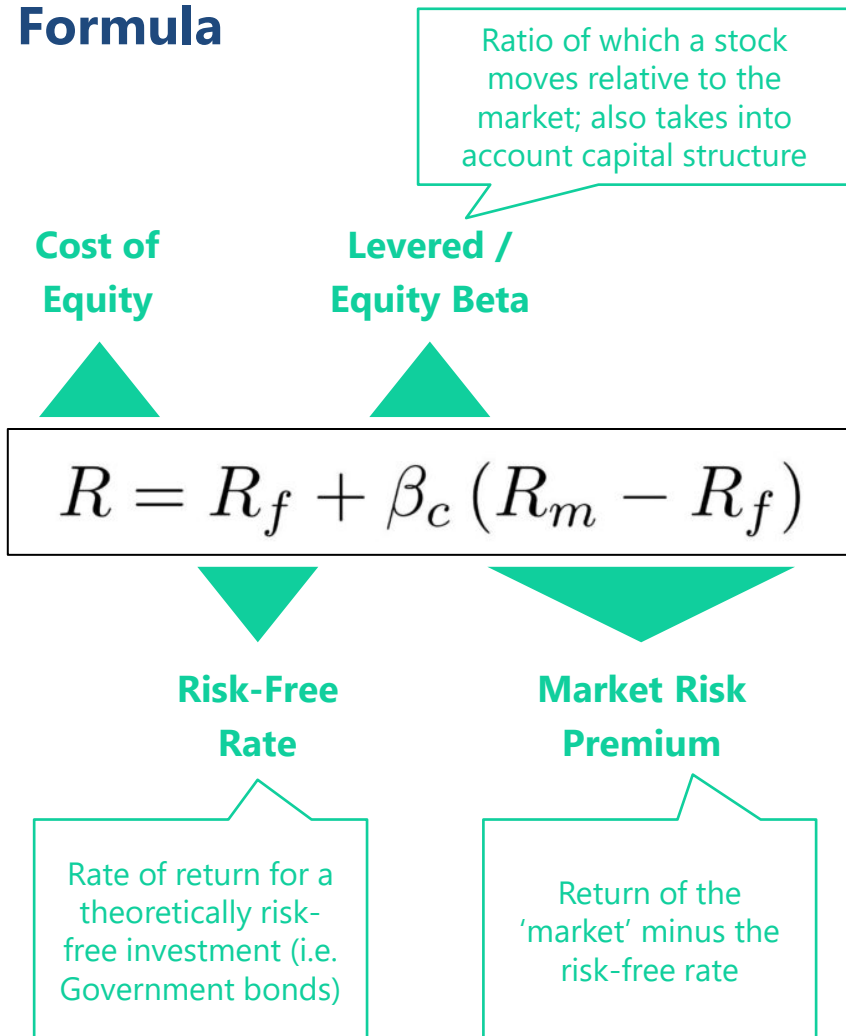


Using the CAPM to Calculate the Cost of Equity

1

Formula



Assumptions

| | Description & Source | Model Input |
|------------------------------|---|--------------|
| Risk-Free Rate | <ul style="list-style-type: none">10-Year Government Bond rate of home country of stockhttps://www.bloomberg.com/markets/rates-bonds/government-bonds/australiaHowever, given record low interest rates, many analysts and investors are using longer-dated averages (~3.0%) | 3.0% |
| Levered / Equity Beta | <ul style="list-style-type: none">Typical to use 3-year beta for a stock (how closely it moves with market)https://www.infrontanalytics.com/fe-en/AU000000BLD2/Boral-Limited/beta | 1.67 |
| Market Risk Premium | <ul style="list-style-type: none">'Market return' minus the risk-free rate – i.e. extra return for investing in risky assetsSelect Australia as home country of stock and main operating geographyhttp://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html | 4.72% |