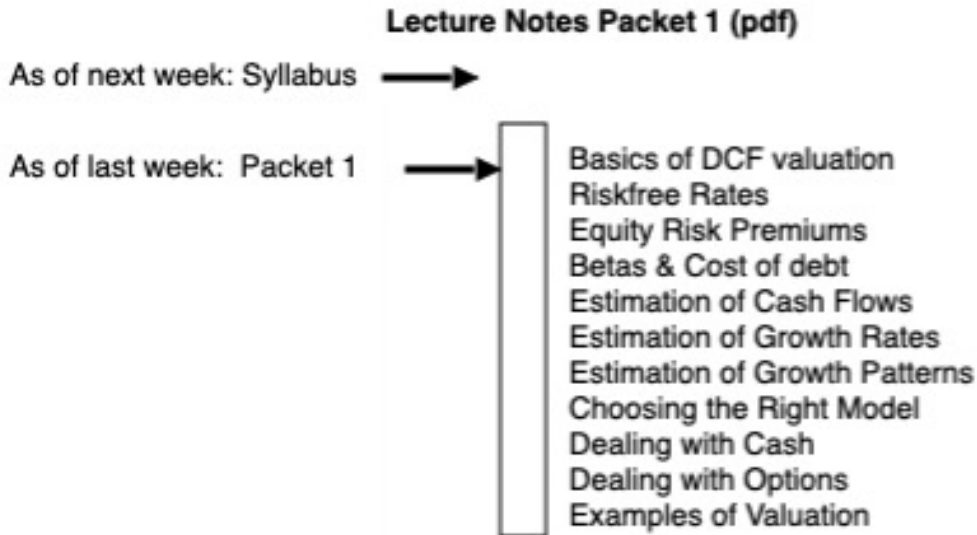


Valuation: Newsletter – January 25, 2025

Where we are in class...



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..

Packets: (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 usually available about an hour or two after the class ends...

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.