



Valuation & Business Modeling Services

Complex security and financial instrument valuation services

The need for companies to understand and manage risk has become more crucial than ever. Hard-to-value balance sheet accounts present unique challenges to management and investors. The Valuation & Business Modeling Services practice can bring clarity to difficult problems by valuing complex securities and financial instruments in order to meet the requirements set by investors, auditors, other market participants, regulators, and internal Financial Planning & Analysis teams.

Our approach

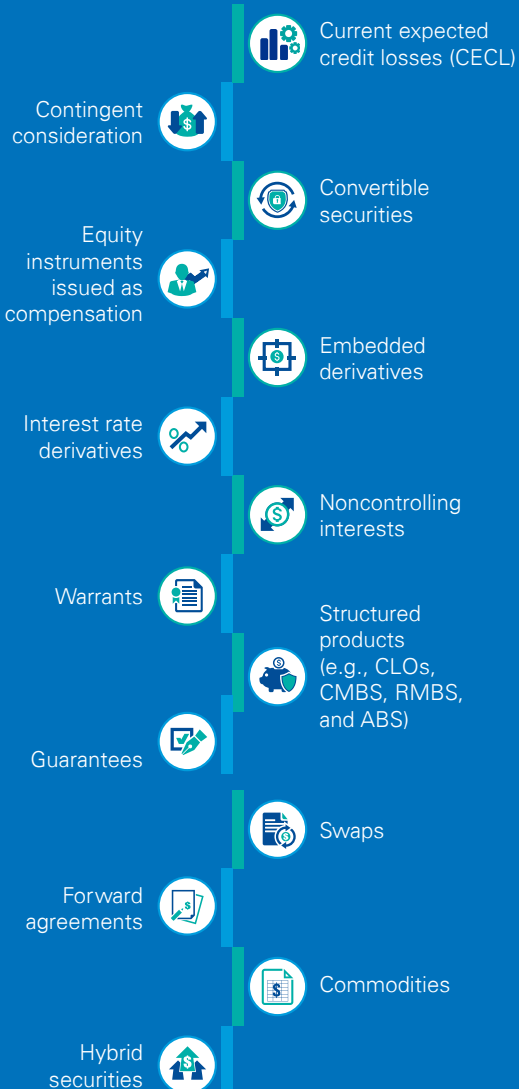
KPMG takes an approach that is focused on transparency of assumptions, methodologies, and processes. We have developed sophisticated models that draw on the latest developments in financial theory and are designed to comply with current accounting and tax guidelines. Our use of these models helps clients understand complicated issues to enable decision making across the enterprise.

We provide fully documented valuation analyses to address clients' requirements to support transactions as well as to meet rigorous auditing standards. As a global network of member firms covering many industries, we regularly review fair value measurements and keep abreast of market pricing trends supported by in-depth industry analysis. The knowledge and insight we gain from this experience help us serve each of our clients.

We not only offer clarity in valuation advice but also function as a business adviser to help companies address complex financial and business issues. We have specialist teams dedicated to specific types of complex securities and financial instruments that regularly assist clients to get to the right valuation answer quickly.

How we can help?

Our experience includes valuation services for **financial reporting, tax compliance, and management planning** and covers the following assets and liabilities:



Frequent issues facing companies

ASC 805	Provides guidance on acquisitions or mergers with another institution
ASC 815 and IAS 39	Periodically estimates the fair value of derivatives
ASC 820	Remeasures the fair value of contingent consideration
ASC 718 and IRC 409A	Awards equity-based securities to employees
ASC 470	Bifurcates convertible debt into debt and equity components
ASC 825	Elects the fair value option for financial assets and liabilities
ASC 820	Measures the value of complex securities for financial reporting purposes
IRC 275-4(b), IRC 108, IRC 249-1, and IRC 482	Seeks certain tax deductions or planning strategies regarding fixed-income instruments
ASC 326	Estimate allowance for current expected credit losses (CECL) over the asset's life

Why KPMG?

When choosing an adviser, investors want a firm that has the technical skills to produce the right analysis and the practical experience to provide sound, objective advice. KPMG has the knowledge, coverage, and trusted name you can rely on to help you meet your valuation and business modeling needs. We deliver objective advice that can aid in reassuring investors, boards, auditors, and regulators.

KPMG has a dedicated National Complex Securities Valuation practice with extensive experience. Our specialists provide regulatory insight and a coordinated approach based on deep working relationships with other KPMG Audit, Tax, and Advisory professionals, as well as consistency in methodology and adherence to U.S. and international standards. As a member of the KPMG global network of member firms, we bring significant experience and leading practices from financial institution valuation issues in the United States and abroad.

Contact us

Alok Mahajan
**Principal, Valuation &
Business Modeling Services**
T: 408-367-2841
E: amahajan@kpmg.com

Ron Elkounovitch
**Principal, Valuation &
Business Modeling Services**
T: 404-222-7375
E: ronelkounovitch@kpmg.com

[kpmg.com/socialmedia](https://www.kpmg.com/socialmedia)



Qualifications

Examples of complex security valuation engagements:

- Ongoing quarterly valuations of interest-rate-related derivatives embedded in more than \$5 billion of senior notes issued by a telecommunications company
- Valuation of put and call options embedded in more than \$25 million of subordinated debt issued by a distressed company in the retail industry
- Valuation of warrants with antidilution protection issued as part of a security purchase entered into by a company in the retail industry
- Valuation of more than \$200 million in contingent consideration as part of an acquisition in the healthcare industry
- Valuation of embedded derivatives in more than \$350 million of convertible notes issued by a technology company
- Ongoing quarterly valuations of a multibillion-dollar residential mortgage-backed securities (RMBS) and collateralized loan obligation (CLO) portfolio.
- Valuation of various employee stock options or restricted stock units with complex market conditions
- Initial and ongoing expected credit loss estimates for corporates, using forward-looking market implied current expected credit loss (MICECL) estimates from prices of credit-based financial instruments

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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