Проблема повышения стоимости компаний в России

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Аннотация

В статье представлен анализ влияния различных факторов на повышение стоимости компаний в России. В том числе, авторы рассматривают понятие стоимости компании и различные подходы для оценки стоимости бизнеса. При анализе проблем, связанных с определением стоимости предприятия, были рассмотрены внешние факторы прямого воздействия и внешние факторы косвенного воздействия. Также стоимость компании будет значительно зависеть и от долгосрочного доходного потенциала фирмы.

Ключевые слова: стоимость компании, методы оценки бизнеса, российская практика, экономический потенциал.

The problem of companies' value increase in Russia

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Annotation

The article provides the study of the various factors' impact on business valuation process. Moreover, the concept of company's value and the main valuation methods are examined. External factors of direct impact and external factors of indirect impact were identified while analyzing the problems associated with assessing the value of the enterprise. In addition, the value of a company significantly depends on the long-term economic potential of the firm.

Key words: company's value, valuation approaches, Russian practice, economic potential.

In recent years, great attention has been paid to the concept of company's value and its increase. More and more managers and owners of the enterprises begin to understand the business value maximization is the main objective of a business entity rather than the profit growth. This is mainly due to the fact that the former reflects the long-term result of the company's activities and its perspectives for future development, while the latter reflects only a single financial result for a certain period.

In the article, the company's value is defined as the price at which firm can be sold at a given moment and on the condition that at the current business environment there is no information asymmetry, meaning that the seller and the buyer are equally aware of the state of affairs in the company and its prospects. A number of conclusions can be drawn from this definition. First of all, the cost of the company is literally represented as its price tag. The point is that many companies are thinking about estimation of the value only when entering the M&A market. However, in reality, the importance of this indicator is much higher. In that context, valuations of shares in both public and private companies are necessary for several purposes by investors, including: to establish terms of takeovers and mergers; to be able to make 'buy and hold' decisions in general; to value companies entering the stock market; to establish values of shares held by retiring directors, which the articles of a company specify must be sold; for fiscal purposes, such as capital gains tax and inheritance tax.

As we mentioned earlier, the company's value is determined at the particular moment and under the given conditions. Hence, both internal and external factors might have an influence on the outcomes of the enterprise's valuation process.

Let us consider the main approaches to measure business worth in order to indicate their advantages and disadvantages, the possibility of their application, and also what features each of these methods introduces into the definition of company's value. The methods are considered below:

1. DVM approach - based on the return paid to a shareholder.

According to this method, the value of the company is the present value of the expected future dividends discounted at the shareholders' required rate of return. It is represented by the following formula: $P = Do * (1 + g) / (Re - g)$

2. Income/earnings approach - based on the returns earned by the company.

The P/E ratio method is widely used in practice. P/E ratios are quoted for all listed companies and calculated as: Price per share / Earnings per share. This also might be used to value shares in unquoted companies as:

Value of the company = Total earnings * P/E ratio

Value per share = EPS * P/E ratio

In case of an unquoted company, an adjusted P/E multiple from a similar quoted company or industry average needs to be implemented.

3. Asset approach - based on the tangible assets owned by the enterprise.

Here, the business is estimated as being worth the value of its net assets. However, there are three common ways of valuing its net assets: book values, net realisable values and replacement values.

• The book value approach is practically pointless. The non-current assets' book value is based on historical costs and relatively arbitrary depreciation. The above-mentioned amounts are unlikely to be relevant to any client, whether it is purchaser or seller. Moreover, the book values of net current assets (other than cash) could also not be important as inventory and receivables might require adjustment.

• Net realisable values of the assets less liabilities. This amount would represent what should be left for shareholders if the assets were sold off and the liabilities settled. However, if the business being sold is profitable, then shareholders logically would expect to receive more than the net realisable value of the net assets because of the fact that successful businesses cost more than the sum of their net tangible assets: they have intangible assets such as goodwill, knowhow, brands, highly-skilled workforce, strong management team and customer lists – none of which is likely to be reflected in the net realisable value of the assets less liabilities.
It is quite common that the non-balance sheet assets are more valuable than the balance sheet assets. Net realisable value therefore represents a 'worst case' scenario because, presumably, selling off the tangible assets would always be available as an option. The selling shareholders should therefore not accept less than the net realisable amount – but should usually hope for more.

• Replacement values. The approach tries to determine what it would cost to set up the business if it were being started now. The value of a successful business using replacement values is likely to be lower than its true value unless an estimate is made for the value of goodwill and other intangible assets, such as brands. Furthermore, estimating the replacement cost of a variety of assets of different ages can be difficult.

So, of the three approaches, net realisable value is likely to be the most useful because it presents the sellers with the lowest value they should accept.

4. DCF approach

One of the most detailed and justifiable ways to value a business or even its part is through the use of discounted cash flows (DCF). Under this approach, the acquirer constructs the expected cash flows of the target company, based on extrapolations of its historical cash flow and expectations for synergies that can be achieved by combining the two businesses. A discount rate is then applied to these cash flows to arrive at a current valuation for the business.

The general DCF model: $EV = FCF_1/(1+r)^1 + FCF_2/(1+r)^2 + ... + FCF_n/(1+r)^n + TV/(1+r)^n$, where:

FCF_n = Unlevered FCF occurring at the end of interval n;

TV = Terminal Value;

r = Weighted-average cost of capital (WACC).

The process of doing a DCF analysis is represented on the following manner:

First step: Estimate the Weighted Average Cost of Capital (Cost of Equity & Cost of Debt)

The Weighted Average Cost of Capital measures the minimum rate of return required to make an investment decision. For the discount rate calculation, the following formula might be applied: $r = WACC = K_e * E / E+D + K_d * (1-T) * D / (E +D)$, where:

K_e: Cost of Equity

K_d: Cost of Debt

E: Market Value of Equity

D: Market Value of Debt

T: Marginal Tax Rate

For the company's cost of equity calculation, the Capital Asset Pricing Model is used:

$K_e = r_f + \beta * (r_m - r_f)$, where:

K_e: Cost of Equity

β: Company Beta, its volatility relative to the rest of the market

r_f: Risk free rate

r_m: Equity market average return

$r_m - r_f$: Excess Market Return

Finally, we need to estimate the cost of capital. The cost of debt is the marginal cost of debt after giving effect to the tax shield provided by debt financing.

K_d = Outstanding Debt + Marginal Interest Rate, in cases where there is no publicly traded debt, the cost of debt can either be obtained from comparables, or approximated to the Risk-Free-Rate (ri).

Second step: Project the Free Cash Flows (Unlevered FCF)

Leverage in financial terms refers to the tax savings and therefore cash flow increase provided by interest payments from company's debt items reported on the income statement. Unlevered Free Cash Flow, therefore, refers to the cash flow of a company adjusting out the leverage provided by debt items, such as interest payments reported on the income statement.

Third step: Estimate the Terminal Value

Terminal Value $=FCF_N * (1 + g) / (r + g)$, where:

g: nominal perpetual growth rate

r: discount rate

Fourth step: Derive the Enterprise valuation and EPS

1) EV - Debt + Cash = Equity value

2) Equity value / Diluted Shares = EPS

The various methods of valuation will often give widely differing results. It may be in the interests of the investor to argue that either a 'high' or 'low' value is appropriate. Consequently, the final figure will be a matter for negotiation between interested parties.

As we know, companies are valued for a number of reasons such as their sale or purchase, obtaining a listing, inheritance tax computations and issuance of shares. Generally, difficulties associated with valuation are limited to unlisted companies because listed companies have a quoted share price. However, even listed companies might face valuation challenges (i.e. when one is trying to forecast the effect of a takeover on the share price).

The most common standards are the market value and the intrinsic value, suggesting that a company should be evaluated by all existing methods of business valuation, and the final estimate should be a weighted average of all estimates determined by different methods.

According to the theory of business valuation, DCF model is considered to be the most reliable method. Therefore, despite subjectivity, non-reproducibility of valuations, analysts have to use this method in most cases.

One of the most difficult problems in estimating the cost of future cash flows is the determination of the discount rate, its risk-free and risk components. In Russian practice, the following proxies as a risk-free rate are applied:

1) the refinancing rate of the Central Bank of Russia;

2) the rate on deposits of the Savings Bank;

3) the rate of return on government securities.

All external factors that influence the company are divided into external factors of direct impact and external factors of indirect impact.

External factors of direct impact directly affect the activities of the enterprise and have a direct impact on the economic operations of companies. Firms encounter external factors of direct impact in the business operations. These include: 1) customers - consumers of goods and services (dishonesty, insolvency); 2) partners (price increases, unfair reduction of product quality); 3) competitors (effective advertising, low prices); 4) bank and credit institutions (late payments due to the fault of the bank); 5) state and departmental bodies (unlawfulness of actions of third parties).

External factors of indirect impact in general form can be represented as economic, political, natural factors containing the following components:

1) environmental factors (unfavorable weather conditions, natural phenomena);

2) political factors, which include: the factors of the internal situation in the country, resulting from the activities of the legislative and executive authorities; factors of the international situation;

3) legal factors include a set of laws and regulations governing the conduct of businesses;

4) economic factors determined by the type of economic system (changes in tax legislation, inflation rate, nominal interest rate and money supply, employment level, foreign trade volume);

5) technological factors can both create additional benefits for enterprises, and act as constraints on its development;

6) social factors dependent on the attitudes, values and traditions of the government.

In Russia, political and tax factors, as well as technical ones, such as the unreliability of the material and technical support system, have become crucial in recent years. Despite the fact that the valuation of the company, as a rule, is based on its current profitability, its value also depends on the long-term profit potential of the firm.

The economic potential refers to the enterprise's ability to achieve its objectives, using available material, labor and financial resources. There are several methods for assessing the economic potential: production potential (potential output of goods, potential opportunities of fixed assets, potential opportunities of use of raw materials, potential opportunities of use of intellectual potential) and financial potential (potential indicators of profitability, solvency, liquidity, financial stability, investment opportunities). The algorithm of production potential determination order is presented below.

Preparatory stage:

1. Determination of production potential levels and their characteristics;

2. Development of generalized indicators;

3. Establishment of threshold values;

4. Rating of indicators;

5. Settlement of the minimum and maximum values of the scoring scale;

6. Assignment of intervals to rating;

7. Determining the significance of each component.

Calculation stage:

1. Determination of the value of the coefficients by the components of the production potential for the purpose of assigning the appropriate score;

2. Summing up the scores for the components of the production potential;

3. Defining the characteristics of the enterprise's PP, depending on the points and importance of the component of the production potential.

The financial potential of a company provided:

• Whether the enterprise’s own capital sufficient to meet the conditions of liquidity and financial stability;

• The possibility of attracting the company with capital in the amount necessary for the effective implementation of investment projects;

• Return on invested capital in the company;

• An efficient financial management system of the firm, ensuring the transparency of the current and future financial condition.

Thus, an assessment of the company's production and financial potential - a necessary stage of strategic analysis and management. Effective realization of the general potential depends on a condition of both each of its parts, and their interaction. Balance of general potential parts is the main condition of its full realization, as lag of one of them acts as a restricting factor for others. Proposed methods for calculations cover all the main intra-firm processes taking place in different functional areas of its internal environment. As a result, all the strengths and weaknesses are revealed and a comprehensive plan for long-term development can be formulated, which is necessary for conducting a business valuation.

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