Management
Consulting Club

Property Case Competition Financials

How everything fits in

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A good proposal must be both well suited to the task at hand as well as being financially sound.

In order to meet both of the above criteria, it is important to keep in mind the case’s background as well as constantly doing reality checks in order to keep the proposed solution realistic.

Presentation of financials

Always list assumptions adopted by the proposal!

For example:

DCF Fundamentals

Fundamental DCF Assumptions	
Discount Rate	11%
Growth Rate	2%
Timeline	
Construction	343K sqft over 3 years
Green Features:	Year 1 - 20% installed
	Year 2 - 50% installed
	Year 3 - 30% installed
Cost of Planned Features	$22,265,000

Presentation of financials

Every case will have a different focus.

Show the critical assumptions, and reinforce them in the presentation. Don’t overload the slides with information!

DCF Example

Try to keep the DCF simple. A simple approach often has better results compared to one in which things gets over-complicated!

Year	1	2	3	4	5	6	7	8	9	10	11
Project Costs											
Green Building Features	-4,453,000	-11,132,500	-6,679,500								
Specialty consulting/ engineering costs	-854,000										
Brownfield remediation	-6,572,500										
Items under Consideration											
Water-efficient fixtures			-117,000								
Green power				-116,600	-118,932	-121,311	-123,737	-126,212	-128,736	-131,311	-133,937
Smaller offices			-50,000								
Green building education			-60,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000
Land conservation	-100,000										
Total Project Costs	-11,979,500	-11,132,500	-6,906,500	-126,600	-128,932	-131,311	-133,737	-136,212	-138,736	-141,311	-143,937
Cost Savings From Planned Features				5,364,000	5,471,280	5,580,706	5,692,320	5,806,166	5,922,289	6,040,735	6,161,550

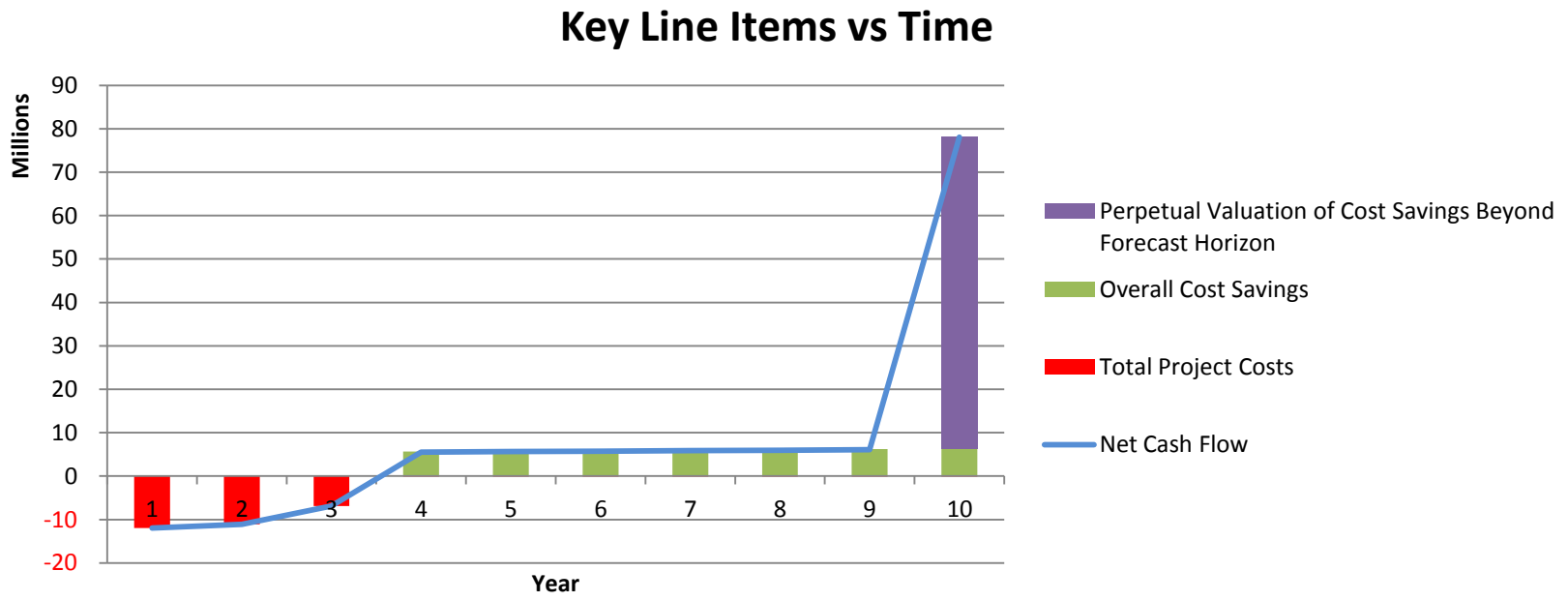
DCF Example

Try to keep the DCF simple. A simple approach often has better results compared to one in which things gets over-complicated!

Year	1	2	3	4	5	6	7	8	9	10	11
Water-efficient fixtures				6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Smaller offices				300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Cost Savings From Proposed Features				306,600	306,600	306,600	306,600	306,600	306,600	306,600	306,600
Overall Cost Savings				5,670,600	5,777,880	5,887,306	5,998,920	6,112,766	6,228,889	6,347,335	6,468,150
Perpetual Valuation of Cost Savings Beyond Forecast Horizon										71,868,332	
Net Cash Flow	-11,979,500	-11,132,500	-6,906,500	5,544,000	5,648,948	5,755,995	5,865,183	5,976,555	6,090,154	78,074,357	
NPV	22,754,819										
IRR	21.65%										

Presenting your results

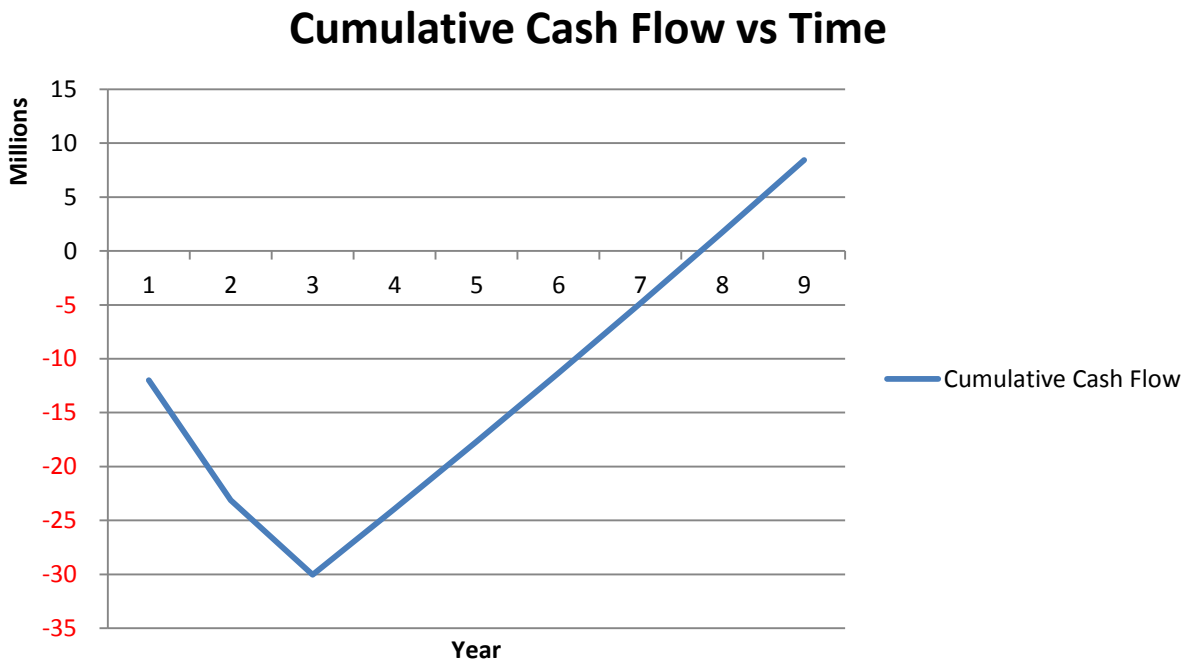
Use some visual displays to convey what you believe are the most important results, rather than let the judges try and pick something out of the sea of numbers!



Presenting your results

Use some visual displays to convey what you believe are the most important results, rather than let the judges try and pick something out of the sea of numbers!

This simple line graph is a good tool to convey exactly how long the project takes to recoup invested funds!



What if?

Once the framework of your DCF has been established, don't forget to spend some time thinking about what ifs.

Start by asking simples questions like what if project costs go over estimates by 30%? How would that impact on the viability of your proposal?

It's always good to ask these questions, and you can think of many others, and look more in-depth, depending on how much time you have remaining near the end of your preparations!

	Pessimistic	Base	Optimistic
Total Costs	130%	100%	100%
Total Savings	70%	100%	110%
NPV	$1,026,786	$22,754,819	$27,842,523
IRR	11.49%	21.65%	23.52%

Conclusion

Hope this information has provided some insight into how to work out the finances of a proposal.

Just remember, the finance part of the proposal is there to serve the overall proposal, so keep it realistic and consistent with the parameters of your proposal!