

## Internet Insider: Chapter 12

### Weighted Average Cost of Capital

In the Internet Insider box on page 300 we showed how you can estimate expected stock returns for five companies using the betas shown on <http://finance.yahoo.com>. You can now go on to estimate the weighted average cost of capital for these companies. You need two extra items of data – the relative proportions of equity and debt and the expected return on debt. You can work out the proportions of equity and debt using <http://finance.yahoo.com> and looking at each company's *profile*. Remember though to use the market value of the equity, not its book value. Finding the yield on the debt is a little trickier. Log in to [www.bondsonline.com](http://www.bondsonline.com) to find the current level of treasury yields and the yield spreads (i.e., the extra yield for bonds with different ratings). As we write this, Moody's ratings for the five companies vary from Baa for Eastman Kodak, Walt Disney, and Altria to A for Intel and Aa for Home Depot.