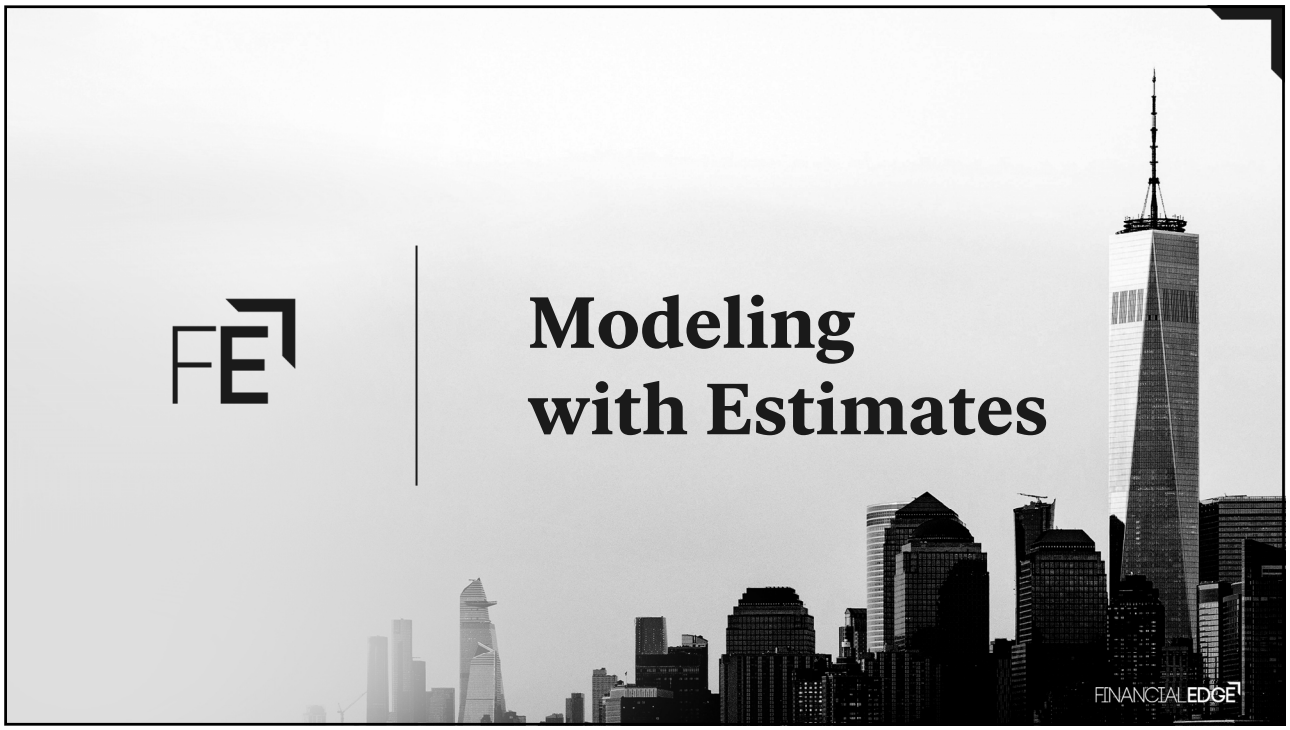

What are Consensus Estimates And Why are They Important?

Consensus Estimate

Is an estimate of a company's performance based on many analysts estimates aggregated together

Analysts use their expertise to estimate a company's future performance

	Dec '20	Dec '21	Mar '22E Q1	Jun '22E Q2	Sep '22E Q3	Dec '22E Q4	Dec '22E	Mar '23E Q1	Jun '23E Q2	Sep '23E Q3	Dec '23E Q4	Dec '23E	Dec '24E
Sales	33,000	38,658	9,830	10,804	10,907	10,268	41,752	10,278	11,276	11,448	10,805	43,925	46,420
Guidance (Low)	-	-	-	-	-	-	41,364	-	-	-	-	-	-
Guidance (High)	-	-	-	-	-	-	41,751	-	-	-	-	-	-
Cost of Sales	13,498	15,410	3,932	4,228	4,280	4,326	16,766	4,040	4,358	4,457	4,508	17,487	18,511
Gross Income	19,501	23,248	5,890	6,522	6,634	5,961	24,839	6,150	6,812	6,982	6,285	26,231	28,016
EBITDA	11,306	12,561	3,348	3,801	3,747	2,917	13,607	3,557	4,040	3,989	3,092	14,511	15,813
Operating Income	9,770	11,109	2,947	3,348	3,302	2,453	12,062	3,135	3,546	3,504	2,634	12,903	13,929

Available Figures

Three financial statements, EPS, dividends, ratios and multiples, etc

Useful for

- Modelers
- Investors
- Traders
- And many others

Alternatively

If we have access to **company management**, we can ask for **their estimates of future performance**

Using Estimates in Models

Modeling

	Hist.	Hist.	Hist.	Proj.	Proj.	Proj.	Proj.
	31-Dec-53	31-Dec-54	31-Dec-55	31-Dec-56	31-Dec-57	31-Dec-58	31-Dec-59
1.0	Case 1	Case 2	Case 3				
Base	Base	Upside	Downside				
Income Statement Assumptions							
Revenues (historical and consensus)	467.4	527.2	547.7	576.9	618.9	664.7	
Growth rate - base case				5.3%	7.3%	7.4%	6.0%
Growth rate - upside case				6.3%	8.3%	8.4%	7.0%
Growth rate - downside case				4.3%	6.3%	6.4%	5.0%
Growth rate selected				5.3%	7.3%	7.4%	6.0%

Modeler's own estimates for **year 4+**

3 years of consensus estimates **for revenue**

Year 1 - 3 revenue growth calculated from **consensus estimates**

Years 1 - 3 and **year 4+** are **formatted differently** to delineate between calculated **figures (Y1 - Y3)** and **modeler's assumptions (Y4+)**

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Make sensible assumptions to fill in the blanks

Income statement extract	Year 1 E	
Revenue	**576.9**	From estimates
Operating costs excl. D&A	176.9	Revenue less EBITDA
EBITDA	**300.0**	From estimates
Depreciation	80.0	EBITDA – EBIT – Amortization
Amortization	**20.0**	From assumptions
EBIT	**200.0**	From estimates

Consensus estimates often only available for **3 years**

Analyst's own forecast required from **year 4 onwards**

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Assumptions – What are Scenarios and How to Use the INDEX Function

Scenarios allows modelers to quickly put **different assumptions into models** and see **the outcomes**

	A	B	C	D	E	F
1		Modeling	Hist.	Hist.	Hist.	Proj.
2			31-Dec-53	31-Dec-54	31-Dec-55	31-Dec-56
3						
4		1.0	Case 1	Case 2	Case 3	
5		Base	Base	Upside	Downside	
6						
7		**Income Statement Assumptions**				
8		Revenues (historical and consensus)	467.4	527.2	547.7	576.9
9		Growth rate - base case				5.3%
10		Growth rate - upside case				6.3%
11		Growth rate - downside case				4.3%
12		Growth rate selected				5.3%

Scenarios allow modelers to **see different outcomes** given **changes in events,** both **favourable** and **unfavourable**

The INDEX function returns a value from a table or array

=INDEX(array, row_num, [column_num])

=INDEX(F9:F11,B4)

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Income Statement

	Forecast
Net interest expense	Leave blank until the end due to circular nature of formula
Non recurring items	Assume zero unless explicit information is available
Earnings before tax	
Income tax expense	Use expected effective tax rate
Net income	
Diluted EPS	
Dividends per share	Make a reasonable assumption about dividend policy – check MD&A
Basic WASO	Use latest outstanding share count – assume no new issuances / repurchases
Diluted WASO	Assume ratio of basic to diluted remains constant

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Model Balance Sheet - Assets

	Forecast
Cash and equivalents	Leave blank for now
Operating current assets	Forecast using reasonable assumptions
Net PP&E	From BASE calculation
Long term Investments	Flatline – doesn't create or use up cash
Goodwill	Flatline – no acquisitions or divestitures
Other intangibles	From back up calculation
Other long term assets	Forecast using reasonable assumptions
Short term borrowings	Leave blank for now
Operating liabilities	Forecast using reasonable assumptions
Long term debt	Issuance / repayment
Other non current liabilities	Forecast using reasonable assumptions
Total equity	From BASE calculation

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Model Balance Sheet – Liabilities and Equity

	Forecast
Cash and equivalents	Leave blank for now
Operating current assets	Forecast using reasonable assumptions
Net PP&E	From BASE calculation
Long term Investments	Flatline – doesn't create or use up cash
Goodwill	Flatline – no acquisitions or divestitures
Other intangibles	From back up calculation
Other long term assets	Forecast using reasonable assumptions
Short term borrowings	Leave blank for now
Operating liabilities	Forecast using reasonable assumptions
Long term debt	Issuance / repayment
Other non current liabilities	Forecast using reasonable assumptions
Total equity	From BASE calculation

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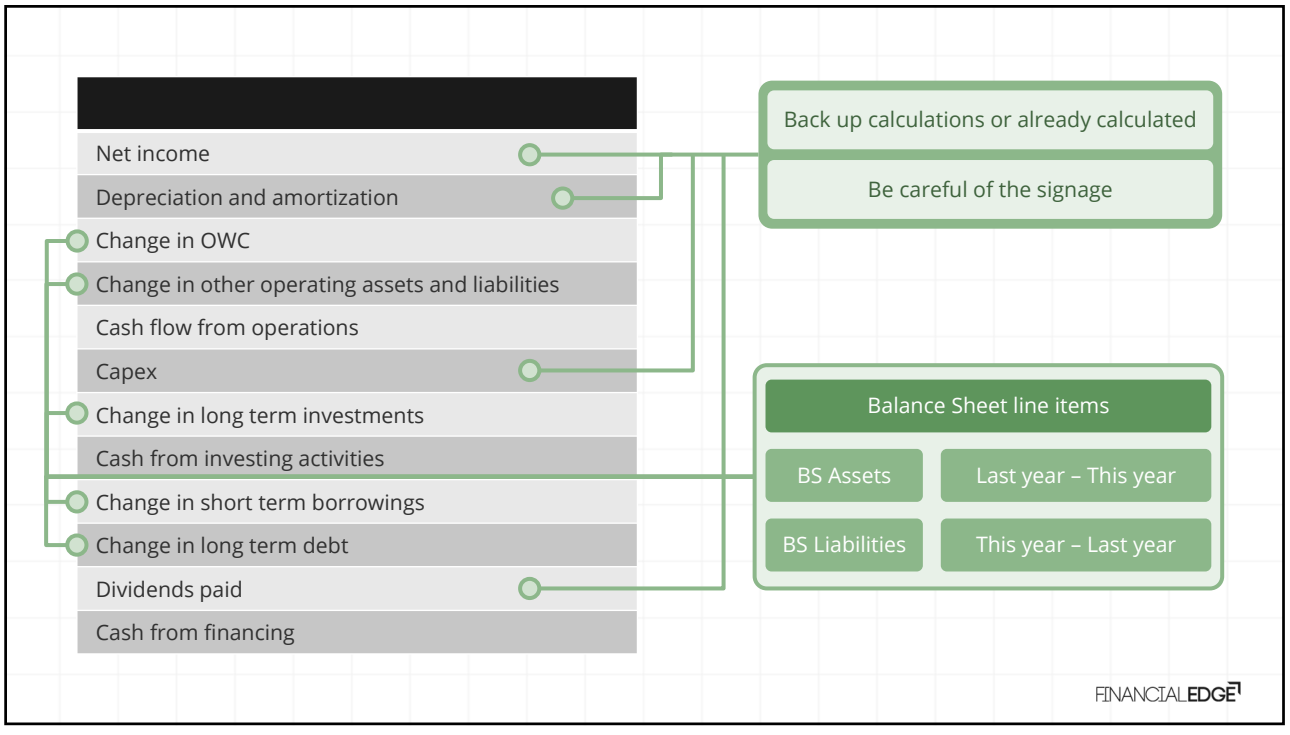
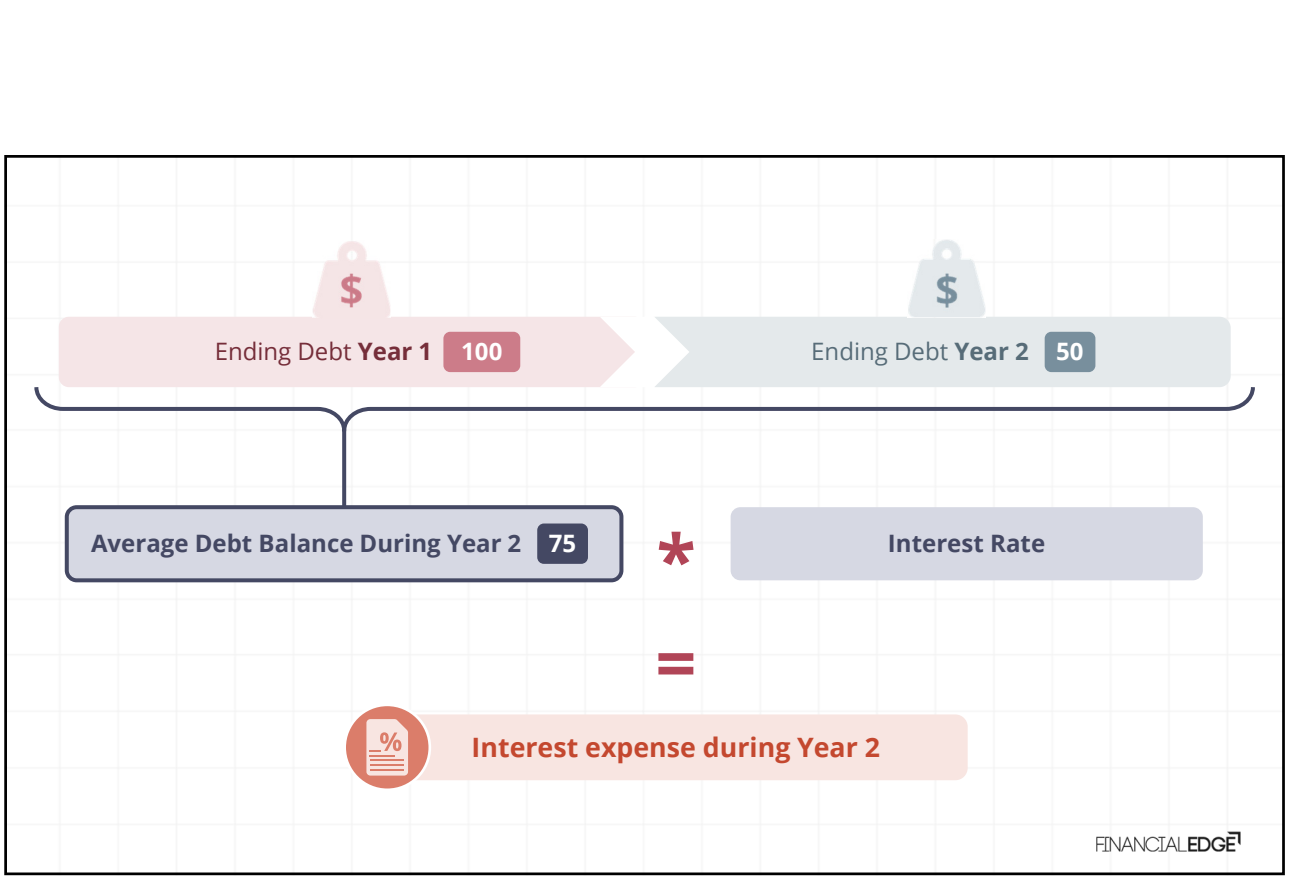
Model Cash Flow Statement - Operating



Iterative Interest Calculations



Dealing with Circular References