

Valuation exercise

Biotech S.A.

Biotech S.A. is a company that operates on the area of stem cells. It is a Portuguese company located on Tagus Park (park of science and technology). The company has 4 years of activity.

Cash flows (in euros) for the years of activity:

2011: - 3000.000

2012: - 1.700.000

2013:-750.000

2014: 100.000

2015: 200.000

According the board of management of the company the expected growth of the cash flows is 10% for the next years. No more information was provided on this topic.

Risk of the company is considered high.

Balance sheet information at 31 December 2014:

Total assets of 5.000.000 euros

Equity: 2.000.000 euros

Liabilities: 3.000.000 euros

Average interest rate of bearing debt for the company is 6%.

Company is trying to register a new patent concerning a new method for the preservation of stem cells.

The shareholders of the company are 3 scientists with equal share participation.

Assignment: Perform the company valuation with reference as at 31 December 2014.

Consider all the necessary assumptions for your answer.