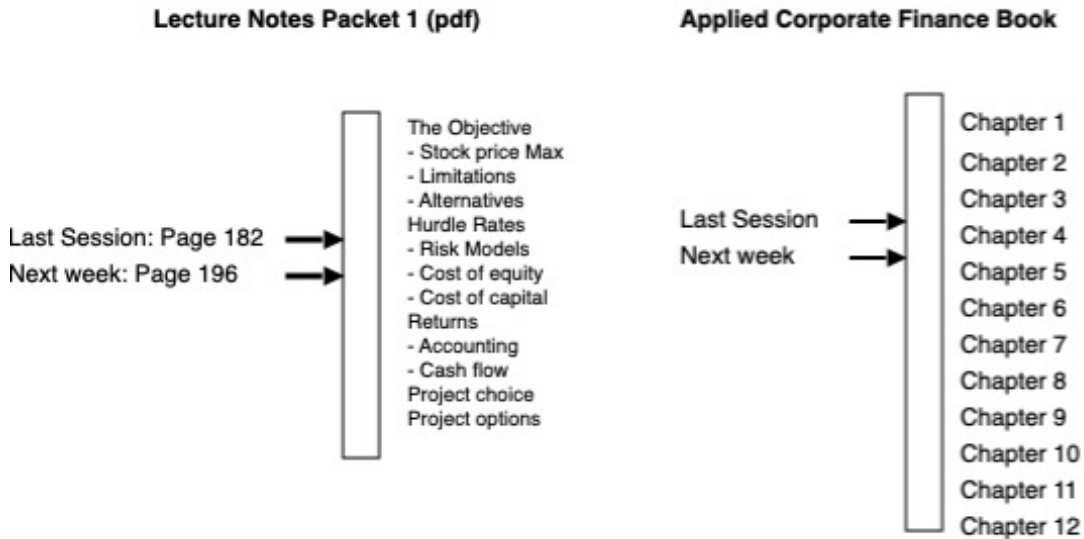
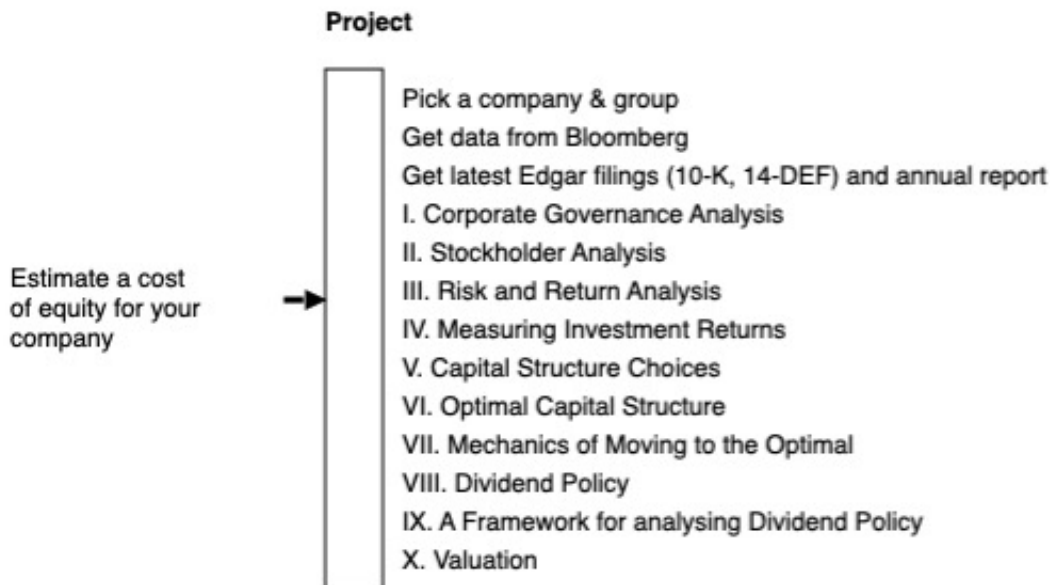


Corporate Finance: Newsletter – March 2, 2014

Where we are in class...



Where you should be in the project...



Data Notes...

You have to access to Capital IQ, which is a gold mine for data that you need to compute a bottom up beta. To get a quick estimate of the bottom-up beta for your firm, you can visit the Yahoo! Finance site, find your company, and compare it to its peer group. Once you type the symbol for your firm, and get the information on your firm, click on ratio

comparisons. You will get a beta for the 50 companies that are classified as comparable to your firm. You will also get a book debt to equity ratio for these companies. To estimate the bottom-up beta, first convert the book debt to equity ratio by dividing by the price to book ratio average for the sector:

Market debt to equity = Book debt to equity/Price to book ratio

Then unlever the average beta using this market debt to equity ratio (you can use a 35% tax rate)

You can also get the bottom-up betas that I estimated by sector from my web site:

http://www.stern.nyu.edu/~adamodar/New_Home_Page/datacurrent.html

Miscellaneous FAQs

I am a little worried about the coming quiz. If I do badly, what happens?

If you do badly, remember that you get one freebie, with your two better quizzes and final exam being used to derive your score on this quiz. Thus, if you get 3/10 (and I hope you do not), but you get 8/10, 6/10 and 21/30 on the remaining exams, I will raise your score on the first quiz to 7/10 (reflecting the fact that you got 35/50 or 70% on your remaining quizzes).

What can I use on the quiz?

It is open book, open notes, and you can use your laptop. The only constraint is that you have an hour to finish it.

What is this case and when will I get it?

The case is an investment analysis exercise, and you will get it on Monday. The case is due on March 27, before class on that day (10.30 am, NY time).