

Valuation: Newsletter – January 27, 2024

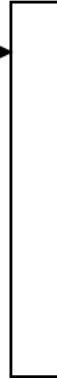
Where we are in class...

Lecture Notes Packet 1 (pdf)

As of last week: Page 11
Intro



As of next week: Page 55



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 Cash
Dealing with Options
Examples 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

What you might have missed in class..

(1) Syllabus (2) Project Description (3) Intro to Valuation. You can get all three online.

Data Notes...

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

<https://www.sec.gov/edgar>

For macro information about interest rates, exchange rates and the rest, try the Federal Reserve data site in St. Louis (FRED).

<https://fred.stlouisfed.org>

It is one on my favorites.

For a taste of equity research, you can try one of the brokerage houses and hope that they let you try out their research for free.

In fact, to see how much of their research is now outsourced, click on independent providers (the link at the bottom).

Miscellaneous FAQs

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

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. You can also add your name to the orphan list and hope to get adopted.

When do the webcasts get online?

The webcasts are both live, and the recordings are usually available about 30 minutes after the class ends...You can find them on the webcast page for the class.

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.