HELP PAGE WEIGHTED AVERAGE COST OF CAPITAL (WACC)

Enter WACC<Go>, then press <Help>

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>>>>>>>> CAPITAL (WACC)

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DEFINITIONS

WHAT IS WEIGHTED AVERAGE COST OF CAPITAL (WACC)?

WACC allows you to analyze the weighted average cost of capital, which is the rate of return that the providers of a company's capital require, weighted according to the proportion each element bears to the total pool of capital. WACC allows you to better assess a company's financial health, both for internal use (in capital budgeting) and external use (valuing companies on investment markets). WACC gives you insight into the cost of a company's financing, can be used as a hurdle rate for investment decisions, and acts as a measure to be minimized to find the best possible capital structure for a company. You can customize default assumptions and data underlying the calculations to assist you in your analysis. You can also display historical WACC data to see trends over time and generate a report of the current chart.

The screen is divided into a control area and four sections: Cost of Capital, Capital Structure, History, and Economic Value Added. You can click the rows that appear in the Cost of Capital and Economic Value Added sections to display details and change component values for the calculations.



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Note: The financial statement data that appears in WACC by default is from the company's most recent fiscal period (quarterly, semi-annually or annually). This data also appears in the *Financial Analysis* (FA) function. The beta figure used in calculations is obtained from the *Historical Beta* (BETA) function. The risk free rate and equity risk premium figures used in calculations are

obtained from the *Equity Risk Premium* (EQRP) function. For information on using FA, BETA, or EQRP, see *FA <HELP>*, BETA <HELP>, or EQRP <HELP>.

CONTROL AREA

The control area allows you to change the security under analysis and the time period for the data that appears. The control area's toolbar allows you to create a report of the data for future reference or sharing with colleagues.

- For information on changing the security or time period, see Modifying Data.
- For information on creating a report, see *Creating a Report*.

COST OF CAPITAL

The Cost of Capital section displays a company's current capital structure and the component weights for all sources of capital, including equity and debt. The total capital of the company is separated into its common equity, preferred equity, long-term debt, and short-term debt weights. The weights are calculated by dividing each amount by total capital. You can display details and change component values for the calculations used for the weighted average cost of capital data.

- Depending on the item, to see a description or further instructions, position your mouse over the data item.
- For information on displaying details and changing component values for calculations, see Calculation Inputs.

CAPITAL STRUCTURE

The Capital Structure section displays statistics on the company's market value, debt, and preferred equity, in both a pie chart and a table.

To see a description of any item in the table, position your mouse over the item.

HISTORY

The *History* section displays a chart that illustrates the value of up to four measures on the y-axis, allowing you to quickly see the trend of weighted average cost of capital over time. You can plot up to three additional measures on the chart: economic value added (EVA), return on invested capital (ROIC), and EVA spread.

The *History* category heading is clickable, so you can see values generated from historical balance sheets both graphically and in a tabular format. You can output this data to a Microsoft[®] Excel spreadsheet for reference.

- To see a description of any item, position your mouse over the item.
- For information on historical charting and data, see the topics in *History*.

ECONOMIC VALUE ADDED

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Economic Value Added is a measure of shareholder value creation. The section displays statistics on operating and capital costs.

- · Depending on the item, to see a description or further instructions, position your mouse over the data item.
- For information on displaying details and changing component values for calculations, see Calculation Inputs.

Note: All calculations adjust accrual basis accounting data to be cash basis accounting data. The adjustments are based on each specific industry. WACC supports five different calculations for six industrial formats. (The *Utilities* format uses the same calculation as the *Industrial* format). When the latest financial statement data available is annual data, the calculation of EVA uses all annual figures. However, when the latest financial statement data available is quarterly data, EVA calculation uses trailing

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twelve months data for the NOPAT and Cash Operating Taxes calculation, while using the latest quarterly balance sheet date for Total Investment Capital.	ıta

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USING WACC

The following topics explain how to use WACC to analyze weighted average cost of capital.

For a description of WACC, see What Is Weighted Average Cost of Capital (WACC)?.

MODIFYING DATA

You can change the security under analysis and the time period for the data that appears in WACC. Depending on your selections, you can also change the filing period.

From either the Weighted Average Cost of Capital or the WACC: History screen, modify the data:

• To change the security under analysis, in the security field, enter a ticker symbol, exchange code, and yellow key, then press <Go> or make a selection from the autocomplete menu that appears.



• To change the time period for the data that appears, from the Period drop-down menu, select a period.



Depending on your selection, additional fields may appear, where you can enter a corresponding year and/or select a filing type for the data.

The screen updates with data corresponding to the selected security and time period.

CALCULATION INPUTS

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You can display the details and change the component values of the calculations used for the weighted average cost of capital data (*Equity*, *Debt*, and *Preferred Equity*) and/or economic value-added data (*Net Operating Profit*, *Cash Operating Taxes*, and *Total Investment Capital*).

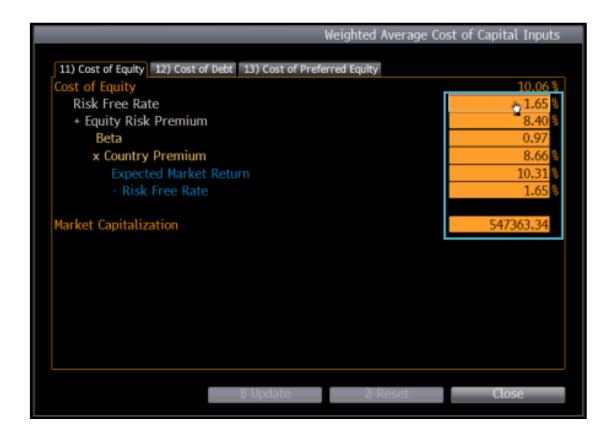
Steps:

1. From either the Cost of Capital or the Economic Value Added sections of the Weighted Average Cost of Capital screen, click any data row (in amber).



Depending on your selection, either the Weighted Average Cost of Capital Inputs or Economic Value Added Inputs window appears with the corresponding tab selected (by default).

2. Update any component value, then press <Go>.



Note: On the *Total Investment Capital* tab, if you want to modify adjustments, click the magnifying glass icon corresponding to the *Adjustments* component, then, from the window that appears, update any value and click the **Close** button. To see a description or definition for a component, position your mouse over the corresponding component name (e.g., *Risk Free Rate*).

The values that appear are in the fields are recalculated.

Note: If you want to reset the values at any time so you can start over, click the **Reset** button. If you want to change component values for other calculations, click any other tab and repeat this step.

3. Click the **Update** button.

The window closes, and the screen updates with the recalculated values.

CREATING A REPORT

You can create a formatted report of the data that appears on the Weighted Average Cost of Capital screen for future reference or sharing with colleagues.

From the Weighted Average Cost of Capital screen toolbar, click Create Report.



The report is downloaded via Bloomberg FileLink and automatically appears on your PC desktop in an Adobe® Acrobat PDF format.

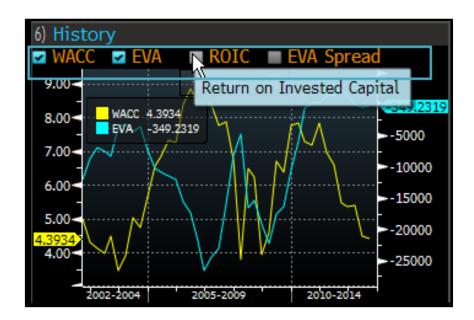
HISTORY

The following topics describe how to display and modify WACC history for the security under analysis.

HISTORICAL CHARTING

WACC provides a chart of historical data on both the *Weighted Average Cost of Capital* and the *WACC: History* screens. You can add or remove the following measures to or from the chart to customize your analysis: weighted average cost of capital, economic value added (EVA), return on invested capital (ROIC), and EVA spread.

From the either the *History* section of the *Weighted Average Cost of Capital* screen or the *Historical Graph* section (expanded) of the *WACC: History* screen, to add or remove a measure, select or deselect it.



Note: For information on the measures that appear, see *Definitions*. For information on expanding the *Historical Graph* section of the *WACC: History* screen, see *Displaying History*.

The historical chart updates. Depending on your selections, the measure is added to or removed from the chart.

Note: For more information on using the chart, including the chart interaction toolbar (Track, Annotate, and Zoom), see OBGO <HELP>.

DISPLAYING HISTORY

WACC allows you to focus your analysis on the trends of weighted average cost of capital over time. You can also see a historical chart of the data and display transparency on the formulas for capital structure data.

Steps:

1. From the History section of the Weighted Average Cost of Capital screen, click History.



The WACC: History screen appears with a table of historical data for the security. By default, the data is incremented annually for the previous 20 periods. The scroll bar at the bottom of the table allows you to see additional data periods.

Note: To change the security under analysis and/or the time period for the data that appears, follow the instructions in *Modifying Data*.

2. Perform additional analysis:

To see a chart of the historical data, click the double-arrow button.



The *Historical Graph* section of the screen expands with a chart. By default, all measures are charted. To remove any measure, follow the instructions in *Historical Charting*.

Note: If you want to hide the chart, re-click the double-arrow button. For information on using the chart, including the chart interaction toolbar (*Track*, *Annotate*, and *Zoom*), see *OBGO <HELP>*.

• To display transparency on the formulas for capital structure data, click any *Capital Structure* value. For example, click a *ST Borrowings* value.



Depending on your default setting for opening transparency, either the *Data Transparency* window or the *Data Transparency* screen appears (in another window). For information on analyzing data transparency, see *Transparency Options*.

Both the *Data Transparency* window and screen show a category tree, if applicable, of the selected value's formula components and their corresponding values. A minus [-] sign indicates an expanded category level; a plus [+] sign indicates a collapsed category level. The name of the selected security is indicated at the top left of the window or screen, followed by the ticker symbol and exchange code in parentheses. For more information on exchange codes, see *Exchange Codes*.

Note: If you want to see data transparency in a full screen, from the *Data Transparency* window, click the **Popout** button. On the *Data Transparency* screen, you can set your default for showing data transparency. For more information on setting your data transparency default, see *Transparency Default*.

OUTPUTTING TO EXCEL

Once you display history for the security under analysis, you can output the historical data to a Microsoft® Excel worksheet.

For information on displaying history, see *Displaying History*.

From the WACC: History screen toolbar, click Output to Excel.



An Excel worksheet containing the historical data downloads via Bloomberg FileLink and automatically appears on your PC desktop.

SHORTCUTS

To access WACC, enter (ticker symbol) (exchange code) <EQUITY> WACC <Go>.

The Weighted Average Cost of Capital screen appears.

For example:

BM US <EQUITY> WACC <Go>

Once you select a security, you can use the following shortcuts to access WACC:

Enter	To specify
WACC HIST <go></go>	The WACC: History screen, by default. For more information, see Displaying History.
WACC (year)Y1	Annual data for a specific year by default.
WACC (year)Q(X)	Quarterly data from a specific year, where X is the quarter (1, 2, 3, or 4) for which you want to see data.

CALCULATIONS

Equity Risk Premium

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Equity Risk Premium is the average additional return required by an investor as compensation for investing in equities rather than a risk-free instrument, calculated as:

Equity Risk Premium = Country Premium * Applied Beta.

Risk premium is a measure of the additional reward expected from the equity market above the returns available from risk-free investments. It represents the added compensation that investors demand for investing in the riskier equity markets. How to define and measure the risk-free and equity markets is up for debate, but most models use historical data or market projection comparisons to determine the risk premium. The traditional method for calculating risk premium involves comparing the returns from Treasuries and equities over a specified time period. This produces equity risk premiums anywhere from 2% to 9% (for the U.S. market) depending on which Treasuries are used (bonds or bills), the time frame observed, and whether arithmetic or geometric average returns are employed.

The computation of *Equity Risk Premium* consists of two parts. First, the expected market return is calculated using forecasted data and current equity values. This reflects the risk premium in terms of forward-looking market conditions rather than historical valuations. The risk free rate is then subtracted from this return to obtain the country risk premium.

The second part of the calculation involves deriving the equity risk premium for a specific issue based on the country premium. This value, using the *Capital Asset Pricing Model* (CAPM), is simply the product of the equity's beta and the country premium.

To calculate the expected additional return (equity risk premium), use the Equity Risk Premium (EQRP) function.

Weight of Equity = Market Capitalization / Total Capital

Note: To see calculations for all available fields, enter FLDS <Go> and search for WACC. To see all the valuation model fields in the system, enter FLDS:VM<GO>.

FAQ

The following are frequently asked questions:

What are Fair Market Curves (FMC) and how are they used in WACC?

Fair Market Curves (FMC) are bond yield curves that are based on the industry sector of the firm. In WACC, whenever FMC are available, pre-tax cost of debt of the firm is determined on these curves.

How are Fair Market Curves created?

Fair Market Curves are created using prices from new issue calendars, trading/portfolio systems, dealers, brokers, and evaluation services, which are fed directly into the specified bond sector databases on an overnight basis. All prices are used.

All bonds for each sector are subject to option adjusted spread (OAS) analysis. The option-free yields are then plotted to form a fair market yield curve without any yields being distorted by embedded calls, puts, or sinks. This allows bonds with very different structures to be compared on an equivalent basis. A best fit curve is then drawn from the option-free yields, resulting in a specific yield curve for each bond category.

How are Fair Market Curves interpreted?

Debt issues are divided into hundreds of sectors that are grouped by several variables, such as rating or industry type. The sectors are numbered, and an option-free yield curve is constructed daily for each sector. The ratings categories for each sector are expressed as Bloomberg Composite Ratings, which are blends of Moody's Investor Service and Standard & Poor's ratings. For more information on ratings, enter *RATD* < *Go*>, then select **Bloomberg Composite**.

LEARN MORE

HISTORY

TRANSPARENCY OPTIONS

Once you display data transparency, you can perform additional analysis.

For more information on displaying data transparency, see *Displaying History*.

From either the Data Transparency window or Data Transparency screen, display or hide details about data transparency:

To display the formula for a specific component, position your mouse over any component.

The formula appears.

To expand or collapse all levels of the Component category tree, select or deselect Expand All.

A checkmark appears or is removed, and all levels are respectively expanded or collapsed.

Note: When all levels of the category tree are expanded, bottom levels (consisting of a single value that matches the value of the level within which it is nested) are excluded.

• To expand or collapse the Source Document Links section at the bottom of the window or screen, click the up or down arrows.

The section expands or collapses.

Note: The *Source Document Links* section may not always appear. When it does appear, up arrows indicates a collapsed section. Down arrows indicate an expanded section.

• To read a source document corresponding to a component, from the Components/Value or the Source Document Links section (expanded) of the window or screen, click any component row.

Note: A document icon next to a component indicates that a source document is available.

The Embedded Link Browser (ELBB) function appears with the source document. For more information, see ELBB <HELP>.

TRANSPARENCY DEFAULT

Once you display the *Data Transparency* screen, you can set your default for displaying data transparency. This default applies to data transparency across all functionality on the BLOOMBERG PROFESSIONAL® service, where applicable.

For information on displaying data transparency, see *Displaying History*.

From the Data Transparency screen, set your default:

- If you want the *Data Transparency* screen to appear (in another window) by default when you access data transparency, click **90 <Go> to Open Transparency Fullscreen by Default** at the top of the screen, if applicable.
- If you want the *Data Transparency* window to appear by default when you access data transparency, click **90 <Go> to Open Transparency in the Same Window by Default** at the top of the screen, if applicable.

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Note: The option that appears depends on your most recently set default.	
Depending on which action you perform, the next time you display data transparency, either the Data Transparency sappears in another window (by default) or the Data Transparency window appears (by default).	creen

DEFINITIONS

Term	Definition
Allowance For Doubtful Accounts	A contra asset account that is subtracted from trade and notes receivables on the balance sheet (available for industrial format).
Beta	The percentage change in the price of an equity given a 1% change in the benchmark index. For information about the derivation of applied beta, see <i>BETA <help></help></i> .
Bond Rate	The government long term bond rate of the country where the firm is domiciled.
Capital Charge	The capital needed to satisfy interest and to amortize money invested in a company, calculated by multiplying the weighted average cost of capital percentage with the total invested capital. Capital Charge gives a currency equivalent for the company's cost of capital. Capital Charge is calculated as:
	Capital Charge = Total Invested Capital * WACC.
Capitalized Interest Expense	The capitalized interest expenses. For more information on calculating Capitalized Interest Expense, enter <i>FLDI IS</i> 075 < Go>.
Capitalized R&D	The capitalized research and development (R&D) expenses, as reported by the company. The account title may be standardized and slightly different from the original account title in the company's financial statement.
Capitalized Software	The capitalized software amount, as reported by the company. The account title may be standardized and slightly different from the original account title in the company's financial statement.
Cash Operating Taxes	The cash-based measure of a firm's taxes on operating profit, derived by modifying reported income tax expense with adjustments from deferred tax and tax subsidies.
Cost	The weighted average cost of equity, debt, or preferred equity for the security.
Cost of Debt	The weighted average cost of debt for the security, calculated using government bond rates, a debt adjustment factor, and the proportions of short and long term debt to total debt. The debt adjustment factor represents the average yield above government bonds for a given rating class. The lower the rating, the higher the adjustment factor. The debt adjustment factor (AF) is only used when a company does not have a fair market curve (FMC). When a company does not have a credit rating, an assumed rate of 1.38 (the equivalent rate of a BBB+ Standard & Poor's long term currency issuer rating) is used. The exact calculation of the debt adjustment factor is a Bloomberg proprietary calculation. For more information on calculating <i>Cost of Debt</i> , enter <i>FLDI VM010 < Go></i> .
Cost of Equity	The weighted average cost of equity for the security, calculated as:
	Cost of Equity = Risk-free Rate + [Beta x Country Risk Premium]
	For more information on calculating Cost of Equity, enter FLDI VM008 <go>.</go>

Term	Definition
Cost of Preferred Equity	The weighted average cost of preferred (when preferred equity is part of the total capital), calculated as the amount paid in preferred dividends divided by the amount of preferred equity. For more information on calculating Cost of Preferred Equity, enter FLDI VM009 <go>.</go>
Country Premium	The expected market return value minus the risk-free rate. For more information regarding the derivation of country premiums, see <i>CRP < HELP></i> .
Credit Rating	The Standard & Poor's rating on the credit worthiness of the issue. For a list of ratings and definitions, see <i>RATD < HELP></i> .
Cur	The currency in which the data is calculated. The default currency is the local currency. For information on country/currency codes, see <i>CURR < HELP></i> .
Debt	The calculation for the cost of debt depends on whether the appropriate reference curve the fair market curve (FMC) is available for the firm. For more information about FMC, see <i>FMC <help></help></i> .
	If the appropriate FMC curve is available, the after-tax cost of debt is calculated as:
	Cost of Debt = ((Short Term Debt * Pre-Tax Cost of Short Term Debt + Long Term Debt * Pre-Tax Cost of Long Term Debt) / Total Debt))*(1-Tax Rate).
	In this case, <i>Pre-Tax Cost of Short Term Debt</i> and <i>Pre-Tax Cost of Long Term Debt</i> are based on the reference curve (FMC) for the firm's sector.
	If the appropriate FMC is not available (or in rare cases when there is a negative Pre-Tax Cost of Short Term Debt or Long Term Debt), the after-tax cost of debt calculation is based on a rough approximation of pre-tax cost of debt. In this case, the after-tax cost of debt is calculated as:
	Cost of Debt = ((Short Term Debt * Pre-Tax Cost of S.T. Debt) + (Long Term Debt * Pre-Tax Cost of L.T. Debt / (Total Debt))* Adjustment Factor * (1- Effective Tax Rate)
	Note: In this instance, a warning message appears on the WACC screen: "Warning - rough approximation for WACC. The warning also appears if there is no debt.
Deferred Income Tax	The net of deferred tax assets (debit balance of deferred tax liabilities) for this year/last year.
Deferred Tax Liability This Year/Last Year	The net of deferred tax assets (debit balance of deferred tax liabilities) for this year/last year. For more information on calculating Deferred Tax Liabilities, enter <i>FLDI BS072 <go></go></i> .
Dividend Payable	The dividends accrued/payable, as reported by the company. The account title may be standardized and slightly different from the original account title in the company's financial statement.

Term	Definition
Economic Value Added (EVA)	The measure of a company's financial performance based on the residual wealth, calculated by deducting a currency equivalent of cost of capital (<i>Capital Charge</i>) from its net operating profit after tax (<i>NOPAT</i>). EVA is calculated as:
	Economic Value Added = NOPAT - Capital Charge
	Note: This measure reflects the absolute amount of shareholder value created or lost during the year.
Effective Tax Rate	The rate a taxpayer would be taxed if taxing was done at a constant rate, instead of progressively, calculated as total tax paid divided by taxable income. For more information on calculating effective tax rate, enter <i>FLDI RR037 <go></go></i> .
Equity	The cost of equity, calculated as:
	Cost of Equity = Risk Free Rate + Equity Risk Premium
	Note: When there is not enough price history to calculate an accurate beta, the following appears on the top line of the WACC screen: "Warning - rough approximation for WACC.
Equity Risk Premium	The average additional return required by an investor as compensation for investing in equities rather than a risk-free instrument. For information on how this value is calculated, see <i>Calculations</i> .
EVA	Allows you to plot the Economic Value Added on the historical chart.
EVA Spread	The spread of the <i>Economic Value Added</i> (EVA) value. <i>EVA Spread</i> is calculated by subtracting the weighted average cost of capital (WACC) percentage from the return on invested capital (ROIC) percentage.
Expected Market Return	The implied return expected from the market(s) using forecasted growth rates, earnings, dividends, payout ratio, and current values. The market return is calculated by taking a capital weighted average of the internal rate of return over all the members of the country's major index.
	For information on determining the value of an equity, see <i>DDM <help></help></i> . For more information on the calculation of expected market return, see <i>CRP <help></help></i> .
Filing	The filing status, which indicates the reporting period of the data. You can choose to display the most recent, original, or preliminary filing, or display reclassified or restated data.
Foreign Exchange Gain (Loss)	The trailing 12-month foreign exchange gain or loss, calculated by adding the foreign exchange result for the most recent four quarters.
Hist Market Cap	The historical market cap, which is the total dollar market value of all of a company's outstanding shares at the period end date stated in the fundamental currency. For more information on calculating <i>Hist Market Cap</i> , enter <i>FLDI RR250 <go></go></i> .
Income Before XO Items and Minority Interest	The trailing 12-month income before extraordinary items, calculated by adding income before extraordinary items for the most recent four quarters.

Term	Definition
Income Tax Expense	The tax expenses resulting from income (from federal, local, or foreign). For more information on calculating <i>Income Tax Expense</i> , enter <i>FLDI IS038 <go></go></i> .
Interest Expense	The trailing 12-month interest expense, calculated by adding interest expense for the most recent four quarters.
Interest Payable	The interest accrued/payable, as reported by the company. The account title may be standardized and slightly different from the original account title in the company's financial statement.
LIFO Reserve for This Year/Previous Year	The LIFO (last-in-first-out) reserve for this year/ the previous year. LIFO reserve is the difference between the inventory balance shown on the balance sheet and the amount that would have been reported had the company used FIFO (first-in-first-out). Companies using LIFO show inventory balances that contain old and outdated costs that have little relationship to current costs. For information on calculating <i>LIFO Reserve</i> , enter <i>FLDI BS179</i> < <i>Go></i> .
Long Term Debt	The LT Debt value you want to input.
LT Debt	The long term debt, which is a debt obligation that matures longer than one year. For more information on calculating LT Debt, enter <i>FLDI BS051 <go></go></i> .
	Note: To change the long term debt value, modify the corresponding <i>Cost of Debt</i> calculation input by following the instructions in <i>Calculation Inputs</i> . Changing the <i>LT Debt</i> input also affects the percentage of long term to total capital, the pie chart, and the debt <i>Weight</i> in the <i>Cost of Capital</i> section on the <i>Weighted Average Cost of Capital</i> screen.
Market Capitalization	The market value of common equity in the company. In WACC, market capitalization is calculated as shares outstanding at the latest period end date, multiplied by the closing price as of the fiscal period end date.
	Note: To change the market capitalization value, modify the corresponding <i>Cost of Equity</i> calculation input by following the instructions in <i>Calculation Inputs</i> . Changing the market capitalization input also affects the percentage of equity to total capital, the pie chart, and the equity <i>Weight</i> in the <i>Cost of Capital</i> section on the <i>Weighted Average Cost of Capital</i> screen.
Minority Interest	The minority/non-controlling interest, which is accumulated earnings to common stocks owned by someone other than parent company in consolidated subsidiaries. For more information on calculating Minority Interest, enter <i>FLDI BS062 <go></go></i> .
MR	Indicates that the data is based on the most recent filing for the selected period.
Net Non Operating Loss (Gain)	The trailing 12-month net other non-operating gain or loss, calculated by adding the net other non-operating gain or loss for the most recent four quarters.
	Note: Net other non-operating gain or loss does not include interest expense or foreign exchange gain or loss when these are disclosed.

Term	Definition
Net Operating Profit	The cash-based measure of a firm's operating performance, derived by modifying income before tax and minority interest with adjustments that converts accrual-based operating profit before tax and minority interest to cash-based.
	Note: Adjustments in <i>Net Operating Profit</i> depend on the industry format of the company, and should be aligned with adjustments in <i>Total Invested Capital</i> . For more information on calculating <i>Net Operating Profit</i> , enter <i>FLDI VM028</i> <go>.</go>
NOPAT	The net operating profit after tax (NOPAT), which is a cash-based measure of profit after tax before subtracting any financial charge. Unlike net income, NOPAT is a measure of pure operating results that is not affected by temporary shift in capital structure. NOPAT is calculated as:
	NOPAT = Net Operating Profit - Cash Operating Taxes
Note Rate	The government short term bond rate of the country where the firm is domiciled.
Original	Indicates that the data is based on the original filing for the selected period.
Other	The other deductible expenses value you want to input.
Overfunded (Underfunded) Pension	The funded status of the pension plan. Represents the difference between the fair value of plan assets less the projected benefit obligation. The plan is overfunded if the plan assets exceed the projected benefit obligation. The plan is underfunded if the plan assets are less than the projected benefit obligation. Available for all industry types.
Pension Expense	The trailing 12-month pension expense (income), calculated by adding the most recent four quarters of pension expense, which is the net amount of pension cost (income) that is recognized in the income statement.
Pension/Post Retirement Liabilities	The liabilities from defined pension benefit and postretirement benefit plans (which may include other type of benefit obligation, if not disclosed separately). This is as reported by company. The account title may be standardized and slightly different from the original account title in the company's financial statement.
Period	The period for which the data is reported. The drop-down menu allows you to display the most recent data, data from a specific quarter, or annual data.
Pref. Eqty	The cost of Preferred Equity.
Preferred Equity	The cost of preferred equity, determined by dividing the amount paid in preferred dividends by the amount of preferred equity. When annual (i.e., trailing one-year) preferred dividends are not available or are not positive, the cost of the preferred equity cannot be estimated. The WACC calculation ignores the preferred component.
	Preferred Equity is calculated as:
	Weight of Preferred Equity = Preferred Equity / Total Capital
Preliminary	Indicates that the data is based on the preliminary filing for the selected period.
Present Value of Operating Lease Obligation	The present value of the operating lease obligations, as disclosed by the company.

Term	Definition
Pre-Tax Cost L.T. Debt	The pre-tax return on the company's long term (10 year) debt, derived from the fair market curves (FMC), when available. If the FMC is not available, a rough approximation of pre-tax cost of debt is based on the government long term debt.
	Note: Long term debt data appears only if the company is carrying debt. For more information about fair market reference curves, see <i>FMC <help></help></i> .
Pre-Tax Cost S.T. Debt	The pre-tax return on the company's short term (one year) debt, derived from fair market curves (FMC), when available. If the FMC is not available, a rough approximation of pre-tax cost of debt is based on the government short term debt.
	Note: The short term debt data appears only if the company is carrying debt.
Provision for Doubtful Account	The trailing 12-month provision for doubtful accounts, calculated by adding the most recent four quarters of provision for doubtful accounts net, which is the expense made for the expected uncollectible outstanding trade and notes receivables, with provision for written back during the period.
Ref Curve	The reference curve (fair market curve) for industrials of the given currency and rating. The currency is that of the country where the security was issued.
	Note: WACC does not capture inter-industry differentials.
	For more information about fair market reference curves, see <i>FMC <help></help></i> . For information on country/currency codes, see <i>CURR <help></help></i> .
Restated	Indicates that the data is based on reclassified/restated data for the selected period.
Retained Earnings	The cumulative undistributed earnings. For more information on calculating Retained Earnings, enter FLDI BS065 < Go>.
Risk Free Rate	The yield of the 10-year treasury security. If such a security is not available, then a long-term swap rate is used.
	Note: If the country in which the security is domiciled does not have a sufficient credit rating or does not have long term debt, the 10 year U.S. risk free rate, CT10 <govt>, is applied.</govt>
ROIC	The return on invested capital, a gauge of how adequately a company uses the money invested in its operations. ROIC is calculated as a company's earnings before interest, taxes, and depreciation divided by total capital (common and preferred stock plus long-term debt). ROIC provides a way to compare companies based on the competency of their management and the feasibility of their products.
	Note: ROIC is a more reliable measure than return on equity.
Service Cost	The trailing 12-month service cost, calculated by adding the most recent four quarters of service cost, which is the actuarial present value of pension benefits attributed by the pension benefit formula to employee service during a specific period.
Short Term Debt	The ST Debt value you want to input.

Term	Definition
ST Borrowings	The ST Debt.
ST Debt	The short term debt, which is a debt obligation that matures in one year. <i>ST Debt</i> may also include repurchase agreements of treasury bills and other short term securities. For more information on calculating <i>ST Debt</i> , enter <i>FLDI BS047 <go></go></i> .
	Note: To change the short term debt value, modify the corresponding <i>Cost of Debt</i> calculation input by following the instructions in <i>Calculation Inputs</i> . Changing the <i>Short Term Debt</i> input also affects the percentage of short term to total capital, the pie chart, and the debt <i>Weight</i> in the <i>Cost of Capital</i> section on the <i>Weighted Average Cost of Capital</i> screen.
Stock Based Compensation	The expense for stock-based compensation, which is the excess of the fair value of the equity security received at the grant date over the amount paid by the employee for the period.
Taxes Payable	The income taxes accrued/payable, as reported by the company. The account title may be standardized and slightly different from the original account title in the company's financial statement.
Total	The total sum value of Market Cap, ST Debt, LT Debt, and Pref. Eqty.
Total Invested/Investment Capital	The measure of economic capital from shareholders, lenders, and other financing resources that is tied up in the business for the purpose of funding the company operations. <i>Total Invested/Investment Capital</i> is derived by deducting non-financing accounts, such as account payables and accrued expenses, capitalizing several types of expenses and adding off-balance sheet items to total liabilities and equity.
	Note: Adjustments depend on the industry format of the company, and should be aligned with adjustments in <i>Net Operating Profit</i> .
W x C	The Weight multiplied by the Cost, expressed as a percentage.

Term	Definition
WACC	The weighted average cost of capital (WACC), which is the rate of return that the providers of a company's capital require, weighted according to the proportion each element bears to the total pool of capital. WACC is calculated using a mix of today's values and values from the selected period.
	In the Cost of Capital section on the Weighted Average Cost of Capital screen, once the cost of Equity, Debt, and Preferred Equity have been determined, WACC can be calculated as:
	WACC = (Cost of Equity * Weight of Equity) + (After Tax Cost of Debt * Weight of Debt) + (Cost of Preferred Equity * Weight of Preferred Equity).
	Note: WACC Global Rank (Calcrout VM023) is a ranking of all companies based on each company's WACC calculation (Calcrout VM011). WACC calculations are available via the Field Search (FLDS) function and the Bloomberg Application Interface (API) function. Whereas the calculations in FLDS and API are performed once a day, WACC calculations are performed in real time, however. Therefore, small discrepancies between FLDS, API, and WACC must be expected. For more information on data calculations, see FLDS <help> and API <help>.</help></help>
Weight (of Equity, Debt, or Pref. Equity)	The ratio of market capital, total debt, or preferred equity to total capital. For more information on calculating <i>Weight</i> , enter <i>FLDI VM035 <go></go></i> , <i>FLDI VM037 <go></go></i> , and <i>FLDI VM036 <go></go></i> .

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