

TBR Is A Function Of CE Growth and, PE and ROE

$$\begin{array}{l}
 \text{1 Yr TBR} \\
 \oplus \\
 \begin{array}{l}
 \text{Fundamental Value Growth} \\
 = \frac{PE_1 \times CE_1 - PE_0 \times CE_0}{PE_0 \times CE_0} \\
 = \frac{CE_0 \left[(1 + \text{CE Growth \%}) \times PE_1 \right] - PE_0}{CE_0 \times PE_0} \\
 = \frac{(1 + \text{CE Growth \%}) \times PE_1 - 1}{PE_0}
 \end{array} \\
 \begin{array}{l}
 \text{Free Cashflow Yield} \\
 = \frac{CE_1 - \Delta \text{Capital}}{PE_0 \times CE_0} \\
 = CE_1 - \frac{(CE_1 - CE_0)}{\frac{RO}{E_1} - \frac{RO}{E_0}} \\
 = CE_0 \times \left[(1 + \text{CE Growth \%}) - \left\{ \frac{(1 + \text{CE Growth \%})}{ROE_1 - 1/ROE_0} \right\} \right] / (CE_0 \times PE_0) \\
 = \left[(1 + \text{CE Growth \%}) - \left\{ \frac{(1 + \text{CE Growth \%})}{ROE_1 - 1/ROE_0} \right\} \right] / PE_0
 \end{array}
 \end{array}$$

All expressed in terms of PE, ROE, CE Growth

* ROE, = $\frac{CE}{\text{Capital}}$, hence $\text{Capital} = \frac{CE}{ROE}$;