

FINC 423
Advanced Corporate Finance
Fall 2020

**Estimation of WACC for the
Recapitalized Firm**

Group Homework #11

You are to make an estimate of the WACC for your assigned firm if it executes the proposed recapitalization. I provide a model for this work for Pfizer in Handout #27. You will clearly need the data you used for the original estimate of WACC in Group Homework #7. Most of the new figures that you will need are from Group Homework #9 where you estimate the revised market value balance sheet, as well as of beta and the cost of equity capital. You will also need the estimates for the rate on the firm's existing and new debt following the recapitalization from Group Homework #10. Clearly, you should clean-up any problems with your estimates from these assignments before proceeding.

Provide a summary of the work on the current WACC (following Group Homework #7) as well as the estimate of WACC at the new capital structure. For both of these calculations you must decide whether the firm's short-term debt is substantial enough to merit inclusion in the calculation.

Provide supporting data on the price of the firm's stock and shares outstanding. Also, provide the Excel spreadsheet showing your estimate of the market value and weighted-average yield-to-maturity of the firm's current long-term debt. Finally, provide information on the current and leveraged balance sheets.