***My friends…. Welcome to the first ever MIDTERM 1 PROJECT for FIN 455!*** I am sure that you are all excited to test/apply your excel skills in a real life scenario (in many ways – that is exactly what financial modeling is about)

Select a Bangladeshi firm – select one that you are interested to learn about, don’t pick one at random. *(I have & will continue to offer my picks of the week through my classroom examples).* Your objective will be to calculate the **Enterprise Value** of the business.

1. Your FIRST measure will be the enterprise BOOK value. Please include a small write up explaining what it is, its characteristics and limitations. *(5 marks)*
2. Your SECOND measure based on the efficient markets approach.
	1. You will calculate the EV using the market cap. *(5 marks)*
	2. Then you will calculate the EV using DCFs based on the consolidated cash flow statement. *(5 marks)*
	3. Then you will calculate the EV based on Pro Forma Financial statements*. (5 marks)*

*(Remember to create a separate sheet for each form of valuation, to organize your data properly, and to offer small explanations supporting your methodology) –*

1. In order to use the DCF approach to valuation you will have to calculate the WACC for the firm. Please calculate the WACC –
	1. By first calculating the market value of the firm’s equity *(5 marks)*
	2. Then the market value of the firm’s debt *(5 marks)*
	3. Then the implied tax rate *(5 marks)*
	4. Followed by the firm’s cost of debt *(5 marks)*
	5. And then the cost of equity using –
		1. The Gordon model *(calculate the growth rate – you know how) (5 marks)*
		2. The CAPM *(use the stockbangladesh web site & other resources we saw in class) (5 marks)*

We are almost done…..with the excel portion of the project at least – now you will have to demonstrate a deeper understanding of finance. Discuss (briefly) how & why these values are different (we all know that they will be) – would you invest in this company. Please discuss 5 reasons in favor of “yes” or “no”…. and if you are undecided – then discuss 6 reasons why. *(10 marks)*

We aren’t quite done yet – the project will be followed by an interview/presentation. My plan is to invite a fund manager (a good one) to listen to your speeches. Your interaction with a finance professional would solidify your understanding of EV and show you first hand – the real world implications of what you are learning in class. Don’t worry – I will be doing the grading out of *(10 marks)*

Now you’re done…..