Consultancy

A full-service financial and operational advisory consulting firm, Terrastone Financial Consulting (TFC) provides corporate recovery, litigation, investigative and intelligence services, valuation, interim management, distressed M&A and capital rising, due diligence and technology advisory services on a global basis.

The Terrastone Finance Services LLC provides the highest quality management consulting services to governments, health care providers, transit authorities, utilities, and private-sector clients

Our Consulting division is comprised of two groups that operate independently, yet share a similar objective – to provide sound and objective advice that can help ensure clients' future success.

The Terrastone Finance Services LLC., is recognized as one of the finest financial and business consulting firms in our market niches. They include:

- ***Financial Advisory Consulting***
- ***Financial Engineering***
- ***Operational Analysis***
- ***Financial Strategic Planning***
- ***Business Strategic Planning***

Terrastone consultants have a good combined practical experience in different economical and financial areas and succeed in combining different financial formulas into different financial engineering tasks

We at Terrastone Finance always consider engineering a main backbone for anything we have and own in this life. For that, we have concentrated into studying the methodology of engineering then the engineering of different business sectors to apply our studies into different new businesses and existing firms.

Financial Advisory Consulting

With expertise in a full spectrum of financial advisory services, Terrastone Financial Services Consulting professionals work closely with organizations, stakeholders and their counsel to address the most complex business issues. For each engagement, we assemble a team with the knowledge that is most appropriate for the situation.

Financial Engineering

Financial engineering is the application of mathematical methods to the solution of problems in finance. It is also known as financial mathematics, mathematical finance, and computational finance.

Investment banks, commercial banks, hedge funds, insurance companies, corporate treasuries, and regulatory agencies employ financial engineers. These businesses apply the methods of financial engineering to such problems as new product development, derivative securities valuation, portfolio structuring, risk management, and scenario simulation.

Quantitative analysis has brought innovation, efficiency and rigor to financial markets and to the investment process.

The main applications of financial engineering are to:

- **CORPORATE FINANCE**
  - **Kinds of Corporate Finance**
    - Long-term (Capital investment) decisions are choices about which projects receive investment, whether to finance that investment with equity or debt, and when or whether to pay dividends to shareholders.
    - Short term decisions deal with the short-term balance of current assets and current liabilities; the focus here is on managing cash, inventories, and short-term borrowing and lending (such as the terms on credit extended to customers).

Services under Consulting

Capital investment decisions

We understand how capital investment decisions are long-term corporate finance decisions relating to fixed assets and capital structure. Decisions are based on several inter-related criteria.

(1) Corporate management seeks to maximize the value of the firm by investing in projects which yield a positive net present value when valued using an appropriate discount rate in consideration of risk.

(2) These projects must also be financed appropriately.

(3) If no such opportunities exist, maximizing shareholder value dictates that management must return excess cash to shareholders (i.e., distribution via

dividends). Capital investment decisions thus comprise an investment decision, a financing decision, and a dividend decision.

The investment decision

Management must allocate limited resources between competing opportunities (projects) in a process known as capital budgeting. Making this investment, or capital allocation, decision requires estimating the value of each opportunity or project, which is a function of the size, timing and predictability of future cash flows.

- ***Project valuation***

In general, each project's value will be estimated using a discounted cash flow (DCF) valuation, and the opportunity with the highest value, as measured by the resultant net present value (NPV). This requires estimating the size and timing of all of the *incremental* cash flows resulting from the project. Such future cash flows are then discounted to determine their *present value*. These present values are then summed, and this sum net of the initial investment outlay is the NPV.

- ***Valuing flexibility***

In many cases, for example R&D projects, a project may open (or close) various paths of action to the company, but this reality will not (typically) be captured in a strict NPV approach. Some analysts account for this uncertainty by adjusting the discount rate (e.g. by increasing the cost of capital) or the cash flows (using certainty equivalents, or applying (subjective) "haircuts" to the forecast numbers). Even when employed, however, these latter methods do not normally properly account for changes in risk over the project's lifecycle and hence fail to appropriately adapt the risk adjustment. Management will therefore (sometimes) employ tools which place an explicit value on these options. So, whereas in a DCF valuation the most likely or average or scenario specific cash flows are discounted, here the “flexible and staged nature” of the investment is modeled, and hence "all" potential payoffs are considered.

Two most common tolls we use as any professional consulting firm are Decision Tree Analysis (DTA) and Real options valuation (ROV); they may often be used interchangeably:

- DTA values flexibility by incorporating *possible events* and consequent *management decisions*.

- ROV is usually used when the value of a project is contingent on the value of some other asset or underlying variable.

Operational Analysis

Operational analysis is a method of examining the current and historical performance of an operational (or steady-state) investment and measuring that performance against an established set of cost, schedule, and performance parameters. An operational analysis is, by nature, less structured than performance reporting methods applied to developmental projects (such as Earned Value Analysis). It is more creative in nature, and should trigger considerations of how the objectives could be better met, how costs could be saved, and whether, in fact, the organization should even be performing a particular function. An operational analysis should demonstrate that you have actually done a thorough examination of the need for the investment, the performance being achieved by the investment, the advisability of continuing the investment, and alternative methods of achieving the same investment results.

Beyond the typical developmental performance measures of “Are we on schedule?” and “Are we within budget?”, an operational analysis must answer more subjective questions in the specific areas of:

- Customer Results,
- Strategic and Business Results,
- Financial Performance, and
- Innovation.

In addressing customer results, the analysis should focus on whether the investment is fully meeting the customer’s needs and whether the cost to the customer is as low as it could be for the results delivered. The focus here is simply on whether the investment is delivering the goods or services that it is intended to deliver.

Strategic and business results measure the effect of the investment on the performing organization itself, and should provide a measure of how well the investment is meeting business needs and, whether it is contributing to the achievement of the organization’s strategic goals, and whether it continues to be aligned with the organization’s strategic direction. The operational analysis should address itself to questions such as:

- “Does this investment help us get our job done?”
- “What strategic goal does this investment address, and how does it help us achieve that goal?”
- “Is there another organization that could be doing this work better, more efficiently or at lower cost?”

In measuring the financial performance of a steady-state investment, the operational analysis should compare current performance with a pre-established cost baseline. Financial performance is typically a very quantitative measure and should be subjected to a periodic review for reasonableness and cost efficiency. Discuss the current performance of the investment. Is performance within acceptable limits of variance for cost and schedule? If not, what corrective actions are you taking to get back on track? Has executive management concurred in the planned corrective actions?

Addressing innovation in the operational analysis is an opportunity to conduct a qualitative analysis of the investment’s performance in terms of the three previous factors. Demonstrate that you have revisited alternative methods of achieving the

same customer results and strategic goals. This aspect of the operational analysis should address questions such as:

- “How could we better meet the customer needs?”
- “Could we meet these same customer needs at lower cost?”
- “How could this investment be combined with others to better meet our organization’s strategic goals?”
- “How could we make better use of technology to provide a better level of service at lower cost?”

While the exact format and detailed content of an operational analysis are the choice of the organization doing the analysis, the essential success factor is that an in-depth, critical analysis is done of the four aspects of customer results, strategic and business results, financial performance, and innovation. The guidance provided here is intended as a stimulus for critical thinking. The proposed questions provided are intended to assist you in shaping your operational analysis, not as a checklist for step-by-step completion.

Finance strategic planning

The Department of Finance strategic planning is well positioned to make a significant contribution any firm service delivery and policy agendas.

The f*inance strategic plan* sets down the direction in which Finance is heading and where it needs to position itself to provide the best possible contribution to firms and its clients/projects/services.

The plan sets out the way in which Finance will work, drawing on the principles embodied in the clients/projects/services values and Finance behaviors.

It also sets out the four key aspirations for the next three years – around culture, collaboration, excellence and influence – and the enabling strategies that Finance will use to achieve those aspirations.

Finally, it details the governance structure and planning framework through which Finance will monitor and measure its progress.

Business Strategic Planning

Strategic planning where we help you define and sharpen your competitive edge-whether you're an individual entrepreneur, part of a management team, or a strategic planner for a Fortune 500 company. Whatever your size or type, you'll benefit from our profitable strategic planning exercises, exclusive assessment tools, and practical business strategy tips. Make Terrastone Finance Strategic planning team your virtual strategic planning consultant!

Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a business review

or preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it a business is much more likely to fail. A sound plan should:

- Serve as a framework for decisions or for securing support/approval.
- Provide a basis for more detailed planning.
- Explain the business to others in order to inform, motivate & involve.
- Assist benchmarking & performance monitoring.
- Stimulate change and become building block for next plan.

For inspiration (and a few smiles), have a look at some of the quotations and examples of bad advice included in other pages!

A strategic plan should not be confused with a business plan. The former is likely to be a (very) short document whereas a business plan is usually a much more substantial and detailed document. A strategic plan can provide the foundation and frame work for a business plan.

A strategic plan is not the same thing as an operational plan. The former should be visionary, conceptual and directional in contrast to an operational plan which is likely to be shorter term, tactical, focused, implementable and measurable. As an example, compare the process of planning a vacation (where, when, duration, budget, who goes, how travel are all strategic issues) with the final preparations (tasks, deadlines, funding, weather, packing, transport and so on are all operational matters).

A satisfactory strategic plan must be realistic and attainable so as to allow managers and entrepreneurs to think strategically and act operationally.