

Using Duff & Phelps Navigator Data in ValuSource Pro, BVM Pro, and Express Business Valuation

ValuSource is working on developing the functionality to import the data directly from Duff and Phelps Navigator into our valuation software and expect to have this update available soon. However, until we release the update, we want to provide you with a **manual method** of using Navigator data in our software.

The first step is to use the Navigator and export the spreadsheet (or PDF). If you are using the **buildup method**, you will need the risk free rate, the equity risk premium and the industry risk premium. If you are using the **CAPM**, you will need the risk free rate, equity risk premium and the beta and size premium.

Then follow the instructions below based on what version of our software you have:

ValuSource Pro and BVM Pro

In the past, the Duff & Phelps folder was used to input the variables needed to get the data. With the Navigator, those inputs are in the Navigator and not in the software. This means that the Duff & Phelps folder should be ignored. Instead go to the appropriate income method.

The next step is to set the appropriate assumptions. Choose the appropriate Rate Calculation Method. Buildup or CAPM. These should correspond to your selections in the Navigator.

VSP: Analysis Edit View Tools Help

VSP8 Navigator ValuSource Pro - Analysis: instructions.vsp

Assumption	Change Value	
Earnings Base	After Tax Cash Flow	Selects the economic base that is capital... taxes, EBITDA is earnings before inter
Historic or Adjusted Base	<input type="radio"/> Historic <input checked="" type="radio"/> Adjusted	Selects the historic or adjusted financi
Debt Free (Invested Capital)	<input type="checkbox"/> Apply	Selects a debt free approach. Adds ba... applies WACC.
Rate Calculation Method	<input type="radio"/> Buildup Capitalization Rate <input checked="" type="radio"/> CAPM Capitalization Rate <input type="radio"/> Buildup Capitalization Facto <input type="radio"/> CAPM Capitalization Factor	Selects the methodology to determine t
SBBI or D&P	<input type="radio"/> SBBI <input checked="" type="radio"/> D&P Cost of Capital <input type="radio"/> D&P Decile	Hides or shows the appropriate rows to
Which D&P Type	<input checked="" type="radio"/> Excess of CAPM <input type="radio"/> Arithmetic Mean	Chooses arithmetic or excess of CAPM
Which D&P Size	10	Chooses the decile
Capitalize Against	<input type="radio"/> Year 0 <input checked="" type="radio"/> Year 1	Selects the period to which the capitali
Industry Risk	<input checked="" type="checkbox"/> Apply	Applies industry risk premia to rate.

The next assumption to set is to the Decile (CRSP) or Cost of Capital (Risk Premium Report)

VSP: Analysis Edit View Tools Help

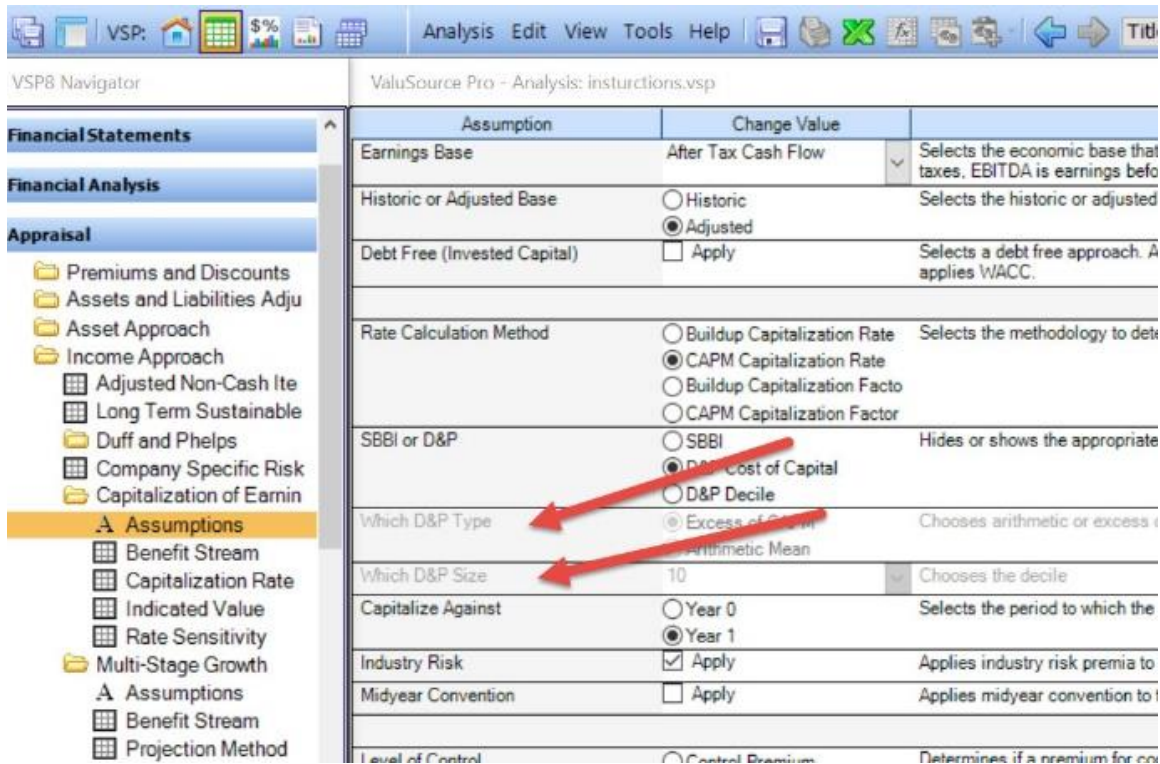
VSP8 Navigator ValuSource Pro - Analysis: instructions.vsp

Assumption	Change Value	
Earnings Base	After Tax Cash Flow	Selects the economic base that... taxes, EBITDA is earnings befo
Historic or Adjusted Base	<input type="radio"/> Historic <input checked="" type="radio"/> Adjusted	Selects the historic or adjusted
Debt Free (Invested Capital)	<input type="checkbox"/> Apply	Selects a debt free approach. A... applies WACC.
Rate Calculation Method	<input type="radio"/> Buildup Capitalization Rate <input checked="" type="radio"/> CAPM Capitalization Rate <input type="radio"/> Buildup Capitalization Facto <input type="radio"/> CAPM Capitalization Factor	Selects the methodology to det
SBBI or D&P	<input type="radio"/> SBBI <input checked="" type="radio"/> D&P Cost of Capital <input type="radio"/> D&P Decile	Hides or shows the appropriate
Which D&P Type	<input checked="" type="radio"/> Excess of CAPM <input type="radio"/> Arithmetic Mean	Chooses arithmetic or excess of
Which D&P Size	10	Chooses the decile
Capitalize Against	<input type="radio"/> Year 0 <input checked="" type="radio"/> Year 1	Selects the period to which the
Industry Risk	<input checked="" type="checkbox"/> Apply	Applies industry risk premia to
Midyear Convention	<input type="checkbox"/> Apply	Applies midyear convention to
Level of Control	<input type="radio"/> Control Premium	Determines if a premium for co

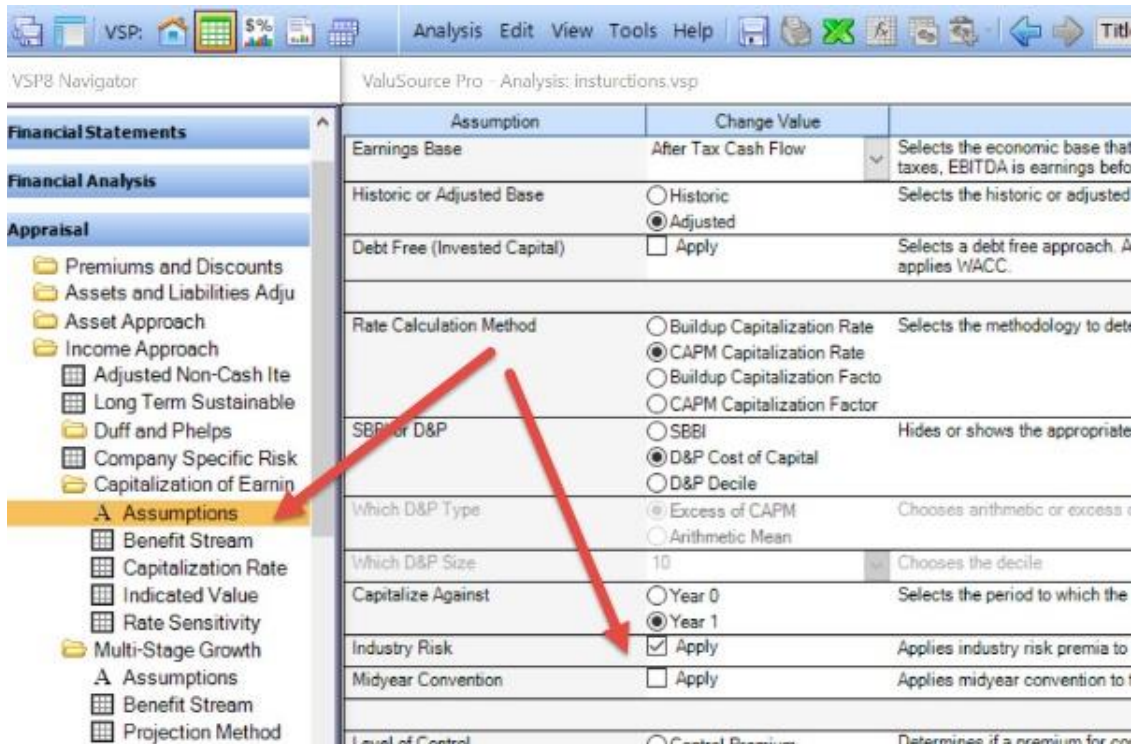
If the Decile is selected, then the next two items will be available to select. These select the type and size of the CRSP data. The analysis sheet is not affected by these selections but the report writer will use them to populate the report with the boiler plate text describing them.

Appraisal		Adjusted	
Debt Free (Invested Capital)	<input type="checkbox"/> Apply		Selects a debt free app applies WACC.
Rate Calculation Method	<input type="radio"/> Buildup Capitalization Rate <input checked="" type="radio"/> CAPM Capitalization Rate <input type="radio"/> Buildup Capitalization Facto <input type="radio"/> CAPM Capitalization Factor		Selects the methodolo
SBBI or D&P	<input type="radio"/> SBBI <input type="radio"/> D&P Cost of Capital <input checked="" type="radio"/> D&P Decile		Hides or shows the ap
Which D&P Type	<input checked="" type="radio"/> Excess of CAPM <input type="radio"/> Arithmetic Mean		Chooses arithmetic or
Which D&P Size	10		Chooses the decile
Capitalize Against	<input type="radio"/> Year 0 <input checked="" type="radio"/> Year 1		Selects the period to w
Industry Risk	<input checked="" type="checkbox"/> Apply		Applies industry risk p
Midyear Convention	<input type="checkbox"/> Apply		Applies midyear conve
Level of Control	<input type="radio"/> Control Premium <input checked="" type="radio"/> Minority Interest Discount <input type="radio"/> No Premium or Discount		Determines if a premiu appraisal method.
Marketability Discount	<input checked="" type="checkbox"/> Apply		Applies marketability d

If the Cost of Capital or the risk premium report is selected the Type and Size assumptions are greyed out or unavailable.



The next assumption to choose is the IRP (Industry Risk Premium) if it is appropriate to the engagement



After the assumptions are selected, the schedules need to be filled in. The rate schedule is where the data is input. Depending on the assumption selection the schedule will display different rows. The blue font cells are what need to be typed over to manually input the data.

If the Buildup and Decile assumptions are selected, then the rows open like the picture below. Type in blue font cells.

Capitalization of Earnings Capitalization Rate		
BUILDUP CAPITALIZATION RATE		
Risk-Free Rate of Return		0.00%
Equity Risk Premium		0.00%
Small Stock Risk Premium		0.00%
Plus/Minus Industry Risk Premium		0.00%
Company Specific Premium		3.50%
Net Cash Flow Discount Rate		3.50%
Discount Rate		3.50%
Sustainable Growth		2.50%
Capitalization Rate To Apply To Next Year Stream		1.00%
Selected Rate		1.00%

If the CAPM and Decile assumptions are selected, then the rows open like the picture below. Type in blue font cells. The beta is a white cell and the program is expecting a manual input.

Capitalization of Earnings Capitalization Rate		
CAPM CAPITALIZATION RATE		
Risk-Free Rate of Return		0.00%
Equity Risk Premium		0.00%
X Company Beta		
Beta Adjusted Common Stock Premium		0.00%
Risk Adjustment For Size		0.00%
Equity Risk Premium		0.00%
Company Specific Premium		3.50%
Net Cash Flow Discount Rate		3.50%
Discount Rate		3.50%
Sustainable Growth		2.50%
Capitalization Rate To Apply To Next Year Stream		1.00%
Selected Rate		1.00%

If Buildup and Cost of Capital is selected, then the rows open like the picture below. Type in blue font cells.

Capitalization of Earnings Capitalization Rate	
BUILDUP CAPITALIZATION RATE	
Risk-Free Rate of Return	0.00%
Equity Risk Premium	0.00%
Company Specific Premium	3.50%
Net Cash Flow Discount Rate	3.50%
Discount Rate	3.50%
Sustainable Growth	2.50%
Capitalization Rate To Apply To Next Year Stream	1.00%
Selected Rate	1.00%

Express Business Valuation

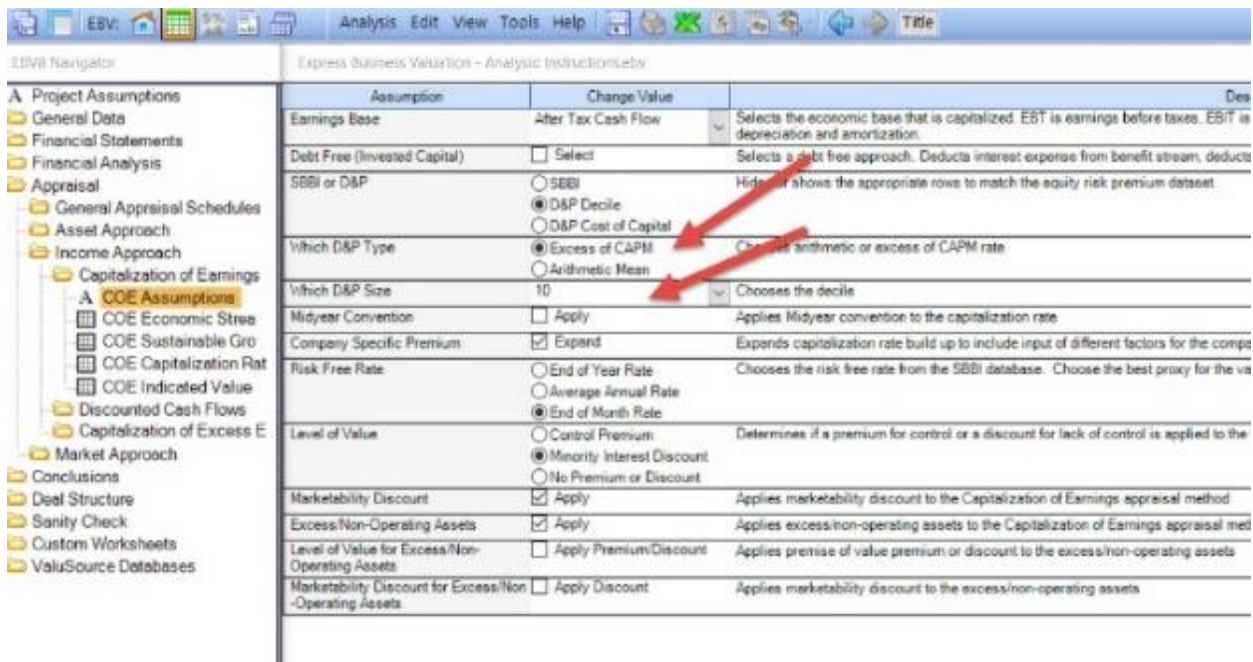
In the past, the Duff & Phelps folder was used to input the variables needed to get the data. With the Navigator, those inputs are in the Navigator and not in the software. This means that the Duff & Phelps folder should be ignored. Instead go to the appropriate income method.

The next step is to set the appropriate assumptions. Select the Decile (CRSP) or Cost of Capital (Risk Premium Report). This should correspond to your selections in the Navigator

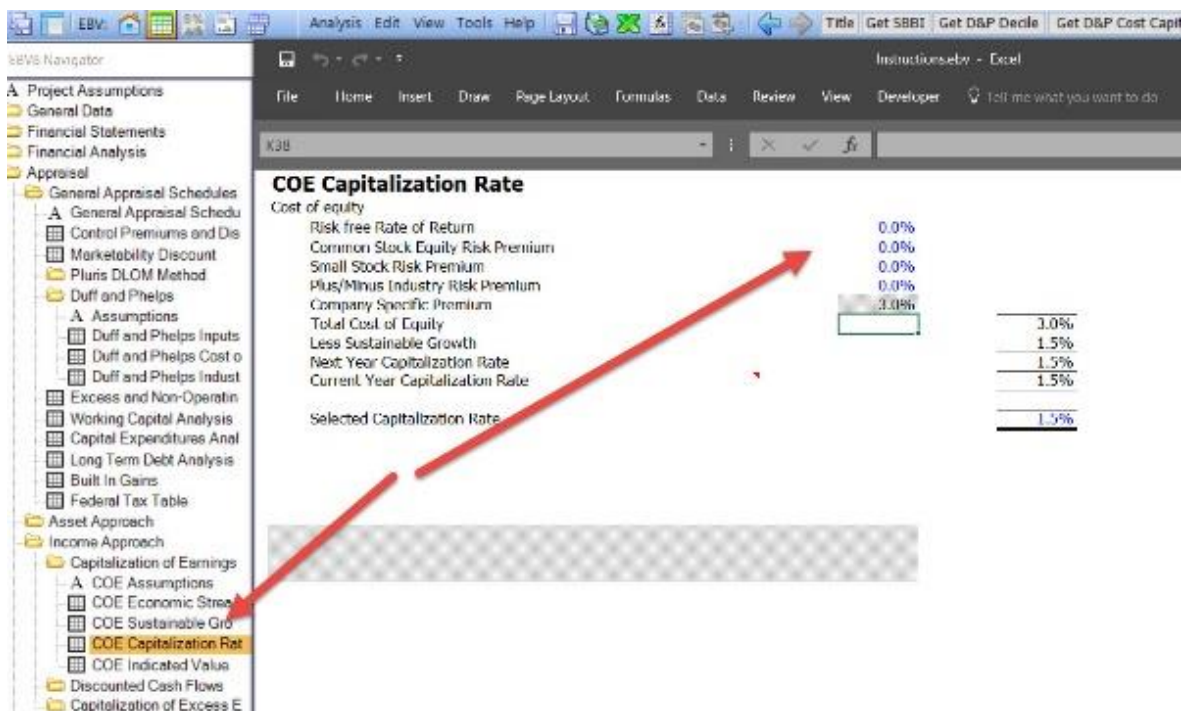
The screenshot shows the Express Business Valuation software interface. On the left is the 'EBV Navigator' with a tree view. The 'COE Assumptions' folder is selected and highlighted in yellow. The main window displays the 'Express Business Valuation - Analysis, Instructions.rpt' with a table of assumptions and their settings.

Assumption	Change Value	Desc
Earnings Base	After Tax Cash Flow	Selects the economic base that is capitalized. EBT is earnings before taxes, EBT is depreciation and amortization.
Debt Free (Invested Capital)	<input type="checkbox"/> Select	Selects a debt free approach. Deducts interest expense from benefit stream, deducts
SBBI or D&P	<input type="radio"/> SBBI <input checked="" type="radio"/> D&P Decile <input type="radio"/> D&P Cost of Capital	Hides or shows the appropriate rows to match the equity risk premium dataset.
Inflch D&P Type	<input checked="" type="radio"/> Excess of CAPM <input type="radio"/> Arithmetic Mean	Chooses arithmetic or excess of CAPM rate
Inflch D&P Size	10	Chooses the decile
Midyear Conversion	<input type="checkbox"/> Apply	Applies Midyear conversion to the capitalization rate
Company Specific Premium	<input checked="" type="checkbox"/> Expand	Expands capitalization rate build up to include input of different factors for the comp
Risk Free Rate	<input type="radio"/> End of Year Rate <input type="radio"/> Average Annual Rate <input checked="" type="radio"/> End of Month Rate	Chooses the risk free rate from the SBBI database. Choose the best proxy for the va
Level of Value	<input type="radio"/> Control Premium <input checked="" type="radio"/> Minority Interest Discount <input type="radio"/> No Premium or Discount	Determines if a premium for control or a discount for lack of control is applied to the
Marketability Discount	<input checked="" type="checkbox"/> Apply	Applies marketability discount to the Capitalization of Earnings appraisal method
Excess/Non-Operating Assets	<input checked="" type="checkbox"/> Apply	Applies excess/non-operating assets to the Capitalization of Earnings appraisal met
Level of Value for Excess/Non-Operating Assets	<input type="checkbox"/> Apply Premium/Discount	Applies premise of value premium or discount to the excess/non-operating assets
Marketability Discount for Excess/Non-Operating Assets	<input type="checkbox"/> Apply Discount	Applies marketability discount to the excess/non-operating assets

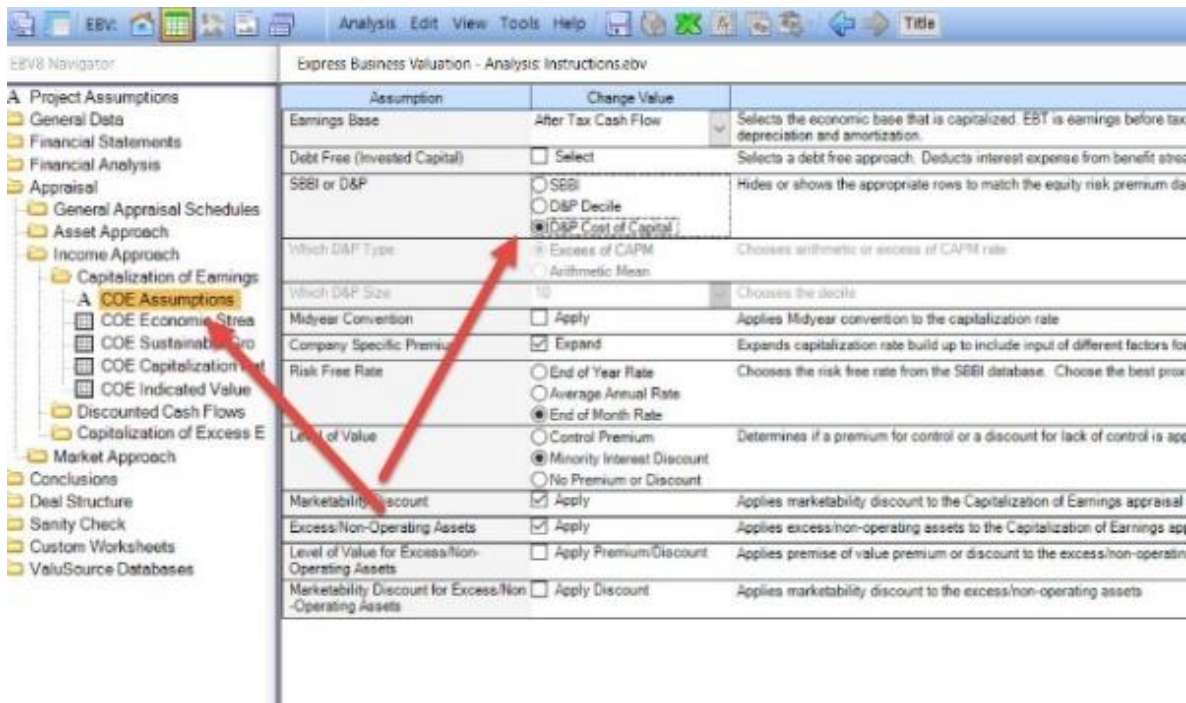
If Decile is chosen then choose the Excess of CAPM and the size. Note that size is used for the report and does not affect the rate schedule.



Go to the rate schedule and Input the blue font cells.



If cost of capital or risk premium report is chosen, the Excess of CAPM and size options will be greyed out and no further selections are needed.



Go to the rate schedule and input the blue font numbers with the variables from the Navigator.

