

In finance, discounted cash flow (DCF) analysis is a method of valuing a project, company, or asset using the concepts of the time value of money. All future cash flows are estimated and discounted to give their present values (PVs)—the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value or price of the cash flows in question. Present value may also be expressed as a number of years' purchase of the future undiscounted annual cash flows expected to arise.

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

Purchase price =  $0,4/(1+0.08) + 1/(1+0.08)^2 + 0.6/(1+0.08)^3 = 1,704$  million