

LECTURE 5

CHAPTER 14 (Partial) – FCF and Equity models

USE STARWOOD DCF SPREADSHEET EXAMPLE

Cash Flow (FCF) to the equity

Exit Year (4 – 6 years)

Terminal Value (Multiple EBITDA method , Perpetuity method)

Discount rate (k = cost of equity using CAPM)

CHAPTER 15 (Partial) - Firm Value models

Using Perpetuity methods based on expected growth rate and WACC as the discount rate

USE STARWOOD DCF SPREADSHEET EXAMPLE

LBO Example - Use of Debt to enhance **value of equity** and the effect of leverage to the **value of the firm – WACC effects**

CHAPTER 16 (Partial) – Estimating Equity value per share

USE STARWOOD DCF SPREADSHEET EXAMPLE

Methods 1-4 deriving to stock price