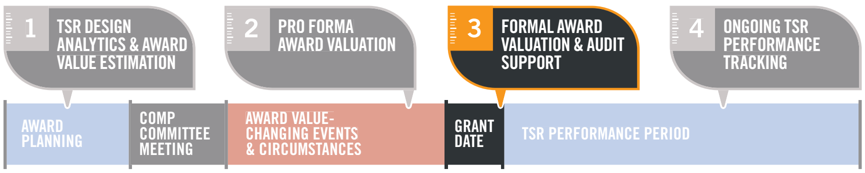
equitymethods®

TSR AWARD VALUATION & AUDIT SUPPORT

REDUCE FINANCIAL REPORTING & EXTERNAL AUDIT RISK

A SOC-1 BEHIND EVERY FORMAL VALUATION

Valuations of total shareholder return (TSR) awards come under a high amount of scrutiny due to the complex fair value techniques required by the FASB and a renewed focus on external audit quality by the PCAOB. We provide clients with accurate fair value measurements and peace of mind in the external audit process by relying on advanced modeling techniques, rigorous SOC-1 compliant internal reviews, and decades of combined experience supporting clients through the external audit process.



EQUITY METHODS KEEPS AUDIT RISKS AT BAY

Equity Methods leverages extensive expertise and experience in the area of relative TSR award valuation utilizing a cutting edge technology environment, state-of-the-art valuation methodologies, and robust internal control protocols.

STATE-OF-THE-ART VALUATION MODELING TECHNIQUES & METHODOLOGIES
Equity Methods builds and runs sophisticated and customized Monte Carlo simulation models, incorporating all substantive features of awards to ensure precise fair values. Our use of the advanced SAS programming language enables us to generate more robust models and output statistics to test and support the valuation throughout the external audit process—far surpassing the capabilities of spreadsheet-based models.

RIGOROUS INTERNAL REVIEW & CONTROL PROTOCOLS
All formal valuations go through an independent, 60-step SOC-1 internal review process. Our review process is industry-leading, and ensures robustness of results before they are delivered to our clients and their external auditors.

EQUITY METHODS KEEPS YOU INFORMED

Detailed audit tie-out reports with plain English summary reports are part of our standard deliverables. Plus, you'll have access to a team of experts who can discuss results on your terms, in clear, simple language. Let us help you understand what drives your award costs and communicate the results to management effectively.

RISKS RELATED TO RELATIVE TSR AWARD VALUATION

1. **IGNORING THE UNDERLYING ACCOUNTING CONSIDERATIONS**
   Appropriate accounting treatment is the foundation for a successful and smooth financial reporting process. Valuation without thoughtful consideration of the accounting aspect can expose an entire reporting process to audit risk.

2. **VAGUE OR INCOMPLETE AWARD AGREEMENTS**
   Relative TSR awards are complex derivative instruments, and their value can be impacted by many subtle award provisions. Lack of definition, misinterpretation, or omission of terms and features of the award can result in incorrect fair values. We can help you identify and fill in the gaps.

3. **PEER LIST CHANGES**
   Corporate events at companies in your peer list, such as bankruptcies, mergers, spin-offs, and delistings, can lead to incorrect grant-date fair value estimates and ongoing performance tracking problems.

4. **MISINTERPRETATION OF CUSTOM TSR DEFINITIONS**
   Custom TSR definitions are not uncommon and may require custom dividend treatment in the valuation model. Overlooking a custom TSR definition is easy to do, and will lead to miscalculation of the grant date fair value.

5. **RELIANCE ON A SIMPLIFIED MONTE CARLO MODEL**
   Not all Monte Carlo simulation models are created equal. Relying on models that use shortcuts or simplifying assumptions can result in incorrect fair values.

6. **LACK OF DESCRIPTIVE STATISTICS OF KEY MODELING OUTPUT PARAMETERS IN VALUATION REPORTS**
   External auditors use descriptive statistics when critiquing valuation results. Without these statistics, your company will be exposed to prolonged external audit processes.

CALL US AT 480.428.3344 OR EMAIL US AT INFO@EQUITYMETHODS.COM FOR EXPERTISE AND SOLUTIONS ON TSR AWARD VALUATION & AUDIT SUPPORT.