

Capital Structure Optimization - Rolls-Royce Holdings plc (RR.L)

(£ in millions, except per share figures)

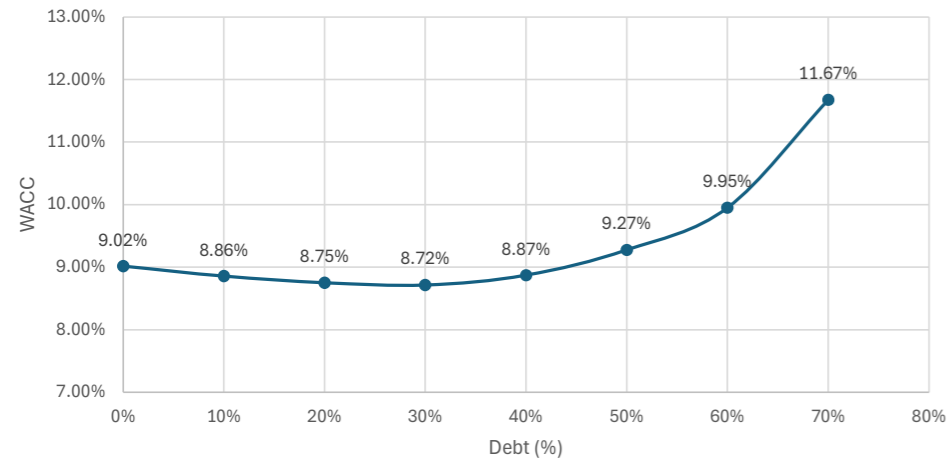
Inputs & Base Financials

Item	Value
Risk-Free Rate (UK 10Y)	4.62%
Market Risk Premium	5.13%
Tax Rate	20%
Unlevered Beta	0.86
EBIT	2596
Market Cap	74722
Gross Debt	5135
Enterprise Value (EV)	74527
Shares Outstanding	8504.9
Cost of Debt	4.71% *Weighted Average of YTMS

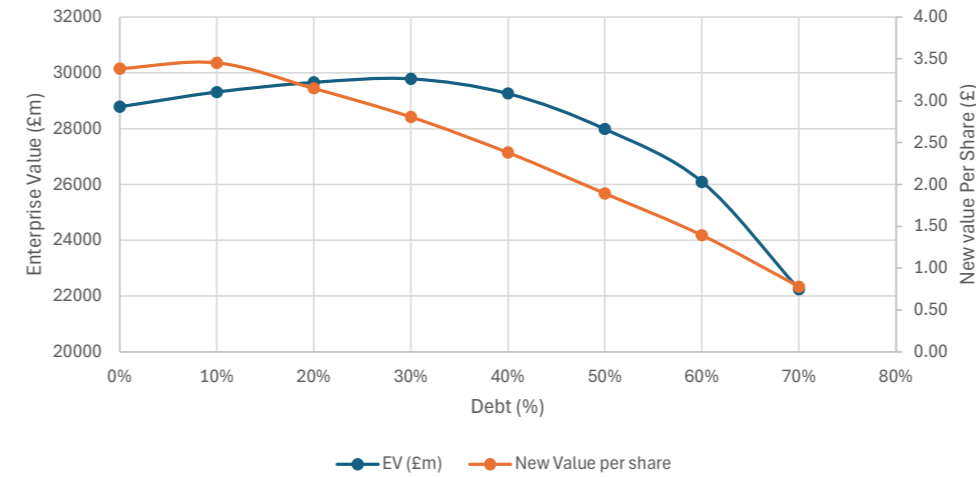
Capital Structure Scenarios

Debt (%)	Equity (%)	Debt (£m)	Equity (£m)	D/E	levered Beta	Re (Cost of Equity)	Rd (Cost of Debt)	WACC	EV (£m)	Number of shares Repurchased	New Shares Outstanding	Old Value Per Share	New Value per share
0%	100%	0	28792	0.00	0.86	9.02%	4.62%	9.02%	28792	0	8505	3.39	3.39
10%	90.0%	2931	26382	0.11	0.93	9.41%	4.87%	8.86%	29313	866	7639	3.10	3.45
20%	80.0%	5932	23730	0.25	1.03	9.90%	5.22%	8.75%	29662	968	7537	2.79	3.15
30%	70.0%	8936	20850	0.43	1.15	10.52%	5.62%	8.72%	29786	1076	7428	2.45	2.81
40%	60.0%	11705	17558	0.67	1.31	11.36%	6.42%	8.87%	29263	1130	7375	2.06	2.38
50%	50.0%	13995	13995	1.00	1.54	12.53%	7.52%	9.27%	27990	1109	7396	1.65	1.89
60%	40.0%	15653	10436	1.50	1.88	14.29%	8.82%	9.95%	26089	1008	7497	1.23	1.39
70%	30.0%	15566	6671	2.33	2.46	17.22%	11.62%	11.67%	22237	-71	8576	0.78	0.78

WACC vs. Debt (%)



Firm Value and Share Value vs. Debt (%)



Cost of Debt Schedule

Debt/Equity Ratio	Debt/Capital	Assumed Credit Rating	Risk-Free Rate	Credit Spread	Cost of Debt
0.00	0%	AAA	4.62%	0.00%	4.62%
0.11	10%	AA	4.62%	0.25%	4.87%
0.25	20%	A	4.62%	0.60%	5.22%
0.43	30%	BBB+	4.62%	1.00%	5.62%
0.67	40%	BB+	4.62%	1.80%	6.42%
1.00	50%	BB	4.62%	2.90%	7.52%
1.50	60%	B+	4.62%	4.20%	8.82%
2.33	70%	B-	4.62%	7.00%	11.62%