

GLOBAL
EDITION



Corporate Finance

The Core

5th
Edition



Jonathan Berk
Peter DeMarzo

CORPORATE FINANCE: THE CORE

FIFTH EDITION
GLOBAL EDITION

JONATHAN BERK

STANFORD UNIVERSITY

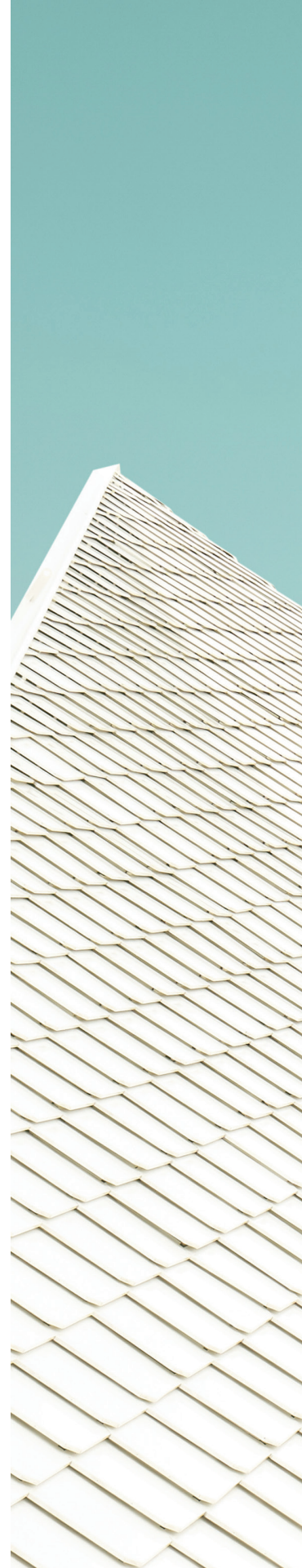
PETER DeMARZO

STANFORD UNIVERSITY



Pearson

Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Dubai • Singapore • Hong Kong
Tokyo • Seoul • Taipei • New Delhi • Cape Town • Sao Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan



Corporate Finance: The Core, Global Edition

Table of Contents

Cover

Title Page

Copyright

Brief Contents

Detailed Contents

Bridging Theory and Practice

Teaching Students to Think Finance

MyLab Finance

Improving Results

About the Authors

Preface

Part 1: Introduction

Chapter 1. The Corporation and Financial Markets

1.1 The Four Types of Firms

Sole Proprietorships

Partnerships

Limited Liability Companies

Corporations

Tax Implications for Corporate Entities

Corporate Taxation Around the World

1.2 Ownership Versus Control of Corporations

The Corporate Management Team

Interview with David Viniar

The Financial Manager

Global Financial Crisis: The Dodd-Frank Act

The Goal of the Firm

The Firm and Society

Ethics and Incentives within Corporations

Table of Contents

Global Financial Crisis: The Dodd-Frank Act on Corporate Compensation and Governance

Citizens United v. Federal Election Commission

Airlines in Bankruptcy

1.3 The Stock Market

Primary and Secondary Stock Markets

Traditional Trading Venues

Interview with Frank Hatheway

New Competition and Market Changes

Dark Pools

1.4 Fintech: Finance and Technology

Telecommunications

Security and Verification

Automation of Banking Services

Big Data and Machine Learning

Competition

MyLab Finance

Key Terms

Further Reading

Problems

Chapter 2. Introduction to Financial Statement Analysis

2.1 Firms Disclosure of Financial Information

Preparation of Financial Statements

International Financial Reporting Standards

Interview with Ruth Porat

Types of Financial Statements

2.2 The Balance Sheet

Assets

Liabilities

Stockholders Equity

Market Value Versus Book Value

Enterprise Value

2.3 The Income Statement

Earnings Calculations

2.4 The Statement of Cash Flows

Operating Activity

Investment Activity

Financing Activity

Table of Contents

2.5 Other Financial Statement Information

- Statement of Stockholders Equity
- Management Discussion and Analysis
- Notes to the Financial Statements

2.6 Financial Statement Analysis

- Profitability Ratios
- Liquidity Ratios
- Working Capital Ratios
- Interest Coverage Ratios
- Leverage Ratios
- Valuation Ratios
 - Common Mistake: Mismatched Ratios
- Operating Returns
- The DuPont Identity

2.7 Financial Reporting in Practice

- Enron
- WorldCom
- Sarbanes-Oxley Act
 - Global Financial Crisis: Bernard Madoffs Ponzi Scheme
- Dodd-Frank Act

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 3. Financial Decision Making and the Law of One Price

3.1 Valuing Decisions

- Analyzing Costs and Benefits
- Using Market Prices to Determine Cash Values
 - When Competitive Market Prices Are Not Available

3.2 Interest Rates and the Time Value of Money

- The Time Value of Money
- The Interest Rate: An Exchange Rate Across Time

3.3 Present Value and the NPV Decision Rule

- Net Present Value
- The NPV Decision Rule

Table of Contents

NPV and Cash Needs

3.4 Arbitrage and the Law of One Price

Arbitrage

Law of One Price

3.5 No-Arbitrage and Security Prices

Valuing a Security with the Law of One Price

An Old Joke

The NPV of Trading Securities and Firm Decision Making

Valuing a Portfolio

Global Financial Crisis: Liquidity and the Informational Role of Prices

Arbitrage in Markets

Where Do We Go from Here?

Appendix. The Price of Risk

Risky Versus Risk-Free Cash Flows

Arbitrage with Transactions Costs

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Part 2: Time, Money, Andinterest Rates

Chapter 4. The Time Value of Money

4.1 The Timeline

4.2 The Three Rules of Time Travel

Rule 1: Comparing and Combining Values

Rule 2: Moving Cash Flows Forward in Time

Rule 3: Moving Cash Flows Back in Time

Rule of 72

Applying the Rules of Time Travel

4.3 Valuing a Stream of Cash Flows

4.4 Calculating the Net Present Value

Using Excel: Calculating Present Valuesin Excel

4.5 Perpetuities and Annuities

Perpetuities

Historical Examples of Perpetuities

Common Mistake: Discounting OneToo Many Times

Table of Contents

Annuities

Formula for an Annuity Due

Growing Cash Flows

4.6 Using an Annuity Spreadsheet or Calculator

4.7 Non-Annual Cash Flows

4.8 Solving for the Cash Payments

4.9 The Internal Rate of Return

Using Excel: Excel's IRR Function

Appendix. Solving for the Number of Periods

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 5. Interest Rates

5.1 Interest Rate Quotes and Adjustments

The Effective Annual Rate

Common Mistake: Using the Wrong Discount Rate in the Annuity Formula

Annual Percentage Rates

5.2 Application: Discount Rates and Loans

5.3 The Determinants of Interest Rates

Global Financial Crisis: Teaser Rates and Subprime Loans

Inflation and Real Versus Nominal Rates

Investment and Interest Rate Policy

The Yield Curve and Discount Rates

The Yield Curve and the Economy

Common Mistake: Using the Annuity Formula When Discount Rates Vary by Maturity

Interview with Dr. Janet Yellen

5.4 Risk and Taxes

Risk and Interest Rates

After-Tax Interest Rates

5.5 The Opportunity Cost of Capital

Common Mistake: States Dig a Multi-Trillion Dollar Hole by Discounting at the Wrong Rate

Appendix. Continuous Rates and Cash Flows

Discount Rates for a Continuously

Compounded APR

Table of Contents

Continuously Arriving Cash Flows

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 6. Valuing Bonds

6.1 Bond Cash Flows, Prices, and Yields

Bond Terminology

Zero-Coupon Bonds

Global Financial Crisis: Negative Bond Yields

Coupon Bonds

6.2 Dynamic Behavior of Bond Prices

Discounts and Premiums

Time and Bond Prices

Interest Rate Changes and Bond Prices

Clean and Dirty Prices for Coupon Bonds

6.3 The Yield Curve and Bond Arbitrage

Replicating a Coupon Bond

Valuing a Coupon Bond Using Zero-Coupon Yields

Coupon Bond Yields

Treasury Yield Curves

6.4 Corporate Bonds

Corporate Bond Yields

Are Treasuries Really Default-Free Securities?

Bond Ratings

Corporate Yield Curves

6.5 Sovereign Bonds

Global Financial Crisis: The Credit Crisis and Bond Yields

Global Financial Crisis: European Sovereign Debt Yields: A Puzzle

Interview with Carmen M. Reinhart

Appendix. Forward Interest Rates

Computing Forward Rates

Computing Bond Yields from Forward Rates

Forward Rates and Future Interest Rates

MyLab Finance

Table of Contents

Key Terms

Further Reading

Problems

Data Case

Case Study

Part 3: Valuing Projects And Firms

Chapter 7. Investment Decision Rules

7.1 NPV and Stand-Alone Projects

Applying the NPV Rule

The NPV Profile and IRR

Alternative Rules Versus the NPV Rule

Interview with Dick Grannis

7.2 The Internal Rate of Return Rule

Applying the IRR Rule

Pitfall #1: Delayed Investments

Pitfall #2: Multiple IRRs

Common Mistake: IRR Versus the IRR Rule

Pitfall #3: Nonexistent IRR

7.3 The Payback Rule

Applying the Payback Rule

Payback Rule Pitfalls in Practice

Why Do Rules Other Than the NPV Rule Persist?

7.4 Choosing between Projects

NPV Rule and Mutually Exclusive Investments

IRR Rule and Mutually Exclusive Investments

The Incremental IRR

When Can Returns Be Compared?

Common Mistake: IRR and Project Financing

7.5 Project Selection with Resource Constraints

Evaluating Projects with Different Resource Requirements

Profitability Index

Shortcomings of the Profitability Index

Appendix. Computing the NPV Profile Using Excel's Data Table Function

MyLab Finance

Key Terms

Further Reading

Table of Contents

Problems

Data Case

Chapter 8. Fundamentals of Capital Budgeting

8.1 Forecasting Earnings

Revenue and Cost Estimates

Incremental Earnings Forecast

Indirect Effects on Incremental Earnings

Common Mistake: The Opportunity Cost of an Idle Asset

Sunk Costs and Incremental Earnings

Common Mistake: The Sunk Cost Fallacy

Real-World Complexities

8.2 Determining Free Cash Flow and NPV

Calculating Free Cash Flow from Earnings

Calculating Free Cash Flow Directly

Calculating the NPV

Using Excel: Capital Budgeting Using Excel

8.3 Choosing among Alternatives

Evaluating Manufacturing Alternatives

Comparing Free Cash Flows for Ciscos Alternatives

8.4 Further Adjustments to Free Cash Flow

Interview with David Holland

8.5 Analyzing the Project

Break-Even Analysis

Common Mistake: Corporate Tax Rates and Investment

Sensitivity Analysis

Scenario Analysis

Using Excel: Project Analysis Using Excel

Appendix. MACRS Depreciation

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 9. Valuing Stocks

9.1 The Dividend-Discount Model

A One-Year Investor

Table of Contents

Dividend Yields, Capital Gains, and Total Returns

The Mechanics of a Short Sale

A Multiyear Investor

The Dividend-Discount Model Equation

9.2 Applying the Dividend-Discount Model

Constant Dividend Growth

Dividends Versus Investment and Growth

John Burr Williams's Theory of Investment Value

Changing Growth Rates

Limitations of the Dividend-Discount Model

9.3 Total Payout and Free Cash Flow Valuation Models

Share Repurchases and the Total Payout Model

The Discounted Free Cash Flow Model

9.4 Valuation Based on Comparable Firms

Valuation Multiples

Limitations of Multiples

Comparison with Discounted Cash Flow Methods

Stock Valuation Techniques: The Final Word

Kenneth Cole Productions What Happened?

Cryptocurrencies and Price Bubbles

Interview with Susan Athey

9.5 Information, Competition, and Stock Prices

Information in Stock Prices

Competition and Efficient Markets

Lessons for Investors and Corporate Managers

The Efficient Markets Hypothesis Versus No Arbitrage

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Part 4: Risk And Return

Chapter 10. Capital Markets and the Pricing of Risk

10.1 Risk and Return: Insights from 92 Years of Investor History

10.2 Common Measures of Risk and Return

Probability Distributions

Table of Contents

Expected Return

Variance and Standard Deviation

10.3 Historical Returns of Stocks and Bonds

Computing Historical Returns

Average Annual Returns

The Variance and Volatility of Returns

Estimation Error: Using Past Returns to Predict the Future

Arithmetic Average Returns Versus Compound Annual Returns

10.4 The Historical Tradeoff Between Risk and Return

The Returns of Large Portfolios

The Returns of Individual Stocks

10.5 Common Versus Independent Risk

Theft Versus Earthquake Insurance: An Example

The Role of Diversification

10.6 Diversification in Stock Portfolios

Firm-Specific Versus Systematic Risk

No Arbitrage and the Risk Premium

Global Financial Crisis: Diversification Benefits During Market Crashes

Common Mistake: A Fallacy of Long-Run Diversification

10.7 Measuring Systematic Risk

Identifying Systematic Risk: The MarketPortfolio

Sensitivity to Systematic Risk: Beta

10.8 Beta and the Cost of Capital

Estimating the Risk Premium

Common Mistake: Beta Versus Volatility

The Capital Asset Pricing Model

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 11. Optimal Portfolio Choice and the Capital Asset Pricing Model

11.1 The Expected Return of a Portfolio

11.2 The Volatility of a Two-Stock Portfolio

Combining Risks

Determining Covariance and Correlation

Table of Contents

Common Mistake: Computing Variance, Covariance, and Correlation in Excel

Computing a Portfolio's Variance and Volatility

11.3 The Volatility of a Large Portfolio

Large Portfolio Variance

Diversification with an Equally Weighted Portfolio

Interview with Anne Martin

Diversification with General Portfolios

11.4 Risk Versus Return: Choosing an Efficient Portfolio

Efficient Portfolios with Two Stocks

The Effect of Correlation

Short Sales

Efficient Portfolios with Many Stocks

Nobel Prize: Harry Markowitz and James Tobin

11.5 Risk-Free Saving and Borrowing

Investing in Risk-Free Securities

Borrowing and Buying Stocks on Margin

Identifying the Tangent Portfolio

11.6 The Efficient Portfolio and Required Returns

Portfolio Improvement: Beta and the Required Return

Expected Returns and the Efficient Portfolio

11.7 The Capital Asset Pricing Model

The CAPM Assumptions

Supply, Demand, and the Efficiency of the Market Portfolio

Optimal Investing: The Capital Market Line

11.8 Determining the Risk Premium

Market Risk and Beta

Nobel Prize: William Sharpe on the CAPM

The Security Market Line

Beta of a Portfolio

Summary of the Capital Asset Pricing Model

Appendix. The CAPM with Differing Interest Rates

The Efficient Frontier with Differing Saving and Borrowing Rates

The Security Market Line with Differing Interest Rates

MyLab Finance

Key Terms

Further Reading

Problems

Table of Contents

Data Case

Chapter 12. Estimating the Cost of Capital

12.1 The Equity Cost of Capital

12.2 The Market Portfolio

Constructing the Market Portfolio

Market Indexes

Value-Weighted Portfolios and Rebalancing

The Market Risk Premium

12.3 Beta Estimation

Using Historical Returns

Identifying the Best-Fitting Line

Using Linear Regression

Why Not Estimate Expected Returns Directly?

12.4 The Debt Cost of Capital

Debt Yields Versus Returns

Common Mistake: Using the Debt Yield as Its Cost of Capital

Debt Betas

12.5 A Projects Cost of Capital

All-Equity Comparables

Levered Firms as Comparables

The Unlevered Cost of Capital

Industry Asset Betas

12.6 Project Risk Characteristics and Financing

Differences in Project Risk

Common Mistake: Adjusting for Execution Risk

Financing and the Weighted Average Cost of Capital

Interview with Shelagh Glaser

Common Mistake: Using a Single Cost of Capital in Multi-Divisional Firms

12.7 Final Thoughts on Using the CAPM

Appendix. Practical Considerations When Forecasting Beta

Time Horizon

The Market Proxy

Beta Variation and Extrapolation

Outliers

Common Mistake: Changing the Index to Improve the Fit

Using Excel: Estimating Beta Using Excel

Other Considerations

Table of Contents

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Chapter 13. Investor Behavior and Capital Market Efficiency

13.1 Competition and Capital Markets

Identifying a Stocks Alpha

Profiting from Non-Zero Alpha Stocks

13.2 Information and Rational Expectations

Informed Versus Uninformed Investors

Rational Expectations

13.3 The Behavior of Individual Investors

Underdiversification and Portfolio Biases

Excessive Trading and Overconfidence

Individual Behavior and Market Prices

13.4 Systematic Trading Biases

Hanging on to Losers and the Disposition Effect

Nobel Prize: Prospect Theory, Mental Accounting, and Nudges

Investor Attention, Mood, and Experience

Herd Behavior

Implications of Behavioral Biases

13.5 The Efficiency of the Market Portfolio

Trading on News or Recommendations

Nobel Prize: The 2013 Prize: An Enigma?

The Performance of Fund Managers

The Winners and Losers

13.6 Style-Based Techniques and the Market Efficiency Debate

Size Effects

Interview with Jonathan Clements

Momentum

Market Efficiency and the Efficiency of the Market Portfolio

Implications of Positive-Alpha Trading Strategies

13.7 Multifactor Models of Risk

Using Factor Portfolios

Smart Beta

Table of Contents

Long-Short Portfolios

Selecting the Portfolios

The Cost of Capital with Fama-French-Carhart Factor Specification

13.8 Methods Used in Practice

Financial Managers

Investors

Appendix. Building a Multifactor Model

MyLab Finance

Key Terms

Further Reading

Problems

Part 5: Capital Structure

Chapter 14. Capital Structure in a Perfect Market

14.1 Equity Versus Debt Financing

Financing a Firm with Equity

Financing a Firm with Debt and Equity

The Effect of Leverage on Risk and Return

14.2 Modigliani-Miller I: Leverage, Arbitrage, and Firm Value

MM and the Law of One Price

Homemade Leverage

MM and the Real World

The Market Value Balance Sheet

Application: A Leveraged Recapitalization

14.3 Modigliani-Miller II: Leverage, Risk, and the Cost of Capital

Leverage and the Equity Cost of Capital

Capital Budgeting and the Weighted Average Cost of Capital

Common Mistake: Is Debt Better Than Equity?

Computing the WACC with Multiple Securities

Levered and Unlevered Betas

Nobel Prize: Franco Modigliani and Merton Miller

14.4 Capital Structure Fallacies

Leverage and Earnings per Share

Global Financial Crisis: Bank Capital Regulation and the ROE Fallacy

Equity Issuances and Dilution

14.5 MM: Beyond the Propositions

MyLab Finance

Table of Contents

Key Terms

Further Reading

Problems

Data Case

Chapter 15. Debt and Taxes

15.1 The Interest Tax Deduction

15.2 Valuing the Interest Tax Shield

The Interest Tax Shield and Firm Value

Pizza and Taxes

The Interest Tax Shield with Permanent Debt

The Weighted Average Cost of Capital with Taxes

The Repatriation Tax: Why Some Cash-Rich Firms Borrow

The Interest Tax Shield with a Target Debt-Equity Ratio

15.3 Recapitalizing to Capture the Tax Shield

The Tax Benefit

The Share Repurchase

No Arbitrage Pricing

Analyzing the Recap: The Market Value Balance Sheet

15.4 Personal Taxes

Including Personal Taxes in the Interest Tax Shield

Determining the Actual Tax Advantage of Debt

Valuing the Interest Tax Shield with Personal Taxes

Common Mistake: How to Save for Retirement

15.5 Optimal Capital Structure with Taxes

Do Firms Prefer Debt?

Limits to the Tax Benefit of Debt

Growth and Debt

Interview with Andrew Balson

Other Tax Shields

The Low Leverage Puzzle

Employee Stock Options

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Table of Contents

Chapter 16. Financial Distress, Managerial Incentives, and Information

16.1 Default and Bankruptcy in a Perfect Market

Armin Industries: Leverage and the Risk of Default

Bankruptcy and Capital Structure

16.2 The Costs of Bankruptcy and Financial Distress

The Bankruptcy Code

Direct Costs of Bankruptcy

Indirect Costs of Financial Distress

Global Financial Crisis: The Chrysler Prepack

16.3 Financial Distress Costs and Firm Value

Armin Industries: The Impact of Financial Distress Costs

Who Pays for Financial Distress Costs?

16.4 Optimal Capital Structure: The Tradeoff Theory

The Present Value of Financial Distress Costs

Optimal Leverage

16.5 Exploiting Debt Holders: The Agency Costs of Leverage

Excessive Risk-Taking and Asset Substitution

Debt Overhang and Under-Investment

Global Financial Crisis: Bailouts, Distress Costs, and Debt Overhang

Agency Costs and the Value of Leverage

The Leverage Ratchet Effect

Debt Maturity and Covenants

Why Do Firms Go Bankrupt?

16.6 Motivating Managers: The Agency Benefits of Leverage

Concentration of Ownership

Reduction of Wasteful Investment

Excessive Perks and Corporate Scandals

Global Financial Crisis: Moral Hazard, Government Bailouts, and the Appeal of Leverage

Leverage and Commitment

Nobel Prize: Contract Theory

16.7 Agency Costs and the Tradeoff Theory

The Optimal Debt Level

Debt Levels in Practice

16.8 Asymmetric Information and Capital Structure

Leverage as a Credible Signal

Issuing Equity and Adverse Selection

Nobel Prize: Markets with Asymmetric Information and Adverse Selection

Implications for Equity Issuance

Table of Contents

Implications for Capital Structure

16.9 Capital Structure: The Bottom Line

MyLab Finance

Key Terms

Further Reading

Problems

Chapter 17. Payout Policy

17.1 Distributions to Shareholders

Dividends

Share Repurchases

17.2 Comparison of Dividends and Share Repurchases

Alternative Policy 1: Pay Dividend with Excess Cash

Alternative Policy 2: Share Repurchase (No Dividend)

Common Mistake: Repurchases and the Supply of Shares

Alternative Policy 3: High Dividend (Equity Issue)

Modigliani-Miller and Dividend Policy Irrelevance

Common Mistake: The Bird in the Hand Fallacy

Dividend Policy with Perfect Capital Markets

17.3 The Tax Disadvantage of Dividends

Taxes on Dividends and Capital Gains

Optimal Dividend Policy with Taxes

17.4 Dividend Capture and Tax Clienteles

The Effective Dividend Tax Rate

Tax Differences Across Investors

Clientele Effects

Interview with John Connors

17.5 Payout Versus Retention of Cash

Retaining Cash with Perfect Capital Markets

Taxes and Cash Retention

Adjusting for Investor Taxes

Issuance and Distress Costs

Agency Costs of Retaining Cash

17.6 Signaling with Payout Policy

Dividend Smoothing

Dividend Signaling

Royal & SunAlliances Dividend Cut

Signaling and Share Repurchases

Table of Contents

17.7 Stock Dividends, Splits, and Spin-Offs

Stock Dividends and Splits

Spin-Offs

Berkshire Hathaways A & B Shares

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Part 6: Advanced Valuation

Chapter 18. Capital Budgeting and Valuation with Leverage

18.1 Overview of Key Concepts

18.2 The Weighted Average Cost of Capital Method

Interview with Zane Rowe

Using the WACC to Value a Project

Summary of the WACC Method

Implementing a Constant Debt-Equity Ratio

18.3 The Adjusted Present Value Method

The Unlevered Value of the Project

Valuing the Interest Tax Shield

Summary of the APV Method

18.4 The Flow-to-Equity Method

Calculating the Free Cash Flow to Equity

Valuing Equity Cash Flows

What Counts as Debt?

Summary of the Flow-to-Equity Method

18.5 Project-Based Costs of Capital

Estimating the Unlevered Cost of Capital

Project Leverage and the Equity Cost of Capital

Determining the Incremental Leverage of a Project

Common Mistake: Re-Levering the WACC

18.6 APV with Other Leverage Policies

Constant Interest Coverage Ratio

Predetermined Debt Levels

A Comparison of Methods

18.7 Other Effects of Financing

Table of Contents

Issuance and Other Financing Costs

Security Mispricing

Financial Distress and Agency Costs

Global Financial Crisis: Government Loan Guarantees

18.8 Advanced Topics in Capital Budgeting

Periodically Adjusted Debt

Leverage and the Cost of Capital

The WACC or FTE Method with Changing Leverage

Personal Taxes

MyLab Finance

Key Terms

Further Reading

Problems

Data Case

Appendix. Foundations and Further Details

Deriving the WACC Method

The Levered and Unlevered Cost of Capital

Solving for Leverage and Value Simultaneously

The Residual Income and Economic Value Added Valuation Methods

Chapter 19. Valuation and Financial Modeling: A Case Study

19.1 Valuation Using Comparables

19.2 The Business Plan

Operational Improvements

Capital Expenditures: A Needed Expansion

Working Capital Management

Capital Structure Changes: Levering

19.3 Building the Financial Model

Forecasting Earnings

Interview with Joseph L. Rice, III

Working Capital Requirements

Forecasting Free Cash Flow

Using Excel: Summarizing Model Outputs

The Balance Sheet and Statement of Cash Flows (Optional)

Using Excel: Auditing Your Financial Model

19.4 Estimating the Cost of Capital

CAPM-Based Estimation

Unlevering Beta

Table of Contents

Idekos Unlevered Cost of Capital

19.5 Valuing the Investment

The Multiples Approach to Continuation Value

The Discounted Cash Flow Approach to Continuation Value

Common Mistake: Continuation Values and Long-Run Growth

APV Valuation of Idekos Equity

A Reality Check

Common Mistake: Missing Assets or Liabilities

IRR and Cash Multiples

19.6 Sensitivity Analysis

MyLab Finance

Key Terms

Further Reading

Problems

Appendix. Compensating Management

Glossary

Index