Investment in China: valuation in an international context, is an interactive case study that details the acquisition of a Chinese company by a Spanish one. In the analysis, the student has to consider some of those variables that are important in these type of international operations, such as the exchange rate, the country risk premium, exports, etc. In the last part of the case, a simulation has been developed, which applies the Monte Carlo model to these variables.

The case has been divided into 4 parts:

- Story/context
- Initial valuation
- Sensitivity analysis
- Simulation
In the first two stages, the students have to solve the case step by step, considering all the specific characteristics of these type of international operations. Students receive feedback and comments that will guide them through the calculation of the equity and the profitability of the operation.

### Operating cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,585</td>
<td>13,145</td>
<td>15,075</td>
<td>16,339</td>
<td>18,196</td>
</tr>
</tbody>
</table>

### Investments in fixed assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,331</td>
<td>1,236</td>
<td>790</td>
<td>865</td>
<td>1,991</td>
</tr>
</tbody>
</table>

### Free cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Estimated exchange rates (Yuan €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.20</td>
<td>10.40</td>
<td>10.60</td>
<td>10.75</td>
<td>10.87</td>
</tr>
</tbody>
</table>

### Free cash flow (in thousands of €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Subsequently, students will move on to the sensitivity analysis, where they can observe the effects of changes in the initial plans or in the financial forecasts, over the results.

With this tool students can also study optimistic and pessimistic scenarios, as well as such things as synergies, etc.
The last stage is dedicated to the Monte Carlo simulator. Here the idea is to obtain results regarding the equity and the profitability of the operation, in a probabilistic manner. A thousand iterations are run for any of the following three variables: the exchange rate, the country risk premium and exports (with random values for each, following pre-set parameters).

The results are shown using interactive charts and graphs, through which certain statistical results are also detailed.