Valuation of Money is a concept the refers to the future value of current capital. We can apply this concept to Free Cash Flows (FCFs). The formula for FCF Valuation is as follows:

$$\sum_{i=1}^{\infty} = \frac{FCF_i}{(1+WACC)^i}$$

where:

$FVF_c =$ is the sum of all future cash flows of a company

$FVF_i =$ is the estimated fcf of a firm at year i

$WACC =$ is the weighted average cost of capital

This formula works for both constant and variable rates of growth. But the Gordon Model makes constant growth valuation a breeze! The Gordon Model for constant valuation is:

$$P_0 = \frac{D_1}{k-g}$$

where:

$P_0 =$ current price

$g =$ expected growth

$k =$ expected return