

case tottenham
hotspur essay sample



**ASSIGN
BUSTER**

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) $E(R) = RFR + \beta_{stock} (R_{market} - RFR)$ € 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:

$$WACC = (45, 73/153, 2) \times 11, 02\% + (107, 48/153, 2) \times 4, 94\% \times (1 - 0, 35) = 2, 58\%$$