

**Suggested Example Problems**  
**Investment Valuation – Damodaran**

**Lecture 4 – Estimating Growth and Terminal Value**

In Lecture 3, we discussed the measurement of earnings and the estimation of cash flows. In Lecture 4, we turn our attention to forecasting future earnings and cash flows. We will begin with a discussion of alternative methods for estimating earnings growth, including historical growth, analyst growth forecasts, and growth based on fundamental. We will then analyze the stable growth phase for the firm and the assumptions that must be made in order to estimate the terminal value.

After completing this material, we will turn our attention to the practical application of DCF models to several real companies.

***Homework (Turn In):***

Complete the homework problems on the attached pages and turn in your solutions by the assigned due date. Be prepared to discuss your solutions in class.

***Additional Suggested Problems (Do Not Turn In):***

The following suggested problems will serve as additional examples related to our class material and should give you a basic idea of the topics that I want to emphasize from the text. The solutions to these problems are available on the class web site.

Chapter	Topic	Suggested Problems
11	Estimating Growth	1a, 2, 3, 4
12	Estimating Terminal Value	2, 3, 5



