**Problem 1**

a.  
Revenues 1050  
EBIT 210  
EBIT (1-t) 168  
+ Depreciation 105  
- Cap Ex 160  
- Chg in WC 13  Only the change in working capital matters  
FCFF 100  
Reinvestment 68  ! I was pretty flexible on how this was computed....

b.  
Reinvestment Rate 40.48%  
Expected growth rate 5%  
Return on Capital = 12.35%  

c.  
Reinvestment rate 0.5  ! As ROC changes, the reinvestment rate will change. You  
Value = 1680  cannot use cashflows from part a.

**Problem 2**

MV of Equity = 2000  
+ Equity Options 100  
Value of Equity 2100  
+ Debt 1000  
- Cash 500  
Value of operating assets 2600

**Problem 3**

a.  
PE Ratio for the firm = 32  
Expected growth rate = 17.30

b.  
PE Ratio = 42.45  ! 12.13 + 1.56 (24) - 3.56 (2)  
PEG ratio = 1.76875  ! 42.45/24