

Paginas Amarelas

In July 1996, Brasil Investimento retained J.P. Morgan & Company to advise it regarding a sale or restructuring of its subsidiary in the telephone-directory business, Paginas Amarelas. Juan Lopez at J.P. Morgan's Latin America M&A group was given the task of valuing the business. Lopez put together a forecast of the future cash flows for Paginas Amarelas' operations in the three countries in which it competed: Argentina, Brazil, and Chile.

The next logical step was to estimate the weighted-average cost of capital (WACC) to serve as a target rate of return for each country operation. This WACC would permit him to determine from the estimates the DCF value of the three country operations.