Discounted Dividend Models

$$Equity\_Value = \frac{DIV_1}{(1+r_e)} + \frac{DIV_2}{(1+r_e)^2} + \frac{DIV_3}{(1+r_e)^3} + \ldots$$

$$Equity\_value = BVE_0 + \frac{NI_1 - r_e \times BVE_0}{(1+r_e)} + \frac{NI_2 - r_e \times BVE_1}{(1+r_e)^2} + \ldots\ldots$$

$$Asset\_Value = BVA_0 + \frac{NOPAT_1 - WACC * BVA_0}{(1+WACC)} + \frac{NOPAT_2 - WACC * BVA_1}{(1+WACC)^2} + \frac{NOPAT_2 - WACC * BVA_2}{(1+WACC)^3} + \ldots$$

$$TV_{Y6} = [\frac{Number}{Something} Discounted 2Y_0] = \frac{E_t[RI_5]}{(r-\omega)} x \frac{(1+\omega)}{(1+r)^5}$$

Cost of Capital

Cost of Equity

$$r_e = r_f + \beta \left[E(r_m) - r_f \right]$$

After Tax Cost of debt

$$r_d = r_{debt} \cdot (1 - T)$$

WACC

$$WACC = \frac{V_d}{V_d + V_e} r_d (1 - T) + \frac{V_e}{V_d + V_e} r_e$$

V_d = MV of debt

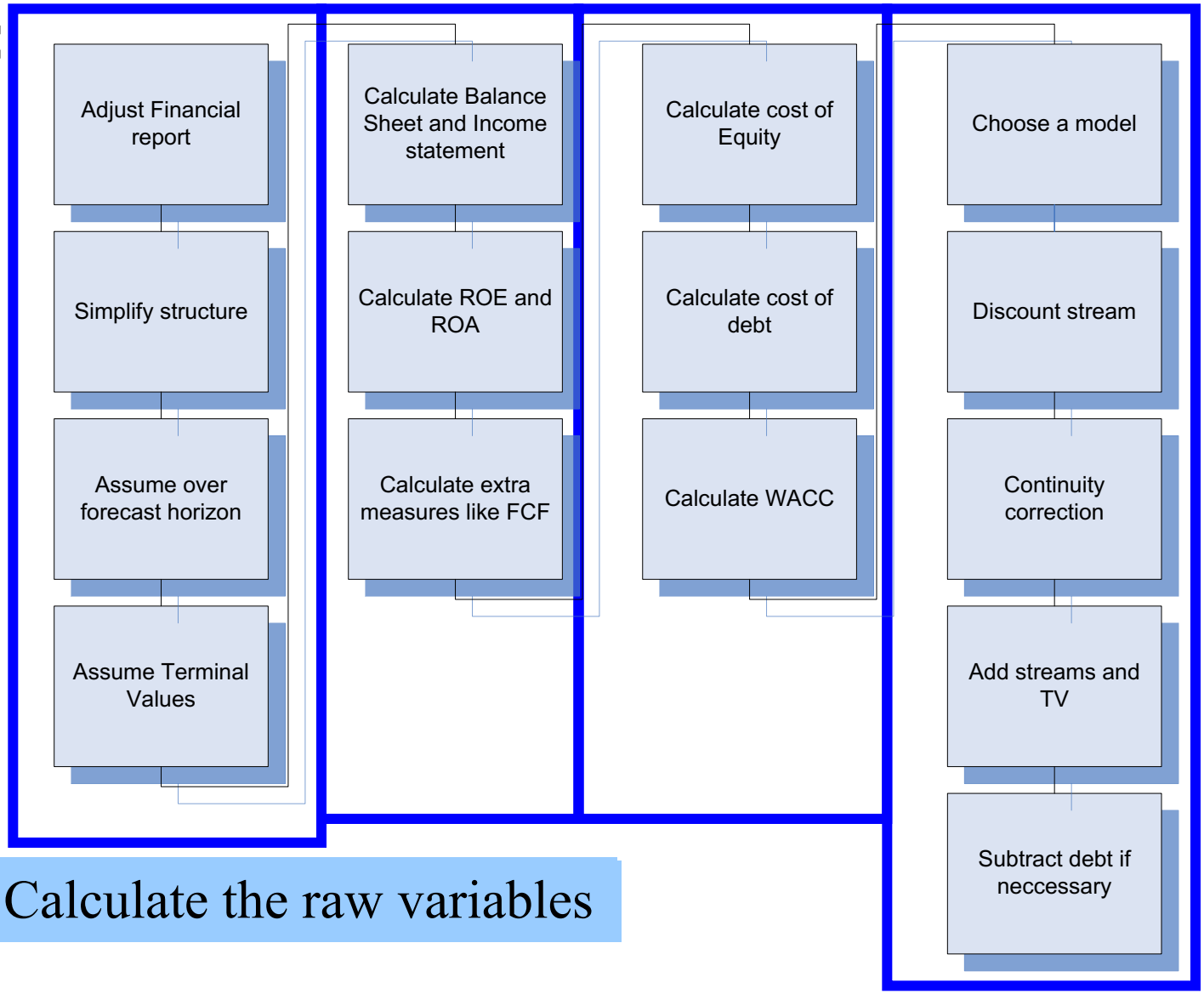
V_e = MV of equity

r_d = cost of debt

r_e = cost of equity capital

T = the tax rate

The Plan:



Calculate the raw variables

Continuity Correction

- Sum(PV + TV) x (1 + 0.5 x WACC)
- Sum(PV + TV) x $\sqrt{}$(1 + WACC)