

An Audit to Relish

CHALLENGE

Are your R&D or M&A valuation models doing everything you want them to do and doing it correctly? Are you using the proper logic, distributions and correlations in your models? If your primary analyst decides to 'pursue other goals' or gets promoted, do you have the necessary documentation available for a new analyst to become proficient and efficient at running your valuation models in a reasonable timeframe? What if you could reduce the time required to update your valuation models from several weeks to less than a day and reduce potential errors at the same time. Would you do it?

Anyone who has had the pleasure of working with and updating models knows that manual steps can take ages to do. The work is tedious, excruciating and can be rife with human error if not meticulously completed and checked. One of EpiX's clients, a top-10 pharmaceutical company, was dealing with just that. It was taking them literally weeks to do annual updates to the valuations of their entire product pipeline with well over 100 drugs in some stage of development. These models are critical as they support go/no-go decisions, R&D portfolio prioritizations, budgeting, and M&A transactions. Thus, the client approached EpiX Analytics to perform a complete audit of their key valuation model.

WHAT EPIX ANALYTICS DID

EpiX Analytics took the challenge and performed a thorough audit and review of the client's R&D valuation template model including Microsoft® Excel® software modeling, Monte Carlo simulations and a great number of VBA routines. One very common error found in audits of models that use Monte Carlo simulations is the use of inappropriate distributions or manipulating them in the wrong way. There are well over 100 different distributions and it is not always clear which distribution is most appropriate for each uncertainty. But, it is important to get it right - it can change decisions. Therefore, EpiX audited all distributions in the model as well as reviewed general logic and all relevant relationships.

EpiX then made a number of corrections and added critical functionality to the models to make updating, performing analyses and maintaining the 100+ models easy, fast and less error prone.

EpiX also developed comprehensive user-friendly documentation and a user manual to support knowledge transfer and an improved understanding of the valuation models.

TECHNIQUES & METHODS USED

- [Common mistakes tips in ModelAssist®](#)
- [Approximating distributions](#)
- Visual Basic for Applications (VBA)
- [Various distributions](#)
- [Modeling relationships](#)
- [Model validation](#)

BENEFITS TO THE CLIENT

As a result of the work done by EpiX, the client is now confident that the valuation models for the products in its development pipeline are technically correct. For many years now the client has continued to return to EpiX for further improvements and enhancements to their valuation models. Also, the documentation and user manual that EpiX created has allowed the client to reduce training time and gain confidence that the knowledge of how to use the models is efficiently transferred to new analysts.

One of the biggest feathers in EpiX's hat is that it was able to reduce the time needed to accurately update the client's 100+ models from several weeks down to less than one day, a huge improvement. The client's analysts can now spend more time analyzing. And, senior management now gets better information faster so planning and critical decisions can be made more confidently. It's an audit everyone can appreciate.

EPIX'S AUDITING SERVICES

The case study presented here was for a pharmaceutical company but EpiX Analytics has also completed dozens of audits in finance, oil and gas, international trade, manufacturing, health and food safety among others.

Give us a call and see if we can help!

MORE INFORMATION

- ⇒ [Common Mistakes for @Risk™](#)
- ⇒ [Common Mistakes in Crystal Ball®](#)
- ⇒ [ModelAssist for @Risk](#)
- ⇒ [ModelAssist for Crystal Ball](#)
- ⇒ [Testimonials](#)

ABOUT EPIX ANALYTICS

EpiX Analytics is a leading firm specialized in probabilistic modeling. Using our analytical expertise, we help private and public institutions worldwide to make decisions in the presence of uncertainty.



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