

Company Data	
Item	Value
Market Value of Equity	£4,000,000
Market Value of Debt	£2,000,000
Cost of Equity (CAPM)	12%
Cost of Debt (Before Tax)	6%
Corporate Tax Rate	25%

WACC Calculation Table				
Component	Value	Weight	After-Tax Cost	Weighted Cost
Equity	£4,000,000	0.67	£480,000	8.00%
Debt	£2,000,000	0.33	£90,000	1.50%
WACC	£6,000,000	1.00	£570,000	9.50%

Sensitivity Analysis Table	
Cost of Equity	WACC (%)
10%	8.17%
12%	9.50%
14%	10.83%
16%	12.17%

Green Horizon Industries' current WACC is 9.50%, representing the blended cost of equity and post-tax debt. As equity becomes more expensive, the WACC rises proportionally, reflecting the heavier weighting of equity in the capital structure. A greater reliance on debt reduces WACC due to its lower after-tax cost, but heightens financial risk, whereas increasing equity bolsters solvency while raising the overall capital cost. Employing a 9.50% discount rate alongside sensitivity analyses ensures investment decisions remain value-driven and risk-aware, balancing cost efficiency with long-term financial resilience.

