DCF VALUATIONS I

Value and Price

- When you value a publicly traded company, you will almost always come up with a value that is different from. The most likely explanation for this is
  a. You are right and the market is wrong.
  b. You are wrong and the market is right
  c. You are both wrong
  d. You are both right
  e. None of the above

Expected Dilution?

- Assume that you value a high growth company and that you discount the cash flows to equity back at the cost of equity to arrive at an equity value of $ 100 million. The firm has 10 million shares outstanding but you expect it to have to issue more shares (2.5 million) over the next few years to cover growth needs. The value per share for this company is:
  a. $10/share (-$100/10)
  b. $ 8 /share (=100/12.5)
  c. Between $8 and $10
  d. More than $10
  e. Less than $8