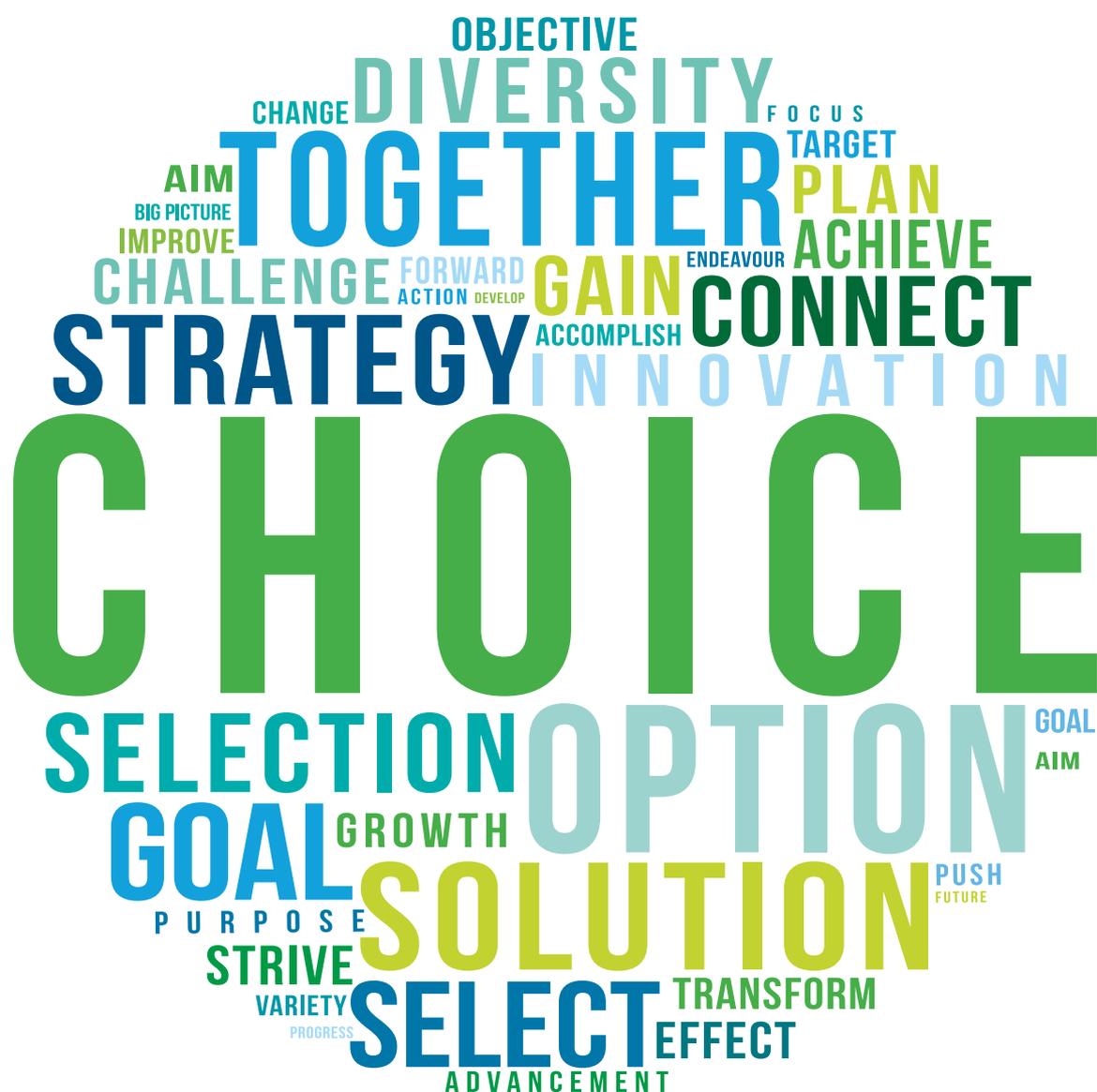


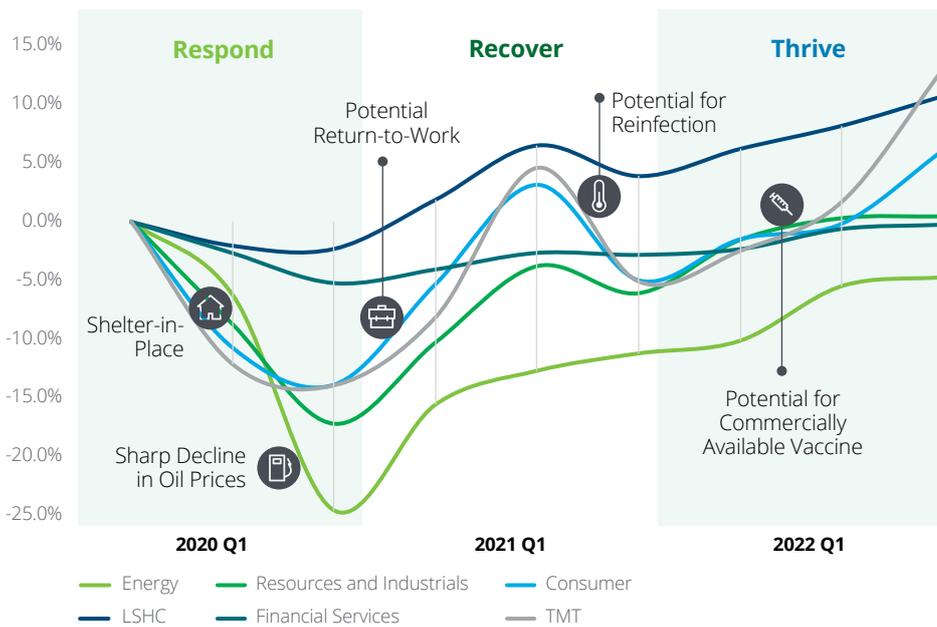
Valuation in a post- COVID-19 world

Price versus Intrinsic Value



Price versus Intrinsic Value

As the graph below shows, analyst forecasts can provide insight into COVID-19 recovery patterns by sector based on degree of exposure to anticipated milestones. Operational and financial decision-making can influence the speed and magnitude of this trajectory.



Source: S&P Capital IQ. Based on S&P 500 analyst EPS growth percentage forecasts by sector; coupled with example milestones that may explain trends

Important questions

- Is market pricing representative of fair value?
- How do I develop financial scenarios in the current environment?
- Do acquisition premiums expand in volatile markets?
- Are historical market multiples relevant benchmarks?

Consistency is critical, as multiples are very sensitive to underlying assumptions

Scenario analysis is considered a leading practice given the uncertainty in forecasted cash flows

Expected increase in acquisition premiums, but sector and time dependent

Volatility adjustments could explain a portion of the total decline in market indexes

3x normal volatility indicates that single-day price measures are unreliable

How do uncertain markets impact valuation analyses?

Common benefits of a efficient valuation process

- Establishes a market participant view on value and differentiates between price and intrinsic value
- Facilitates understanding of the relationship between forecast cash flows and required rates of return
- Leverages industry experience in developing probability-adjusted cash flow scenarios to reflect incremental risk from impact of COVID-19 on your business
- Calibrates recent investments/acquisitions to reflect current market conditions

Is market pricing indicative of my business value?

Volatile markets create wide range of control premiums

Based on data sourced from S&P Capital IQ, our historical study shows that equity premiums increased significantly following the market decline in 2008, which was attributed to asymmetric information as management actions to mitigate impact were not evident between filings and investor relation calls.

During such times, there is an inverse relationship between control premiums and multiples

Are market multiples reflective of your business value?

Considerations

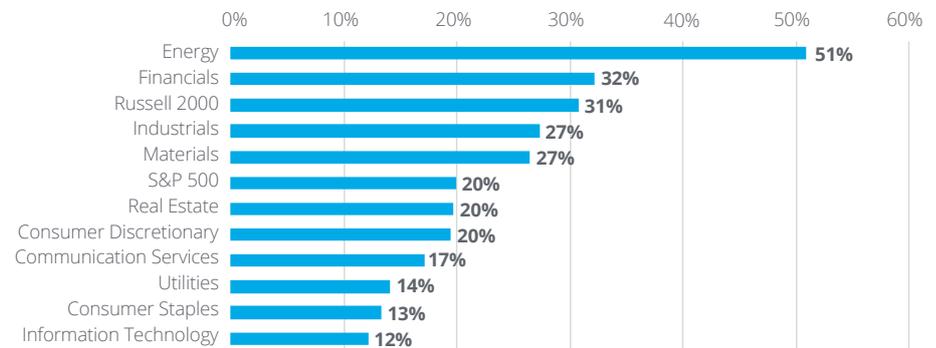
A company cannot simply ignore recent declines in their stock price, since the declines are indicative of factors that a company should consider. What parts of the underlying business have been affected? How do these changes affect the company as a whole?

Control Premiums and Market Multiples, 2008 - 2009



Source: S&P Capital IQ

Loss in Sector/Index values since December 31, 2019



Source: S&P Capital IQ, S&P 500 publicly traded companies

How are we helping clients respond?

 <p>Forecasting and Scenario Planning</p> <p>Cash flow forecasting and scenario planning to help understand how the COVID-19 crisis will affect financials, liquidity, and how operations may respond to management decisions</p>	 <p>Financial Reporting</p> <p>Observed market declines may represent a trigger to perform an interim impairment test of goodwill and long-lived assets</p>	 <p>Portfolio Valuation Services</p> <p>Portfolio valuation services can help enhance transparency and consistency to meet stakeholder requirements, reduce perceived conflicts of interest, and mitigate risks across an organization</p>
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- 2 Modeling**
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Let's talk



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