Midland Energy Resources

Brandi Sutherland
Ronna Hatley
Ginger Voska

Estimating Cost Of Capital

- Cost of Debt
  - Calculated by dividing a company's outstanding debt plus interest by its market value
  - Data from financial statements

- Cost of Equity
  - Calculated by subtracting the cost of debt from a company's weighted average cost of capital
  - Data from financial statements

- Capital Structure
  - Proportion of debt and equity in a company's capital structure

Financial Risk Management

- Hedging
  - Strategies to reduce exposure to market risks

- Dividend Policy
  - Practices for distributing profits to shareholders

Global Energy Company With Operations In:

- Oil and Gas
- Renewable Energy
- Nuclear Energy

Casesim.com
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Estimating Cost Of Capital

Financial Risk Environment

Global Energy Company With Operations In:

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Global Energy Company
With Operations In:

- Oil and gas exploration and production
  - Engaged in all phases of exploration, development, and production.
- Refining and marketing
  - Ownership interests in 40 refineries around the world.
  - 5 million barrels per day
  - Largest in terms of revenue
- Petrochemicals
  - Smallest division
  - Owned or had equity interests in 25 manufacturing facilities and 5 research centers in 8 countries
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Financial And Investment Policies

- Overseas Growth
- Value-creating Investments
- Optimal Capital Structure
- Stock Repurchases
Estimating Cost Of Capital

- **Cost of Debt**
  - Calculated by adding a premium over U.S. Treasury securities of a similar maturity.
  - The premium depended on several factors:
    - Cash flow from operations
    - Collateral value of the division’s assets
    - Overall credit market conditions