Financial Modelling Templates

Terminal Value

http://spreadsheetml.com/finance/terminalvalue.shtml

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ConnectCode's Financial Modelling Templates

Have you thought about how many times you use or reuse your financial models? Everyday, day after day, model after model and project after project. We definitely have. That is why we build all our financial templates to be reusable, customizable and easy to understand. We also test our templates with different scenarios vigorously, so that you know you can be assured of their accuracy and quality and that you can save significant amount of time by reusing them. We have also provided comprehensive documentation on the templates so that you do not need to guess or figure out how we implemented the models.

All our template models are only in black and white color. We believe this is how a professional financial template should look like and also that this is the easiest way for you to understand and use the templates. All the input fields are marked with the '*' symbol for you to identify them easily.

Whether you are a financial analyst, investment banker or accounting personnel. Or whether you are a student aspiring to join the finance world or an entrepreneur needing to understand finance, we hope that you will find this package useful as we have spent our best effort and a lot of time in developing them.

ConnectCode

1.   Terminal Value

1.1   Terminal Value Spreadsheet Model

During the valuation of a company or enterprise, the estimation of the Terminal Value of the company is an important aspect that should not be forgotten. There are several ways of estimating the terminal value. This Terminal Value spreadsheet model uses one of the most commonly used formula for estimating this value.

Terminal Value = (CF * (1 + G)) / (CC - G)

CF - Cash Flow at the end of the projection horizon. Cash Flow in Year 5 of the spreadsheet model.
G - Growth Rate of Cash Flow after projection horizon. This is typically a constant value or zero.
CC - Cost of Capital

	A	B	C	D	E
1			Terminal Value		
2					
3					
4	Cost of Capital (WACC) or Discount Rate*				20.00%
5	Number of Periods*				5.00
6	Growth rate of Cash Flow after projection horizon(at terminal)*				0.00%
7					
8		Year	Cash flow*	DCF	
9		1	$40,000.00	$33,333.33	
10		2	$40,000.00	$27,777.78	
11		3	$40,000.00	$23,148.15	
12		4	$40,000.00	$19,290.12	
13		5	$40,000.00	$16,075.10	

1.2   Enterprise Value

This spreadsheet also provides a complete model for valuing the company (enterprise) by summing the Discounted Terminal Value and the Discounted Cash Flow of the company in a 5 year time frame.

Terminal Value

	A	B	C	D	E
4	Cost of Capital (WACC) or Discount Rate*				20.00%
5	Number of Periods*				5.00
6	Growth rate of Cash Flow after projection horizon(at terminal)*				0.00%
7					
8		Year	Cash flow*	DCF	
9		1	$40,000.00	$33,333.33	
10		2	$40,000.00	$27,777.78	
11		3	$40,000.00	$23,148.15	
12		4	$40,000.00	$19,290.12	
13		5	$40,000.00	$16,075.10	
14					
15	Total DCF			$119,624.49	
16	Terminal Value			$200,000.00	
17	Discounted Terminal Value			$80,375.51	
18	Enterprise Value			$200,000.00	

Enterprise Value = Discounted Terminal Value + Total Discounted Cash Flow (DCF)