

Homework 8

Teuer Furniture DCF Instructions

Download the Teuer Case Template from my website under “HW8 Template”. This contains all the exhibits from the case, as well as some templates to build out our valuation. I’ve made a few adjustments to the template from HBS. Please read the case before attempting this homework.

Hint: Excel lookup and logical functions will be helpful and greatly reduce the time to complete this Homework.

1. Part 1: Due before Class

- (a) Use Exhibit 5 to forecast store level revenue and expenses using Exhibit 10 and Exhibit 2. You will need to use the information on Page 7 of the case to forecast year 1 sales for 2013-2015.

$$Sales_t = Sales_{t-1} * (1 + SalesGrowth_{StoreYear}) * (1 + FurnitureSalesGrowth_t)$$

$$LeaseExpense = PriorLease * (1 + LeaseInflation)^{YearsSinceLastLease}$$

- (b) Use Exhibit 6 to forecast CAPEX for each store, no need to forecast anything else. Note a store needs to be ”refreshed” every 8 years. Use the average real ratio of refresh % of 70%. (Use data from Exhibit 2 and Exhibit 10). Should be able to use a dynamic formula that can be applied to all cells.

$$RefreshCost_t = BuildoutCost_x * Refresh\% * \frac{CPI_t}{CPI_x}$$

2. Part 2: In-Class

- (a) Use the store level detail to update the Pro forma IS
- (b) Use the store level data to update the BS. (I’ve done everything but PPE, don’t forget depreciation this is Net PPE NOT gross PPE.)
- (c) Use the IS and BS to calculate the FCFF.
- (d) Use the perpetuity growth model and the given cost of capital and growth rate to calculate the enterprise value.
- (e) Calculate the value per share.