The Last Supper Strategy

Cash Me If You Can

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03/24/2025

Executive Summary

💡	**Fundamental Strategy**	Targeting an undervalued, low-beta stock with consistent growth potential.
📈	**Intrinsic Value**	Valuation suggests the current price of $272.86/share is undervalued, with projections near $300.00/share.
🎙	**Recommendation**	Purchase 50 shares of PGR -> **$13,500**

Stock Selection

Screening Criteria

Parameter	Description
Market Cap*	> $2 Billion and < $1 Trillion
P/E Ratio	< 20
Beta	< 0.5
Rank by CAGR	Higher is better

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Company Overview – Progress Insurance

Company Name:	The Progressive Corp.	**Current Date:**	03/20/24
Ticker:	PRG	**Current Price:**	$ 272.86
Sector:	Financials	**Target Date:**	Buy and hold
Industry:	Insurance	**Target Price:**	$ 307.73
Shares Outstanding:	585.6 Million	**Monthly Volume:**	3.3 Million
Market Cap:	$ 159.9 Billion	**Beta:**	0.35 (5y monthly)

Company Overview -

History

Founded in 1937, currently has 65 subsidiaries and 1 mutual insurance company affiliate. Initially, the company aimed to provide affordable insurance for vehicle owners. In 1956, Progressive began insuring high-risk drivers, carving out a niche in the market. By 1965, the CEO introduced innovative strategies that prioritized underwriting profits over growth.
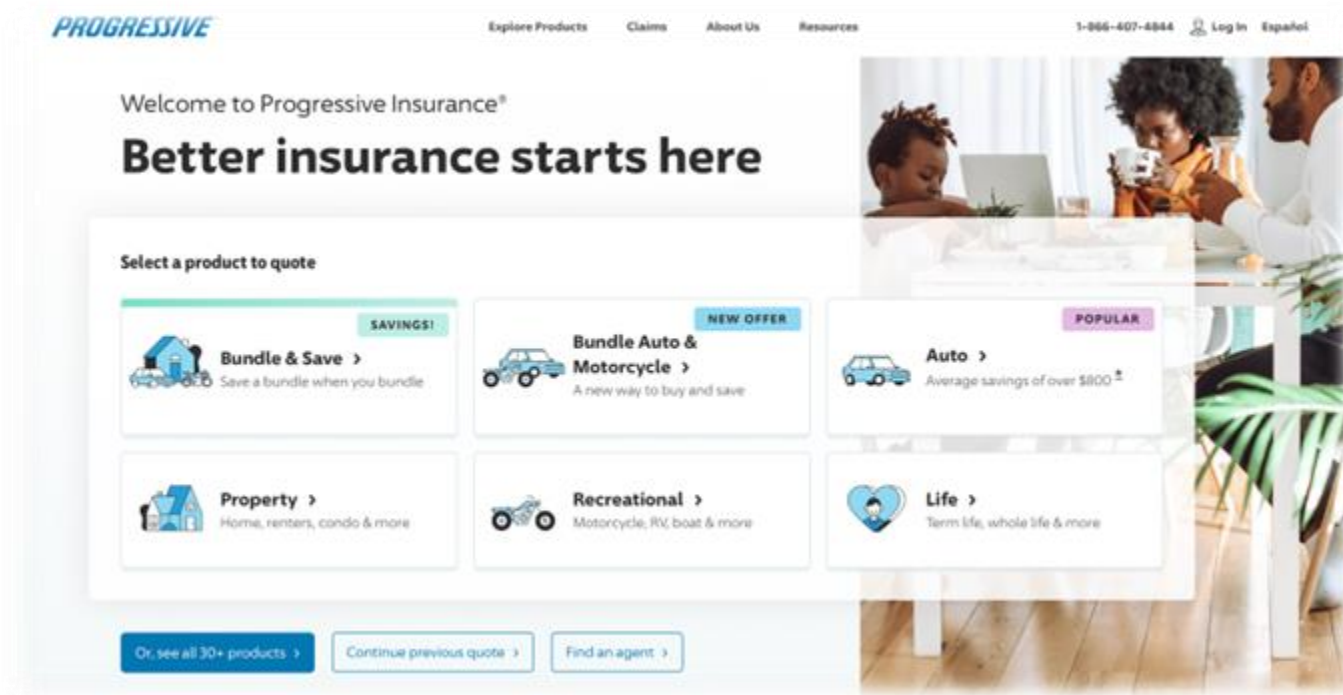
Business Model

Progressive's insurance subsidiaries and affiliate provide personal and commercial automobile insurance and other specialty property-casualty insurance and related services throughout the United States.

Key Stats

- $75.4 billion in annual revenue for FY 2024 (+20% growth over previous 2 yrs)
- Ranked as the world's 89th most valuable company by market capitalization
- Ranks #1 in market share for commercial auto insurance and #2 for personal auto insurance in the U.S.

Offerings

- ✓ Vehicle Insurance
- ✓ Property Insurance & Protection
- ✓ Personal Insurance & Services
- ✓ Business Insurance
- ✓ Financial Services
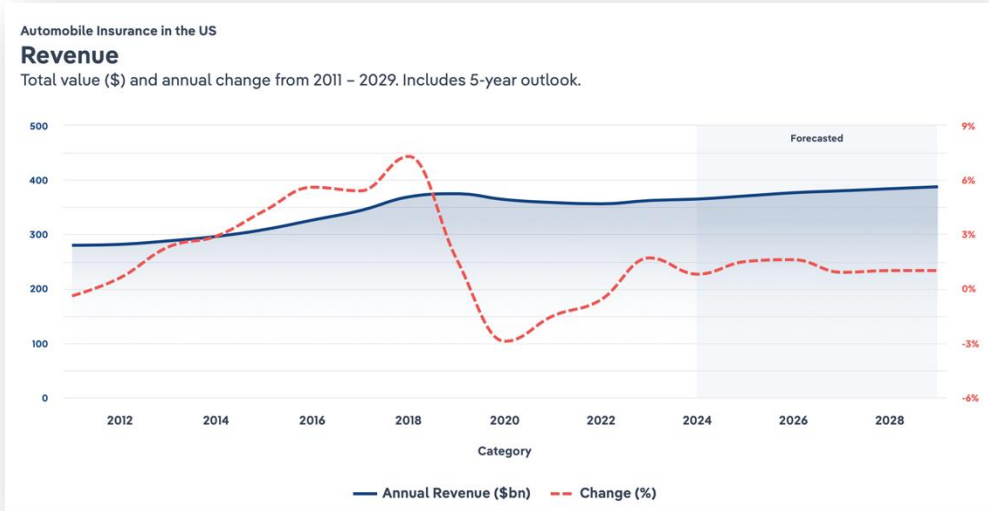
Business Model – Revenue Streams

Revenue Stream	Key Subcomponents	% of Total
Personal Lines	Auto, special Lines (RV, motorcycle, etc.), Homeowners, Renters, Flood	~85%
Commercial Lines	Commercial Auto, TNC (Uber/Lyft), BOP, Workers' Comp	~15%
Service Businesses	Commissions, third-party products (life, pet)	~<1%
Investment Income	Fixed-income and equity portfolios	Supplemental Income

Highlights:
- The majority of Progressive business is consumer-facing- Personal lines.
- They're diversifying their offerings through commercial lines and service businesses
- For personal lines, 55% of services are sold directly, whereas for commercial lines only 26% are sold via direct sales, and the rest through agencies

Automobile Insurance in the US
Revenue
Total value ($) and annual change from 2011 – 2029. Includes 5-year outlook.

Commercial Auto Insurance in the US
Revenue
Total value ($) and annual change from 2011 – 2029. Includes 5-year outlook.

Personal Auto Insurance – U.S. Market
Market Size: $360.1B; **5-Year CAGR:** 1.2%

Growth Drivers

- **Rising vehicle registrations** → more insured drivers
- **High interest rates** → stronger investment income
- **Tech adoption** → Pay-as-you-drive & AI-based underwriting
- **Online-first insurers** → Lower distribution costs, wider reach
- **Shifting demographics** → More younger drivers entering market

Commercial Auto Insurance – U.S. Market
Market Size: $71.6B; **5-Year CAGR:** 1.9%
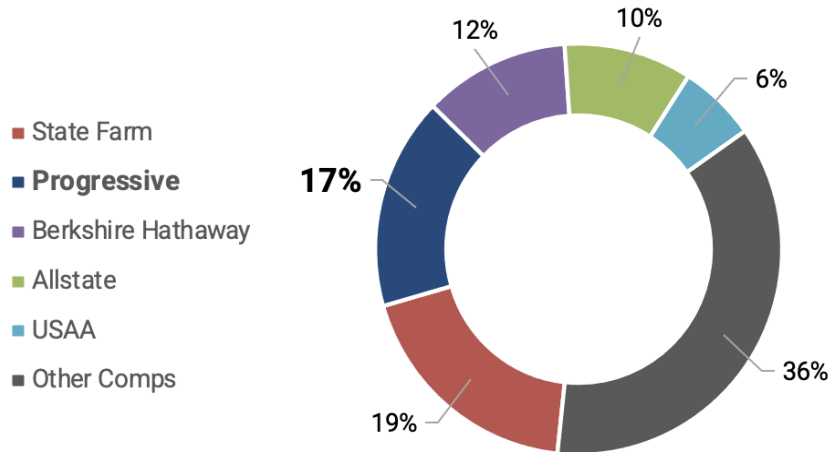
Growth Drivers

- **E-commerce** → More delivery fleets
- **Gig platforms** → Uber, Lyft, Instacart growth
- **Business growth** → More commercial vehicle registrations
- **Rising risk** → Demand for liability & weather-related coverage
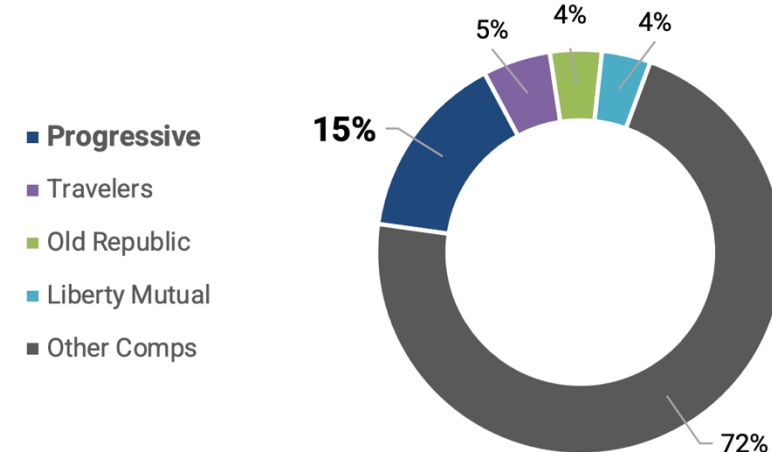- **Tech-enabled pricing** → Telematics & ML adoption

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Industry Analysis – Market Share

U.S. Personal Auto-Insurance

Legend:
- State Farm
- **Progressive**
- Berkshire Hathaway
- Allstate
- USAA
- Other Comps

Values: 12%, 10%, 6%, 17%, 36%, 19%

U.S. Commercial Auto-Insurance

Legend:
- **Progressive**
- Travelers
- Old Republic
- Liberty Mutual
- Other Comps

Values: 5%, 4%, 4%, 15%, 72%

o The personal **insurance market reached $360.1B** in 2024

o **The top 5 insurers now control 63.6%** of the market, up from 62.5% in 2023

o **PGR holds 16.7% ($60.1B) of the market**; direct premiums up 24.5% in 2024

o The **commercial insurance market reached $71.9B** in 2024

o 340 competitors in the commercial market, **PGR has ranked #1 in the since 2015**

o **PGR holds 15.0% ($10.7B) of the market**

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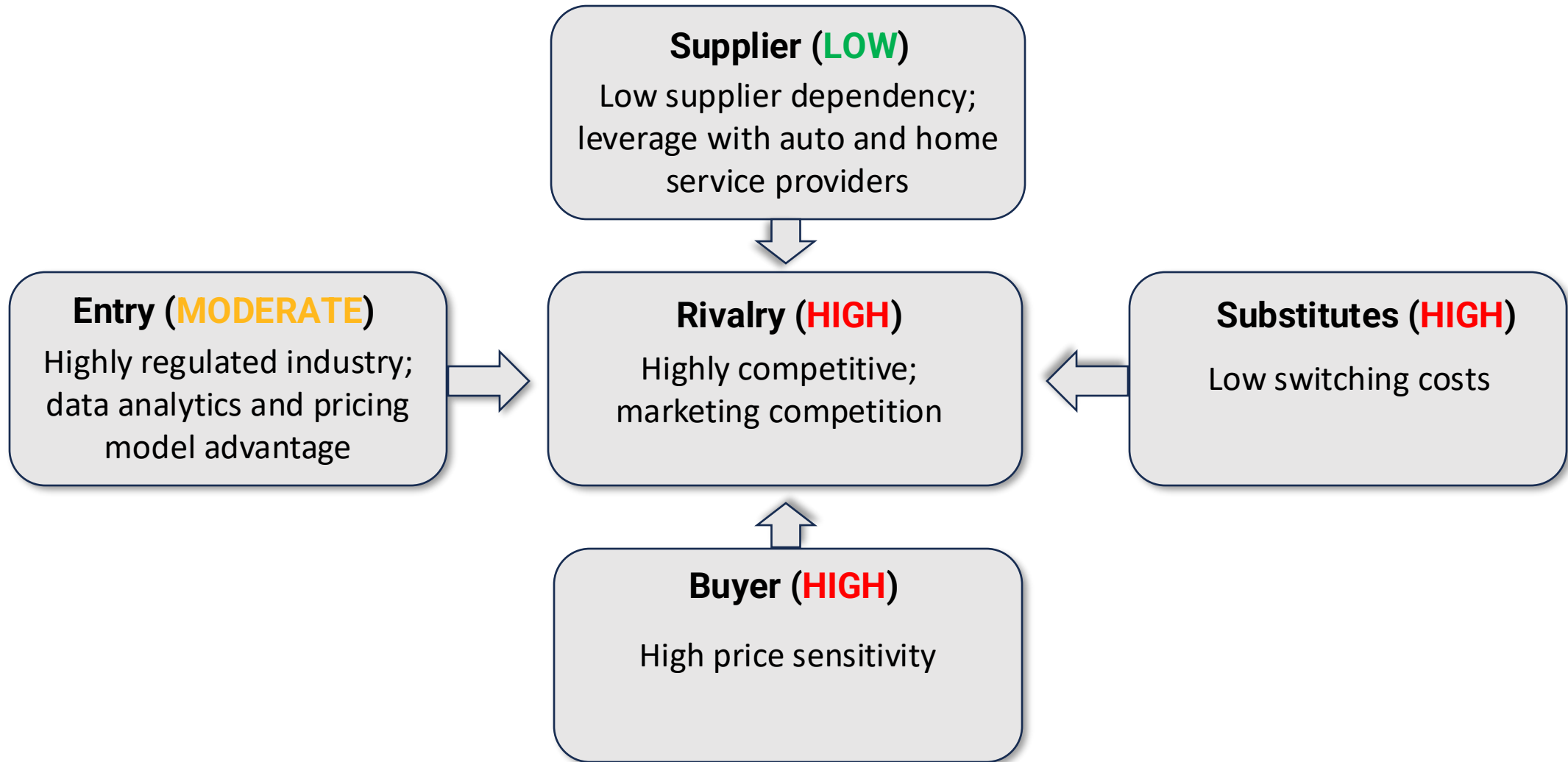
SWOT

Strengths

- Strong brand recognition in auto insurance
- Innovative pricing models and advanced data analytics
- Consistent margin performance
- Efficient advertising strategies

Weaknesses

- Exposure to catastrophic events and related losses
- Concentration in auto insurance market

Opportunities

- Potential for market share growth through efficient operations
- Expansion into new insurance products or markets
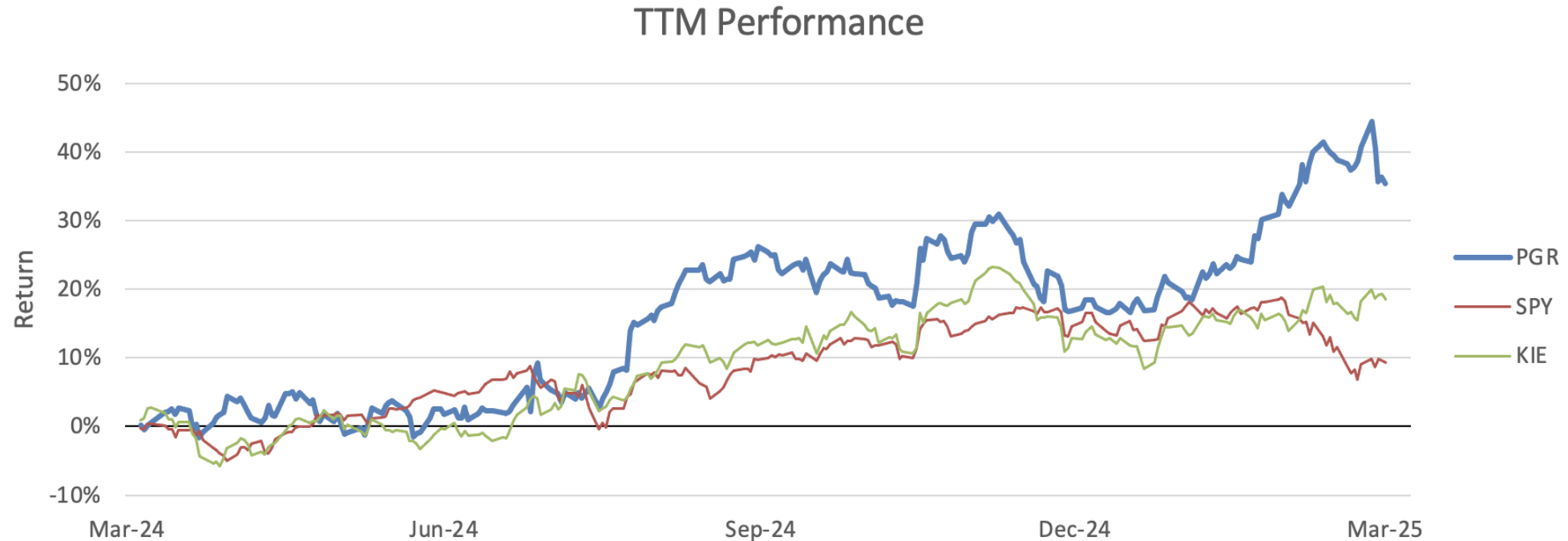- Leveraging technology for improved customer acquisition and retention

Threats

- Increasing competition from traditional insurers and new entrants
- Regulatory changes affecting pricing or underwriting practices
- Economic factors impacting consumer demand for auto insurance

Performance History – Benchmarks TTM

TTM Performance

Ticker	Return	St.Dev	Sharpe	βeta*(5y)	Alpha*	Max DD*	Sortino
PRG	**33.7%**	**21.6%**	**1.37**	**0.35**	**27.68**	**-10.9%**	**2.57**
SPY	9.3%	13.7%	0.37	1.00	-	-10.0%	1
KIE	18.5%	16.2%	0.88	0.74	10.51	-12.1%	1.62.

Performance History – Benchmarks 10y

10y Performance
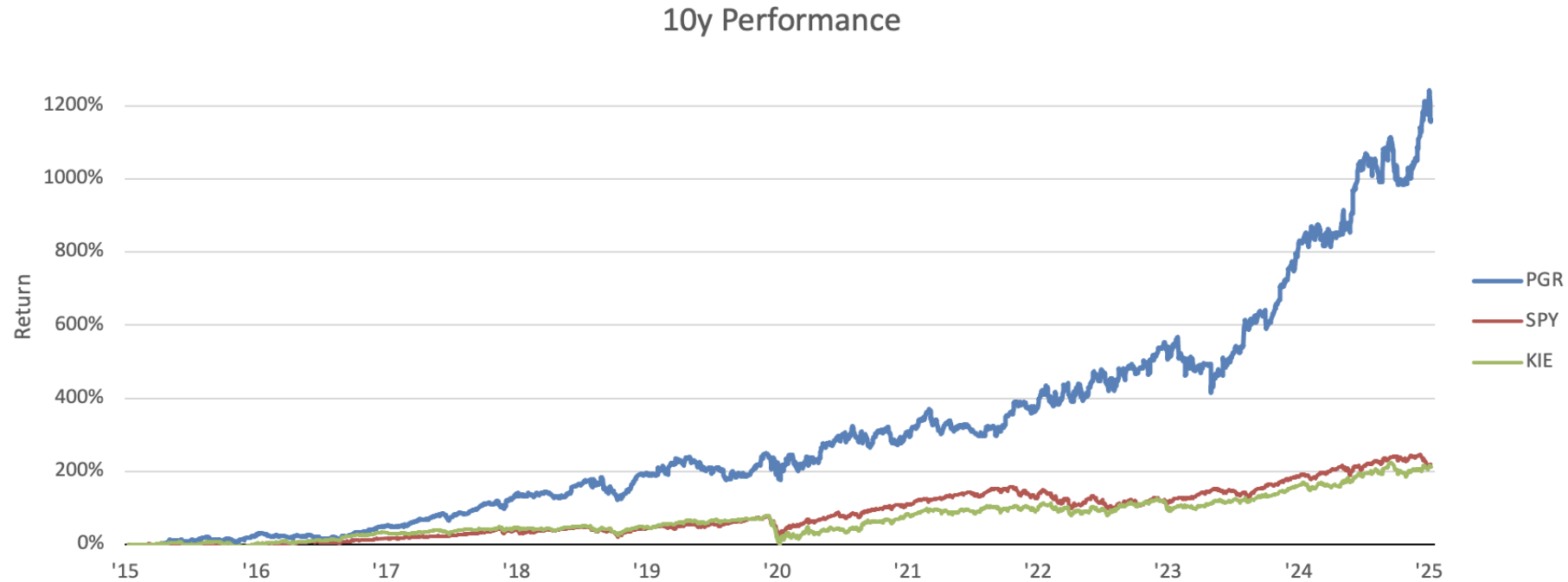
Ticker	Return (C)	Return (A)	St.Dev	Sharpe	βeta*(5y)	Alpha*	Max DD*	Sortino
PGR	**1156.6%**	**28.8%**	**23.7%**	**1.08**	**0.35**	**22.6**	**-22.9%**	**1.62**
SPY	218.2%	12.3%	17.6%	0.52	1.00	-	-33.7%	0.90
KIE	211.9%	12.0%	20.8%	0.43	0.74	2.2	-44.3%	0.80

Performance History – Y/Y vs Benchmarks
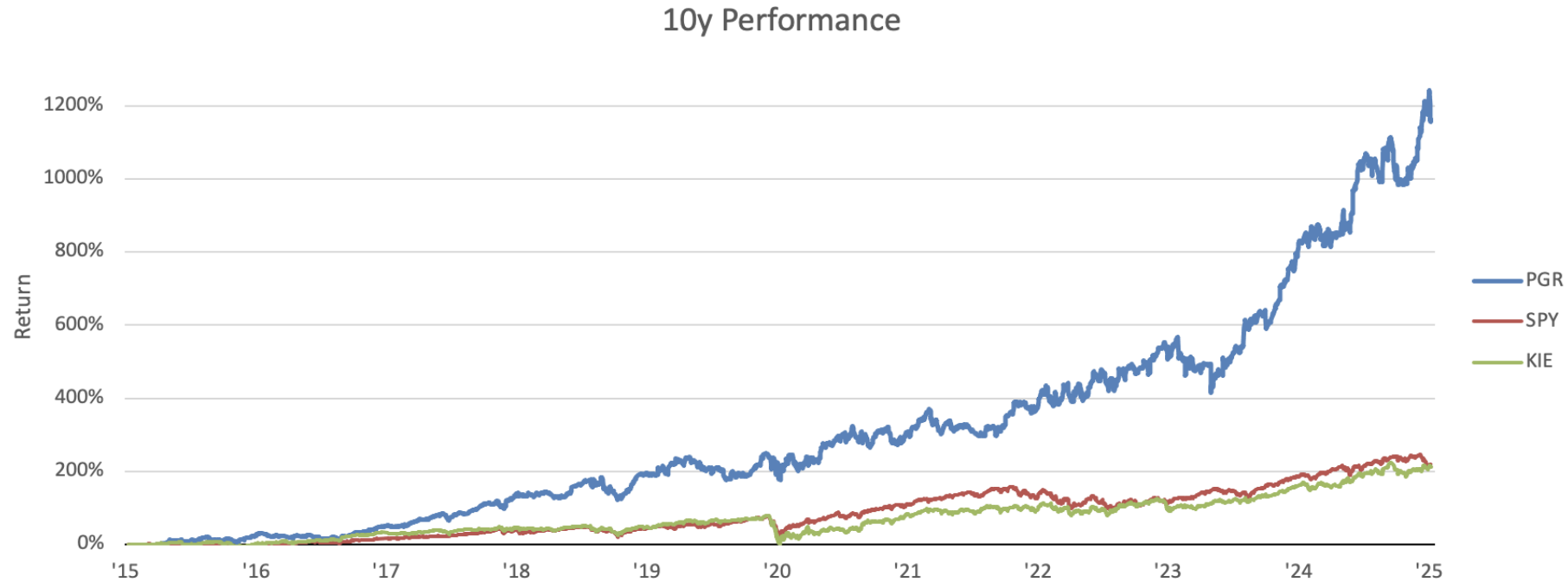
10y Performance

Ticker	2015	2016	2017	2018	2019*	2020	2021*	2022	2023	2024	2025
PGR	**20.8%**	**17.4%**	**61.5%**	**11.3%**	**27.5%**	**37.8%**	**12.8%**	**27.6%**	**22.8%**	**49.2%**	**13.9%**
SPY	1.3%	13.6%	20.8%	-5.3%	31.1%	17.2%	30.5%	-18.7%	26.7%	25.6%	-3.8%
KIE	6.6%	23.5%	12.5%	-4.8%	27.8%	-3.6%	26.1%	3.6%	12.2%	26.1%	5.0%

Performance History – Y/Y vs Competitors

10y vs Comps
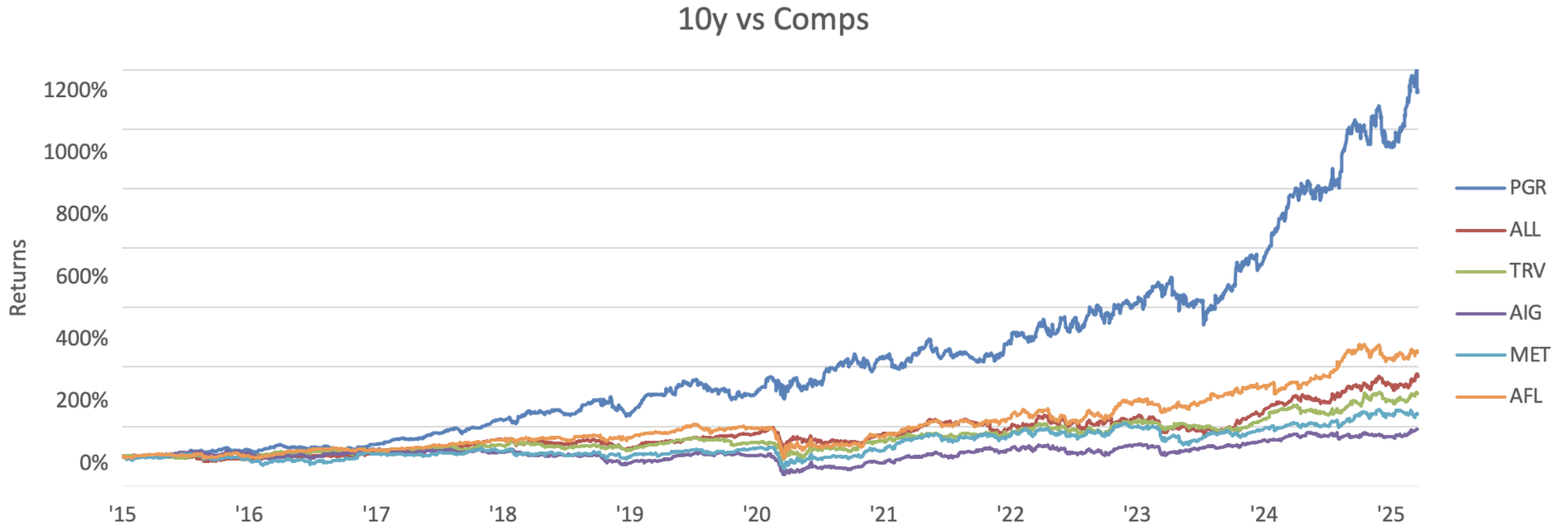
Competitors Comparison (2024)

Key Stats	PGR	ALL	TRV	AIG	MET	AFL
MKT Cap	**$ 159.9 B**	$ 54.7 B	$ 58.2 B	$ 51.9 B	$ 57.0 B	$ 60.1 B
Share Price	**$ 272.86**	$ 206.47	$ 256.70	$ 83.18	$ 82.36	$ 108.24
Beta	**0.35**	0.46	0.62	1.00	1.03	0.93
Revenue	**$ 75.3 B**	$ 64.1 B	$ 42.2 B	$ 46.8 B	$ 71.0 B	$18.9 B
Rev. growth	**21.4%**	12.3%	12.2%	(11.0%)	6.1%	1.2%
Net Income	**$ 8.5B**	$ 4.6 B	$ 5.0 B	$ (1.4B)	$ 4.2 B	$ 5.4 B
Profit Margin	**11.3%**	7.3%	10.7%	(5.2%)	6.2%	28.8%
P/E Ratio	**18.9**	12.2	12.0	11.2	13.9	11.2
EPS (TTM)	**$ 14.14**	$ 16.99	$ 21.46	$ 4.07	$ 5.94	$ 9.63

Competitors Comparison (2024)

Balance Sheet	PGR	ALL	TRV	AIG	MET	AFL
Cash	$ 758.9 M	$ 5.2 B	$ 5.4 B	$ 15.7 B	$ 23.2 B	$ 7.8 B
Total Debt	$ 7.1 B	$ 8.3 B	$ 8.3 B	$ 9.8 B	$ 64.7 B	$ 9.9 B
D/E Ratio	27.7%	38.9%	29.8%	23.0%	233.4%	37.8%
Current Ratio	0.29	0.39	0.32	0.66	1.54	1.82
CF Statement						
Opt. CF (TTM)	$ 15.2 B	$ 8.9 B	$ 9.1 B	$ 3.3 B	$ 14.6 B	$ 2.7 B
Lev. FCF (TTM)	$ 17.3 B	$ 7.5 B	$ 16.5 B	$ 16.3 B	$ 2.9 B	$ 4.9 B
Management						
ROE (TTM)	38.0%	23.6%	18.9%	5.8%	15.3%	22.6%
ROA (TTM)	7.1%	2.6%	3.1%	0.8%	0.5%	3.3%

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Valuation Assumptions - WACC

Cost of Debt	
Int. Exp.	$ 279 M
Cost of Debt (COD)	3.98%
Tax Rate	21%
After/tax COD	**3.15%**

Cost of Equity	
Risk-free Rate	4.2%
Mkt. Risk Pre.	4.4%
Beta	0.35
Cost of Equity	**6.1%**

Captial Structure	
Total Debt	$ 7.0 B
Total Equity	$161.0 B
Total EV	$ 168.0 B
Debt-to-Capital	4.2%
Equity-to-Capital	95.8%
WACC	**5.97%**

Base Case Projection - DCF

FCFs	$ 31,576

Terminal Value	
Perp. Growth Rate	3.00%
WACC	5.97%
FCF (n-1)	$ 7,310
Terminal Value	**$ 238,808**

EV to Equity	
EV	$ 270, 385
PV of FCF	$ 195,034
Less: Debt	$ (7,008)
Equity Value	$ 188,027
Shares Outstanding	586.2 M
Price Per Share	**$ 320.76**

Comps Analysis

Metric	Min	Med.	Max	App. Mult.	PGR	Eq. Value	Share Out	Share Price	Weight
EV/Sales	0.37	1.38	4.23	**2.61**	**$ 75,079**	$ 195,677	586.2 M	**$ 333.81**	33%
P/E Ratio	6.09	12.63	27.31	**18.65**	**$ 8,463**	$ 157,858	586.2 M	**$ 269.29**	33%
P/Book	0.39	1.72	6.32	**3.75**	**$ 25,591**	$ 95,992	586.2 M	**$ 163.75**	33%

Price Per Share		**$ 255.62**	**100%**

Valuation Model Outcomes

Valuation Method	Estimated Value Per Share	Model Weights
DCF	$ 320.76	80%
Comps	$ 255.62	20%
Target Price	**$ 307.73**	**100%**

Valuation Target Price

Current Stock Price	$ 272.86
Target Price	**$ 307.73**
Estimated Upside	*12.8%*

Bull/Bear Spread Valuation for Progressive Insurance

- Comps: 163.75 – 333.81
- DCF: 242.80 – 344.30
- 52 wk high/low: 193.27 – 291.22

Legend:
- Current Price
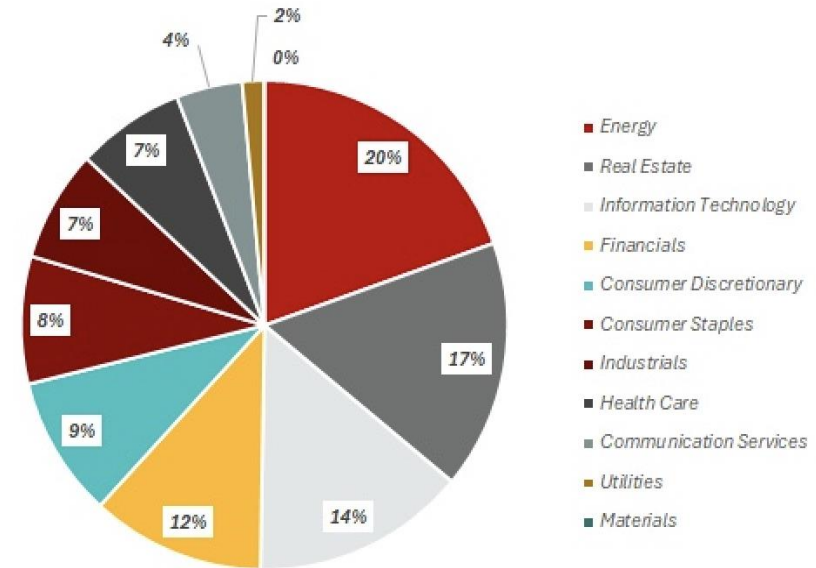- Target Price
- Spread

Stock Price ($)
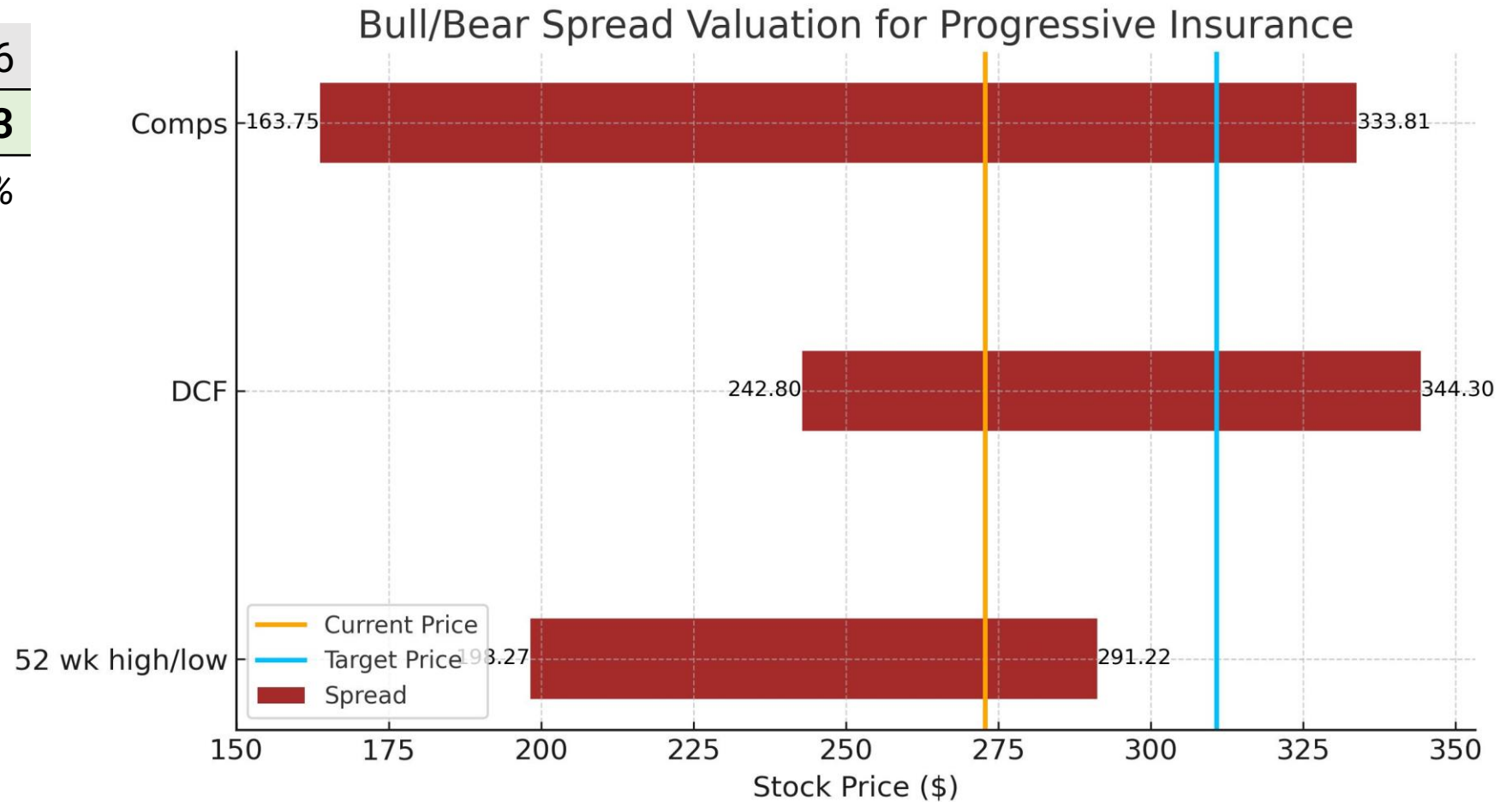
Effect on the Portfolio - Sectors

Sector Wts Before
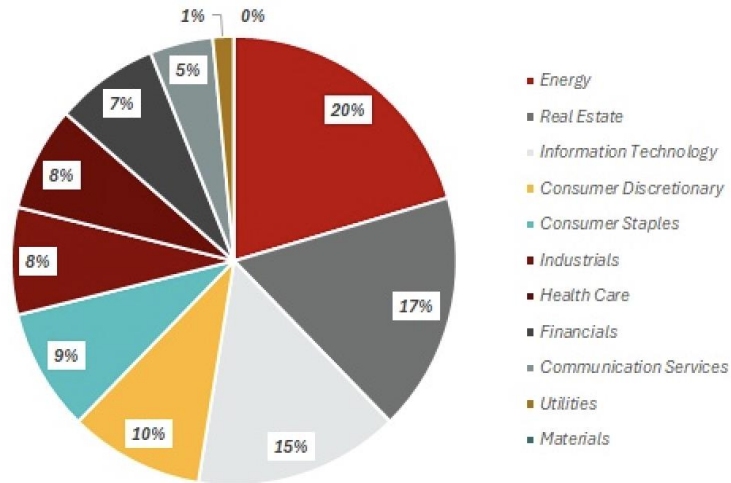
Sector Wts After

Sector	Real Estate	Info. Tech	Cons. Desc.	Indust.	Comm. Serv.	Finan.	Cons. St.	Energy	Mater.	Util.	Health
Existing	17%	15%	10%	8%	5%	7%	9%	20%	0%	1%	8%
Adjusted	17%	14%	9%	7%	4%	12%	8%	20%	0%	2%	7%
Chg.	-	-1%	-1%	-1%	-1%	+5%	-1%	-	-	-1%	-1%

Effect on the Portfolio - Total

MSIF Port. Sector Wts Before

MSIF Port. Sector Wts After
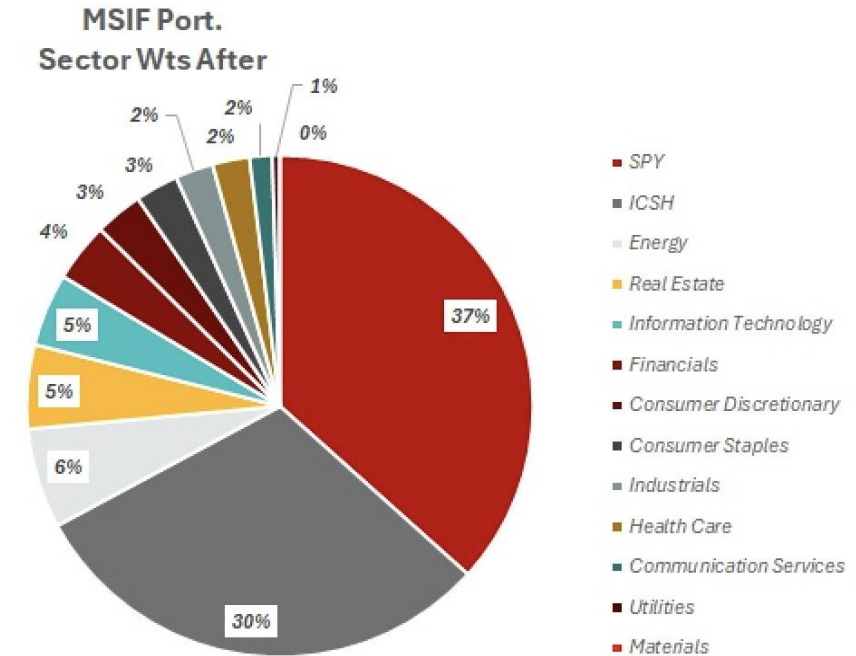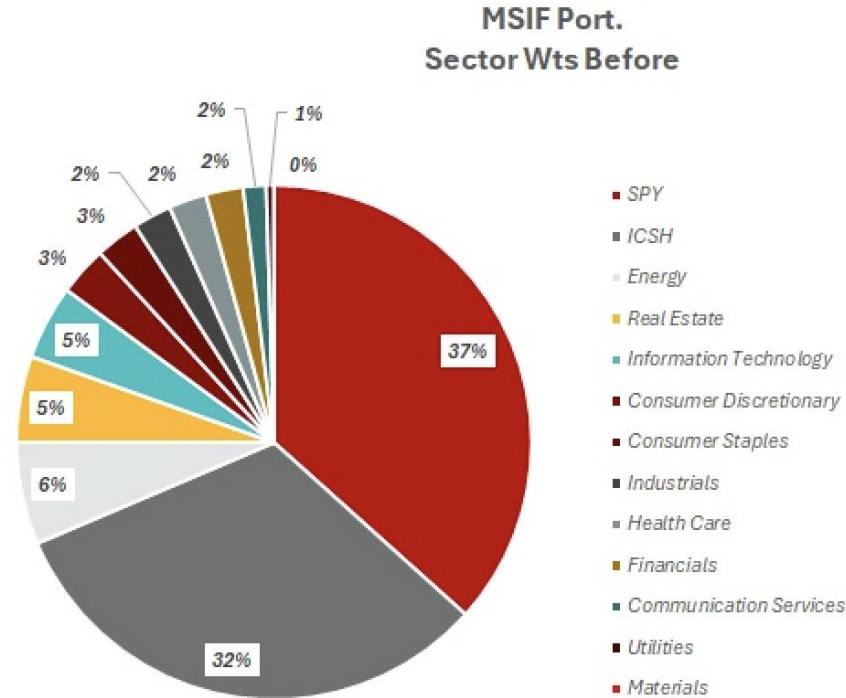
Portfolio	Exp. Return	St. Dev*	Beta*	Sharpe Ratio*
Existing	17.80%	5.08%	0.73	2.62
Adjusted	18.82%	5.23%	0.74	2.55

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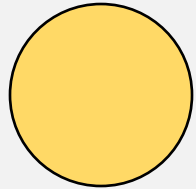THE UNIVERSITY OF UTAH

Recommendation

Strategy Merits

- Steady Y/Y growth
- Low Beta
- Compelling upside +12%
- Market share and long-term success

- Competitive and matured industry (low CAGR)
- Lack of innovation in the industry

Action Plan

Recommendation: Buy
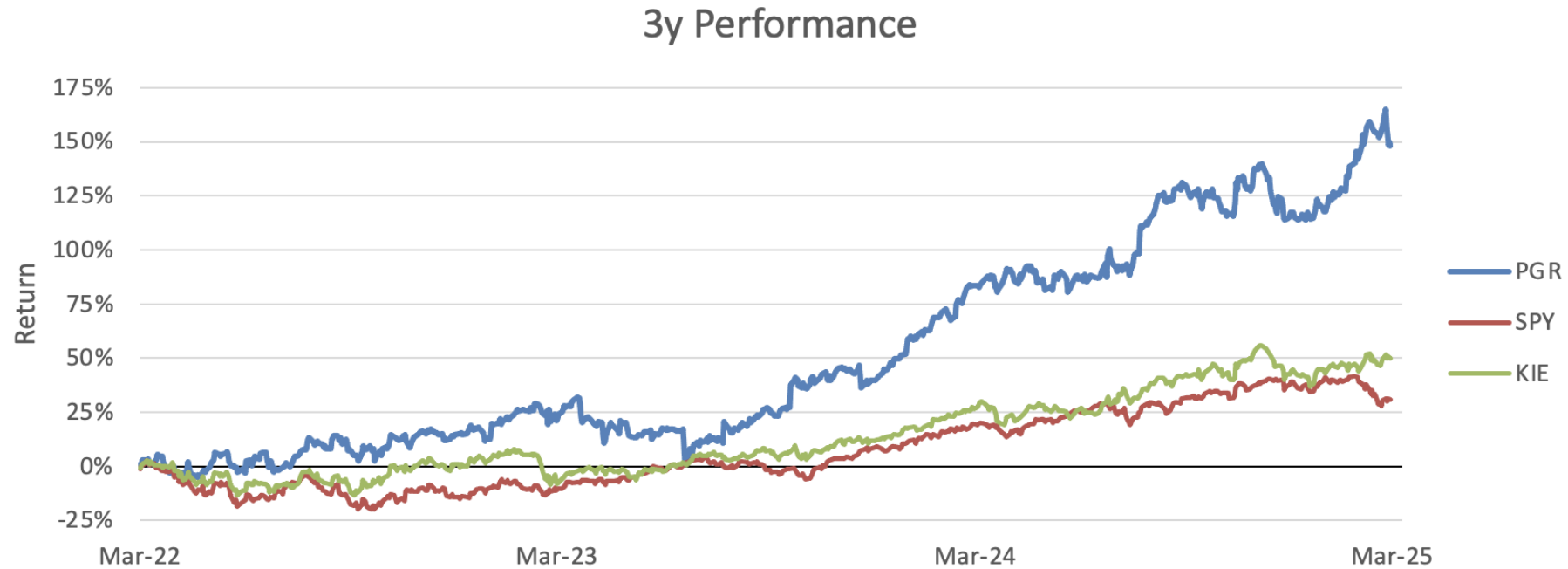
Allocate **$13,500** to purchase 50 shares of PGR

Sell 50 shares of ICSH

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Appendix

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Performance History – Benchmarks 3y

3y Performance

Ticker	Return (C)	Return (A)	St.Dev	Sharpe	βeta*(5y)	Alpha*	Max DD*	Sortino
PGR	148.4%	35.4%	25.7%	1.21	0.35	29.37	-22.9%	1.77
SPY	9.3%	9.32%	16.7%	0.30	1.00	-	-22.1%	0.90
KIE	49.8%	14.2%	17.8%	0.57	0.74	6.2	-15.7%	1.28

Base Case Projection - DCF

Projections	2021 A	2022 A	2023 A	2024 A	2025 P	2026 P	2027 P	2028 P
Revenue	46,167	51,499	61,729	75,079	82,587	90,846	95,388	100,157
Y/Y growth	*12.6%*	*11.5%*	*19.9%*	*21.6%*	*10.0%*	*10.0%*	*5.0%*	*5.0%*
Opt. Exp	43,248	48,196	56,910	64,338	73,929	81,321	85,388	89,657
Y/Y growth	*26.6%*	*11.4%*	*18.1%*	*13.1%*	*14.9%*	*10.0%*	*5.0%*	*5.0%*
NOPAT	2,919	3,303	4,819	10,741	11,149	12,264	12,877	13,521
Y/Y growth	*-57.3%*	*13.1%*	*45.9%*	*122.9%*	*3.8%*	*10.0%*	*5.0%*	*5.0%*
FCF	1,928	2,205	3,466	5,393	5,819	6,279	6,775	7,310
Y/Y growth	*12.5%*	*14.4%*	*57.2%*	*55.6%*	*8%*	*8%*	*8%*	*8%*

Sensitivity Analysis- DCF Inputs

Term Growth	Price/Share		FCF Growth	Price/Share		WACC	Price/Share
2.00%	$250.49		1.00%	$ 248.43		**5.97%**	**$320.76**
2.20%	$261.56		2.00%	$ 258.06		6.00%	$317.27
2.40%	$273.87		3.00%	$ 267.97		6.20%	$296.25
2.60%	$287.65		4.00%	$ 278.17		6.40%	$277.72
2.80%	$303.16		5.00%	$ 288.65		6.60%	$261.25
3.00%	**$320.76**		6.00%	$ 299.44		6.80%	$246.52
3.20%	$340.90		7.00%	$ 310.52		7.00%	$233.27
3.40%	$364.17		**8.00%**	**$ 320.76**		7.20%	$221.29
3.60%	$391.38		9.00%	$ 333.61		7.40%	$210.41
3.80%	$423.61		10.00%	$ 345.63		7.60%	$200.48
4.00%	$462.37		11.00%	$ 357.98		7.80%	$191.38

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Comps Analysis

Name	P/Book	P/Tang Book	P/ Adj. T Book	Dividend Yld	P/E	P/E FY1	P/E FY2	P/FCF	EV/EBIT	P/Sales	EV/Sales
PROGRESSIVE CORP	6.32	6.38		1.77	19.63	18.03	17.63	10.90	15.72	2.15	2.25
TRAVELERS COS INC/THE	2.10	2.52	2.10	1.63	11.97	14.67	10.69	6.49	10.03	1.27	1.43
HANOVER INSURANCE GROUP INC/	2.14	2.29	1.97	2.06	12.71	11.71	10.40	7.67	9.89	0.97	1.01
HARTFORD INSURANCE GROUP INC	2.13	2.54	2.03	1.66	11.36	10.71	9.35	6.11	9.42	1.32	1.46
MERCURY GENERAL CORP	1.59	1.64		2.27	7.80		10.67	3.13	5.99	0.59	0.55
KEMPER CORP	1.52	2.75	2.34	1.89	12.12	10.84	9.82	11.09	11.44	0.92	1.21
CHUBB LTD	1.83	3.36	2.46	1.25	12.82	13.88	11.42	7.30	11.19	2.12	2.43
CINCINNATI FINANCIAL CORP	1.62	1.62	1.61	2.24	19.09	28.05	17.77	8.61	14.83	2.27	2.27
ALLSTATE CORP	2.83	3.40	2.93	1.81	11.65	11.64	9.77	6.28	10.04	0.85	1.00
WHITE MOUNTAINS INSURANCE GP	1.08	1.28		0.05	6.73			8.24	8.54	1.83	2.66
WR BERKLEY CORP	2.88	2.95	2.63	2.20	15.50	14.48	13.28	7.12	11.17	1.88	1.86
RLI CORP	4.59	4.76	4.25	3.39	26.49	24.72	23.59	12.67	20.97	4.19	4.23
ARCH CAPITAL GROUP LTD	1.74	1.87	1.72	5.41	8.60	11.90	9.82	5.20	8.46	2.00	2.17
SELECTIVE INSURANCE GROUP	1.85	1.86	1.57	1.64	27.31	11.67	10.46	5.08	21.27	1.12	1.27
EMPLOYERS HOLDINGS INC	1.14	1.19	1.11	2.42	12.60	13.34	13.28	17.26	9.32	1.45	1.33
PROASSURANCE CORP	0.98	1.03	0.90		25.34	23.98	21.58		20.32	1.03	1.35
UNITED FIRE GROUP INC	0.93	0.94	0.89	2.23	11.29	11.52	10.57	2.25	7.20	0.59	0.51
AMERICAN FINANCIAL GROUP INC	2.34	2.52	2.39	7.23	11.58	11.86	10.52	10.27	8.87	1.26	1.29
CNA FINANCIAL CORP	1.26			7.70	13.09	10.25	9.76	5.38	11.06	0.93	1.10
MARKEL GROUP INC	1.44	1.93	1.70		6.09	15.30	13.64	10.21	4.72	1.30	1.41
JAMES RIVER GROUP HOLDINGS L	0.39	0.73	0.57	3.03		3.16	2.97			0.22	0.37
AMERICAN INTERNATIONAL GROUP	1.20	1.31	1.07	1.92	17.24	13.46	10.78	16.62	12.15	1.63	2.07
OLD REPUBLIC INTL CORP	1.67	1.72	1.69	8.19	12.26	11.70	10.91	7.78	10.15	1.18	1.34
BERKSHIRE HATHAWAY INC-CL A	1.74	2.13			23.81	25.80	24.73	97.25	9.98	3.04	1.64

Business Model – Services

Vehicle Insurance

- ✓ **Auto** (core offering; 2 out of 3 new customers recommend)
- ✓ **Motorcycle** (America's #1 bike insurer)
- ✓ **RV**, **Boat**, **Classic Car**, **ATV/UTV**, **Golf Cart**, **E-bike**, **Segway**, **PWC**, **Snowmobile**, **Autocycle**, **Compact Tractor**
- ✓ **Mechanical Breakdown** (vehicle repair protection)
- ✓ **Mexico Auto/Boat Insurance** (via specialized broker)

Property Insurance & Protection

- ✓ **Homeowners, Condo, Mobile Home, Renters, Flood**
- ✓ **Home Warranty** (appliance repair)
- ✓ **Home Security** (break-in prevention)

Personal Insurance & Services

- ✓ **Life, Health, Dental, Vision**
- ✓ **Pet Insurance, Travel Insurance, Wedding & Event Insurance**
- ✓ **Jewelry Insurance, Electronic Device Insurance**
- ✓ **Identity Theft Protection**
- ✓ **Umbrella Insurance** (extra liability coverage)

Business Insurance

- •**Business Owners Policy (BOP)**
- •**General Liability, Professional Liability**
- •**Workers' Compensation**
- •**Commercial Auto** (America's #1 truck insurer)

Financial Services

- ✓ **Car Loan Refinancing**
- ✓ **Car Shopping Service**
- ✓ **Home Loans** & **Mortgage Refinance**
- ✓ **Personal Loans** (with next-day funding possible)
- ✓ **Credit Building** (via subscription tracking)
- ✓ **Debit Cards for Kids** (teaching smart spending)

Customers save 25%+ on average by bundling home + auto.

Comparable Company Analysis

Comparable Company Analysis:

"**Comps**" for short, is a valuation methodology that looks at ratios of similar public companies and uses them to derive the value of another business. Comps is a relative form of valuation, unlike a Discounted Cash Flow (DCF) analysis, which is an intrinsic form of valuation.

[Corporate Finance Institute: Comparable Company Analysis](#)

Key Terms

Performance Metrics

- **Alpha (α)**: Measures a strategy's performance relative to a benchmark. Positive alpha indicates outperformance.

- **Sharpe Ratio**: Risk-adjusted return based on total risk (Return - Risk-Free Rate) / Standard Deviation.

- **Sortino Ratio**: Similar to Sharpe, but only considers downside risk, ignoring positive volatility.

- **Information Ratio**: Measures returns above a benchmark relative to the tracking error.

- **Treynor Ratio**: Risk-adjusted performance based on beta (Return - Risk-Free Rate) / Beta.

Parameters

- **Market Cap**: Total value of a company's shares (Share Price × Total Shares Outstanding).

- **P/E Ratio**: Price-to-Earnings Ratio. Measures how much investors pay per dollar of earnings.

- **Rebalance**: Adjusting portfolio holdings to match the desired allocation (e.g., quarterly).

Risk Measures

- **Beta (β):** Measures sensitivity to market movements. A beta of 1 means the stock moves with the market.

- **Idiosyncratic Risk**: Risk unique to a specific asset, not due to market movements (e.g., company-specific events).

- **Systematic Risk**: Market-wide risk that affects all securities (e.g., interest rate changes).

- **Standard Deviation (σ)**: Measures volatility by showing how much returns deviate from the average.

- **Max Drawdown**: The maximum observed loss from peak to trough during a specific period.

- **SML (Small Minus Large)**: Measures the excess return of small-cap stocks over large-cap stocks.

- **HMB (High Minus Low)**: Measures the excess return of high book-to-market stocks over low book-to-market stocks

Key Terms continued

Valuation Terms

- **EV = Enterprise Value**: is a measure of a company's total market value, including equity, debt, and other ownership interests. It represents the effective cost of acquiring a company before any takeover premiums.
    - *Simple EV* = Market Capitalization + Market Value of Debt – Cash and Equivalents
    - *Extended EV* = Common Shares + Preferred Shares + Market Value of Debt + Noncontrolling Interest – Cash and Equivalents
- **TV = Terminal Value**: estimates a business's value beyond the forecast period, often representing a significant portion of the total valuation in financial models. It can be calculated using either the perpetual growth method or the exit multiple approach.
    - *Perpetual Growth*: Used by Academics, assumes business will continue to generate Free Cash Flow at a normalized rate forever.
    - *Exit Multiple*: Used by Industry, assumes business is sold for a multiple of some metric, typically EBITDA, based on currently observed comparable trading multiples.
    - *TV* = Financial Metric (i.e. EBITDA x Trading Multiple)

- **RV = Relative Valuation**: Models are used to value companies by comparing them to other businesses based on certain metrics such as EV/Revenue, EV/EBITDA, and P/E ratios. The logic is that if similar companies are worth 10x earnings, then the company that's being valued should also be worth 10x its earnings. The two most common types of relative valuation models are **comparable company analysis** and **precedent transactions analysis**.
- **EBITDA = Earnings before Interest, Taxes, Depreciation, and Amortization**:
    - The EBITDA metric is a variation of operating income (EBIT) that excludes certain non-cash expenses. The purpose of these deductions is to remove the factors that business owners have discretion over, such as debt financing, capital structure, methods of depreciation, and taxes (to some extent). It can be used to showcase a firm's financial performance without the impact of its capital structure.
    - EBITDA is not a recognized metric in use by IFRS or US GAAP. In fact, certain investors like Warren Buffet have a particular disdain for this metric, as it does not account for the depreciation of a company's assets.

Key Terms continued

Valuation Terms Continued

- **NOPAT = Net Operating Profit After Tax**: NOPAT stands for Net Operating Profit After Tax and represents a company's theoretical income from operations if it had no debt (no interest expense). NOPAT is used to make companies more comparable by removing the impact of their capital structure. In this way, it's easier to compare two companies in the same industry (i.e., one with no leverage and the other with significant leverage).

- **Spread**: The difference or gap between two related values, such as buying or selling prices.

- **CAGR = Compound Annual Growth Rate**: The measure of an investment's annual growth rate over time, with the effect of compounding considered. It is often used to measure and compare the past performance of investments or to project their expected future returns.
  - CAGR = (Ending Value/Beginning Value) ^ (1/No. of Periods) − 1.

- **WACC = Weighted Average Cost of Capital:** the average rate a company expects to pay to finance its assets, weighted by the proportion of equity and debt in its capital structure.

- **Unlevered versus Levered**:
  - Levered cash flow is the amount of cash a business has after it has met its financial obligations.
  - Unlevered free cash flow is the money the business has before paying its financial obligations.
  - It is possible for a business to have a negative levered cash flow if its expenses exceed its earnings.

- **Bloomberg's Debt Adjustment Factor**: Represents The debt adjustment factor (AF) reflects the average yield premium over government bonds for a specific rating class, increasing with lower ratings. It applies when a company lacks a fair market curve (FMC). If no credit rating is available, an assumed rate of 1.38 (equivalent to a BBB+ S&P rating) is used. The calculation is proprietary to Bloomberg.

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