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CourseSmart Financial Statement Analysis: A Valuation Approach

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EXHIBIT 14.15 Valuation of Starbucks Including ESOs

(thousands of dollars, except per share amount)		Panel A—Iteration 1		
Present value of free cash flow before ESO grants	\$ 2,356,655	From Exhibit 10.8		
Forecasted ESO grants (net of tax)	(506,600)			
Core operations	1,850,055			
Short-term investments	61,336	From Exhibit 10.8		
Joint ventures	52,051			
Other investments	3,788			
Current maturities of long-term debt	(685)			
Long-term debt	(6,483)			
Combined value of equity, minority interest and outstanding ESOs	1,960,062			
Minority interest	(6,105)			
Combined value of equity and outstanding ESOs	1,953,957			
Outstanding ESOs	0			
Value of equity	1,953,957			
Number of shares outstanding (thousands)	188,158			
Value per share	\$ 10.38			
Computed value of existing options at above share value:				
Range of exercise prices	\$ 0.75–9.41	\$ 9.69–18.41	\$ 19.42–22.69	
Number of options (thousands)	3,047	6,943	5,531	
Average exercise price (dollars)	7.14	16.92	21.52	
Time to expiration (years)	3.0	5.5	6.5	
Standard deviation of returns	0.55	0.55	0.55	
Risk-free interest rate	0.0625	0.0625	0.0625	
Black-Scholes value per option (dollars)	5.67	4.61	4.55	
Marginal tax rate on ESOs	0.20	0.20	0.20	
After-tax option value per option (dollars)	4.54	3.68	3.64	
After-tax option value (thousands of dollars)	13,823	25,583	20,145	

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