

**In This Issue**

1. Learn the basics of using the Scenario Analysis tool

“How can you run multiple scenarios quickly and effortlessly by changing one or two input parameters to determine the output of a variable?”

The scenario analysis tool in *Risk Simulator* allows you to run multiple scenarios quickly and effortlessly by changing one or two input parameters to determine the output of a variable. Figure 1 illustrates how this tool works on the discounted cash flow sample model (Model 7 in *Risk Simulator's Example Models* folder). In this example, cell G6 (net present value) is selected as the output of interest, whereas cells C9 (effective tax rate) and C12 (product price) are selected as inputs to perturb. You can set the starting and ending values to test as well as the step size or the number of steps to run between these starting and ending values. The result is a scenario analysis table (Figure 2), where the row and column headers are the two input variables and the body of the table shows the net present values. This scenario analysis tool is available via *Risk Simulator | Tools | Scenario Analysis*.

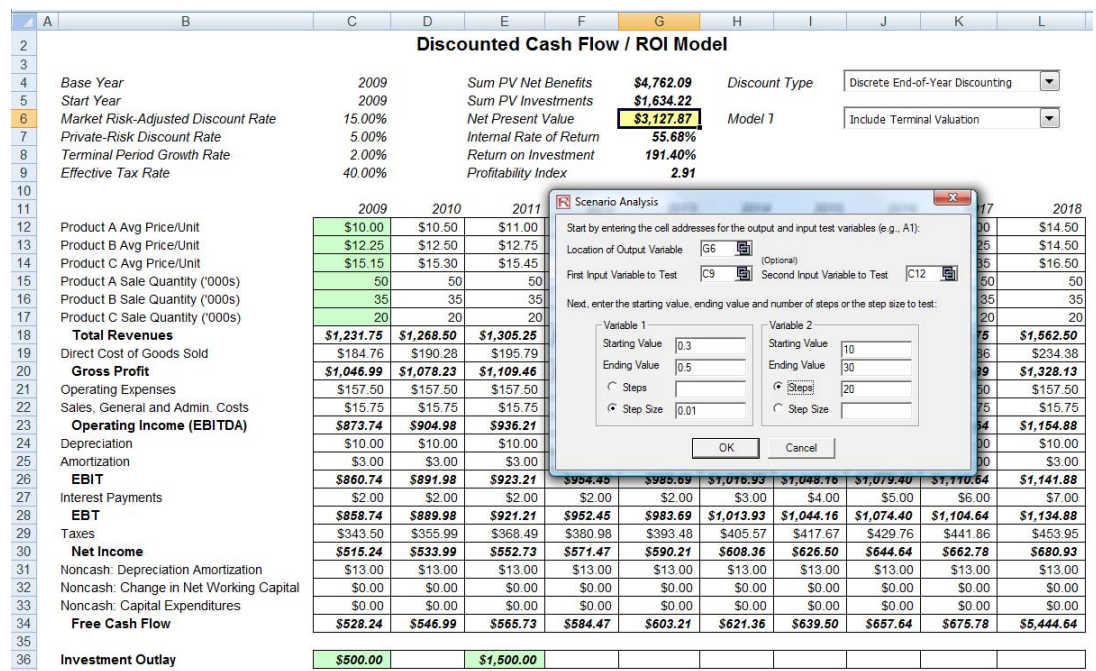


Figure 1. Scenario Analysis Tool

		SCENARIO ANALYSIS TABLE															
Output Variable:	GS6	Initial Base Case Value:	\$3,127.87														
Column Variable:	CS9	Min:	10	Max:	30	Steps:	20	Stepsize:	—	Initial Base Case Value:	\$10.00	40.00%					
Row Variable:	CS12	Min:	0.3	Max:	0.5	Steps:	—	Stepsize:	—	Initial Base Case Value:	\$10.00						
		\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00	\$17.00	\$18.00	\$19.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00
30.00%	\$3,904.83	\$4,134.43	\$4,364.04	\$4,593.64	\$4,823.24	\$5,052.84	\$5,282.44	\$5,512.04	\$5,741.64	\$5,971.24	\$6,200.85	\$6,430.45	\$6,660.05	\$6,889.65	\$7,119.25	\$7,348.85	
31.00%	\$3,827.14	\$4,053.46	\$4,279.78	\$4,506.10	\$4,732.42	\$4,958.74	\$5,185.06	\$5,411.39	\$5,637.71	\$5,864.03	\$6,090.35	\$6,316.67	\$6,542.99	\$6,769.31	\$6,995.63	\$7,221.96	
32.00%	\$3,749.44	\$3,972.48	\$4,195.52	\$4,418.56	\$4,641.61	\$4,864.65	\$5,087.69	\$5,310.73	\$5,533.77	\$5,756.81	\$5,979.85	\$6,202.89	\$6,425.94	\$6,648.98	\$6,872.02	\$7,095.06	
33.00%	\$3,671.75	\$3,891.51	\$4,111.27	\$4,331.03	\$4,550.79	\$4,770.55	\$4,990.31	\$5,210.07	\$5,429.83	\$5,649.60	\$5,869.36	\$6,089.12	\$6,308.88	\$6,528.64	\$6,748.40	\$6,968.16	
34.00%	\$3,594.05	\$3,810.53	\$4,027.01	\$4,243.49	\$4,459.97	\$4,676.45	\$4,892.94	\$5,109.42	\$5,325.90	\$5,542.38	\$5,758.86	\$5,975.34	\$6,191.82	\$6,408.30	\$6,624.78	\$6,841.27	
35.00%	\$3,516.35	\$3,729.55	\$3,942.76	\$4,155.96	\$4,369.16	\$4,582.36	\$4,795.56	\$5,008.76	\$5,221.96	\$5,435.16	\$5,648.36	\$5,861.56	\$6,074.77	\$6,287.97	\$6,501.17	\$6,714.37	
36.00%	\$3,438.66	\$3,648.58	\$3,858.50	\$4,068.42	\$4,278.34	\$4,488.26	\$4,698.18	\$4,908.10	\$5,118.02	\$5,327.95	\$5,537.87	\$5,747.79	\$5,957.71	\$6,167.63	\$6,377.55	\$6,587.47	
37.00%	\$3,360.96	\$3,567.60	\$3,774.24	\$3,980.88	\$4,187.53	\$4,394.17	\$4,600.81	\$4,807.45	\$5,014.09	\$5,220.73	\$5,427.37	\$5,634.01	\$5,840.65	\$6,047.30	\$6,253.94	\$6,460.58	
38.00%	\$3,283.27	\$3,486.63	\$3,689.99	\$3,893.35	\$4,096.71	\$4,300.07	\$4,503.43	\$4,706.79	\$4,910.15	\$5,113.51	\$5,316.87	\$5,520.23	\$5,723.60	\$5,926.96	\$6,130.32	\$6,333.68	
39.00%	\$3,205.57	\$3,405.65	\$3,605.73	\$3,805.81	\$4,005.89	\$4,205.97	\$4,406.05	\$4,606.14	\$4,806.22	\$5,006.30	\$5,206.38	\$5,406.46	\$5,606.54	\$5,806.62	\$6,006.70	\$6,206.79	
40.00%	\$3,127.87	\$3,324.67	\$3,521.48	\$3,718.28	\$3,915.08	\$4,111.88	\$4,308.68	\$4,505.48	\$4,702.28	\$4,899.08	\$5,095.88	\$5,292.68	\$5,489.48	\$5,686.28	\$5,883.08	\$6,079.88	
41.00%	\$3,050.18	\$3,243.70	\$3,437.22	\$3,630.74	\$3,824.26	\$4,017.78	\$4,211.30	\$4,404.82	\$4,598.35	\$4,791.87	\$4,985.39	\$5,178.91	\$5,372.43	\$5,565.95	\$5,759.47	\$5,952.99	
42.00%	\$2,972.48	\$3,162.72	\$3,352.96	\$3,543.20	\$3,733.45	\$3,923.69	\$4,113.93	\$4,304.17	\$4,494.41	\$4,684.65	\$4,874.89	\$5,065.13	\$5,255.37	\$5,445.61	\$5,635.85	\$5,826.10	
43.00%	\$2,894.79	\$3,081.75	\$3,268.71	\$3,455.67	\$3,642.63	\$3,829.59	\$4,016.55	\$4,203.51	\$4,390.47	\$4,577.43	\$4,764.40	\$4,951.36	\$5,138.32	\$5,325.28	\$5,512.24	\$5,699.20	
44.00%	\$2,817.09	\$3,000.77	\$3,184.45	\$3,368.13	\$3,551.81	\$3,735.49	\$3,919.17	\$4,102.85	\$4,286.54	\$4,470.22	\$4,653.90	\$4,837.58	\$5,021.26	\$5,204.94	\$5,388.62	\$5,572.30	
45.00%	\$2,739.39	\$2,919.79	\$3,100.20	\$3,280.60	\$3,461.00	\$3,641.40	\$3,821.80	\$4,002.20	\$4,182.60	\$4,363.00	\$4,543.40	\$4,723.80	\$4,904.20	\$5,084.61	\$5,265.01	\$5,445.41	
46.00%	\$2,661.70	\$2,838.82	\$3,015.94	\$3,193.06	\$3,370.18	\$3,547.30	\$3,724.42	\$3,901.54	\$4,078.66	\$4,255.78	\$4,432.90	\$4,610.03	\$4,787.15	\$4,964.27	\$5,141.39	\$5,318.51	
47.00%	\$2,584.00	\$2,757.84	\$2,931.68	\$3,105.52	\$3,279.37	\$3,453.21	\$3,627.05	\$3,800.89	\$3,974.73	\$4,148.57	\$4,322.41	\$4,496.25	\$4,670.09	\$4,843.93	\$5,017.77	\$5,191.62	
48.00%	\$2,506.31	\$2,676.87	\$2,847.43	\$3,017.99	\$3,188.55	\$3,359.11	\$3,529.67	\$3,700.23	\$3,870.79	\$4,041.35	\$4,211.91	\$4,382.48	\$4,553.04	\$4,723.60	\$4,894.16	\$5,064.72	
49.00%	\$2,428.61	\$2,595.89	\$2,763.17	\$2,930.45	\$3,097.73	\$3,265.01	\$3,432.29	\$3,599.58	\$3,766.86	\$3,934.14	\$4,101.42	\$4,268.70	\$4,435.98	\$4,603.26	\$4,770.54	\$4,937.82	
50.00%	\$2,350.91	\$2,514.91	\$2,678.92	\$2,842.92	\$3,006.92	\$3,170.92	\$3,334.92	\$3,498.92	\$3,662.92	\$3,826.92	\$3,990.92	\$4,154.92	\$4,318.92	\$4,482.92	\$4,646.93	\$4,810.93	

Figure 2. Scenario Analysis Table

**Contact Us**

Real Options Valuation, Inc.

4101F Dublin Blvd., Ste. 425,  
Dublin, California 94568 U.S.A.

admin@realoptionsvaluation.com  
www.realoptionsvaluation.com  
www.rovusa.com