**Determine the WACC of US Airways**

Determine the WACC for US Airways Airline.

1. Estimate the cost of equity using either the CAPM or dividend-growth model:

Kj=rf+beta(rm-rf) CAPM

Ke=D1/Po+g Dividend Growth Model

1. Estimate the cost of preferred stock using the most recent dividend and price information for the firm’s preferred stock
2. Estimate the firm’s cost of debt using current bond yield and prices information from [www.yahoo!finance.com](http://www.yahoo!finance.com)
3. Use the capital structure you determine from firm’s most recent balance sheet

I do not understand how to show that answer to these question. Can anyone help me with this problem please?

Here is the financial data from yahoo.com

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | Top of Form  **Key Statistics** |  | | Bottom of Form |  |  |  | | --- | |  | |  | | | | | | | |
| .   |  | | --- | |  |  |  |  | | --- | --- | | **VALUATION MEASURES** |  |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | Market Cap (intraday)5: | 270.91M | | Enterprise Value (6-Jul-09)3: | 3.18B | | Trailing P/E (ttm, intraday): | N/A | | Forward P/E (fye 31-Dec-10) 1: | N/A | | PEG Ratio (5 yr expected): | N/A | | Price/Sales (ttm): | 0.02 | | Price/Book (mrq): | N/A | | Enterprise Value/Revenue (ttm)3: | 0.27 | | Enterprise Value/EBITDA (ttm)3: | -4.531 | |  |  | | --- | |  |  |  |  | | --- | --- | | **FINANCIAL HIGHLIGHTS** |  |  |  | | --- | |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Fiscal Year** | | | Fiscal Year Ends: | 31-Dec | | Most Recent Quarter (mrq): | 31-Mar-09 | |  |  | | --- | |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Profitability** | | | Profit Margin (ttm): | -17.69% | | Operating Margin (ttm): | -8.11% | |  |  | | --- | |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Management Effectiveness** | | | Return on Assets (ttm): | -7.57% | | Return on Equity (ttm): | -732.28% | |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Income Statement** | | | Revenue (ttm): | 11.73B | | Revenue Per Share (ttm): | 111.011 | | Qtrly Revenue Growth (yoy): | -13.60% | | Gross Profit (ttm): | 1.15B | | EBITDA (ttm): | -701.00M | | Net Income Avl to Common (ttm): | -2.08B | | Diluted EPS (ttm): | -19.64 | | Qtrly Earnings Growth (yoy): | N/A | |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Balance Sheet** | | | Total Cash (mrq): | 1.26B | | Total Cash Per Share (mrq): | 11.04 | | Total Debt (mrq): | 4.16B | | Total Debt/Equity (mrq): | N/A | | Current Ratio (mrq): | 0.784 | | Book Value Per Share (mrq): | -5.222 | |  |  | | --- | |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Cash Flow Statement** | | | Operating Cash Flow (ttm): | -768.00M | | Levered Free Cash Flow (ttm): | -1.39B | |  |  | | --- | |  |  |  | | --- | |  | |  | | |  | |  | | --- | | [Click Here](http://us.ard.yahoo.com/SIG=15mgsorge/M=725314.13307225.13482213.1435155/D=fin/S=95941353:LREC/Y=YAHOO/EXP=1246931809/L=Pj8Id0WTVqOvDI2HR0UEoACwS0YVV0pSj0EAAZbC/B=YmpFF9j8fc0-/J=1246924609142939/K=_NE8.IHUNQBLjdCym6veHg/A=5677933/R=3/SIG=13857ag4r/*http:/ad.doubleclick.net/jump/N4538.Yahoo/B2304017;abr=!ie4;abr=!ie5;sz=300x250;ord=1246924609142939?) |  |  |  | | --- | --- | | **TRADING INFORMATION** |  |  |  | | --- | |  |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Stock Price History** | | | Beta: | 0.69 | | 52-Week Change3: | -0.40% | | S&P500 52-Week Change3: | -28.24% | | 52-Week High (03-Nov-08)3: | 11.24 | | 52-Week Low (15-Jul-08)3: | 1.45 | | 50-Day Moving Average3: | 2.67 | | 200-Day Moving Average3: | 4.25 | |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Share Statistics** | | | Average Volume (3 month)3: | 8,101,320 | | Average Volume (10 day)3: | 5,500,320 | | Shares Outstanding5: | 114.31M | | Float: | 112.91M | | % Held by Insiders1: | 2.66% | | % Held by Institutions1: | 59.90% | | Shares Short (as of 10-Jun-09)3: | 23.57M | | Short Ratio (as of 10-Jun-09)3: | 2.6 | | Short % of Float (as of 10-Jun-09)3: | 20.70% | | Shares Short (prior month)3: | 16.00M | |  |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Dividends & Splits** | | | Forward Annual Dividend Rate4: | N/A | | Forward Annual Dividend Yield4: | N/A | | Trailing Annual Dividend Rate3: | N/A | | Trailing Annual Dividend Yield3: | NaN% | | 5 Year Average Dividend Yield4: | N/A | | Payout Ratio4: | N/A | | Dividend Date3: | N/A | | Ex-Dividend Date4: | N/A | | Last Split Factor (new per old)2: | N/A | | Last Split Date3: | N/A | | | | | |
| **BALANCE SHEET FOR US AIRWAYS**  **PERIOD ENDING** | | | | | **31-Dec-08** | **31-Dec-07** | **31-Dec-04** | |
|  | | | | | | | | |
| **Assets** | | | | | | | | |
| Current Assets | | | | | | | | |
|  | | Cash And Cash Equivalents | | | 1,220,000 | 1,950,000 | 837,000 | |
|  | | Short Term Investments | | | 20,000 | 226,000 | - | |
|  | | Net Receivables | | | 293,000 | 374,000 | 252,000 | |
|  | | Inventory | | | 201,000 | 249,000 | 177,000 | |
|  | | Other Current Assets | | | 684,000 | 548,000 | 147,000 | |
|  | | | | | | | | |
| **Total Current Assets** | | | | | **2,418,000** | **3,347,000** | **1,413,000** | |
| Long Term Investments | | | | | 198,000 | 365,000 | - | |
| Property Plant and Equipment | | | | | 3,286,000 | 2,488,000 | 3,370,000 | |
| Goodwill | | | | | - | 622,000 | 2,490,000 | |
| Intangible Assets | | | | | 628,000 | 642,000 | 532,000 | |
| Accumulated Amortization | | | | | - | - | - | |
| Other Assets | | | | | 638,000 | 528,000 | 617,000 | |
| Deferred Long Term Asset Charges | | | | | 46,000 | 48,000 | - | |
|  | | | | | | | | |
| **Total Assets** | | | | | **7,214,000** | **8,040,000** | **8,422,000** | |
|  | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Current Liabilities | | | | | | | | |
|  | | Accounts Payable | | | 2,682,000 | 2,434,000 | 1,662,000 | |
|  | | Short/Current Long Term Debt | | | 362,000 | 117,000 | 721,000 | |
|  | | Other Current Liabilities | | | - | - | - | |
|  | | | | | | | | |
| **Total Current Liabilities** | | | | | **3,044,000** | **2,551,000** | **2,383,000** | |
| Long Term Debt | | | | | 3,634,000 | 3,031,000 | 2,637,000 | |
| Other Liabilities | | | | | 718,000 | 851,000 | 3,792,000 | |
| Deferred Long Term Liability Charges | | | | | 323,000 | 168,000 | 44,000 | |
| Minority Interest | | | | | - | - | - | |
| Negative Goodwill | | | | | - | - | - | |
|  | | | | | | | | |
| **Total Liabilities** | | | | | **7,719,000** | **6,601,000** | **8,856,000** | |
|  | | | | | | | | |
| **Stockholders' Equity** | | | | | | | | |
| Misc Stocks Options Warrants | | | | | - | - | - | |
| Redeemable Preferred Stock | | | | | - | - | - | |
| Preferred Stock | | | | | - | - | - | |
| Common Stock | | | | | 1,000 | 1,000 | 56,000 | |
| Retained Earnings | | | | | (2,307,000) | (95,000) | (785,000) | |
| Treasury Stock | | | | | (13,000) | (13,000) | (3,000) | |
| Capital Surplus | | | | | 1,749,000 | 1,536,000 | 410,000 | |
| Other Stockholder Equity | | | | | 65,000 | 10,000 | (112,000) | |
|  | | | | | | | | |
| **Total Stockholder Equity** | | | | | **(505,000)** | **1,439,000** | **(434,000)** | |
|  | | | | | | | | |
| **Net Tangible Assets** | | | | | **($1,133,000)** | **$175,000** | **($3,456,000)** | |