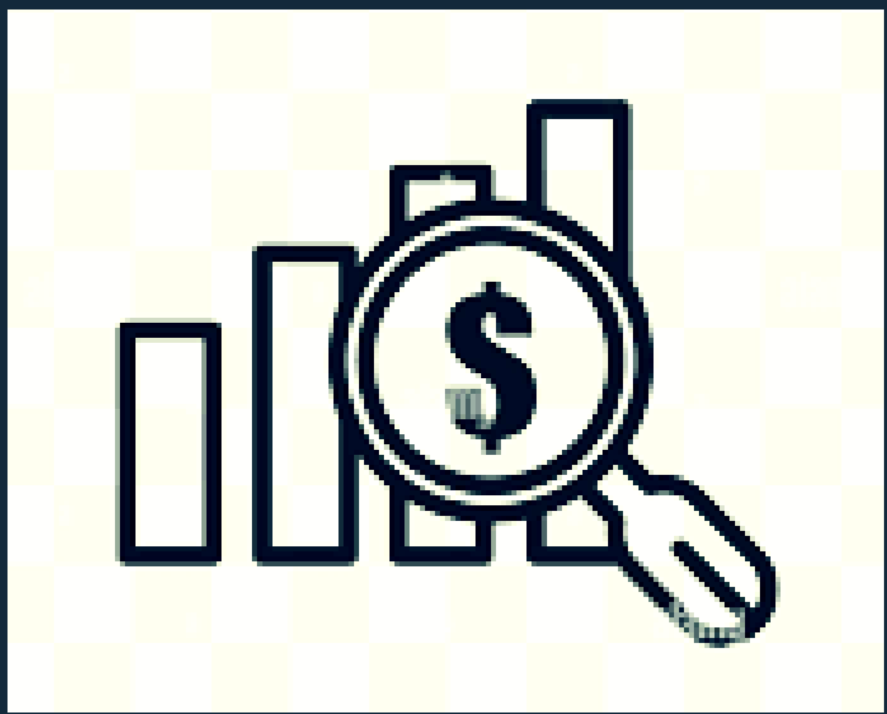
VALUATION AND MODELING GLOSSARY:



Enterprise Value (EV): It is the measure of a company’s total value.
It is calculated by adding the market value of the equity with the market value of debt and substracting cash and cash equivalent from that.

Levered Cash Flows: They are the cash flows generated by a business after it has paid all of its debt obligations(Interest payments).We use Levered cash flows to calculate the value of a business using a discounted cash flow.

Unlevered Cash Flows: Unlevered cash flows are the cash flows generated by a business before it pays any interest on its debt obligations. Unlevered cash flows are used to calculate the value of a business using a discounted cash flow (DCF) analysis that does not take into account the cost of debt or the company's capital structure.

Weighted Average Cost of Capital (WACC): WACC is a measure of the cost of taking a loan or issuing a equity. It takes into account the cost of equity and the cost of debt, and the proportion of each in the company's capital structure.

Discount Rate: A discount rate is the rate used to fins the present value of future cash flows. In a DCF, the discount rate represents the required rate of return for an investor to invest in the business. Most of the times, WACC is used as a discount rate.

Capital Expenditures (CapEx): Capital expenditures are the funds a company spends to buy or upgrade its physical assets, such as buildings, equipment, or machinery. CapEx is subtracted because it does not appear in the Income Statement, but it is an actual Cash expense.

EBITDA: It is a measure of a company's operating profitability that excludes non-operating expenses and the effects of capital structure. EBITDA is often used in valuation analysis as a substitute instead of net income.

Multiple: A multiple is a ratio that is used to compare the value of one business to another. In valuation analysis, multiples are often used to estimate the value of a business compared to its peers. Examples of multiples include price-to-earnings (P/E) ratio, price-to-sales (P/S) ratio, and enterprise value-to-EBITDA (EV/EBITDA) ratio.

Free Cash Flows: Free cash flows are the cash flows generated by a business that are available to its investors after it has paid for all its expenses, capital expenditures, and working capital requirements. We use this in a DCF analysis to estimate the intrinsic value of a business.

Terminal Value: Terminal value is the value of a business at the end of a forecast period. It is calculated using a perpetuity formula that assumes that the business will continue to generate cash flows at a constant rate forever.We use Terminal value in a DCF analysis to estimate the value of a business beyond the forecast period.

Terminal Growth Rate: The terminal growth rate is the rate at which a business is assumed to grow for infinity after the forecast period in a DCF analysis. It is used in the perpetuity formula to calculate the terminal value.

THANK YOU FOR READING