

# A three step guide to valuing companies.

1. Model the company
2. Enter forecasts
3. Click on “Calculate”
4. Save the scenarios

## 2. Company forecast

Use 5 Year Average Growth

Calculate

	2020	2021	2022	2023	2024
Forecast earning per share (£)	0.22	0.31	0.43	0.61	0.85
Forecast dividend per share (£)	0.02	0.02	0.02	0.02	0.02
Forecast sustainable growth (%)	15	15	15	15	15

Cyclical Growth

Non-Cyclical Growth

## 1. Model the Company

Is the company Cyclical

Yes

No

More Options

Strength of Business

Low

Medium

Strong

Company Life Cycle Stage

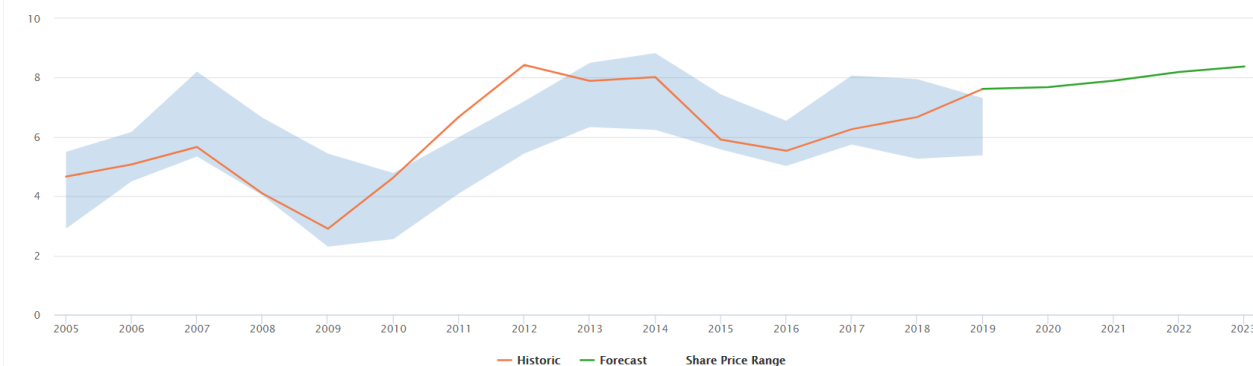
Stage 2

Stage 3

Stage 4

Stage 5

## ROCGA Valuation



**YOU CONTROL THE NARRATIVE, WE CRUNCH THE NUMBERS**

## 1. Model the Company

Is the company Cyclical

Yes

No

More Options 

Strength of Business

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Company Life Cycle Stage

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- Are the company returns cyclical?
- Strength of the business will depend on strong brands, barriers to entry, industry concentration...
- Life cycle stage can be industry specific and/or company specific.

## Additional Risk Premium %

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

- We use the CAPM to calculate our weighted average cost of capital.
- Unleveraged beta of 0.8 is used to calculate a leveraged beta of every company.
- You can change the WACC by adding (or reducing) a risk premium.

# Cyclical or non- cyclical?

Instead of overvaluing or undervaluing during peaks and troughs we take a long term outlook.

For cyclical business we use the average of Returns On Cash Generating Assets, ROC GA-x & Growth.

Splitting into three categories allows us to work with companies with different profiles, as well as semi-cyclical companies.

Is the company  
Cyclical

Yes

No

More Options ^

Rocga Cyclical

Yes

No

Rocga-x Cyclical

Yes

No

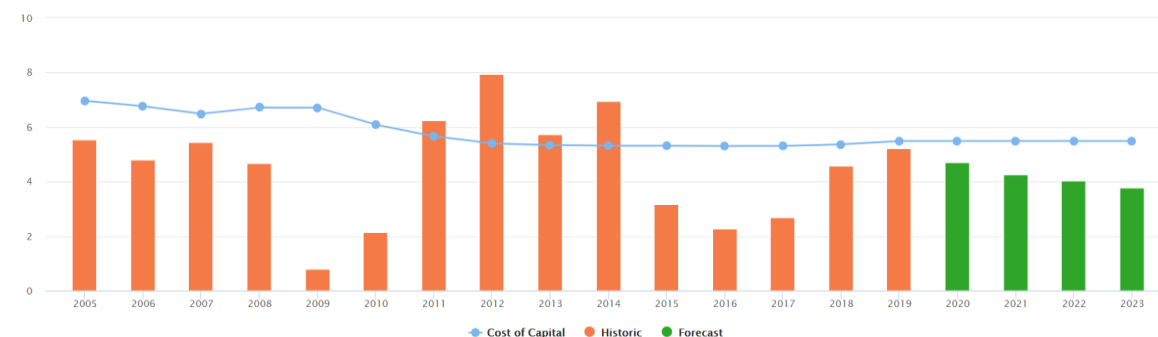
Growth Cyclical

Yes

No

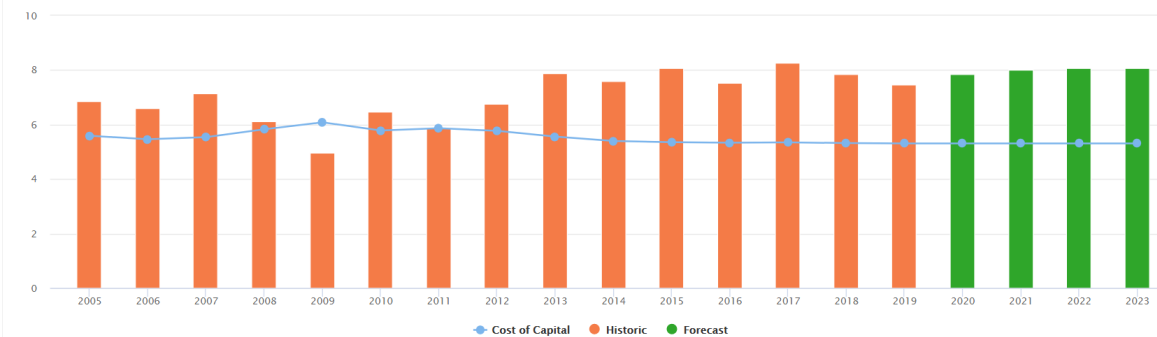
- Returns showing peaks and troughs: cyclical flag?

Return on Cash Generating Assets



- Returns are more stable: non-cyclical flag?

Return on Cash Generating Assets



## Strength of Business

We assume company returns mean revert to the cost of capital.

A stronger business will **maintain its returns** for longer before fading begins.

The level of strength can be determined by:

- Have historical returns been high and consistent?
- A loyal customer base, strong brands?
- Barriers to entry,
- Industry concentration/competition...

Strength of Business

Average

Medium

Strong

## Company Live Cycle Sage

This again is to do with company returns and mean reversion to the cost of capital.

The life cycle stage determines the **rate of fade** of returns.

LCS 2 companies will fade slower in comparison to LCS 5.

Company Life Cycle Stage

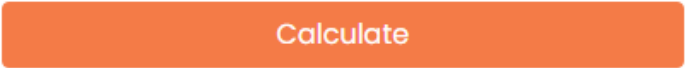
Stage 2

Stage 3

Stage 4

Stage 5

## The next step is to enter forecasts.

- Start with clicking the 5yr average and/or fill out the eps, dps & growth fields manually.
- Click on: 
- The blue river on the next page shows the share price high/low. Aim for strong correlation of the ROCGA valuation and share price. In other words, back-test your model over 15yrs.

Saved Models

High Growth

2021-10-02

✓✕

High Risk

2021-10-02

✓✕

Potential Takeover Value

2021-10-02

✓✕

Standard Model

2021-10-02

✓✕




### 2. Company forecast

Use 5 Year Average Growth

Calculate

	2020	2021	2022	2023	2024
Forecast earning per share (\$)	3.7	4.11	4.56	5.07	5.64
Forecast dividend per share (\$)	1.53	1.67	1.83	2	2.19
Forecast sustainable growth (%)	2.85	2.85	3.14	3.14	3.14

Cyclical Growth

Non-Cyclical Growth

## Save your Models.

- You can now save your models.
- You will not have to remodel every time.
- Feel free to create and save multiple scenarios.

[Summary](#)
[Valuation](#)
[Charts and Ratios](#)
[Financials](#)
[Company Profile](#)
[+ Add to Watchlist](#)

## Valuation

[Show Saved Models](#)
[Save Model](#)

### 1. Model the Company

Is the company Cyclical


[More Options](#)

Strength of Business




Company Life Cycle Stage





### 2. Company forecast



Forecast earning per share (\$)

2020

2021

2022

2023

2024

2.17

2.76

3.26

3.5

3.75

Forecast dividend per share (\$)

0.98

1.18

1.43

1.73

2.09

Forecast sustainable growth (%)

8.76

8.76

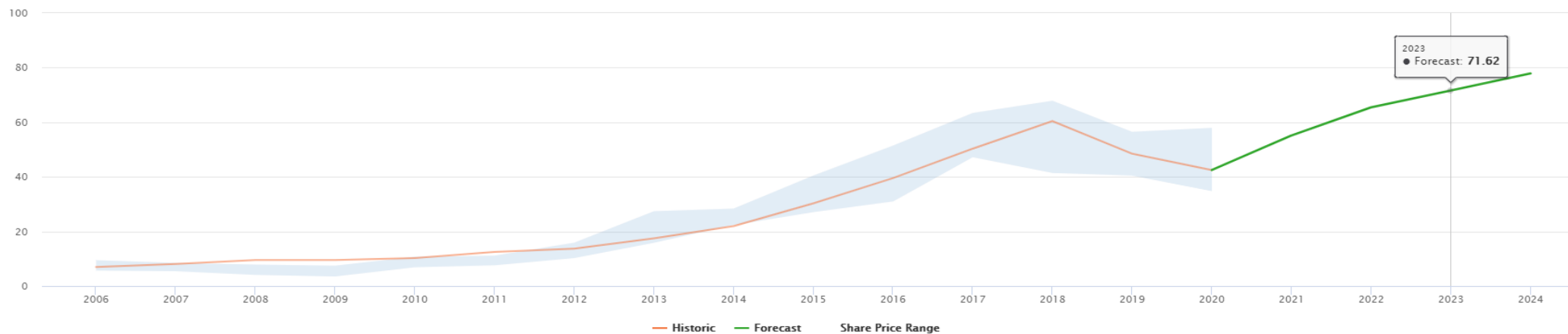
8.76

8.76

8.76



### ROC GA Valuation (\$)



# Our current coverage, as of October 2022

## Region:

Total companies – 1,700

UK – 510

NA – 880

Europe – 300

## Sectors:

Consumer – 380

Industrials – 370

Telecom & Technology – 380

Healthcare – 210

Media, Basic Materials, Utilities, Energy, Other – 300

**Screens, watchlists, chartings, 15-yr fundamental data & ratios, save modelling scenarios, Systematic DCF valuation ...**