Common Stock Valuation

There are numerous mathematical models detailing how to value common stocks. Essentially all models come to the conclusion that a stock is worth all the future cash flows that result from that stock discounted by an appropriate discount rate or required rate of return. The basic security valuation model can be defined as follows:

$$V = \sum_{t=1}^{n} \frac{C_t}{(1+r)^t}$$

$$V = intrinsic\ value\ or\ present\ value\ of\ an\ investment$$
$$C = expected\ future\ cash\ flow\ in\ period\ t$$
$$r = required\ rate\ of\ return$$