

Homework and 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.

Discussion Problems:

Complete the problems on the attached pages and be prepared to discuss your solutions in class.

Additional Suggested Problems:

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

