

Case Study Questions

Continental Cablevision Inc. / Fintelco Joint Venture

On February 1, 1994, the senior management team at Continental Cablevision met to evaluate the terms of the proposed final agreement to establish a joint venture in Argentina. The venture partner was Fintelco, a leading television-cable operator in Buenos Aires. Despite Continental's apparent jump on the competition, the senior management team wanted to reassess the returns and potential risks associated with conducting business in Argentina. You are hired to assess these potential risks associated with the joint venture and go through your first emerging market valuation.

1. Is entry into the Argentine market a good strategic move for Continental? Is Fintelco an appropriate venture partner?
2. What are the major opportunities and risks you see in the venture?
3. One could value Fintelco in either of the following ways:
 - a. Peso cash flows discounted at peso rate and then the value converted at the spot rate.
 - b. \$US cash flows discounted at the \$US rate.Which approach is more appropriate in this case?
4. Is \$80 million for a 50% interest a fair value for Fintelco?
5. In the course pack there is a reading (Estrada, 2007) about valuing offshore projects using techniques proposed by Lessard, Godfrey and Espinosa (Bank of America), Goldman Sachs and Salomon Smith Barney. What assumptions underlie each approach?
6. Would you suggest any modifications to the structure of the deal?