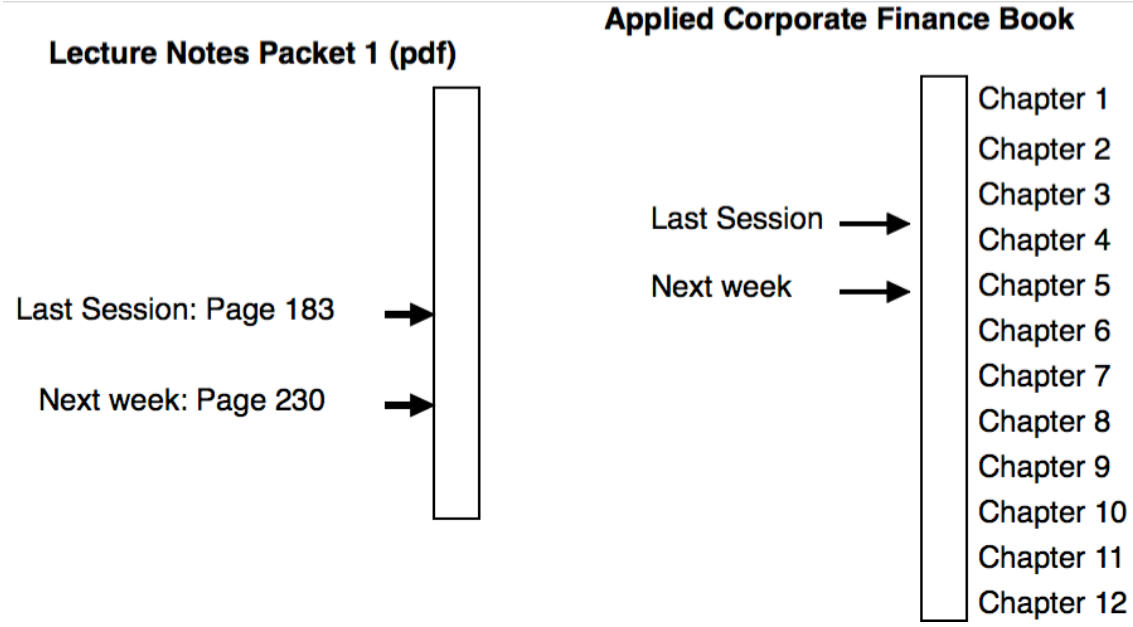
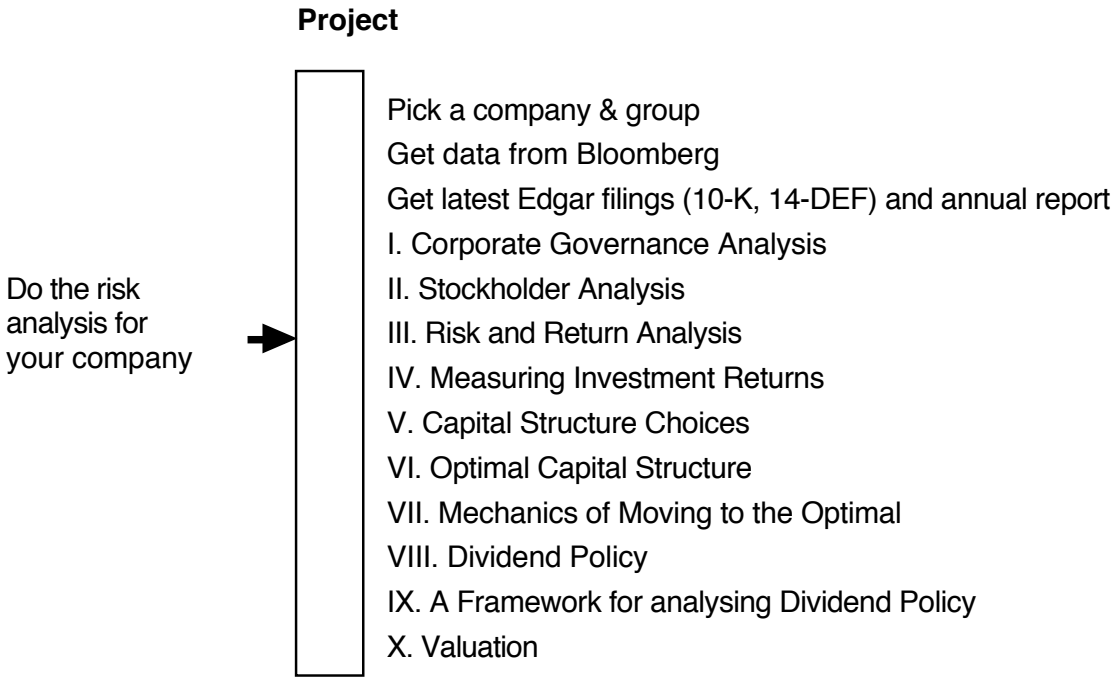
Corporate Finance: Newsletter – March 4, 2016

Where we are in class…



Where you should be in the project…



Data Notes…

The big step this week is computing bottom up betas and it is nice to have access to a big data base like S&P Capital IQ or Bloomberg to do this. The first step in

computing a bottom up beta is finding the businesses that your company operates in. I would look in the annual report or 10K for the segment information that most companies provide but show some judgment. Thus, an extension of an existing business may sometimes be viewed as a separate segment by the company but you may not consider it as such. For instance, many department stores (Macys, Sears) have capital arms but those are really just to cover department store credit cards that can be used on department store purchases. It is best to treat those as retailing.

For the betas by business, start by screening broadly (global chemical firms) and if you get a big enough sample, you can start adding other criteria (domestic market, market capitalization etc.). As long as you end up with a sample size in the double digits, you are running ahead of the game.

Miscellaneous FAQs

When is the case going to be available to us?

It is already. Check the webcast page for the class.

What do we with the case?

Use the data provided in the case to answer the questions that are posed. While number crunching will be involved, you will still have to make judgment calls.

When is the case due?

The case is due on March 30.