

The Implied Growth Rate

- **Terminal Value =**

$$\frac{\text{Final Year FCF} * (1 + \text{FCF Growth Rate})}{(\text{Discount Rate} - \text{FCF Growth Rate})}$$

- $\text{Terminal Value} * (\text{Discount Rate} - \text{FCF Growth Rate}) = \text{Final Year FCF} * (1 + \text{FCF Growth Rate})$
- $\text{Terminal Value} * \text{Discount Rate} - \text{Terminal Value} * \text{FCF Growth Rate} = \text{Final Year FCF} + \text{Final Year FCF} * \text{FCF Growth Rate}$

The Implied Growth Rate

- Terminal Value * Discount Rate – Terminal Value * FCF Growth Rate =
Final Year FCF + Final Year FCF * FCF Growth Rate
- Terminal Value * Discount Rate – Terminal Value * FCF Growth Rate – Final Year FCF – Final Year FCF * FCF Growth Rate = 0
- – Terminal Value * FCF Growth Rate – Final Year FCF * FCF Growth Rate = – Terminal Value * Discount Rate + Final Year FCF

The Implied Growth Rate

- – Terminal Value * FCF Growth Rate – Final Year FCF * FCF Growth Rate = – Terminal Value * Discount Rate + Final Year FCF
- FCF Growth Rate * (–Terminal Value – Final Year FCF) = – Terminal Value * Discount Rate + Final Year FCF
- FCF Growth Rate * (Terminal Value + Final Year FCF) = Terminal Value * Discount Rate – Final Year FCF

The Implied Growth Rate

- $\text{FCF Growth Rate} * (\text{Terminal Value} + \text{Final Year FCF}) = \text{Terminal Value} * \text{Discount Rate} - \text{Final Year FCF}$
- **FCF Growth Rate =**
$$\frac{(\text{Terminal Value} * \text{Discount Rate} - \text{Final Year FCF})}{(\text{Terminal Value} + \text{Final Year FCF})}$$