DCF Question: Walk me through a DCF Model

4 stages to a discounted cash flow:

1. **Project Unlevered Free Cash Flow (UFCF) 5-10 yrs into the future**
    a. Use UFCF because you want to obtain value of firm's core operations regardless of capital structure
    b. Project 5-10 years into future because after that period, you can assume a constant growth rate (g ≤ gdp)
    c. UFCF = EBIT(1-t) +D&A-CapEx-ΔNWC
2. **Calculate Terminal Value**
    a. Exit Multiple
    b. Perpetuity Method: $\frac{FCF_n(1+g)}{WACC-g}$
3. **Establish WACC**
    a. $WACC = (w_d)(r_d)(1-t) + (w_e)(r_e) + (w_p)(r_p)$
    b. $r_d = average\ rate\ on\ firm's\ outstanding\ long\ term\ debt$
    c. $r_e = CAPM = r_f + \beta(r_m - r_f)$
    d. Discount @ WACC because UFCF is cash available to both debt and equity holders, so discount rate must reflect cost of debt (rd) and cost of equity (re)
4. **Discount Cash Flows to obtain Enterprise Value**