



# Cost of Capital by Sector

Data Used: Value Line database, of 7661 firms

Date of Analysis: Data used is as of January 2007

Variable Definitions

can be obtained by clicking here

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on which companies are included in each industry

Industry Name	Number of Firms	Beta	Cost of Equity	E/(D+E)	Std Dev in Stock	Cost of Debt	Tax Rate	After-tax Cost	D/(D+E)	Cost of Capital
Advertising	36	0.99	9.55%	81.80%	<b>87.99%</b>	6.70%	11.96%	5.90%	18.20%	8.89%
Aerospace/Defense	73	0.92	9.20%	82.77%	<b>47.95%</b>	5.95%	21.77%	4.65%	17.23%	8.42%
Air Transport	56	1.38	11.48%	70.34%	<b>47.08%</b>	5.95%	19.40%	4.80%	29.66%	9.50%
Apparel	64	0.93	9.26%	88.19%	<b>76.32%</b>	6.70%	21.60%	5.25%	11.81%	8.79%
Auto & Truck	31	1.29	11.04%	44.29%	<b>30.02%</b>	5.70%	18.90%	4.62%	55.71%	7.47%
Auto Parts	64	0.99	9.56%	65.58%	<b>58.85%</b>	6.20%	18.93%	5.03%	34.42%	8.00%
Bank	550	0.59	7.62%	64.69%	<b>19.18%</b>	4.95%	27.81%	3.57%	35.31%	6.19%
Bank (Canadian)	7	0.72	8.24%	90.85%	<b>14.26%</b>	4.95%	24.41%	3.74%	9.15%	7.83%
Bank (Foreign)	4	1.78	13.44%	NA	<b>18.61%</b>	4.95%	0.00%	4.95%	NA!	<b>NA</b>
Bank (Midwest)	37	0.79	8.60%	61.93%	<b>17.10%</b>	4.95%	29.14%	3.51%	38.07%	6.66%
Beverage (Alcoholic)	27	0.66	7.96%	80.93%	<b>45.65%</b>	5.95%	15.30%	5.04%	19.07%	7.40%
Beverage (Soft Drink)	21	0.71	8.16%	88.01%	<b>30.03%</b>	5.70%	17.74%	4.69%	11.99%	7.75%
Biotechnology	105	1.56	12.37%	95.80%	<b>81.32%</b>	6.70%	4.41%	6.40%	4.20%	12.12%
Building Materials	47	0.98	9.50%	74.88%	<b>63.90%</b>	6.70%	23.55%	5.12%	25.12%	8.40%
Cable TV	23	1.76	13.32%	72.00%	<b>52.16%</b>	6.20%	13.90%	5.34%	28.00%	11.08%
Canadian Energy	14	0.73	8.27%	87.51%	<b>32.36%</b>	5.70%	30.19%	3.98%	12.49%	7.73%
Cement & Aggregates	13	1.02	9.69%	79.14%	<b>39.74%</b>	5.70%	26.29%	4.20%	20.86%	8.55%
Chemical (Basic)	24	0.98	9.49%	78.35%	<b>62.11%</b>	6.70%	13.31%	5.81%	21.65%	8.69%

Chemical (Diversified)	36	0.97	9.45%	85.97%	<b>38.67%</b>	5.70%	25.87%	4.23%	14.03%	8.72%
Chemical (Specialty)	94	0.98	9.53%	82.28%	<b>46.80%</b>	5.95%	19.08%	4.81%	17.72%	8.69%
Coal	16	1.75	13.29%	86.24%	<b>40.26%</b>	5.95%	11.64%	5.26%	13.76%	<b>12.19%</b>
Computer Software/Svcs	425	1.84	13.75%	96.56%	<b>83.89%</b>	6.70%	10.36%	6.01%	3.44%	13.49%
Computers/Periphera	148	1.99	14.49%	93.74%	<b>82.70%</b>	6.70%	7.84%	6.17%	6.26%	13.97%
Diversified Co.	134	0.87	9.00%	81.57%	<b>54.60%</b>	6.20%	18.87%	5.03%	18.43%	8.26%
Drug	334	1.59	12.50%	91.44%	<b>66.93%</b>	6.70%	6.09%	6.29%	8.56%	11.97%
E-Commerce	60	2.23	15.65%	96.28%	<b>86.42%</b>	6.70%	9.38%	6.07%	3.72%	15.29%
Educational Services	37	1.09	10.04%	97.42%	<b>61.76%</b>	6.70%	20.95%	5.30%	2.58%	9.92%
Electric Util. (Central)	24	0.94	9.29%	58.87%	<b>18.86%</b>	4.95%	26.93%	3.62%	41.13%	<b>6.96%</b>
Electric Utility (East)	29	0.87	8.98%	63.98%	<b>17.51%</b>	4.95%	28.01%	3.56%	36.02%	<b>7.03%</b>
Electric Utility (West)	16	0.97	9.46%	62.97%	<b>14.75%</b>	4.95%	28.87%	3.52%	37.03%	<b>7.26%</b>
Electrical Equipment	94	1.52	12.17%	57.94%	<b>62.20%</b>	6.70%	15.47%	5.66%	42.06%	9.43%
Electronics	186	1.49	12.04%	87.30%	<b>85.96%</b>	6.70%	13.04%	5.83%	12.70%	11.25%
Entertainment	101	1.30	11.11%	79.29%	<b>95.56%</b>	6.70%	16.69%	5.58%	20.71%	9.96%
Entertainment Tech	31	2.18	15.41%	96.73%	<b>67.15%</b>	6.70%	10.21%	6.02%	3.27%	15.11%
Environmental	96	0.87	8.97%	67.47%	<b>85.13%</b>	6.70%	9.45%	6.07%	32.53%	8.02%
Financial Svcs. (Div.)	269	0.89	9.09%	43.03%	<b>68.88%</b>	6.70%	19.72%	5.38%	56.97%	6.98%
Food Processing	123	0.72	8.26%	81.71%	<b>49.73%</b>	5.95%	19.60%	4.78%	18.29%	7.62%
Food Wholesalers	21	0.72	8.23%	77.43%	<b>45.35%</b>	5.95%	23.66%	4.54%	22.57%	7.40%
Foreign Electronics	10	1.03	9.76%	80.80%	<b>22.12%</b>	5.20%	41.66%	3.03%	19.20%	8.47%
Furn/Home Furnishings	38	0.87	8.97%	76.80%	<b>40.06%</b>	5.95%	26.93%	4.35%	23.20%	7.90%
Grocery	19	1.04	9.79%	71.88%	<b>33.55%</b>	5.70%	23.54%	4.36%	28.12%	8.26%
Healthcare Information	34	1.22	10.69%	90.66%	<b>51.49%</b>	6.20%	10.07%	5.58%	9.34%	10.21%
Home Appliance	14	0.84	8.84%	84.47%	<b>66.47%</b>	6.70%	14.69%	5.72%	15.53%	8.35%
Homebuilding	41	0.98	9.53%	61.83%	<b>33.31%</b>	5.70%	23.77%	4.35%	38.17%	7.55%
Hotel/Gaming	84	0.77	8.47%	75.08%	<b>61.11%</b>	6.70%	14.22%	5.75%	24.92%	7.79%
Household Products	31	0.79	8.58%	84.41%	<b>40.08%</b>	5.95%	24.86%	4.47%	15.59%	7.94%
Human Resources	35	1.22	10.70%	92.71%	<b>40.41%</b>	5.95%	25.27%	4.45%	7.29%	10.24%
Industrial Services	230	1.01	9.64%	83.53%	<b>81.21%</b>	6.70%	16.91%	5.57%	16.47%	8.97%
Information Services	41	1.02	9.69%	92.47%	<b>40.77%</b>	5.95%	18.42%	4.85%	7.53%	9.32%
Insurance (Life)	40	0.93	9.28%	88.38%	<b>33.02%</b>	5.70%	23.66%	4.35%	11.62%	8.71%

Cost of Capital

Insurance (Prop/Cas.)	97	0.83	8.75%	88.97%	40.08%	5.95%	18.73%	4.84%	11.03%	8.32%
Internet	329	2.30	15.98%	97.77%	105.82%	6.70%	4.76%	6.38%	2.23%	15.76%
Investment Co.	20	0.75	8.36%	49.06%	13.85%	4.95%	0.00%	4.95%	50.94%	6.62%
Investment Co. (Foreign)	15	1.21	10.63%	96.07%	23.62%	5.20%	2.49%	5.07%	3.93%	10.41%
Machinery	139	1.01	9.64%	76.18%	49.45%	5.95%	20.52%	4.73%	23.82%	8.47%
Manuf. Housing/RV	19	0.99	9.55%	84.03%	46.85%	5.95%	19.77%	4.77%	15.97%	8.79%
Maritime	46	0.86	8.95%	62.47%	36.30%	5.70%	5.91%	5.36%	37.53%	7.60%
Medical Services	186	0.94	9.33%	85.13%	70.07%	6.70%	17.17%	5.55%	14.87%	8.76%
Medical Supplies	279	1.11	10.14%	93.93%	60.14%	6.70%	13.16%	5.82%	6.07%	9.88%
Metal Fabricating	37	1.01	9.68%	86.30%	63.58%	6.70%	24.89%	5.03%	13.70%	9.04%
Metals & Mining (Div.)	82	1.04	9.81%	91.96%	92.95%	6.70%	7.81%	6.18%	8.04%	9.51%
Natural Gas (Distrib.)	30	0.73	8.26%	62.14%	23.39%	5.20%	30.18%	3.63%	37.86%	6.51%
Natural Gas (Div.)	34	1.01	9.66%	71.26%	28.95%	5.45%	22.04%	4.25%	28.74%	8.11%
Newspaper	18	0.76	8.42%	76.87%	29.59%	5.45%	24.85%	4.10%	23.13%	7.42%
Office Equip/Supplies	26	1.02	9.73%	80.43%	38.57%	5.70%	29.99%	3.99%	19.57%	8.60%
Oilfield Svcs/Equip.	110	1.05	9.86%	89.51%	61.85%	6.70%	21.42%	5.27%	10.49%	9.38%
Packaging & Container	36	0.87	8.95%	64.42%	35.64%	5.70%	25.40%	4.25%	35.58%	7.28%
Paper/Forest Products	42	0.84	8.83%	63.90%	36.65%	5.70%	15.72%	4.80%	36.10%	7.37%
Petroleum (Integrated)	30	0.96	9.40%	91.74%	37.58%	5.70%	29.47%	4.02%	8.26%	8.95%
Petroleum (Producing)	178	0.88	9.02%	87.96%	68.54%	6.70%	14.79%	5.71%	12.04%	8.62%
Pharmacy Services	20	0.93	9.29%	91.71%	31.67%	5.70%	27.16%	4.15%	8.29%	8.86%
Power	41	2.39	16.42%	84.87%	73.31%	6.70%	6.84%	6.24%	15.13%	14.88%
Precious Metals	67	0.90	9.11%	93.37%	62.18%	6.70%	6.54%	6.26%	6.63%	8.93%
Precision Instrument	104	1.71	13.11%	91.77%	95.44%	6.70%	17.07%	5.56%	8.23%	12.49%
Publishing	50	0.89	9.09%	75.45%	71.51%	6.70%	18.02%	5.49%	24.55%	8.20%
R.E.I.T.	143	0.77	8.50%	60.98%	24.01%	5.20%	1.41%	5.13%	39.02%	7.18%
Railroad	20	0.96	9.40%	77.00%	32.38%	5.70%	23.61%	4.35%	23.00%	8.24%
Recreation	84	1.12	10.19%	83.30%	129.79%	6.70%	18.03%	5.49%	16.70%	9.41%
Restaurant	81	0.80	8.63%	86.80%	44.13%	5.95%	19.13%	4.81%	13.20%	8.13%
Retail (Special Lines)	164	0.98	9.52%	92.22%	48.78%	5.95%	23.42%	4.56%	7.78%	9.14%

Cost of Capital

Retail Automotive	15	1.04	9.79%	74.09%	<b>30.02%</b>	5.70%	<b>34.85%</b>	3.71%	<b>25.91%</b>	8.22%
Retail Building Supply	9	0.95	9.36%	94.50%	<b>27.57%</b>	5.45%	<b>27.35%</b>	3.96%	<b>5.50%</b>	9.07%
Retail Store	51	0.94	9.30%	85.75%	<b>50.79%</b>	6.20%	<b>21.10%</b>	4.89%	<b>14.25%</b>	8.67%
Securities Brokerage	32	1.29	11.05%	39.16%	<b>36.86%</b>	5.70%	<b>21.27%</b>	4.49%	<b>60.84%</b>	7.06%
Semiconductor	124	2.92	19.03%	95.26%	<b>68.22%</b>	6.70%	<b>10.47%</b>	6.00%	<b>4.74%</b>	18.41%
Semiconductor Equip	14	2.95	19.18%	93.00%	<b>44.16%</b>	5.95%	<b>21.31%</b>	4.68%	<b>7.00%</b>	18.16%
Shoe	24	1.08	9.99%	96.49%	<b>39.06%</b>	5.70%	<b>28.93%</b>	4.05%	<b>3.51%</b>	9.78%
Steel (General)	30	1.16	10.38%	87.24%	<b>45.48%</b>	5.95%	<b>29.85%</b>	4.17%	<b>12.76%</b>	9.59%
Steel (Integrated)	16	1.50	12.06%	80.89%	<b>79.30%</b>	6.70%	<b>18.09%</b>	5.49%	<b>19.11%</b>	10.80%
Telecom. Equipment	136	2.35	16.24%	94.99%	<b>72.47%</b>	6.70%	<b>10.38%</b>	6.00%	<b>5.01%</b>	15.73%
Telecom. Services	173	1.43	11.71%	75.39%	<b>80.94%</b>	6.70%	<b>12.90%</b>	5.84%	<b>24.61%</b>	10.27%
Thrift	248	0.56	7.45%	81.56%	<b>23.49%</b>	5.20%	<b>25.14%</b>	3.89%	<b>18.44%</b>	6.79%
Tire & Rubber	10	0.96	9.42%	87.58%	<b>69.68%</b>	6.70%	<b>5.94%</b>	6.30%	<b>12.42%</b>	9.03%
Tobacco	11	0.79	8.58%	85.43%	<b>21.86%</b>	5.20%	<b>26.74%</b>	3.81%	<b>14.57%</b>	7.89%
Toiletries/Cosmetics	21	0.83	8.76%	84.70%	<b>41.08%</b>	5.95%	<b>20.95%</b>	4.70%	<b>15.30%</b>	8.14%
Trucking	38	0.98	9.53%	71.13%	<b>36.33%</b>	5.70%	<b>30.50%</b>	3.96%	<b>28.87%</b>	7.92%
Utility (Foreign)	6	1.00	9.59%	61.44%	<b>24.57%</b>	5.20%	<b>11.52%</b>	4.60%	<b>38.56%</b>	7.67%
Water Utility	16	0.73	8.26%	67.18%	<b>37.20%</b>	5.70%	<b>29.78%</b>	4.00%	<b>32.82%</b>	6.86%
Wireless Networking	73	2.41	16.51%	84.96%	<b>77.06%</b>	6.70%	<b>9.93%</b>	6.03%	<b>15.04%</b>	14.94%
Other	1	1.06	9.89%	97.61%	<b>18.83%</b>	4.95%	<b>0.00%</b>	4.95%	<b>2.39%</b>	9.77%
<b>Market</b>	<b>7661</b>	<b>1.14</b>	<b>10.32%</b>	75.70%	<b>58.95%</b>	<b>6.20%</b>	<b>16.40%</b>	5.18%	<b>24.30%</b>	9.07%

Average: 8.99%

Last Updated in January 2007  
By Aswath Damodaran