

# [Nike case study executive summary](https://assignbuster.com/nike-case-study-executive-summary/)

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The first stake she made was using the average beta Instead of the most recent beta provided. She was using average of Nine’s beta from 1996 to the present, which was . 80 (Case 13, peg. 59).

We used the beta of . 69, which was the most recent beta provided to us. The second mistake we found was that she used the book value of debt Instead of the market value of debt. The book value was $441. 30 and the market value was $421. 88 so she overstated debt by $19.

42 (Exhibit 6).

To find Nine’s cost of debt, we used three different methods: the Capital Asset racing Model (CAMP) (Exhibit 7), the Dividend Discount Model (EDM) (Exhibit 5), and the Earnings Capitalization Model (ECMA) (Exhibit 8). We decided that the CAMP gave us the most accurate estimate of Nine’s cost of debt, and we used that in arriving at our before-tax cost of debt of 7. 173% and our final after-tax cost of debt of 4. 447% (Exhibit 6). To find our WAC, we used the market value of equity and debt to determine our weights of equity and debt.

Our weight of equity is 89. 947% and our eight of debt is 10. 053%. Using the above numbers, we calculated a WAC of 7. 338% (Exhibit 9).

After discounting Nine’s cash flows using the WAC value we calculated, we believe that Nikkei is undervalued by $2. 51 per share of stock. Also, Nine’s terminal value of cash flows is greater than the equity value of the firm. (Exhibit 3). We think that they should invest because the price of Nine’s stock will not be undervalued long because the market competition will bring it back up to equilibrium.

Therefore, we commend that Nine’s stock should be a strong “ Buy” for KimFordand Northing Group. Nikkei Case Study Executive Summary By Possessions Kim Ford manages a large mutual fund for Northing Group. Her company is mistake she made was using the average beta instead of the most recent beta debt instead of the market value of debt. The book value was $441.

30 and the market Pricing Model (CAMP) (Exhibit 7), the Dividend Discount Model (EDM) (Exhibit 5), and recommend that Nine’s stock should be a strong “ Buy’ for Kim Ford and Northing