results. Lastly, results for Table A8.I we	nctions, winsor.py and stacked_bar.py, located in the subfolder Functions, which are needed to produce produced using Stata Version 16. See "Code/Lintner_Regressions.txt" for details.
• Figures 1 and A2.1 • Table A2.1 import Code.Demographic Displaying Figure 1: (A) Sales Revenue	
\$1-5bn - \$500-999m - \$100-499m - \$25-99m - \$25-99m - \$25 - \$50% Displaying Figure A2.1: (A) Sales Revenue >\$5bn - \$1-5bn - \$1-5bn	Tech/Health Services Ret/Whole Manuf Finance Agri 0% 25% 50% 0% 25% 50% (B) Ownership Image: Company of the co
\$25-99m \$25m (D) Employees \$10,000 \$5,000-10,000 \$1,000-4,999 \$100-4999	Private Public 0% 25% 50% 0% 25% 50% (E) Cash/Assets (F) Debt/Assets 0-100% 50-100% 25-50% 10-25% 10-25% 10-25% 10-25% 10-25% 50% (H) Credit Rating (I) Operating Segments AAA AAA AAA AAA AAA AAA AAA AAA AAA A
50-59 - 40-49 -	0% 25% 50% 0% 25% 50% (K) Firm Age (L) Family Firm yes 10-49 11-49 10-70 (N) CFO Tenure (O) CFO Education 0 Years 9 Years 4 Years 4 Years 0% 25% 50% 0% 25% 50%
> 5bn 7.7 10 (7) 50% ≤ 5m 12.0 35	(2) (3) (4) (5) (6) \ 25% 50% 75% % of Sample 25% 2.0 9.0 27.0 15.0 3.0 31.0 59.0 100.0 7.2 26.0 99.0 198.0 350.0 13.0 91.0 425.0 925.0 1900.0 30.4 341.0 2150.0 5200.0 10000.0 21.4 2217.0 0000.0 35500.0 82500.0 12.9 10700.0
25-100m 162.0 266 100m-1bn 762.0 1700 1-5bn 4900.0 9100 > 5bn 23200.0 55000	rate Investment, Capital Budgeting and the Cost of Capit
<pre>import Code.Hurdle_Rate import Code.Cost_of_Equ import Code.Reasons_for Displaying Figure 2 Net Present Value IRR/Hurdle Rate Scenario Analysis</pre>	uity
Payback	20% 40% 60% 80% 2022 2001 Large Small Large Small
Displaying Table I, Pane Variable Group Survey N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis Simulation Analysis/VAR Real Options	Percent Always or Almost Always Large Firms 2001 2022 161 85 84.52 77.38 84.81 75.00 40.97 48.78 45.89 63.86 8.03 38.75 ('01) 18.18 56.79 58.67 68.67 16.08 35.80 28.03 37.50
Adjusted Present Value Variable Group Survey N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis Simulation Analysis/VAR Real Options Adjusted Present Value	46.38 51.78 2.31 2.38
Variable Group Survey N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis Simulation Analysis/VAR Real Options Adjusted Present Value	Small Firms Large Firms 2001 2022 2001 2022 217 376 161 85 2.83 1.80*** 3.42 3.10** 2.86 1.89*** 3.41 3.02** 1.80 1.82 2.01 2.33 2.72 2.80 2.25 2.82*** 0.88 1.54*** 0.75 1.81*** ('01) 1.41 2.05*** 1.25 2.60*** 2.13 2.28 2.56 2.81
Displaying Table I, Pane Comparison Group Variable Group N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis	2022 Size Public Growth Prospects Small Large No Yes No 376 85 373 88 201 1.80 3.10*** 1.78 3.17*** 1.81 1.89 3.02*** 1.86 3.10*** 1.90 1.82 2.33*** 1.74 2.67*** 1.59 2.80 2.82 2.75 3.03** 2.80 1.54 1.81 1.50 1.99*** 1.48
Simulation Analysis/VAR Real Options Adjusted Present Value Comparison Group Variable Group N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis	1.90
Simulation Analysis/VAR Real Options Adjusted Present Value Comparison Group Variable Group N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis Simulation Analysis/VAR Real Options	1.20
Real Options Adjusted Present Value Comparison Group Variable Group N Net Present Value IRR/Hurdle Rate P/E Multiples Payback Profitability Index ROIC ('22) Book Return Scenario Analysis Simulation Analysis/VAR Real Options	1.85 1.84 1.90 1.95 0.69 Yes 366 2.09 2.21*** 2.04*** 2.81 1.65 ('01) 2.23** 2.48*** 1.27** 1.89
-	
Displaying Table II Demographic Variable Group N Hurdle Rate	All Firms Size Public \ Small Large No Yes 220 138 82 131 89 15.02 16.15 13.11** 16.03 13.52**
Hurdle Rate WACC Buffer (Hurdle Rate - WA Demographic Variable Group N Hurdle Rate WACC Buffer (Hurdle Rate - WA Demographic Variable Group N Hurdle Rate WACC Buffer (Hurdle Rate - WA MACC Buffer (Hurdle Rate - WA MACC Buffer (Hurdle Rate - WA	15.02 16.15 13.11** 16.03 13.52** 9.04 9.10 8.95 8.95 9.17 ACC) 5.98 7.06 4.16** 7.08 4.35** Growth Prospects Pay Dividends \ No Yes No Yes 101 112 132 88 13.37 16.62** 15.44 14.39 8.05 9.86*** 9.00 9.11 ACC) 5.32 6.76 6.44 5.28 Leverage Cash \ Low High Low High 111 101 112 79 14.79 15.65 16.07 14.72 8.79 9.28 8.94 9.17
Buffer (Hurdle Rate - WA	Financial Flexibility No Yes 22 198 15.18 15.00 9.48 8.99 ACC) 5.70 6.01 Percent 0.389381 0.256637
Displaying data for Figure 1	ment 0.132743 ure A4.1: a Europe Asia Latin America 3 0.258621 0.296774 0.211382 6 0.189655 0.090323 0.097561 9 0.172414 0.122581 0.252033 5 0.172414 0.161290 0.182927
Displaying Figure 5: CAPM - Multi-Factor Model - Historical Average - Investor Expectations - Dividend Discount Model -	
Market Return ('22 only) - Regulatory Decisions - Unchanged Estimate ('22 only) - 09 Displaying Table III, Pa	2022 2001 Large Small Large Small Small A: Panel A: Cost of Equity, 2001 vs. 2022 Comparison \
Variable Group Survey N CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return ('22 only) Regulatory Decisions Unchanged Estimate ('22 Panel Variable	0.09
Group Survey N CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return ('22 only) Regulatory Decisions Unchanged Estimate ('22 Panel Variable Group Survey) 0.17 0.21 1.06 0.14 0.05 0.19 0.44 0.89***
N CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return ('22 only) Regulatory Decisions Unchanged Estimate ('22 Displaying Table III, Papanel	0.50 0.83* 0.37 0.92*** only) 0.66 1.52
Demographic Variable Group N CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return Regulatory Decisions Unchanged Estimate Panel Demographic Variable Group N	Size Small 87 1.53 1.34 1.03 1.04 0.67 1.12 0.92 1.52 Public Growth Prospects Large No Yes No Yes 51 81 57 43 82
CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return Regulatory Decisions Unchanged Estimate Panel Demographic Variable Group N CAPM Multi-Factor Model Historical Average	3.20*** 1.66 2.78*** 1.66 2.31** 2.62*** 1.59 2.13* 1.36 1.87 1.51* 1.06 1.42 1.60 0.92** 1.27 0.90 1.45** 1.34 0.82** 0.92 0.71 0.82 0.64 0.63 0.95 1.21 0.83 1.17 1.01 0.83 0.93 0.84 1.26 0.62*** 0.66*** 1.59 0.63*** 1.35 1.17 Pay Dividends Leverage Cash No Yes Low High Low High 41 33 23 23 66 47 1.78 2.14 2.14 2.50 2.19 1.70 1.61 2.11 1.37 2.05 1.76 1.56 1.14 1.59 0.90 1.00 0.98 1.34
Investor Expectations Dividend Discount Model Market Return Regulatory Decisions Unchanged Estimate Panel Demographic Variable Group N CAPM Multi-Factor Model Historical Average Investor Expectations Dividend Discount Model Market Return	0.94 1.33 1.33 0.72 0.87 1.44** 0.76 1.29 0.71 0.90 0.73 1.05 1.56 1.19 1.33 0.75 1.05 1.57* Financial Flexibility No Yes 14 124 0.91 2.26*** 1.82 1.81 1.23 1.20 1.00 1.14
Regulatory Decisions Unchanged Estimate Displaying data for Figure Capital Spending Current Profits Demand for our Product Cash Holdings Expected Future Profits Economic Uncertainty Political Uncertainty International Trade/Tar: Access to Borrowing Planned Acquisition or In Actions of Competitors Price/Availability of Ca	0.67 0.91 1.83 1.14 ure 6 Actual Below Forecast in 2019 \ 0.500 0.400 0.350 0.225 0.175 0.125 iffs 0.125 Divestiture 0.100 apital 0.075
Borrowing Interest Rate Domestic GDP Growth Capital Spending Current Profits Demand for our Product Cash Holdings Expected Future Profits Economic Uncertainty Political Uncertainty International Trade/Tar: Access to Borrowing Planned Acquisition or In Actions of Competitors Price/Availability of Ca	0.025 Actual Above Forecast in 2019 0.153846 0.384615 0.192308 0.346154 0.076923 0.000000 iffs 0.192308 0.192308 Divestiture 0.038462 0.115385 apital 0.076923
Borrowing Interest Rate Domestic GDP Growth Section III: Corpo Covers Section III and Appendi Figures 7, 8, 9, 10, 11, 12, 4 Table A5.II import Code.Planning_Ho import Code.Impact_of_E	orate Planning and Internal Forecasts lices 5 and 6 A5.1, A5.2, A6.1
<pre>import Code.Impact_of_N</pre>	f_Internal_Forecasts
time period industry Retail Finance Services Tech Manufacturing Healthcare	ure 7 bly plan T years into the future 5 years ago (2013) Today (2018) 3.023810
Retail Finance Services Tech Manufacturing Healthcare Displaying Figure 8: Revenue Growth Profit Margin	5.166667 3.452381 4.800000 3.040000 5.534091 4.150000 6.933333 4.866667 6.086000 4.856000 6.166667 4.416667
Profit Margin Employment Growth Wage Growth Capital Spending Debt Ratio R&D Spending Cash/Assets Dividends Repurchases	
Displaying Figure 9: 70% 60%	20% 40% 60% 80% Large Small
10% if proper calibration 20% 10% USA Realiz	urope Asia Latin America zation < 10th Percentile Forecast zation ∈ [10th, 90th] zation > 90th Percentile Forecast
Displaying Figure 10: 30% 25% 2019 2019 20% 2019 best 10% 2019 loth percentile 5% 2019 10th percentile -5% -10% All Firms	Realization Realization ∈ Realization Below 110th 90th1 Above
Displaying Figure 11: 30% Low risk — High 10%	Realization Below [10th, 90th] Above 90th Percentile Forecast h risk Low financial risk due to COVID
Displaying Data for Figure Sample Pre-March Variable accuracy_2019 All firms Low miss	15, 2020 Revenue Capital Spending Employment 0.060106
	0.066328
Displaying data for Figure Downside/base case/upside Specific events (e.g. of Government regulation of Displaying Figure A5.2: Extreme Upside (Average Revenue Forecast = 19%) Upside	What type of scenario planning do you use? de
(Average Revenue Forecast = 14%) Base Case (Average Revenue Forecast = 8%) Downside (Average Revenue Forecast = 2%) Extreme Downside (Average Revenue Forecast = -9%)	
Displaying Table A5.I: Revenue Growth Wage Growth Patents Trademarks Dividends Repurchases Capital Spending R&D Spending Profit Margin Employment Growth Year-end Cash/Assets Year-end Debt Measure Long-Term Interest Rate	54.79 6.91 38.30 36.56 37.63 25.81 8.70 84.35 6.96 11.30 83.48 5.22 13.08 73.08 13.85 7.38 86.89 5.74 39.31 37.93 22.76 17.60 60.00 22.40 40.91 20.45 38.64 34.44 38.33 27.22 24.32 10.81 64.86 39.53 34.88 25.58
Displaying data for Figure Question Group group Actual Revenue < Forecas Actual Revenue > Forecas Question Group group Actual Revenue < Forecas Actual Revenue > Forecas	Actions Taken to Insulate Profitability \ No Sted Revenue 0.364706 Sted Revenue 0.574468 Yes Sted Revenue 0.635294
Displaying data for Figure GDP Growth (USA) Consumer Spending Commodity Prices Interest Rates Inflation GDP Growth (Global) International Trade/Tar: Currency Exchange Rates Infrastructure Spending Defense Spending	ure A6.1: All 0.496503 0.412587 0.314685 0.300699 0.216783 0.209790 iffs 0.195804 0.132867 0.132867 0.041958
Section IV: Capita	All Structure dix 7 18, 19, A7.1, A7.2, A7.3, A7.4, A7.5 bt_Metric t_Ratio _Limits
 Tables IV, V, VI, VII, VIII import Code.Primary_Dek import Code.Target_Debt import Code.Debt_Ratio_ 	Flexibility bt_Ratio
 Figures 13, 14, 15, 16, 17, Tables IV, V, VI, VII, VIII import Code.Primary_Dek import Code.Target_Debt import Code.Debt_Ratio_ import Code.Key_Debt_Fa import Code.Financial_E import Code.Changed_Dek import Code.High_Levera 	age_Suboptimal_Decisions unding_Sources_Purposes unding_Rate_Maturity
• Figures 13, 14, 15, 16, 17, • Tables IV, V, VI, VII, VIII import Code.Primary_Dek import Code.Target_Debt import Code.Debt_Ratio_ import Code.Key_Debt_Fa import Code.Financial_Fa import Code.Changed_Dek import Code.High_Levera import Code.External_Fa	unding_Sources_Purposes

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Displaying data for Figure 17:
Avoid financial distress during downturns
Variable Pay Dividends Leverage Group No Yes Low N 226 107 167 Pursue investment opportunities 51.33 69.16*** 53.89 Access long-term debt markets 33.19 44.86** 27.54 Avoid financial distress during downturns 62.83 60.75 67.66 Access short-term funding 30.97 28.97 27.54 Preserve lines of credit 44.69 36.45 44.31 Maintain a large cash balance 24.34 19.63 28.14 Access equity markets 11.95 9.35 12.57 Variable Cash \ \ Group High Low High N Pursue investment opportunities 57.72 60.59 49.15* Access long-term debt markets 48.99*** 47.65 24.58*** Avoid financial distress during downturns 59.73 61.76 65.25 Access equity markets 15.44*** 13.53 39.83*** </td
Displaying data for Figure A7.1: label
Cut corners in operations
Large (258) (3.13793) (0.551724
Lines of credit Small (38%)

Displaying Table IX Panel Panel Variable Sample Payout Type	li V	mportant Repurchasers mportant Important Very Important		
N Stability of future earni	Panel	A: Important Factors Drivin Percent Important	or Very Important All Firms Rep. 52 57.69	
Preferences of our invest Sustainable change in ear Having extra cash/liquid Availability of investmen Personal taxes of stockho Temporary change in earni Payout policy of competit Market price of stock Panel Variable Sample Payout Type	ors rnings assets t opportunities lders ngs	Sub-Sample Comparisons All Firms Rep.	57.69 50.00 53.85 67.31 57.69 13.46 25.00 11.54 55.77	
N Stability of future earni Preferences of our invest Sustainable change in ear Having extra cash/liquid Availability of investmen Personal taxes of stockho Temporary change in earni Payout policy of competit Market price of stock Panel	88 ings 77.53 iors 71.93 inings 71.93 assets 58.43 it opportunities 39.33 idders 31.46 ings 17.98	9 52 3 2.46 1 2.33 1 2.24 3 2.76 3 2.53 6 0.94 8 1.33 3 0.98		
Variable Sample Payout Type N Stability of future earni Preferences of our invest Sustainable change in ear Having extra cash/liquid Availability of investmen Personal taxes of stockho Temporary change in earni	ings 3.00 iors 2.8 inings 2.99 assets 2 it opportunities 2 ilders 1.66 ings 1	7** 2.45 2.61 5** 2.32 3.00* .55 3.03 1.97** .19 3.03 2.20* 6** 0.74 0.74 .41 1.45 0.97		
Payout policy of competit Market price of stock Panel Variable Sample Payout Type N Stability of future earni Preferences of our invest Sustainable change in ear Having extra cash/liquid Availability of investmen	Large ngs ors enings assets	.99 1.39 1.84 *** 3.07 1.68*** Firms Small Firms Rep. Div. Rep. 25 33 27 2.57 3.09 2.37 2.71 2.81 2.00 2.29 2.75 2.19 3.17 2.00*** 2.38 3.25 2.16** 1.89		
Personal taxes of stockho Temporary change in earni Payout policy of competit Market price of stock Panel Variable Sample Payout Type N Stability of future earni Preferences of our invest	ngs ors D:	0.62 0.78 1.22 1.42 1.00 1.26 1.33 1.56 0.67 3.12 1.53*** 1.88		
Sustainable change in ear Having extra cash/liquid Availability of investmen Personal taxes of stockho Temporary change in earni Payout policy of competit Market price of stock Displaying Figure A8.1:	nings 3.08 assets 2 t opportunities 2 lders 2.19 ngs 1	8 * *		
There are reduci information a We ma investm Rather than reducir we would raise new fur Paying dividends/repurchasing r	negative consequences to ing dividends/repurchases Payout decisions convey about our firm to investors ake payout decisions after nent plans are determined and dividends/repurchases, ands to undertake a project makes our stock less risky			
(relai We use o to att We use our	tive to retaining earnings) our payout policy as a tool gain a desired credit rating payout policy to make us getter than our competitors		40% 50% epurchasers Agree Strongly Agree	60%
Displaying Figure A8.2: (A) Dividen Avoid reducing dividends per share	Whether ou investment relative Increase ea Offset the o	dilutionary effect tock option plans		
Attract investors that canonly own stocks that pay dividends	Change cap it is closer to d Investors pa repurchases th	pital structure so lesired debt ratio lay lower taxes on han on dividends hares to improve esisting takeover 10% 20% 40% 60% Strongly Agree	% 80%	
Displaying Figure 21: Maintain historic levels of divide Fund existing capital spend Fund new capital spend Increase dividend per sl	ding			
Increase cash hold Fund I Acquisiti Repurchasing sha	R&D ions ares 0% 20% Dividence Im	40% 60% d Payers Repurchasers portant Important p Priority Top Priority	80%	
Displaying Table IX Panel Panel Variable Sample Payout Type N Maintain historic levels Fund existing capital spe	Panel B: of dividends ending	How Do Companies Prioritize Perc	ent Important or Top	
Increase dividend per sha Pay down debt Increase cash holdings Fund R&D Acquisitions Repurchasing shares Panel Variable Sample Payout Type N	re	ub-Sample Comparisons All Firms Rep. Di 60 1	46.67 53.33 41.67 51.67 58.33 73.33	
Maintain historic levels Fund existing capital spe Fund new capital spending Increase dividend per sha Pay down debt Increase cash holdings Fund R&D Acquisitions Repurchasing shares Panel	of dividends 77.34 ending 77.34 75.00	2.82 3.28	** 22 07 1* 74 46 51	
Variable Sample Payout Type N Maintain historic levels Fund existing capital spe Fund new capital spending Increase dividend per sha Pay down debt Increase cash holdings Fund R&D Acquisitions	of dividends ending re	irms Large Firms Rep. Div. Rep. 39 49 30 3.21 3.46 3.38 3.55 3.53 3.72 3.41 3.30 3.41 2.53 2.72 2.59 2.53 2.63 2.57 2.38 2.09 2.22 2.97 2.72 3.07 2.92 2.58 2.82		
Repurchasing shares Panel Variable Sample Payout Type N Maintain historic levels Fund existing capital spe Fund new capital spending Increase dividend per sha	Div. 46 of dividends 3.48 ending 3.67 3.33 are 2.70	3.03 2.40** 3.07 Small Firms Rep. Div. 30 82 2.24 3.18*** 2.89 2.96 3.22 2.92 2.00 2.72**		
Pay down debt Increase cash holdings Fund R&D Acquisitions Repurchasing shares Displaying Table A8.1	2.70 2.67 2.07 2.85 2.42 2.35**	2.80 2.78 2.63 2.67 2.40 2.32 2.79 2.10** 2.75 1.53***		
Speed of Adjustment Target Payout Adjusted R-Squared Period Statistic Speed of Adjustment 0.53 Target Payout 0.59 Adjusted R-Squared 0.61 Period	0.386427 0.2659 0.396375 0.4919 0.397090 0.2777 1965-1983 (N = 16 75% 0.179 0.179 0.373 0.363	595 0.194639 0.370168 548 0.194356 0.404977 704 0.165699 0.413146		
Statistic Speed of Adjustment 0.13 Target Payout 0.29 Adjusted R-Squared 0.35 1984- Speed of Adjustment Target Payout Adjusted R-Squared	0.169649 0.865 0.154048 0.865	1192 0.000000 0.017121 1812 -0.004364 0.085182 3092 0.093588 0.295920		
Speed of Adjustment 0.21 Target Payout 0.40 Adjusted R-Squared 0.49 Speed of Adjustment 0.05 Target Payout 0.13 Adjusted R-Squared 0.29 Note: see Stata file Lint This code just formats an	8726 0.21 6488 0.242 88011 0.303 62994 0.312393 62326 0.475081 1031 0.489835 .ner_regressions.do and	7327 0.337204 0.000000 2385 0.794644 0.001065 5947 0.262542 0.082252 d lintner_regressions.log to	see analysis for Tal	ole A8.J
	oal of the Firm		S for Tal	.v.I
Displaying data for Figur loc_survey North America bin_labels 0-20 0.2 21-40 0.4 41-60 0.1 61-80 0.0	re 22:	6550 5176 5623 4313		
Displaying data for Figur location North Am 215.0 Employees 0.6 Customers 0.4 Environment 0.2 Creditors 0.1 Local community 0.1	re 23: merica 00000 223256 97674 13953 95349 53488			
Suppliers 0.1	30233			

Displaying Figure 20:

Stability of future earnings

Sustainable change in earnings