Capital structure in corporate finance is the way a corporation finances its assets through some combination of equity, debt, or hybrid securities.

The Traditional **Theory of Capital Structure** says that for any company or investment there is an optimal mix of debt and **equity** financing that minimizes the WACC and maximizes value. Under this **theory**, the optimal **capital structure** occurs where the marginal cost of debt is equal to the marginal cost of **equity**.

The **Gordon** Growth **Model** assumes a company exists forever and pays dividends per share that increase at a constant rate. To estimate the value of a stock, the **model** takes the infinite series of dividends per share and discounts them back into the present using the required rate of return.