Assignment #2: Valuation of Masonite

The assignment is due by 8:30 am on Tuesday, April 26

This assignment is based on Masonite (B)

Unlevered Beta, Unlevered Firm Value, and Post-LBO Firm Value:

Appendix 7 of Masonite (B) shows the Beta for Masonite. This is Masonite’s Levered Beta.

1. Using the stock price in Appendix 7, calculate the Market Value of Equity (MVE) for Masonite. MVE = Share Price x Number of Shares.

Note that Masonite has stock options, RSUs, and DSUs in addition to shares outstanding. This information is on page 6 of Masonite (B). Add up all of these numbers to get a total “diluted” number of shares when you calculate MVE.

1. Compute total Debt as the sum of Short-Term Debt, Long-Term Debt, and Current Portion of Long-Term Debt. This information is in Appendix 1 (use the most recent Balance Sheet).
2. Using the formula for L = U [ 1 + (1 – T)D/E ], calculate Masonite’s Unlevered Beta.
3. Calculate the Cost of Unlevered Equity by using the Unlevered Beta and the CAPM equation. You can get the information on Risk-Free Rate and the Market Risk Premium from Appendix 7.
4. Based on the forecast of the Free Cash-Flow (FCF) in the next 5 years, calculate the Unlevered Value of Masonite.
5. What is your estimate of the Present Value of the Tax Advantage of Debt after the LBO?
6. What is your estimate of the Post-LBO Value of Masonite?