

Cost of Capital Professional

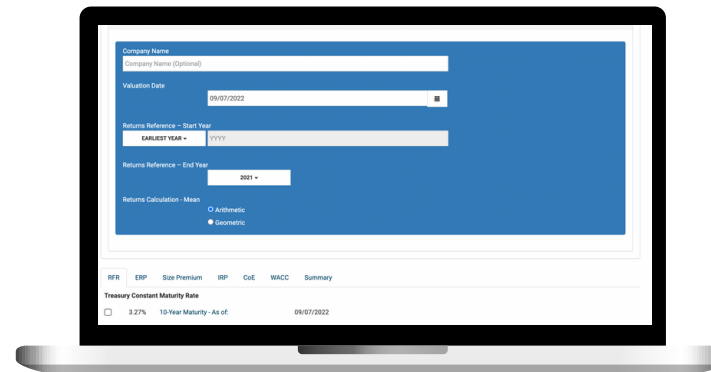
\$395/year
(for first user
and \$150 per
additional user)

Easily derive a cost of equity.

Based on principals of simplicity, transparency, and credibility, the Cost of Capital Professional platform provides appraisers and financial professionals with the most current cost of capital data available in an easy-to-use format. Quickly get risk-free rates, equity risk premia, size premia, and industry risk premia based on your subject company's valuation date, size, and industry. Use the build-up method or CAPM to create a cost of equity calculation you can use in your valuation, compute a weighted average cost of capital, access a summary document you can insert into your valuation report, and download all of your inputs, calculations, and sources to Excel.

Benefits of Cost of Capital Professional

- **Year End Summaries** - Gain access to Cost of Capital Professional Summaries with your subscription. An annual report that provides year-end summary information of all the key figures from the platform.
- **Always have the most current data** - The annual size premia and equity risk premia are published in the Cost of Capital Professional each January, before other competing sources
- **Simple and easy-to-use** - The platform is a user-friendly, transparent tool that includes all charts and calculations
- **Trustworthy data sources** - The Cost of Capital Professional includes both CRSP data and Dr. Aswath Damodaran data



Year introduced at BVR:

2018

Delivery method:

Online Platform

Update Frequency:

Size premia, equity risk premia, and industry risk premia are updated annually and risk-free rates are updated daily

Information Sources:

Center for Research in Security Prices (CRSP) data, Dr. Aswath Damodaran data*, and Federal Reserve data.

(*Dr. Damodaran's data are used with his permission. Dr. Damodaran has no formal role or connection with BVR or the Cost of Capital Professional.)

Cost of Capital Professional

RFR

ERP

Historical Size Premium

CoE

Summary

Firms				Mean	
Decile	Count	Min size ('000)	Max Size ('000)	Annual Return	Size Premium
<input type="checkbox"/> 1 - Largest	187	\$22,035,313	\$629,010,254	11.32%	(0.88%)
<input type="checkbox"/> 2	197	\$9,618,053	\$21,809,433	13.15%	0.94%
<input type="checkbox"/> 3	207	\$5,205,841	\$9,611,187	14.11%	1.91%
<input type="checkbox"/> 4	236	\$3,187,480	\$5,199,952	14.19%	1.98%
<input type="checkbox"/> 5	236	\$2,090,566	\$3,173,744	14.20%	1.99%
<input type="checkbox"/> 6	257	\$1,400,931	\$2,083,642	15.24%	3.04%
<input type="checkbox"/> 7	351	\$845,509	\$1,400,208	16.38%	4.17%
<input type="checkbox"/> 8	384	\$448,502	\$448,475	17.37%	5.16%
<input type="checkbox"/> 9	478	\$209,880	\$448,079	17.37%	5.16%
<input type="checkbox"/> 10 - Smallest	800	\$1,963	\$209,406	17.37%	5.16%
<input type="checkbox"/> 1 through 2	384	\$9,618,053	\$629,010,254	11.61%	(0.60%)
<input type="checkbox"/> 3 through 5	679	\$2,090,566	\$9,611,187	14.20%	1.99%
<input type="checkbox"/> 6 through 8	992	\$448,502	\$2,083,642	15.24%	3.04%
<input type="checkbox"/> 9 through 10	1278	\$1,963	\$448,079	16.38%	4.17%
<input type="checkbox"/> 1 through 5	1063	\$2,090,566	\$629,010,254	11.98%	(0.23%)
<input type="checkbox"/> 6 through 10	2270	\$1,963	\$2,083,642	15.33%	3.13%

Size Premia

The Cost of Capital Professional offers various size premia based on your selected start date and valuation date.

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RFR	ERP	Historical Size Premium	CoE	Summary
<p>The 12/31/2015 cost of capital analysis for Acme, LLC was completed on 11/21/2018 using the Q3 2018 Cost of Capital Professional study. Returns were selected and calculated for the time period ranging from "1940-12-31T00:00:00.000Z" to 2015.</p> <p>Based on experience and professional judgment, the Build-Up Model was selected for the computation of the cost of equity capital. Given the components selected the formula used is as follows:</p> $\text{CoE} = \text{RFR} + \text{ERP} + \text{SP} + [(\text{Beta} \times \text{ERP}) - \text{ERP}] + \text{CSRP}$ $18.29\% = 2.67\% + 6.22\% + 5.16\% + ((1.20 \times 6.22\%) - 6.22\%) + 3.00\%$ <p>A 2.67% Risk Free Rate (RFR) was selected, representing the 20-Year Treasury Constant Maturity Rate available on 12/31/2015 at the Federal Reserve Bank of St. Louis.</p> <p>A 6.22% Equity Risk Premium (ERP) was selected, representing the Historical ERP calculated using the S&P 500 average annual return of 12.20% from 1940-12-31T00:00:00.000Z to 2015 and a 5.98% 20-year T-Bond average annual return (Reconstructed) for the same timeframe.</p> <p>A 5.16% Size Premium (SP) was selected. The Size Premium was based on CRSP decile 10 which included 800 firms with an equity market capitalization of \$209,406,000 in Q4 2015. The CRSP decile 10 mean annual return reached 17.37% between "1940-12-31T00:00:00.000Z" and 2015. The mean annual return for the entire sample period was 12.20%.</p> <p>An implied 1.24% Industry Risk Premium (IRP) was calculated using a beta of 1.20 selected based on professional judgment. Implied Industry Risk Premium = $(1.20 \times 6.22\%) - 6.22\%$.</p> <p>A 3.00% Company Specific Risk Premium (CSRP) was selected based on professional judgment.</p> <p>Cost of Capital Professional returned a 18.29% cost of equity capital for Acme, LLC as of 12/31/2015 based on the Build-Up Model.</p> <p>Disclaimer: Items included in the analysis based on professional judgement were not provided by Cost of Capital Professional. Additionally, the cost of equity model (Build-Up or CAPM) is chosen by the professional based on professional judgment using skill, knowledge, experience, education, and training.</p>				

Summary Report

The platform provides a summary of your work, decisions, and results you can easily drop into your valuation reports.