

AKAM DCF Model

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Free Cash Flow valuation-to value a company and its securities Dividend discount modelto value a stock

to value stock

dividend next year expected share price

required return%

=value of the stock

formula

-by valuing free cash flow to the firm FCFF -by valuing free cash flow to equity FCFE

FCFF Valuation approach __estimate the value of the firm as the present value of future FCFF

discounted at the WACC
FCFE Valuation approach estimate the value of equity

as the present value of future FCFE

The Gordon Growth Model

Assumption: dividends grow indefinitely at a constant rate

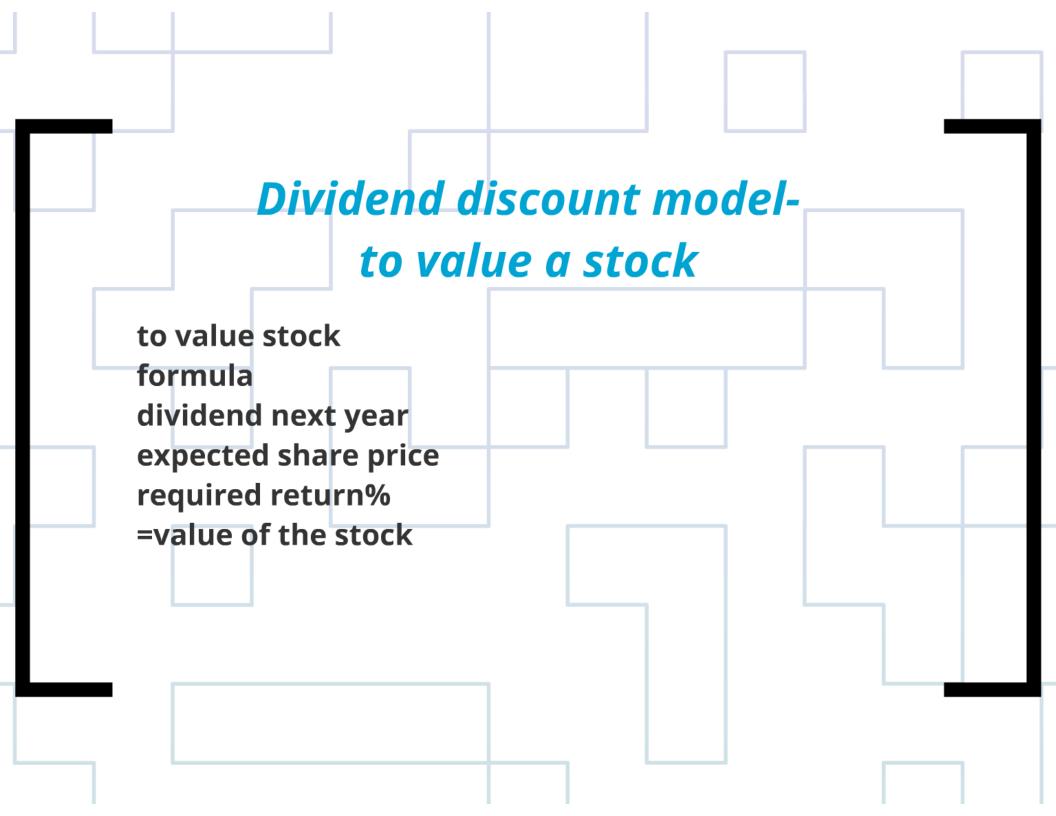
V=D0(1+g) / (r-g) = D1/ (r-g)

--Using the Constant Growth FCFF Valuation Model FIRM VALUE= FCFF0(1+g) / WACC- g

-- Calculating FCFF from Net income

-- Calculating FCFF from Cash Flow from Operations -- Calculating FCF from the Cash Flow Statement

Free Cash Flow to Firm Valuation approach



The Gordon Growth Model

Assumption: dividends grow indefinitely at a constant rate

$$V=D0(1+g) / (r-g) = D1/ (r-g)$$