

# [﻿case tottenham hotspur essay sample](https://assignbuster.com/case-tottenham-hotspur-essay-sample/)

1a) Change in NWC = cash requirements + inventory + receivables – payables. There will be no cash requirements, because of the hint in the question excess cash should not be included so therefore change in NWC will be 1, 17 + 19, 99 – 64, 40 = -43, 24 for the year 2007. For the next years until 2020 will use the revenue growth as a measurement to calculate the NWC for the next years. The revenue growth is 9 percent per year so the NWC will grow by 9 percent per year. FCF = (Revenue – Costs – Depreciation) x (1 – tax rate) + Depreciation – Capital Expenditure – change in working capital. So when I fill in this formula I get: 71, 1 – 69, 1 – 2, 2 x (1 – 0, 35) + 2, 2 – 2, 26 – -43, 24 = 45, 79. See for the next years the last page of this document. 1b) that is because most of the football clubs won’t have a large sum of accounts receivables and have a small inventories.

“ Normal organizations” will have much higher accounts receivables and much bigger inventories. 1c) E(R) = RFR + βstock (Rmarket – RFR) according the case the risk free rate is 4, 57% and the beta is 1, 29 and the market risk premium will is given in the question 4, 57% + 1, 29 x 5% = 11, 02 % is the expected return on equity. 1d) Cost of debt can be calculated by dividing the interest expense / amount of equity x 100%. So if we put in the numbers we get the following: (2, 26/ 45, 73) x 100 = 4, 94%. For calculating the weighted average cost of capital after tax we use the following formula:

WACC = (45, 73/153, 2) x 11, 02% + (107, 48/153, 2) x 4, 94% x (1 – 0, 35) = 2, 58%