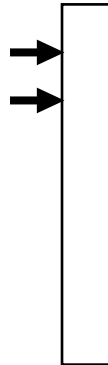


Valuation: Newsletter – September 13, 2014

Where we are in class...

Lecture Notes Packet 1 (pdf)

Last session: Page 30
As of next week: Page 80



Basics of DCF valuation
Estimation of Discount Rates
Estimation of Cash Flows
Estimation of Growth Rates
Estimation of Growth Patterns
Choosing the Right Model
Dealing with Loose Ends
Valuation Examples
The Dark Side of Valuation

Where you should be in the project...

DCF Valuation portion of Project

Item

1. Pick a firm
2. Obtain its financials
3. Find out the businesses that your firm operates in
- 4. Obtain a riskfree rate
5. Estimate a market risk premium
6. Estimate a bottom-up unlevered beta
7. Estimate the market value of equity and debt
8. Estimate a bottom-up levered beta
9. Estimate a pre-tax cost of debt (using actual or synthetic ratings)
10. Convert operating leases into debt
11. Estimate a tax rate
11. Estimate a cost of capital
12. Capitalize R&D expenses
13. Estimate an adjusted operating income
14. Estimate net capital expenditures
15. Estimate non-cash working capital
16. Estimate Free Cash Flow to Firm
17. Estimate Free Cash Flow to Equity
18. Estimate a historical growth rate in earnings
19. Obtain analyst forecasts of growth in earnings for your firm
20. Estimate growth in earnings from fundamentals
21. Choose a length for the high growth period
22. Choose a DCF model
23. Value the firm/stock

Data Notes...

You can get your firm's 10-K and other Edgar filings by going into the official SEC site:

<http://www.sec.gov/edgarhp.htm>

You can get better formatted output of the same filings at

<http://www.freeedgar.com/>

You can also try SEC Live, which learns from what you look for in 10Ks and gives you only that data, if you so desire:

<http://www.seclive.com>

If you have a non-US firm, you can usually get the annual report by going to the website for the company (try companyname.com... it generally works).

For a taste of equity research, you can try this site. I have to warn you that the valuations range the spectrum from awful to pretty good.

<http://www.investorideas.com/research/>

Miscellaneous FAQs

I am not in a group yet. What do I do?

Send me an email and let me know. If you registered very recently for the class, try to find others in the class who are in groups already and see if you can be added on to a group.

When do the web casts get online?

The sessions are usually available about an hour after the class ends.. For the moment, the only complete version that is working well is the live stream. The audio downloadable version is also fine, but the downloadable video has to be worked on.

Do I need to read all your emails? (They are getting a little tiresome)

I know that you are busy and do not always read your emails. I will be putting the emails on the web, chronologically arranged. That way, if you do miss a bunch of emails, you can go back and find them. You can also find the emails at coursekit.com, the parallel site that I am maintaining for the class.