GROWTH TESTS
The compounding effect...

- Assume that you are looking at Twitter and that the revenues currently are $600 million. Assume also that you are assuming a growth rate of 30% a year in revenues for the next 10 years. Without using your calculator, estimate how much you will have as revenues (approximately) in year 10:
  - $1.5 billion
  - $3 billion
  - $6 billion
  - $8 billion
  - $12 billion
The compounding effect doubled...

- What would your revenues be in year 10, if you doubled the growth rate?
  - $ 11 billion
  - $ 16 billion
  - $ 24 billion
  - $ 36 billion
  - $ 48 billion
For many US companies, you can access analysts’ estimates of growth in the future on public sites. The consensus growth rate reported is usually:

- Growth rates in revenues
- Growth rates in operating income
- Growth rates in net income
- Growth rates in EPS
- Growth rates in all of the above
- Growth rate in any of the above
Management forecasts?

In some valuations, the forecasts of earnings and growth rates come from the managers in the firm. Given that managers know a great deal more about their firms than investors or outside analysts do, you should expect these forecasts to be more realistic than outside estimates.

a. True
b. False