

2. Week Assignment

Beta Calculation

STEP 1: Select the ~~peer~~ Company.

STEP 2: Required Data, Required Components.

STEP 3: Calculate firm Value, Cash/Firm Value, Enterprise Value, Unlevered beta and pureplay beta, EV/sales.

STEP 4: After Calculating all take a Median value of levered beta, Cash/Firm Value, debt equity ratio, unlevered beta, pureplay beta.

STEP 5: With the help of Median Value Calculate unlevered beta of respective business, pureplay beta.

STEP 6: Multiply the revenues and EV by Sales [EV/Sales] to get a value of the business and take a proposition

STEP 7: Take a pureplay beta make a proportion using Formula Concerned business (media network, Park and Resort Studio, entertainment) / total value of business \times pureplay beta (median).

STEP 8: Split data based on the proportion of identifiable asset.

STEP 9: \Rightarrow Calculate the proportion of debt the percentage of proportion \times total number of debt.

\Rightarrow Value of the business - Total allocated debt = estimated equity, with the help debt and equity we can calculate the debt equity ratio.

STEP 10: Use a pureplay beta of Studio of Disney to calculate the cost of equity.

Relevered the beta.

$$\beta_U = \frac{\beta_D D}{D + E}$$

STEP 11: To calculate the cost of equity find, risk free rate, beta, equity risk premium (respective Country) beta value, (Bottom approach).