Equity Valuation using Bloomberg

Created by Alex Bowers ('25)

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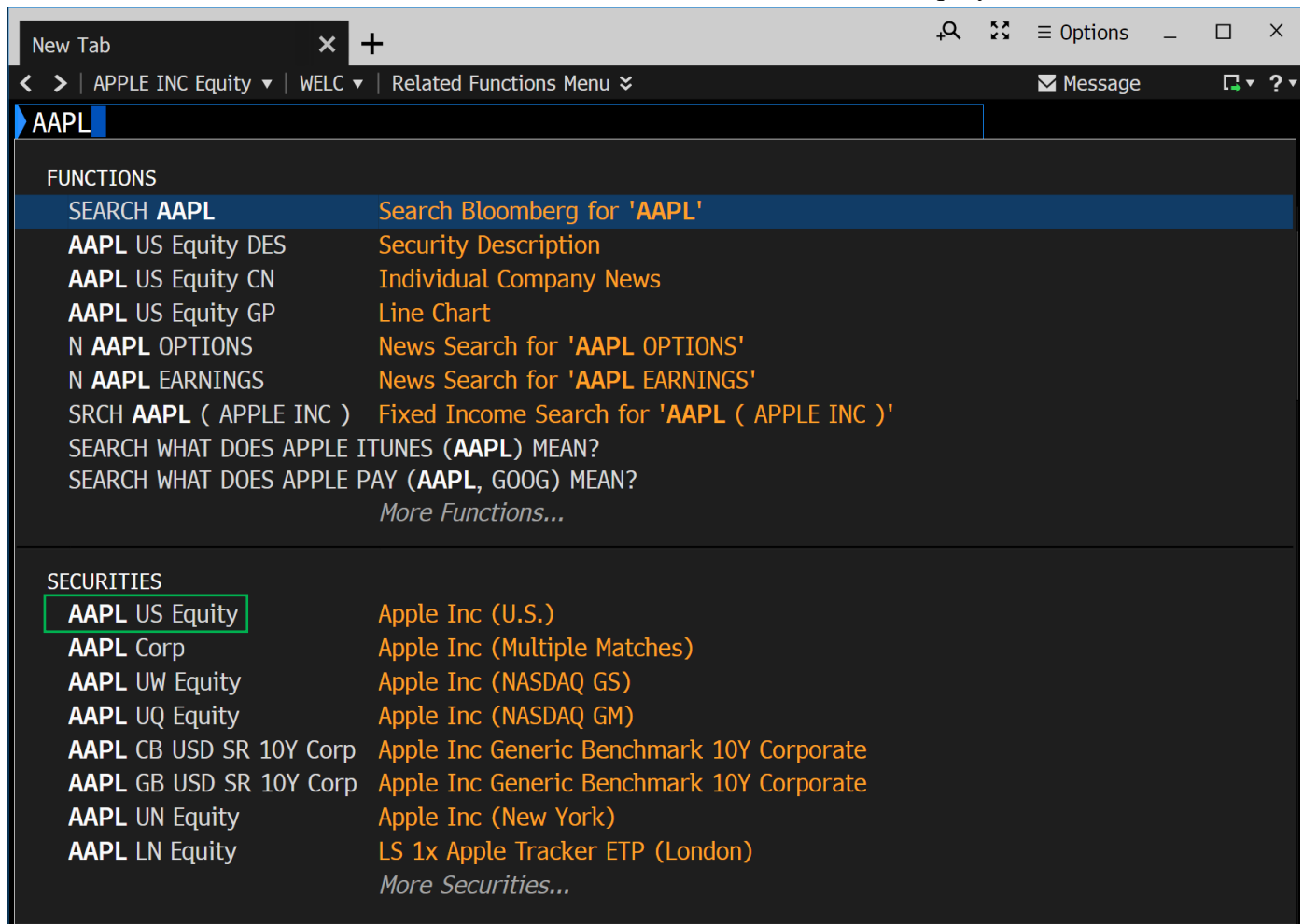## a. Company Data

1. Login to Bloomberg
2. Click on the *New Tab* panel
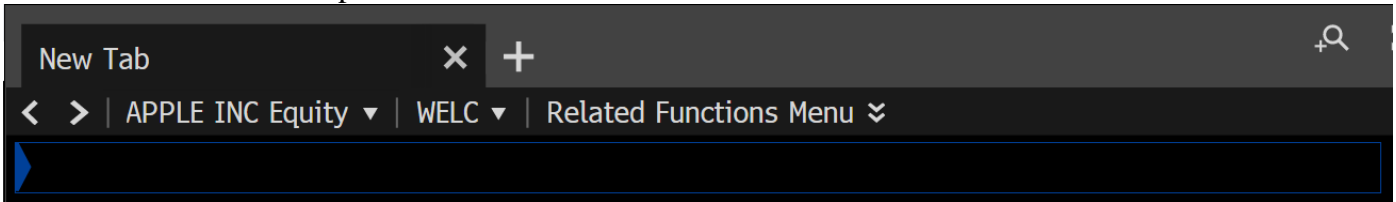
3. Enter your ticker into the search bar (e.g. AAPL). The search dropdown will populate with related functions and securities. In this instance, we are interested in AAPL US Equity.

4. Now you will have the option to select functions related to your security. These functions can be used to provide you with almost all of the information you need to know about your company. For a high-level overview, click on the *Security Description* (DES).

5. Within DES you can find general information about the company such as the business description, price chart, estimates, and financial ratios.

b. Beta

Under the *Profile* tab of DES, Bloomberg provides a 2-year unadjusted beta. This beta is calculated using regression analysis of the company's weekly stock price returns against a market proxy (S&P 500).

Beta gives you information about the volatility of a stock compared to the overall market, therefore it is a measure of systematic risk. A beta higher than 1.0 indicates the stock is more volatile than the overall market, and a beta lower than 1.0 indicates the stock is less volatile than the overall market.

Additional beta measures and adjustments can be made by typing the BETA function into the search bar in the top left.
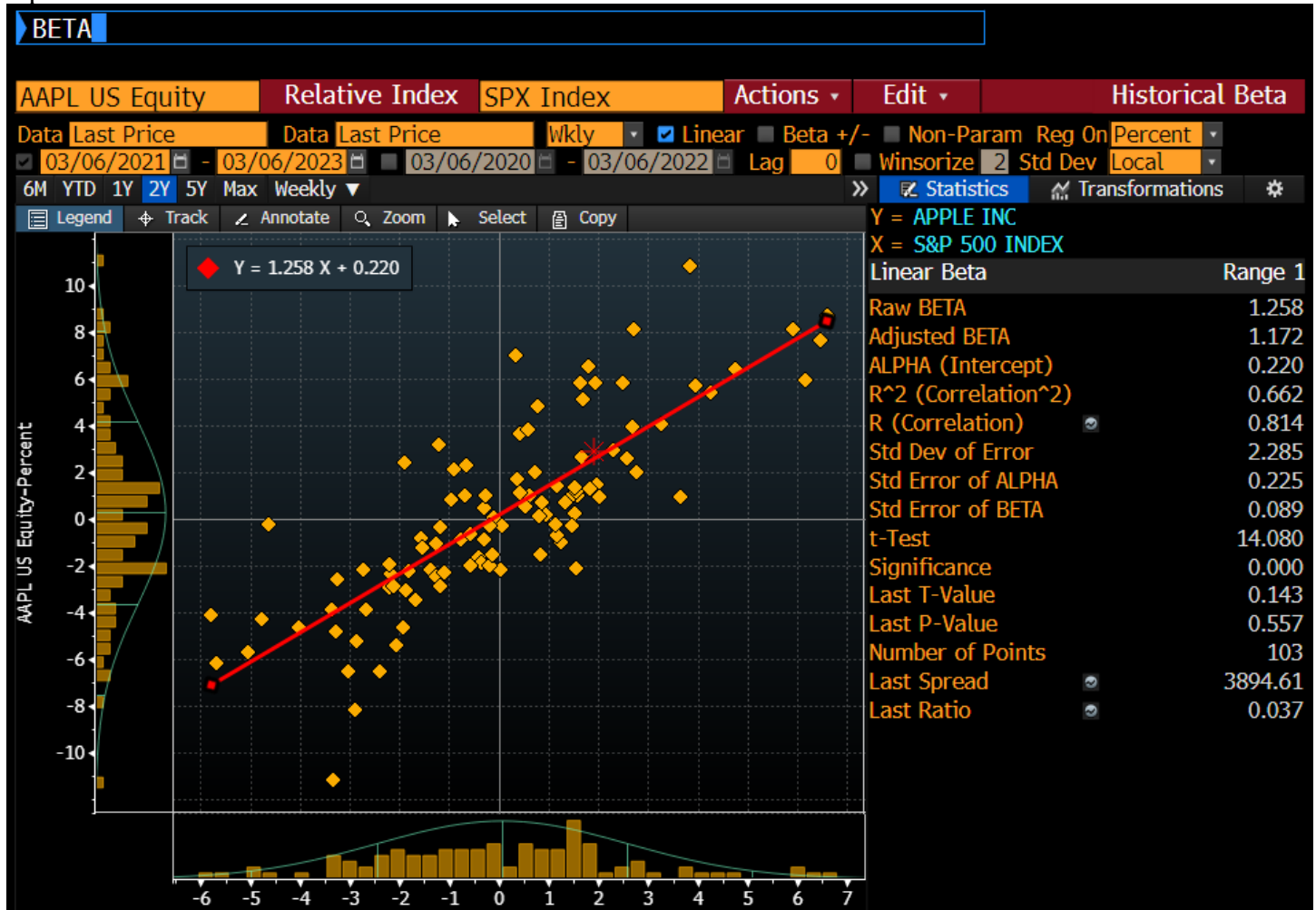
Any variable can be changed that is related to the regression analysis that produces the beta. Comparing beta measures over different time periods can provide you with insight on if the stock has become more or less volatile than the market over time. The beta input you choose should reflect your views about the future expected volatility of the company.

Adjusted beta is a forward-looking measure that uses the historical beta as an input. The formula for adjusted beta assumes that a security's beta moves toward the market average (1.00) over time.

$$\text{Adjusted Beta} = \text{Raw Beta} * (0.67) + 1.00 * (0.33)$$

c. Financials

Next, you analyze the company's historical financial statements by entering the *Financial Analysis* (FA) function.

There are many settings within financial analysis, including being able to chart line items. You can either select the blue chart next to a line items to graph it or select "Show Chart Grid" under "Actions". There is the option to change the graphs to line charts.
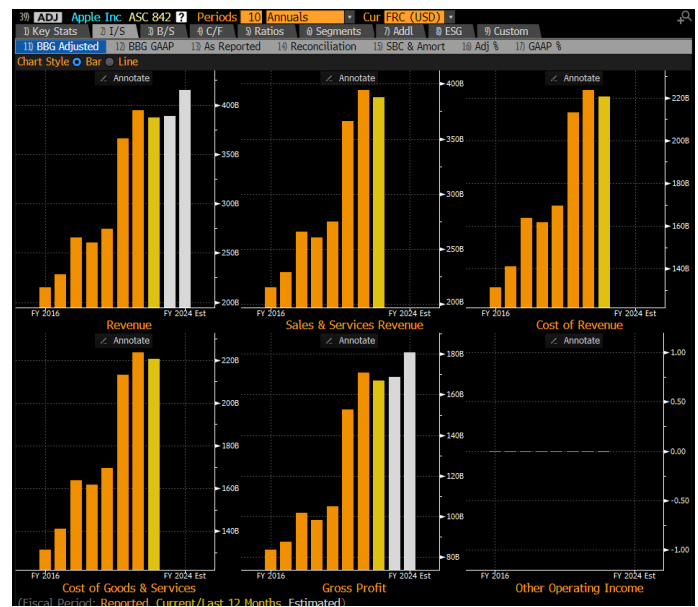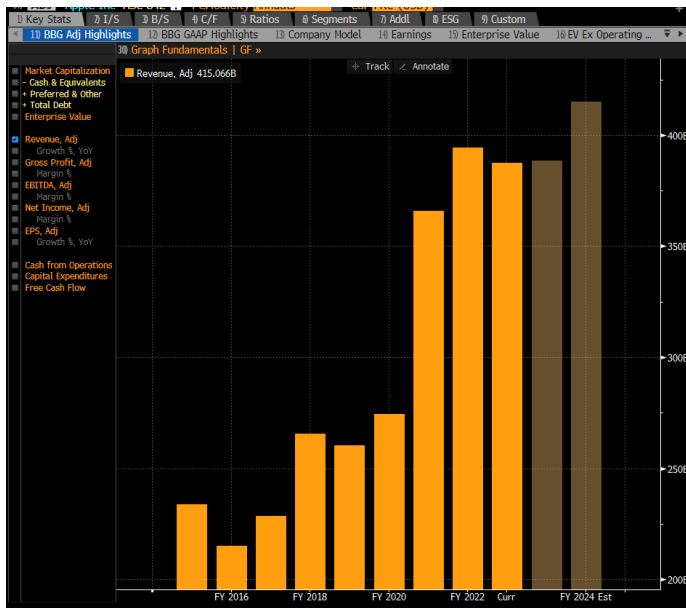
Additionally, you can download and export all of the financial statements by selecting "Export". You can either export the current tab you are on to Excel or download an Excel template from the *Excel Template Library* (XLTP), which will try to populate an entire pre-created spreadsheet with the financials of your company.

AAPL US Equity	96) Actions ▾	97) Export ▾	98) Settings	⧉

39) **ADJ** Apple Inc ASC 842 ❓ Per

PDF	▶	USD) ▾
Excel	▶	73) Current Template
Excel Template Library (XLTP) ▶		74) Custom Report

In Millions of USD except Per Share
12 Months Ending   09/24/2

Revenue   215,0...

AAPL US Equity	96) Actions ▾	97) Export ▾	98) Settings	⧉ Financial Ana

39) **ADJ** Apple Inc ASC 842 ❓ Pe

1) Key Stats 2) I/S 3) B/S 4) C
11) BBG Adjusted 12) BBG GAAP 13) As

PDF	▶	USD) ▾
Excel	▶	8) ESG 9) Custom
Excel Template Library (XLTP) ▶		75) Financial Analysis
		76) Snapshot with Financial Analysis
		77) In Depth Fundamentals
		78) Snapshot with Transparency
		79) Index Financial Statements

In Millions of USD except Per Share
12 Months Ending   09/24/2

Revenue	215,0...				
+ Sales & Services Revenue	215,091.0	228,594.0	265,595.0	260,174.0	274,51
- Cost of Revenue	131,376.0	141,048.0	163,756.0	161,782.0	169,55
+ Cost of Goods & Services	131,376.0	141,048.0	163,756.0	161,782.0	169,55
Gross Profit	83,715.0	87,546.0	101,839.0	98,392.0	104,95
+ Other Operating Income	0.0	0.0	0.0	0.0	
- Operating Expenses	24,239.0	26,842.0	31,177.0	34,462.0	38,66

Also, FA contains a breakdown of revenue segments in the *Segments* tab. Apple reports its revenues based on product categories seen below.

39) **ADJ** Apple Inc ASC 842 ❓ Periods 10 Annuals ▾ Cur FRC (USD) ▾

1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG 9) Custom
11) By Measure 12) By Geography 13) By Segment

In Millions of USD except Per Share	2017 Y		2018 Y		2019 Y		2020 Y		2021 Y		2022 Y	
12 Months Ending	09/30/2017		09/29/2018		09/28/2019		09/26/2020		09/25/2021		09/24/2022	
▾ Revenue	229,234.0	100.0%	265,595.0	100.0%	260,174.0	100.0%	274,515.0	100.0%	365,817.0	100.0%	394,328.0	100.0%
▾ Products	196,534.0	85.7%	225,847.0	85.0%	213,883.0	82.2%	220,747.0	80.4%	297,392.0	81.3%	316,199.0	80.2%
iPhone	139,337.0	60.8%	164,888.0	62.1%	142,381.0	54.7%	137,781.0	50.2%	191,973.0	52.5%	205,489.0	52.1%
Wearables, Home & Accessories	12,826.0	5.6%	17,381.0	6.5%	24,482.0	9.4%	30,620.0	11.2%	38,367.0	10.5%	41,241.0	10.5%
▸ Mac	25,569.0	11.2%	25,198.0	9.5%	25,740.0	9.9%	28,622.0	10.4%	35,190.0	9.6%	40,177.0	10.2%
iPad	18,802.0	8.2%	18,380.0	6.9%	21,280.0	8.2%	23,724.0	8.6%	31,862.0	8.7%	29,292.0	7.4%
Services	32,700.0	14.3%	39,748.0	15.0%	46,291.0	17.8%	53,768.0	19.6%	68,425.0	18.7%	78,129.0	19.8%

This allows us to observe trends in Apple's revenue composition. In this scenario, you would investigate how the Services segment has become a larger portion of total revenue. Next, you could think how segment trends may evolve in the future, and how shifting trends could impact the company's profitability. For example, if a certain growing segment is more profitable than others, that implies a favorable improvement in margins. Companies do not always disclose segment margins, but if they do, these inputs are critical in the valuation process. If they do disclose specific percentages, or general trends, it would often be in earnings releases or earnings calls.

The *Ratios* tab gives a historical overview of profitability, growth, credit, operating, and leverage ratios. This information is useful when identifying how a company ranks on the above characteristics. For example, based on the profitability measures, we can observe a slight deterioration in Apple's profit margins in 2016 and 2017, which was most likely caused by an increase in research and development spending coupled with slower revenue growth.

11) Profitability	12) Growth	13) Credit	14) Credit Ex Operating Leases	15) Liqui◄

In Millions of USD except Per Share	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y
12 Months Ending	09/28/2013	09/27/2014	09/26/2015	09/24/2016	09/30/2017
Returns					
Return on Common Equity	30.64	33.61	46.25	36.90	36.87
Return on Assets	19.34	18.01	20.45	14.93	13.87
Return on Capital	28.71	27.70	32.64	23.45	21.55
Return on Invested Capital	30.34	29.55	30.78	20.08	17.99
Margins					
► Gross Margin	37.62	38.59	40.06	39.08	38.47
EBITDA Margin	32.62	33.07	35.29	32.71	31.19
Operating Margin	28.67	28.72	30.48	27.84	26.76
Incremental Operating Margin	–	29.48	36.78	-61.99	9.71
Pretax Margin	29.35	29.26	31.03	28.46	27.96
Income before XO Margin	21.67	21.61	22.85	21.19	21.09
Net Income Margin	21.67	21.61	22.85	21.19	21.09

d. Filings

The following steps in your company analysis process involves parsing through the public filings to get a better understanding of the business. This helps you learn about the risks, trends, and opportunities associated with the company. The filings also contain financial information and accounting details in the footnotes.

You can access SEC filings by entering the *Document Search* (DS) function in the search bar.
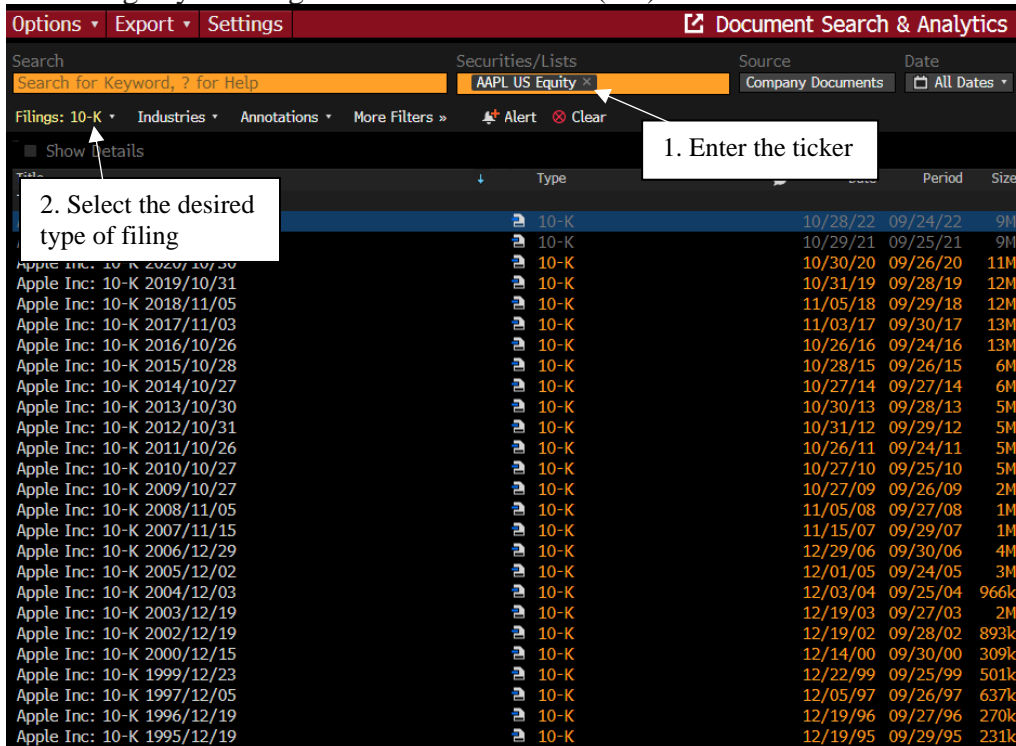
Types of Filings:

- 10K – annual financial statements that follow a set structure of presentation; contains important information such as latest share count on the cover, financial statements, management discussion and analysis, and footnotes.
- 10Q – interim financial quarter performance and highlights; less detailed footnotes and analysis than 10Ks; 10Q forms are unaudited and filed within 40-45 days of quarter end.

- 8K –required in the case of a materially significant event that affects a company's financial position or share price; earnings press releases (PR) are often filed as 8K's; such earnings releases usually become public before the official 10Q or 10K filing; the nature of PR may contain more information on GAAP to non-GAAP reconciliations and future guidance; 8K's are also filed in the case of acquisitions, substantial asset sales or restructurings.
- Form 14A (Proxy) – represents a notification to shareholders about matters to be brought before meetings; usually contains latest share count (better source than 10Q's or 10K's when it's a more recent filing); contains a great amount of detail around acquisitions as it solicits shareholder approval.

There are additional types of filings, but the above are some of the most used by analysts when performing company valuation.

You can also find initiation and research reports within this function. Initiation reports often contain more extensive analysis on a company's business and financials, but they can also be outdated. Research reports are usually released after earnings as equity analysts update price targets according to how results compare to their assumptions in their models, which are supported by investment theses. Research reports should always tie the narrative to the numbers.

Outlook for certain companies can be gleaned using the *Bloomberg Intelligence* (BICO) function. These reports come from Bloomberg's internal research team. This function can provide primers on key topics related to the company.
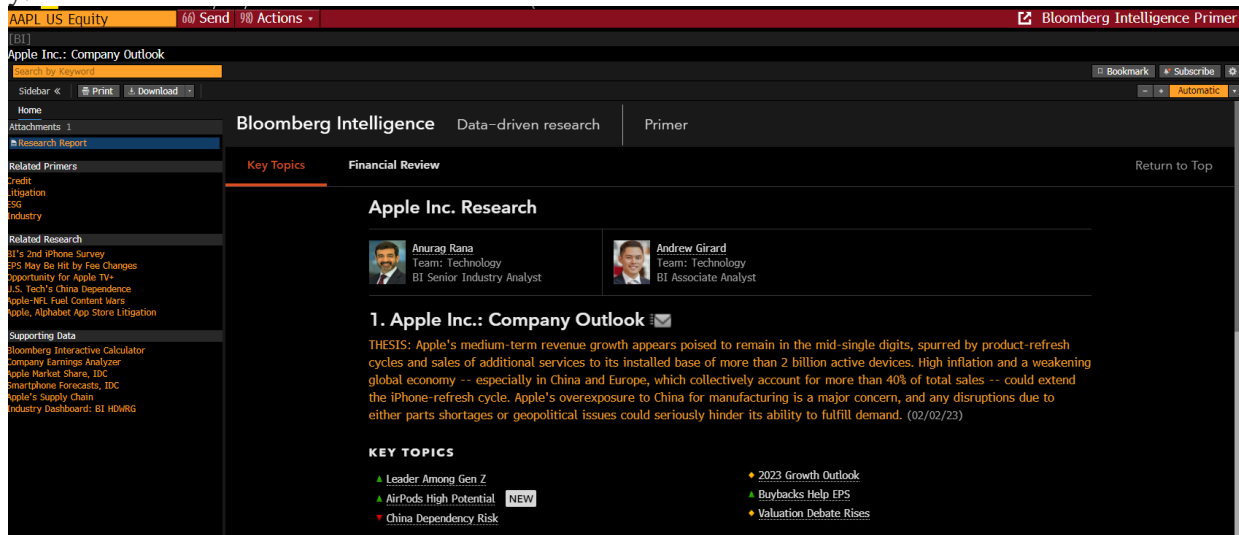
Another source of company information is the *Company News* (CN) function. This function shows individual company news, providing live insight on current events related to your company. News can be filtered by importance, which is determined by artificial intelligence, and is ordered by time.

Now we will discuss how to find debt information for your company. To get a visual of a company's debt, type the *Debt Distribution* (DDIS) function into the search bar. This gives an overview of the maturity dates of company debt and the magnitude of debt maturing each year. This is important because it's not wise to invest in a company with a ton of debt all maturing in the same year. The summary statistics on the right can also be used for WACC calculations. Inputs to use could include the total debt and the weighted average fixed coupon, which is essentially the interest rate a company is paying on its debt.
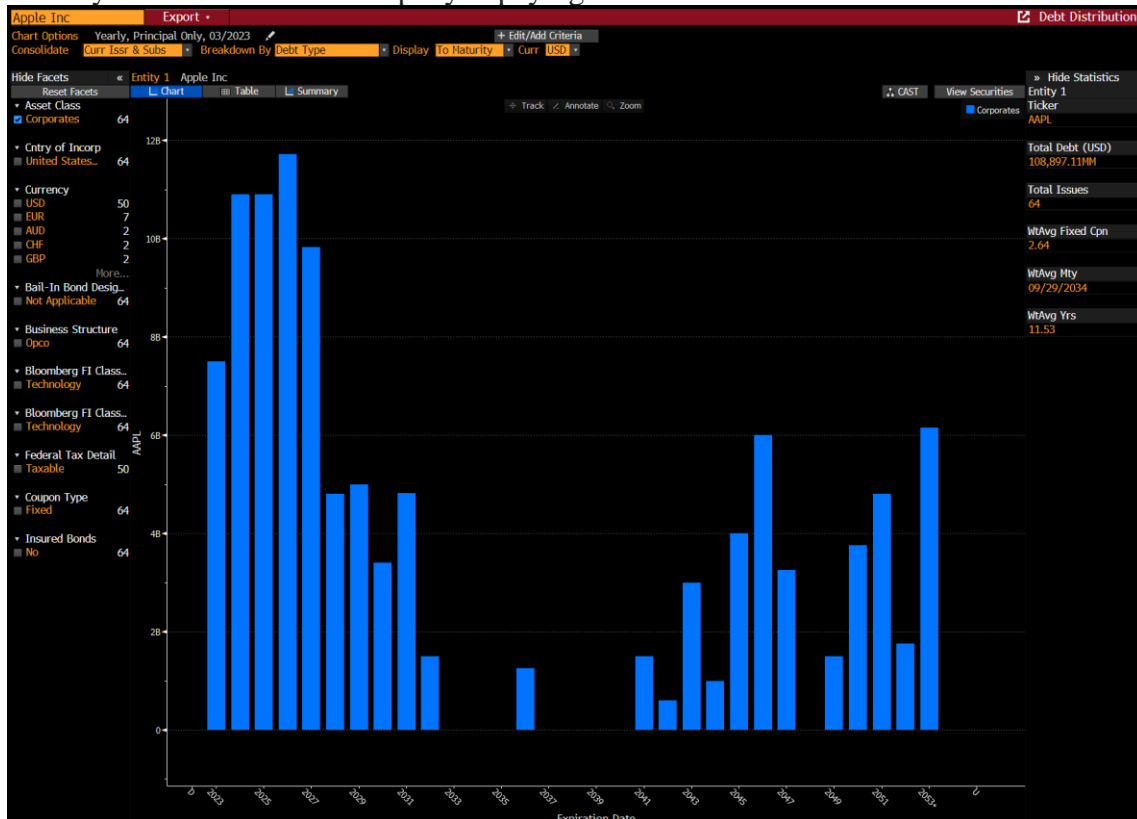
To perform some deeper liquidity risk analysis, you can check the company's credit rating using the *Credit Profile* (CRPR) function. Another place to analyze if a company is able to meet their liquidity requirements is in

Financial Analysis (FA) under the "Liquidity" tab. This tab contains historical liquidity ratios for your company, which can inform you of the underlying financial health of the company.

Apple Inc

1) Bloomberg Default Risk | DRSK »		12) Standard & Poor's	
2) Issuer Default Risk	IG1	13) Outlook	STABLE
		14) LT Foreign Issuer Credit	AA+
3) Bloomberg Market Implied PD | MIPD »		15) LT Local Issuer Credit	AA+
5 Year Issuer PD	0.040016	16) ST Foreign Issuer Credit	A-1+
		17) ST Local Issuer Credit	A-1+
Moody's			
5) Outlook	STABLE	18) Credit Benchmark Composites | CRDT »	
6) Issuer Rating	WR	19) 6M Trend	Unchanged
7) Long Term Rating	Aaa	20) Company Consensus∗	Not Subscrib...
8) LT Corp Family Rating	WR	21) Company Band	IG1
9) Senior Unsecured Debt	Aaa	22) Bank/Contributor Count	15
10) Subordinated Debt	WR	23) Level of Agreement	High
11) Short Term	P-1	24) Search Coverage Universe | CRSR »	
		∗Premium Field	

39) ADJ Apple Inc ASC 842 ? Periods 10 Annuals ▾ Cur FRC (USD) ▾									
1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG 9) Custom									
11) Profitability 12) Growth 13) Credit 14) Credit Ex Operating Leases 15) Liquidity 16) Working Capital 17) Yield Analysis 18) DuPont									
In Millions of USD except Per Share	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	2019 Y~	2020 Y	2021 Y	2022 Y
12 Months Ending	09/28/2013	09/27/2014	09/26/2015	09/24/2016	09/30/2017	09/29/2018	09/28/2019	09/26/2020	09/25/2021	09/24/2022
Cash Ratio	0.93	0.40	0.52	0.85	0.74	0.57	0.95	0.86	0.50	0.31
Current Ratio	1.68	1.08	1.11	1.35	1.28	1.13	1.54	1.36	1.07	0.88
Quick Ratio	1.23	0.67	0.73	1.05	0.91	0.77	1.17	1.02	0.71	0.50
CFO/Avg Current Liab	1.31	1.12	1.13	0.83	0.71	0.71	0.63	0.76	0.90	0.87
Common Equity/Total Assets	59.69	48.11	41.11	39.87	35.72	29.30	26.73	20.17	17.97	14.36
Long-Term Debt/Equity	13.73	25.99	44.68	58.81	72.52	87.48	101.46	163.84	189.22	216.50
Long-Term Debt/Capital	12.07	19.74	29.03	35.04	38.93	42.29	46.24	57.06	59.81	59.90
Long-Term Debt/Total Assets	8.19	12.50	18.37	23.45	25.90	25.63	27.12	33.05	34.01	31.10
Total Debt/Equity	13.73	31.64	53.90	67.86	86.30	106.85	119.40	187.14	216.39	261.45
Total Debt/Capital	12.07	24.04	35.02	40.43	46.32	51.66	54.42	65.17	68.39	72.33
Total Debt/Total Assets	8.19	15.22	22.16	27.05	30.82	31.30	31.92	37.75	38.89	37.56
CFO/Total Liabilities	64.31	49.64	47.53	34.24	26.62	29.95	27.98	31.20	36.14	40.44
CFO/CapEx	6.57	6.24	7.23	5.20	5.16	5.82	6.61	11.04	9.39	11.41
Altman's Z-Score	5.71	5.18	4.46	3.74	3.62	4.22	4.18	6.19	7.18	6.96
Total Commercial Paper Outstanding	0.0	6,308.0	8,499.0	8,105.0	11,977.0	11,964.0	5,980.0	4,996.0	6,000.0	9,982.0

Lastly, the *Security Ownership* (HDS) function can provide an entire overview of who own's the stock you're analyzing. This can be important to determine concentration risk in a small group of shareholders and whether management has invested in the business.

APPLE INC CUSIP 03783310							
1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Options 7) Issuer Debt							
Search Name Default - No Search Selected ▾ 21) Save Search 22) Delete Search 23) Refine Search							
Text Search		Holder Group All Holders ▾ ■ Investment Manager View					
24) Color Legend Shrs Out 15,821.9M % Out 30.81 Float/Shrs Out 94.12 SI % Out 0.70							
Holder Name	Portfolio Name	Source	Opt	Position↓	% Out	Latest Chg	File Dt
		All ▾	All ▾				
1. ⊞ Vanguard Group Inc/The		13G		1,278,250,538	8.08	1,278,250,538	12/30/22
2. ⊞ FMR LLC		ULT-AGG		321,547,173	2.03	-29,764,240	12/31/22
3. ⊞ Northern Trust Corp	NORTHERN TRUST CORPORATION	13F		174,276,229	1.10	-1,808,633	12/31/22
4. ⊞ Norges Bank	NORGES BANK	13F		167,374,278	1.06	25,297,875	12/31/22
5. ⊞ BANK OF NEW YORK MELLON CORP/THE		ULT-AGG		133,488,971	0.84	-2,813,900	12/31/22
6. ⊞ JPMorgan Chase & Co		ULT-AGG		128,268,377	0.81	4,643,920	12/31/22
7. Bank of America Corp	BANK OF AMERICA CORP	13F	Y	126,497,018	0.80	-15,763,573	12/31/22
8. ⊞ Legal & General Group PLC	LEGAL & GENERAL GROUP PLC	13F		112,224,128	0.71	-6,160,832	12/31/22
9. ⊞ Government Pension Investment Fund Japan	Multiple Portfolios	MF-AGG		99,297,286	0.63	-15,469,792	03/31/22
10. ⊞ Capital Group Cos Inc/The	Multiple Portfolios	13F		82,516,395	0.52	-11,569,953	12/31/22
11. ⊞ Charles Schwab Corp/The		ULT-AGG		82,094,186	0.52	1,505,055	12/31/22
12. ⊞ State of California		ULT-AGG		70,311,443	0.44	8,156,486	12/31/22
13. ⊞ Wells Fargo & Co		ULT-AGG		67,950,778	0.43	37,087	01/31/23
14. Schweizerische Nationalbank	SWISS NATIONAL BANK	13F		65,315,868	0.41	-4,826,740	12/31/22

The "Ownership Summary" tab includes data on institutional, geographic, investment vehicle, and insider ownership.

The "Insider Transactions" tab shows where key employees either purchased or sold shares. These can be routine, automatic transactions are can be leading indicators of future company results.
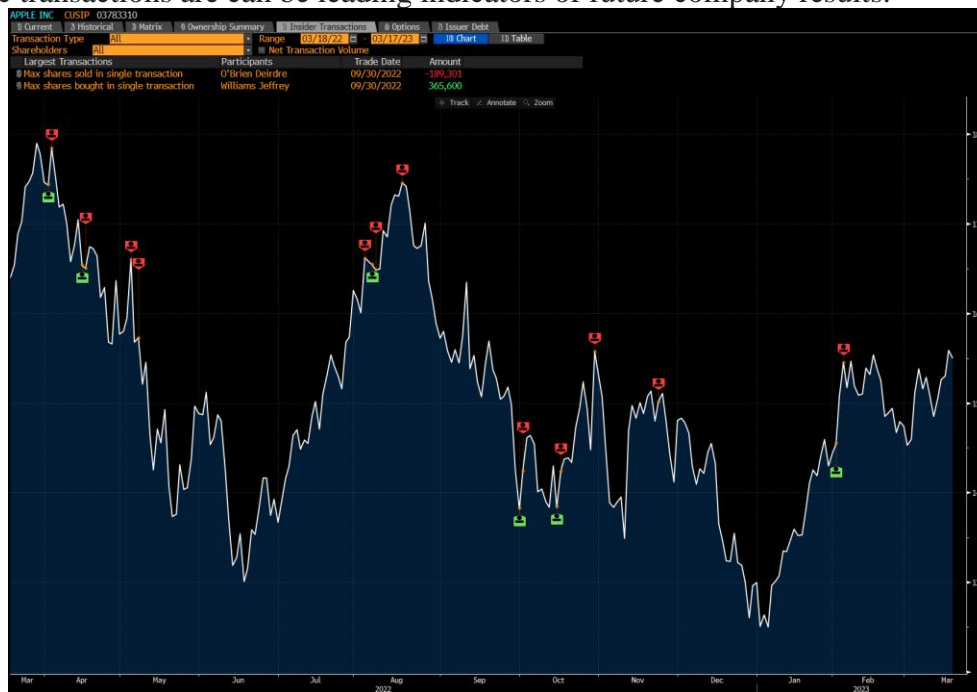
e. Earnings and Estimates

To find information about the next earnings date, earnings trends, future financial estimates, and past surprise history, enter the *Earnings & Estimates* (EE) function.

From this section, you can also navigate to *Earnings History* (ERN), *Earnings Estimates Graph* (EEG), *Earnings Trends* (EM), *Consensus Overview* (EEO), and *Analyst Coverage* (ANR). These functions can also be typed directly into the search bar.

Earnings History (ERN) displays the entire history of a company reported earnings compared to consensus estimates.

The *Earnings Estimates Graph* (EEG) shows how consensus estimates change over time. There are also other measures you can select to overlay the stock price chart.

Earnings Trends (EM) connects past earnings and growth rates to future estimates.
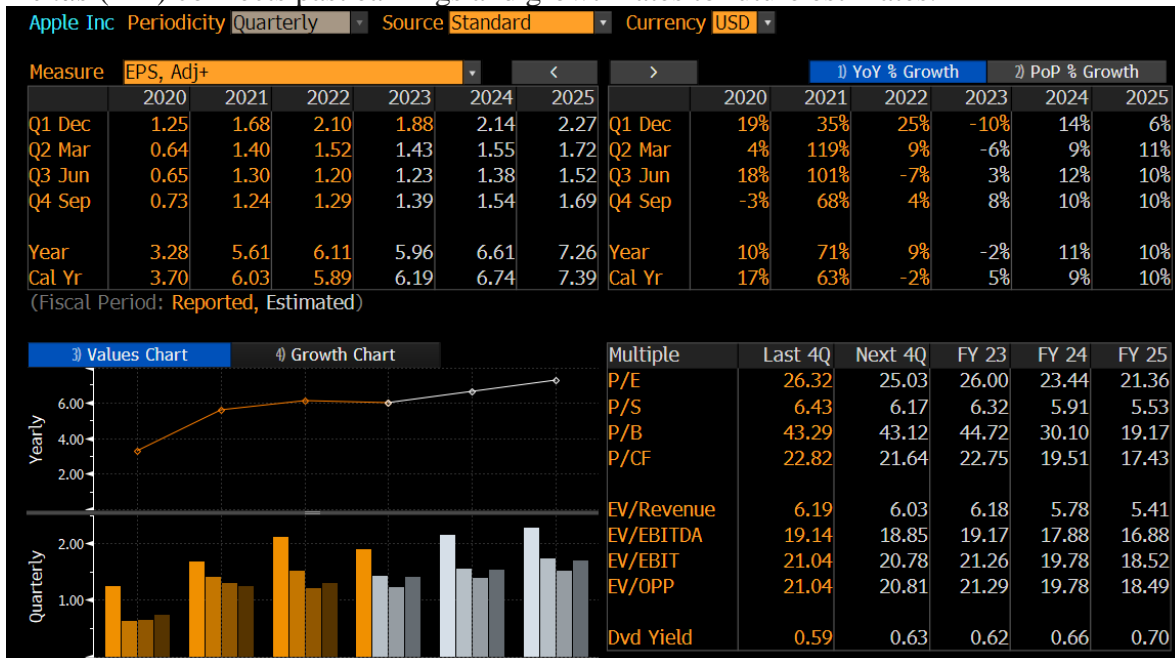
Consensus Overview (EEO) provides an aggregate estimate for all the important financial items from analysts covering the stock. It is important to understand consensus estimates and the underlying drivers of their estimates as an investor. It is then up to you whether or not to agree with estimates. If you disagree and have evidence to support your alternative stance, then you could have an attractive investment opportunity, given there is a large enough margin of safety to compensate you for risk, which could be different depending on your conviction in your narrative and your desired return.

Apple Inc	Q1 2023 Act	Q2 2023 Est		Q3 2023 Est		Q4 2023 Est		Q1 2024 Est	
3 Months Ending	12/31/2022	03/31/2023	#	06/30/2023	#	09/30/2023	#	12/31/2023	#
11) EPS, Adj+	1.880	1.425	32	1.232	32	1.394	33	2.142	25
12) EPS, GAAP	1.880	1.425	32	1.232	32	1.394	33	2.142	25
13) Revenue	117.154B	92.824B	31	84.853B	31	92.763B	31	127.129B	24
14) Gross Margin %	42.962	44.035	29	43.742	29	43.043	29	43.078	19
15) Operating Profit	36.016B	27.039B	30	23.312B	30	25.920B	30	38.946B	20
16) EBIT	36.016B	27.099B	31	23.325B	31	25.990B	31	38.970B	21
17) EBITDA	38.932B	29.907B	16	26.180B	16	29.356B	16	41.766B	11
18) Pre-Tax Profit	35.623B	26.859B	26	23.184B	26	25.879B	26	38.181B	17
19) Net Income Adj+	29.998B	22.616B	30	19.392B	30	21.627B	30	32.488B	21
20) Net Income, GAAP	29.998B	22.616B	30	19.392B	30	21.627B	30	32.488B	21
21) Net Debt	-54.340B	-13.988B ↑	8	-8.749B ↑	7	-8.203B ↑	7	-19.574B	5
22) BPS	3.581	3.595	6	3.432	6	3.370	6	3.680	5
23) CPS	2.140	1.626	5	1.496	5	1.704	5	2.337	3
24) DPS	0.230	0.236	10	0.246	10	0.246	10	0.243	8
25) Return on Equity %	147.943	131.715 ↑	6	101.458 ↑	6	110.328 ↑	6	149.510 ↓	4
26) Return on Assets %	26.148	26.613	3	18.553	3	24.713	3	17.720	2
27) Depreciation		2.941B	2	2.966B	2	2.991B	2	2.916B	1
28) Free Cash Flow	30.218B	21.671B	14	18.694B ↓	14	25.144B	14	36.917B	11
29) CAPEX	-3.787B	-2.890B	17	-2.641B	17	-3.121B	17	-3.751B	14
30) Net Asset Value		58.149B	13	55.299B	13	53.422B	13	65.036B	11

Analyst Coverage (ANR) is another function that can be used to gain a better understand of consensus. This function can provide information such as the consensus target price, the distribution of ratings. Another important element of the included information is that each rating is associated with a firm and an analyst. This is important because you may find over time that some analysts or firms are more credible than others because they are more accurate in their estimates. You can also use this information to reach out to analysts who cover the company who may either have came to the same conclusions as you are have a completely different opinion about the company. It is always important to understand the opposing perspective when evaluating companies.


	Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank	
1)	Phillip Securities	Jonathan Woo	buy	186.00	03/20/23				
2)	Morgan Stanley	Erik Woodring	Overwt/In-Line	180.00	03/16/23				
3)	KeyBanc Capital Ma...	Brandon Nispel	overweight	177.00	03/16/23	-4.90%		15	
4)	KGI Securities Co L...	Christine Wang	outperform	166.00	03/14/23	-4.90%			
5)	Evercore ISI	Amit Daryanani	outperform	190.00	03/14/23	-4.90%			
6)	New Street Resear...	Pierre C Ferragu	neutral	145.00	03/14/23	0.00%	4	14	
7)	Needham	Laura A Martin	buy	170.00	03/10/23	-4.90%			
8)	Barclays	Timothy Patrick Lo...	equalweight	145.00	03/10/23	0.00%	4	11	
9)	LightShed Partners	Walter P Piecyk Jr	↓ sell	120.00	03/10/23	-4.38%	5		
10)	Credit Suisse	Shannon S Cross	outperform	184.00	03/09/23				
11)	M Science Investm...	Matthew Goodman	no rating system		03/08/23				
12)	Wedbush	Daniel Ives "Dan"	outperform	190.00	03/08/23	-10.43%			
13)	Goldman Sachs	Michael Ng	buy	199.00	03/06/23				
14)	Cowen	Krish Sankar	outperform	195.00	03/06/23	-4.90%			
15)	Jefferies	Kyle McNealy	buy	195.00	03/02/23	-4.90%			
16)	Bernstein	Toni Sacconaghi "A...	market perform	125.00	03/02/23	0.00%	4	13	

f. Pricing Data

Pricing data can be found in the *Historical Volatility Table* (HVT).

	Date	Hist Vol (10)	Hist Vol (30)	Hist Vol (50)	Hist Vol (100)	Price (L)	Implied Vol
Fri	03/17/23	21.684	23.882	24.487	34.902	155.00	28.753
Thu	03/16/23	23.165	24.862	24.629	34.966	155.85	26.912
Wed	03/15/23	27.681	26.542	24.443	35.102	152.99	29.840
Tue	03/14/23	27.646	26.605	26.309	35.106	152.59	28.417
Mon	03/13/23	28.960	26.436	26.188	35.037	150.47	30.959
Fri	03/10/23	28.298	26.986	26.712	35.006	148.50	30.085
Thu	03/09/23	27.114	26.865	27.595	35.223	150.59	28.495
Wed	03/08/23	27.833	26.635	27.559	35.551	152.87	25.922
Tue	03/07/23	27.622	26.659	27.562	35.916	151.60	26.404
Mon	03/06/23	25.744	26.241	27.968	35.838	153.83	25.851
Fri	03/03/23	28.851	26.544	28.151	35.771	151.03	25.475
Thu	03/02/23	19.239	25.220	27.147	35.343	145.91	27.329
Wed	03/01/23	18.377	25.223	27.456	35.865	145.31	28.451
Tue	02/28/23	20.970	24.807	27.467	35.805	147.41	28.081
Mon	02/27/23	20.964	24.790	29.730	35.801	147.92	28.896
Fri	02/24/23	23.580	24.831	29.910	36.010	146.71	28.988
Thu	02/23/23	21.810	23.964	29.632	36.207	149.40	28.138
Wed	02/22/23	21.836	24.498	29.843	36.557	148.91	29.835
Tue	02/21/23	23.061	24.493	29.857	37.470	148.48	29.806
Mon	02/20/23						

Also, pricing data can be visualized using the *Line Chart* (GP) function.
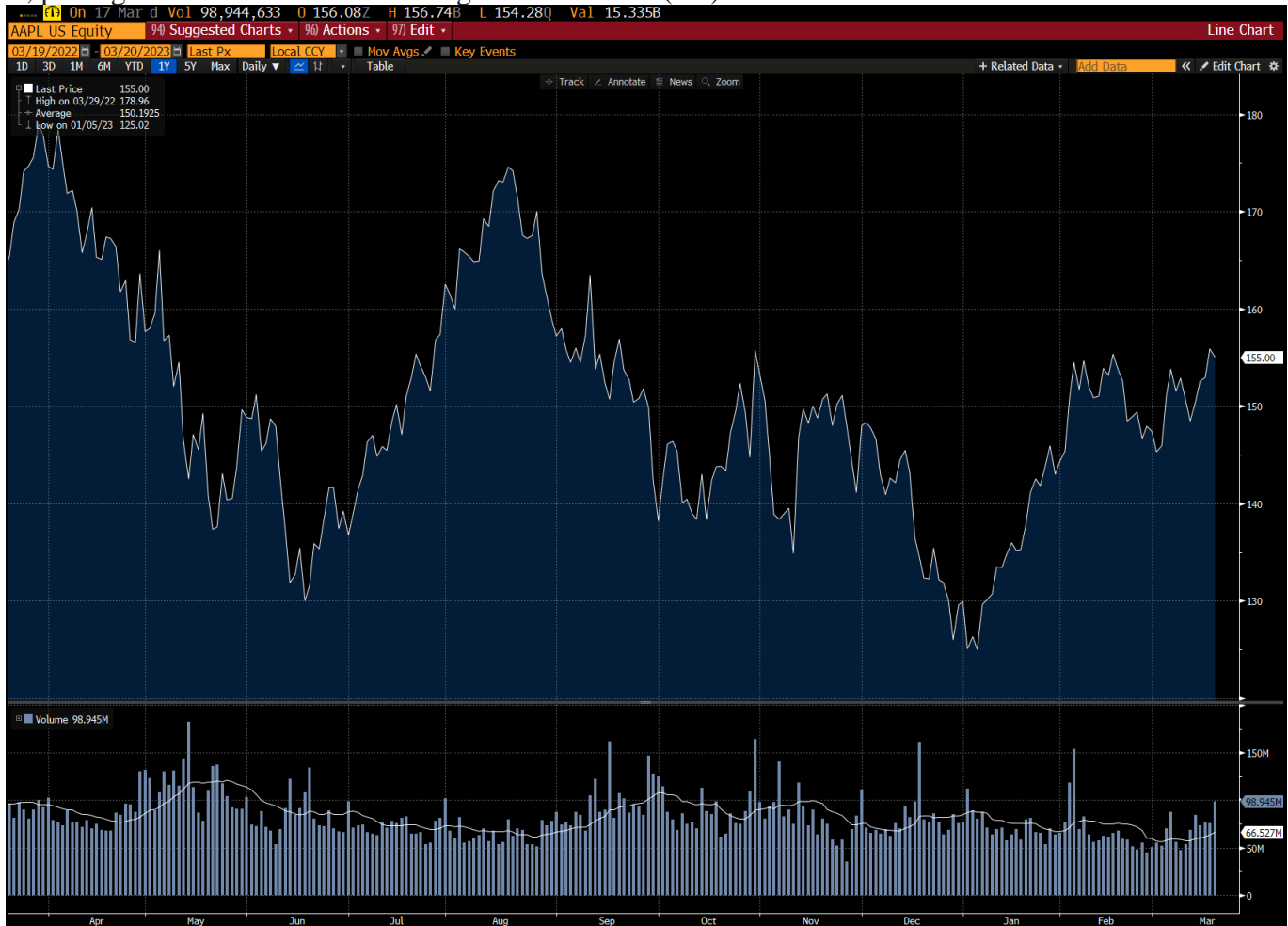
g. DCF Inputs
i. Risk Free Rate

A proxy for the risk-free rate is the 10Y US Treasury yield. This information can be found search for the US Generic Govt 10 Yr (USGG10YR) and entering the *Security Description* (DES) function.

ii. Weighted Average Cost of Capital

Bloomberg has a *Weighted Average Cost of Capital* (WACC) function that automatically calculates for you using Bloomberg's data for security weights and costs.
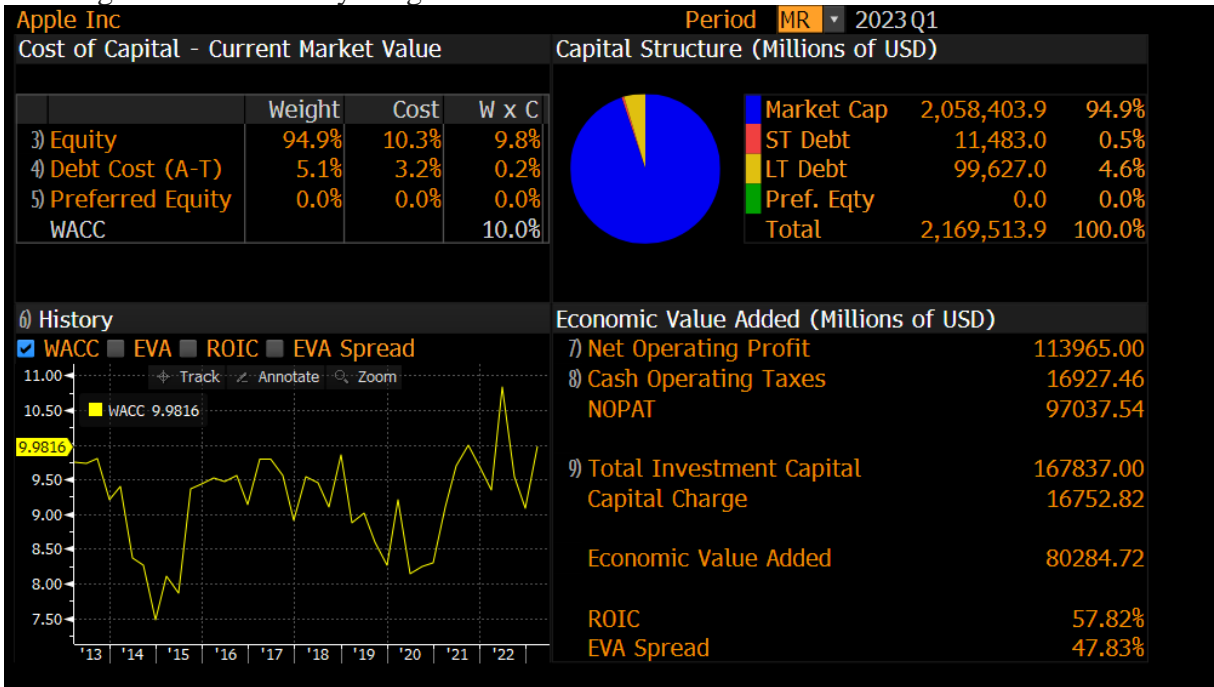
While this is incredibly helpful and probably good enough, it is best practice to calculate WACC using your own data if it does not entirely align with Bloomberg's. The following table represents all inputs needed to calculate a company's WACC, but this function does allow you to manually change inputs by selecting them.

Input	Formula / Where to find it?
Beta	BETA function; can also compute on your own by regressing the stock price against a market proxy.
Risk-Free Rate	USGG10YR → DES function
Weight of Debt	Calculate using input from the *Financial Analysis* (FA) function → Key Stats → LTM total debt or the most recent filing
Weight of Equity	Calculate using input from DES → Mkt Cap
Cost of Equity	R_f + Beta x Equity Risk Premium
Cost of Debt (after-tax)	K_d x (1 – t); find tax rate from FA → Ratios → Profitability → Additional

$$\text{WACC} = W_e / (W_{e\,+}\,W_d) * K_e + W_d / (W_{e\,+}\,W_d) * K_d * (1\text{-}t)$$

iii. Equity Risk Premium

The equity risk premium is the expected return on stocks, net of the risk-free rate in an economy. This excess return compensates investors for taking on the relatively higher risk of equity investments compared to risk-free securities. Consequently, riskier securities demand a higher premium.

We can consider the concept of equity risk premium in two directions:
- Historical equity risk premium
- Implied equity risk premium

The historical equity risk premium is a backward-looking measure and can be estimated by observing stock market and government bond performance over a defined period. The time frame and method of calculation will affect the estimates.

We can calculate the ERP using the formula:

$$\text{ERP} = \beta_a\,(R_m - R_f),$$

Where:
- β_a is the asset beta
- R_m is the return of the overall market
- R_f is the risk-free rate

The implied equity risk premium is a forward-looking measure and can change depending on your period of analysis. We can estimate it using a discounted cash flow approach and current stock index levels to calculate the future risk premium implied by the current stock price levels. This approach assumes that the current valuation levels are correct, or put in other words, markets are efficient.

The *Equity Risk Premium* (EQRP) function can be used to calculate this measure within Bloomberg.
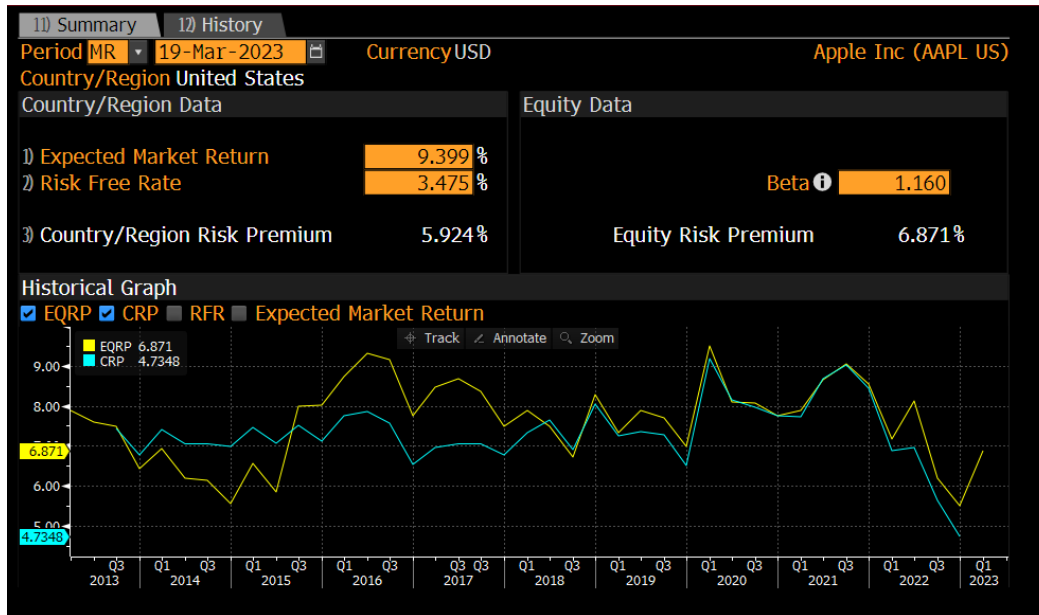
II.   Comparable Companies

Comparable company analysis is a way to determine how much a company is worth by comparing it to other companies of similar size in similar industries. The *Relative Valuation* (RV) function displays how your company compares to its peers. This information can be valuable when determining if your company is being mispriced relative to its competitors. However, it is important to remember that your company could be trading at a premium or a discount for a reason, and should not always deserve to be trading at the median. It is up to you as an analyst to determine what you believe the trading multiples should be for your company.
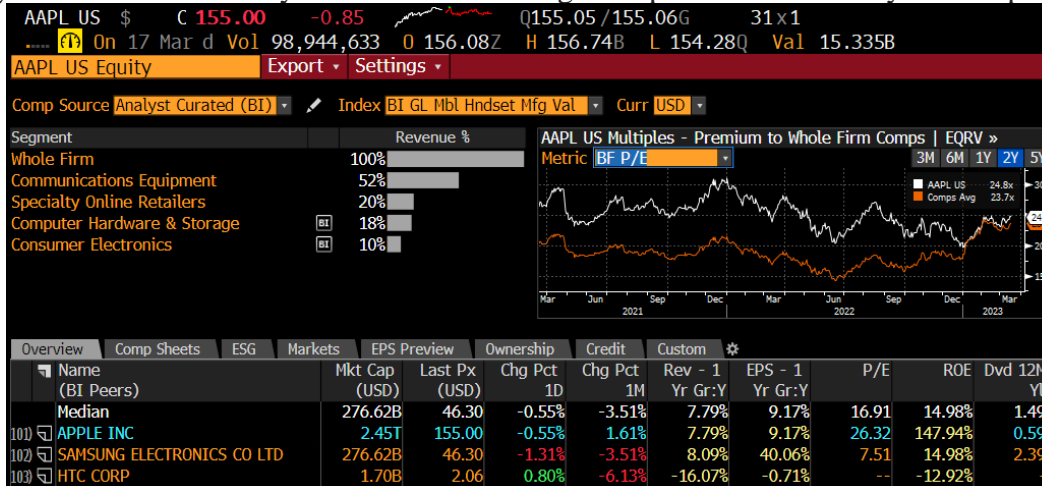
The *Equity Relative Valuation* (EQRV) function also shows a summary of current multiples, but also shows the current multiples of the firm compared to its historical multiples.
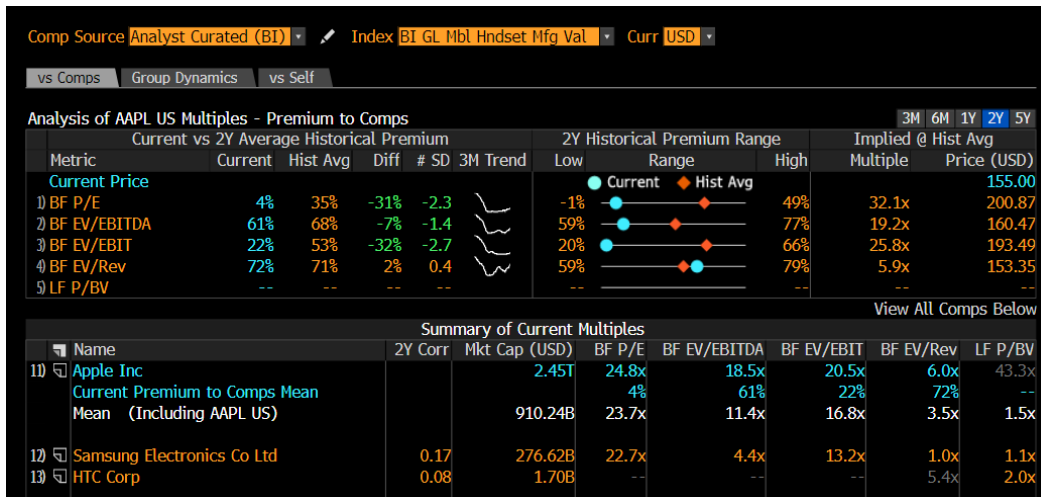
III.   Industry Information

To learn more about the industry that your company is in, enter the *Bloomberg Intelligence Primer* (BICO) function. Under "Related Primers", click on "Industry"
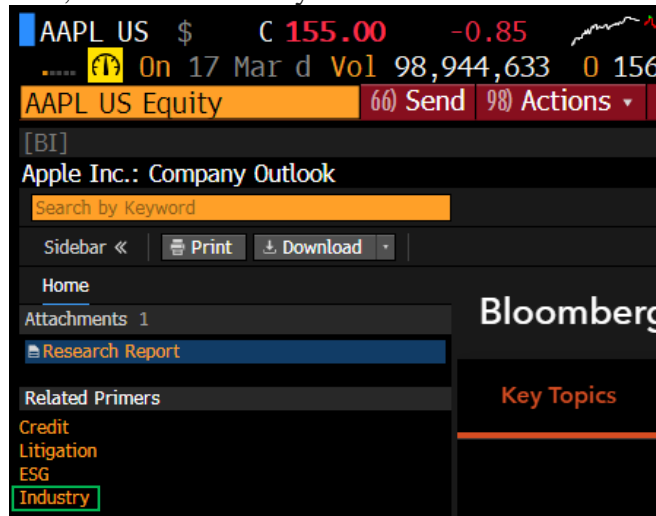
This will bring you to *Bloomberg Intelligence* (BI), which will contain a yearly outlook on the industry that your company is classified in. You can also type in the BI function directly and search for the industry that way.

IV. Macroeconomic Information

Lastly, Bloomberg has an expansive list of Economic Data & Analysis functions. The *World Economic Statistics* (ECST) function lists all of the key indicators for the country being browsed.

Next, the *Bloomberg Economic News and Analysis* (BE) shows economic-related news corresponding to the country being browsed.

Lastly, the *Economic Calendars* (ECO) function shows upcoming economic releases.