## **CONTENTS**

FOREWORD PREFACE NOTE TO THE STUDENT: HOW TO STUDY AND DISCUSS CASES			CUSS CASES	XV XVI XXVI	
P A	R	<u>Ca</u> T		<u>Topic</u>	<u>Page</u>
		1	WARREN E. BUFFETT, 1995	To think like an investor	3
		2	THE FIDELITY MAGELLAN FUND, 1995	Market efficiency	17
		3	JEANNE MOCKARD, AT PUTNAM INVESTMENTS	Opportunity cost	32
		4	BEN & JERRY'S HOMEMADE, INC.	Value creation and governance	44
		5	THE BATTLE FOR VALUE: FEDERAL EXPRESS CORPORATION VS. UNITED PARCEL SERVICE OF AMERICA, INC. (ABRIDGED)	Value creation and economic profit	57
P A	R	Т	2 FINANCIAL ANALYSIS AND FO	DRECASTING	
		6	THE FINANCIAL DETECTIVE, 1996	Ratio analysis	79
		7	THE BODY SHOP INTERNATIONAL PLC 2001: AN INTRODUCTION TO FINANCIAL MODELING	Introduction to forecasting	84
		8	PADGETT PAPER PRODUCTS COMPANY	Analysis of growth and bank financing	100 vii

viii Contents				
9	KOTA FIBRES LTD.	Forecasting seasonal financing needs	116	
10	DEUTSCHE BRAUEREI	Forecasting and policies regarding growth	128	
11	SERVERVAULT: "RELIABLE, SECURE, AND WICKED FAST"	"Burn rate" of the high- growth firm	140	
PART	3 ESTIMATING THE COST OF CAPITAL			
12	BEST PRACTICES IN ESTIMATING THE COST OF CAPITAL: SURVEY AND SYNTHESIS	Estimating the cost of capital	153	
13	NIKE, INC.: COST OF CAPITAL	Cost of capital for the firm	176	
14	COKE VS. PEPSI, 2001	Cost of capital and EVA for competitors	184	
15	TELETECH CORPORATION, 1996	Business segments and risk-return trade-offs	199	
16	PAGINAS AMARELAS	Estimating discount rates for emerging markets	212	
PART 4 CAPITAL BUDGETING AND RESOURCE ALLOCATION				
17	THE INVESTMENT DETECTIVE	Investment criteria and discounted cash flow	237	
18	FONDERIA DI TORINO S.P.A.	Analysis of an automation investment	239	
19	DIAMOND CHEMICALS PLC (A) THE MERSEYSIDE PROJECT	Relevant cash flows	243	
20	DIAMOND CHEMICALS PLC (B): MERSEYSIDE AND ROTTERDAM PROJECTS	Mutually exclusive investment opportunities	251	

21	GENZYME/GELTEX PHARMACEUTICALS JOINT VENTURE	Staged versus up-front investing	257
22	EUROLAND FOODS S.A.	Strategic resource allocation	269
23	STAR RIVER ELECTRONICS LTD	Capital project analysis and forecasting	280
PART	5 MANAGEMENT OF THE FIRM DIVIDENDS, REPURCHASES, I		
24	EASTBORO MACHINE TOOLS CORPORATION	Dividend and stock buyback decisions	289
25	DONALDSON LUFKIN, & JENRETTE 1995 (ABRIDGED)	Initial public offering for a mature firm	304
26	EBAY INC. (A)	Initial public offering for a young firm	333
27	PLANET <i>CÓPIAS &amp; IMAGEM</i>	Financing the early-stage hig growth firm	3 <b>h-</b> 345
PART	6 MANAGEMENT OF THE CORP STRUCTURE	ORATE CAPITAL	
28	AN INTRODUCTION TO DEBT POLICY AND VALUE	Effects of debt tax shields	371
29	STRUCTURING CORPORATE FINANCIAL POLICY: DIAGNOSIS OF PROBLEMS AND EVALUATION OF STRATEGIES	Concepts in setting financial policy	376
30	MCI COMMUNICATIONS CORP.: CAPITAL STRUCTURE THEORY	Leveraged restructuring	394
31	POLAROID CORPORATION, 1996	Financial flexibility	405

32	ROSARIO ACERO S.A.	Choice between debt and equity financing	421
33	THRESHOLD SPORTS LLC	Capital acquisition for the young firm	440
PART	7 ANALYSIS OF FINANCING T LEASES, OPTIONS, AND FOI		
34	MERTON ELECTRONICS CORPORATION	Hedging foreign currency cash flows	463
35	NATIONAL RAILROAD PASSENGER CORPORATION ("AMTRAK"): ACELA FINANCING	Evaluating a lease financing proposal	3 474
36	CORNING INC.: ZERO-COUPON CONVERTIBLE DEBENTURES DUE NOVEMBER 8, 2015 (A)	Convertible bond valuation and financing	483
37	ENRON CORPORATION'S WEATHER DERIVATIVES (A)	Financial innovation for risk management	500
PART	8 VALUING THE ENTERPRISE ACQUISITIONS AND BUYOU		
38	ROCKY MOUNTAIN ADVANCED GENOME INC.	Evaluating terminal values	513
39	YEATS VALVES AND CONTROLS INC.	Valuing the enterprise for sale	530
40	CHRYSLER CORPORATION: NEGOTIATIONS BETWEEN DAIMLER AND CHRYSLER	Negotiating a complex cross-border merger	544
41	PALAMON CAPITAL PARTNERS/ TEAMSYSTEM S.P.A.	Valuing a private equity investment	586

42	GENERAL MILLS' ACQUISITION OF PILLSBURY FROM DIAGEO PLC	Evaluating a contingent value right	604
43	PRINTICOMM'S PROPOSED ACQUISITION OF DIGITECH: NEGOTIATING PRICE AND FORM OF PAYMENT	Evaluating an earnout- proposal	616
44	STRUCTURING REPSOL'S ACQUISITION OF YPF S.A. (A)	Financing a cross-border hostile tender offer	629
45	HOSTILE TAKEOVERS: A PRIMER FOR THE DECISION MAKER	Contests for control	658
46	THE HILTON-ITT WARS	Setting bidding strategy for takeovers	674