Contents

Dedication vii
About the Authors viii

Contents x
Foreword xiii
Preface xiv

	Note to the Student: How To Study and Discuss Cases Ethics in Finance xxxii	xxv	
Set	ting Some Themes		
1.	Warren E. Buffett, 2005	To think like an investor	3
2.	Bill Miller and Value Trust	Market efficiency	23
3.	Ben & Jerry's Homemade	Value creation and governance	39
4.	The Battle for Value, 2004: FedEx Corp. vs. United Parcel Service, Inc.	Value creation and economic profit	53
5.	Genzyme and Relational Investors: Science and Business Collide?	Value creation, business strategy and activist investors	75
Fina	ancial Analysis and Forecasting The Thoughtful Forecaster	Forecasting principles	101
7.	The Financial Detective, 2005	Ratio analysis	119
8.	Krispy Kreme Doughnuts, Inc.	Financial statement analysis	125
9.	The Body Shop International PLC 2001: An Introduction to Financial Modeling	Introduction to forecasting	143
10.	Value Line Publishing: October 2002	Financial ratios and forecasting	161
11.	Horniman Horticulture	Analysis of growth and bank financing	175
12.	Guna Fibres, Ltd.	Forecasting seasonal financing needs	181
Est	imating the Cost of Capital		
13.	"Best Practices" in Estimating the Cost of Capital: Survey and Synthesis"	Estimating the cost of capital	193
14.	Roche Holdings AG: Funding the Genentech Acquisition	Cost of debt capital	219
15.	Nike, Inc.: Cost of Capital	Cost of capital for the firm	235
16.	Teletech Corporation, 2005	Business segments and risk-return tradeoffs	243
17.	The Boeing 7E7	Project specific risk-return	257

Contents	xi

Car	pital Budgeting and Resource Alloc	cation	
18.	The Investment Detective	Investment criteria and discounted cash flow	283
19.	Worldwide Paper Company	Analysis of an expansion investment	285
20.	Target Corporation	Multifaceted capital investment decisions	289
21	Aurora Textile Company	Analysis of an investment in a declining industry	311
22.	Compass Records	Analysis of working capital investment	323
23	The Procter and Gamble Company: Investment in Crest Whitestrips Advanced Seal	Scenario analysis in a project decision	337
24.	Victoria Chemicals plc (A): The Merseyside Project	Relevant cash flows	349
25	Victoria Chemicals plc (B): The Merseyside and Rotterdam Projects	Mutually exclusive investment opportunities	357
26.	Star River Electronics Ltd.	Capital project analysis and forecasting	365
27.	The Jacobs Division 2010	Strategic planning	373
28.	University of Virginia Health System: The Long-Term Acute Care Hospital Project	Analysis of an investment in a not-for-profit organization	381
Mai 29. 30.	nagement of the Firm's Equity: Div Gainesboro Machine Tools Corporation AutoZone, Inc.	idends and Repurchases Dividend payout decision Dividend and stock buyback decisions	393 409
Mai	nagement of the Corporate Capita		
31.	An Introduction to Debt Policy and Value	Effects of debt tax shields	425
32.	Structuring Corporate Financial Policy: Diagnosis of Problems and Evaluation of Strategies	Concepts in setting financial policy	431
33.	California Pizza Kitchen	Optimal leverage	449
34.	The Wm. Wrigley Jr. Company: Capital Structure, Valuation, and Cost of Capital	Leveraged restructuring	467
35.	Deluxe Corporation	Financial flexibility	479
36.	Horizon Lines, Inc.	Bankruptcy/restructuring	497
Ana	alysis of Financing Tactics: Leases,	, Options, and Foreign Currency	
37.	Carrefour S.A.	Currency risk management	513
38.	Baker Adhesives	Hedging foreign currency cash flows	523
39.	J&L Railroad	Risk management and hedging commodity risk	529
40.	Primus Automation Division, 2002	Economics of lease financing	541
41.	MoGen, Inc.	Convertible bond valuation and financial engineering	553

Valuing the Enterprise: Acquisitions and E	3uvouts
--	---------

42.	Methods of Valuation for Mergers	Valuation principles	569
	and Acquisitions		
43.	American Greetings	Firm valuation in stock repurchase decision	589
44.	Arcadian Microarray Technologies, Inc.	Evaluating terminal values	599
45.	JetBlue Airways IPO Valuation	Initial public offering valuation	617
46.	Rosetta Stone: Pricing the 2009 IPO	Initial public offering valuation	635
47.	The Timken Company	Financing an acquisition	655
48.	Sun Microsystems	Valuing a takeover opportunity	671
49.	Hershey Foods Corporation: Bitter	Corporate governance influence	693
	Times in a Sweet Place		
50.	Flinder Valves and Controls Inc.	Valuing the enterprise for sale	715
51.	Palamon Capital Partners/TeamSystem	Valuing a private equity investment	727
	S.p.A.		
52.	Purinex, Inc.	Financing the early-stage firm	745
53.	Medfield Pharmaceuticals	Valuing strategic alternatives	755