**WACC, EVA & MVA**

Use the selected statistics from the table below. Your company’s name is Digby.

**Part I:**

Calculate your company's Weighted Average Cost of Capital in Year 2. In calculating cost of equity, use the CAPM. In the CAPM, use 6.0% for the risk free rate, 5.0% for the market risk premium, and assume your company is rated average in terms of financial risk, in the prime of its life cycle. Select an appropriate beta (hint: what beta reflects average risk).

**Part II:**

Calculate your company's Economic Value-Added (EVA) for Year 2.

**Part III:**

Calculate your company's Market Value-Added (MVA) for Year 2.

**Part IV:**

Suppose that the beta value you used in the previous parts is really an unlevered beta. Calculate the beta value that is consistent with your actual leverage. The debt beta should be assumed to be zero.

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| **Industry F48764 selected statistics for year 2** |
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|  | Andrews | Baldwin | Chester | **Digby** | Erie | Ferris |
| **ROS** | 10.58%  | 0.00%  | 6.71%  | **7.56%**  | 11.86%  | 3.47%  |
| **Asset Turnover** | 1.80  | 0.00  | 1.73  | **1.42**  | 1.24  | 1.67  |
| **ROA** | 19.06%  | - 22.96%  | 11.62%  | **10.74%**  | 14.73%  | 5.78%  |
| **Leverage** | 1.51  | 3.00  | 1.78  | **1.35**  | 1.90  | 2.16  |
| **ROE** | 28.86%  | - 68.87%  | 20.67%  | **14.51%**  | 28.07%  | 12.47%  |
| **Emergency Loans** | $ 0  | $ 0  | $ 0  | **$ 0**  | $ 0  | $ 0  |
| **Sales** | $ 62,523,675  | $ 0  | $ 48,378,101  | **$ 43,024,448**  | $ 55,127,177  | $ 71,388,350  |
| **Variable Costs** | $ 43,638,317  | $ 0  | $ 35,010,627  | **$ 32,412,248**  | $ 36,170,009  | $ 55,338,876  |
| **SGA** | $ 5,564,286  | $ 1,757,417  | $ 5,382,231  | **$ 3,275,777**  | $ 4,882,519  | $ 8,055,103  |
| **EBIT** | $ 11,291,072  | $- 2,359,112  | $ 6,104,630  | **$ 5,723,090**  | $ 12,193,291  | $ 5,810,519  |
| **Profit** | $ 6,613,422  | $- 1,963,831  | $ 3,247,111  | **$ 3,254,745**  | $ 6,535,418  | $ 2,476,947  |
| **Cumulative Profit** | $ 10,556,581  | $- 3,525,824  | $ 9,566,740  | **$ 9,875,922**  | $ 12,498,627  | $ 7,929,018  |
| **Stock price** | $ 20.96  | $ 1.00  | $ 18.53  | **$ 18.42**  | $ 24.44  | $ 15.75  |
| **Market Capitalization** | $ 45,672,793  | $ 1,974,875  | $ 36,186,417  | **$ 40,472,137**  | $ 52,488,789  | $ 33,396,206  |
| **SandP Rating** | A  | C  | BB  | **AAA**  | B  | CCC  |
| **Working Capital** | $ 7,748,581  | $ 0  | $ 6,897,736  | **$ 10,062,588**  | $ 11,095,108  | $ 7,194,037  |
| **Days of Working Capital** | 45.2  | 0.0  | 52.0  | **85.4**  | 73.5  | 36.8  |
| **Free Cash Flow** | $- 3,556,800  | $- 10,133,258  | $ 756,976  | **$- 2,899,843**  | $- 3,302,501  | $- 4,488,388  |
| **Plant and Equipment** | $ 30,450,000  | $ 9,018,000  | $ 24,903,200  | **$ 24,200,000**  | $ 29,700,000  | $ 30,020,000  |
| **Total Assets** | $ 34,703,292  | $ 8,551,426  | $ 27,954,309  | **$ 30,299,943**  | $ 44,353,298  | $ 42,819,656  |
| **Plant Utilization** | 198.13%  | 0.10%  | 137.04%  | **140.70%**  | 198.13%  | 166.13%  |
| **Low End Tech Segment Share** | 20.69%  | 0.00%  | 18.87%  | **19.14%**  | 28.60%  | 12.70%  |
| **High End Tech Segment Share** | 22.80%  | 0.00%  | 15.90%  | **9.55%**  | 6.76%  | 44.98%  |
| **Overall Market Share** | 21.42%  | 0.00%  | 17.84%  | **15.82%**  | 21.05%  | 23.87%  |
| **Complement** | 291  | 0  | 255  | **246**  | 286  | 369  |
| **Overtime** | 0.07%  | -100.00%  | 0.22%  | **0.00%**  | 0.04%  | 0.00%  |
| **Turnover Rate** | 10.01%  | 10.00%  | 10.02%  | **10.00%**  | 10.00%  | 10.00%  |
| **Productivity Index** | 100.00%  | 100.00%  | 100.00%  | **100.00%**  | 100.00%  | 100.00%  |

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| **Industry F48764 selected statistics for year 1** |
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|  | Andrews | Baldwin | Chester | **Digby** | Erie | Ferris |
| **ROS** | 2.98%  | 0.00%  | 8.33%  | **8.58%**  | 6.84%  | 6.08%  |
| **Asset Turnover** | 1.95  | 0.20  | 1.88  | **1.77**  | 1.86  | 1.59  |
| **ROA** | 5.81%  | - 28.91%  | 15.62%  | **15.19%**  | 12.70%  | 9.69%  |
| **Leverage** | 1.54  | 1.59  | 1.47  | **1.42**  | 1.91  | 1.85  |
| **ROE** | 8.94%  | - 46.00%  | 22.99%  | **21.56%**  | 24.25%  | 17.97%  |
| **Emergency Loans** | $ 0  | $ 0  | $ 0  | **$ 0**  | $ 0  | $ 0  |
| **Sales** | $ 48,903,529  | $ 2,790,715  | $ 46,043,013  | **$ 48,177,836**  | $ 50,866,274  | $ 48,791,849  |
| **Variable Costs** | $ 40,038,930  | $ 2,353,050  | $ 34,813,834  | **$ 37,095,070**  | $ 38,860,159  | $ 36,636,563  |
| **SGA** | $ 4,522,788  | $ 5,781,861  | $ 3,437,645  | **$ 2,758,513**  | $ 4,166,853  | $ 5,122,628  |
| **EBIT** | $ 2,973,144  | $- 5,585,097  | $ 6,660,867  | **$ 7,134,254**  | $ 6,534,005  | $ 5,856,658  |
| **Profit** | $ 1,457,972  | $- 4,047,179  | $ 3,834,443  | **$ 4,135,990**  | $ 3,478,022  | $ 2,966,885  |
| **Cumulative Profit** | $ 3,943,159  | $- 1,561,993  | $ 6,319,629  | **$ 6,621,177**  | $ 5,963,209  | $ 5,452,071  |
| **Stock price** | $ 12.47  | $ 1.31  | $ 17.08  | **$ 17.36**  | $ 16.36  | $ 15.31  |
| **Market Capitalization** | $ 27,182,891  | $ 2,626,842  | $ 34,153,330  | **$ 38,148,506**  | $ 32,727,649  | $ 31,567,356  |
| **SandP Rating** | A  | A  | AA  | **AA**  | B  | BB  |
| **Working Capital** | $ 8,541,826  | $ 13,987,207  | $ 7,075,096  | **$ 14,061,177**  | $ 8,059,204  | $ 8,772,067  |
| **Days of Working Capital** | 63.8  | 0.0  | 56.1  | **106.5**  | 57.8  | 65.6  |
| **Free Cash Flow** | $ 26,527  | $ 8,164,534  | $ 365,448  | **$ 5,163,564**  | $ 2,096,372  | $- 1,133,694  |
| **Plant and Equipment** | $ 19,030,000  | $ 18,000  | $ 20,735,200  | **$ 16,200,000**  | $ 18,700,000  | $ 21,180,000  |
| **Total Assets** | $ 25,100,628  | $ 13,998,007  | $ 24,547,638  | **$ 27,236,686**  | $ 27,381,575  | $ 30,618,342  |
| **Plant Utilization** | 175.85%  | 0.10%  | 161.00%  | **166.32%**  | 179.57%  | 161.00%  |
| **Low End Tech Segment Share** | 18.88%  | 1.21%  | 19.89%  | **20.38%**  | 22.31%  | 17.34%  |
| **High End Tech Segment Share** | 24.14%  | 1.18%  | 16.80%  | **17.58%**  | 18.02%  | 22.29%  |
| **Overall Market Share** | 20.54%  | 1.20%  | 18.91%  | **19.49%**  | 20.95%  | 18.91%  |
| **Complement** | 273  | 0  | 250  | **258**  | 279  | 250  |
| **Overtime** | 0.05%  | -100.00%  | 0.00%  | **0.17%**  | 0.00%  | 0.00%  |
| **Turnover Rate** | 10.01%  | 0.00%  | 10.00%  | **10.02%**  | 10.00%  | 10.00%  |
| **Productivity Index** | 100.00%  | 100.00%  | 100.00%  | **100.00%**  | 100.00%  | 100.00%  |

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