

Mining Modeling 3

Using Valuation Techniques Including DCF Analysis

Summary

This hands-on course is focused on the practical implementation of Discounted Cash Flow (“DCF”) valuation analysis for a mining Company.

The skills required to build a DCF analysis will be discussed and incorporated into a mining model.

Participants will learn to recognize and avoid the most common errors that mining professionals make when creating a DCF analysis.

This course will also include a number of Excel tips and skills to help a user check and audit a financial model.



Prerequisites

Participants should have a basic working knowledge of Excel and the mining sector prior to taking this course.



Timing

This course requires 1 day.

Learning Topics

1. Build a Detailed Income Tax Schedule

- ✓ Incorporate an income tax schedule to calculate current and deferred income taxes for the company
- ✓ Use a tax pool schedule to track the following items:
 - Capital Cost Allowance (“CCA”)
 - Canadian Development Expenses (“CDE”)
 - Canadian Exploration Expenses (“CEE”)
 - Tax Loss Carry Forwards (“TLCF”)

2. Incorporate a DCF Analysis

- ✓ Discuss the appropriateness of DCF methodology to value a mining company which is in production
- ✓ Properly calculate a company’s unlevered free cash flows
- ✓ Calculate the tax impact of unlevering a company’s cash flows
- ✓ Calculate the company’s cost of capital and choose an appropriate weighted average cost of capital (“WACC”) range
- ✓ Ensure the cash flows in the forecast period are discounted to the correct period
- ✓ Discuss common discounting errors and review the magnitude of discounting the cash flows to the wrong time period
- ✓ Discuss alternative valuation methodologies used in the mining industry

3. Understand the DCF Analysis

- ✓ Use powerful Excel tools to sensitize the outputs
- ✓ Incorporate appropriate ratios and performance metrics
- ✓ Create “flags” to warn the user if a covenant has been tripped
- ✓ Conditionally format output tables to highlight specific results