

FNCE 3415 Summer 2024 Valuation Project

Milestone 1 due July 6 by 11:59pm
Milestone 2 due July 21 by 11:59pm
Final Project due August 2 by 11:59pm
In-Class Final Presentation on July 31

1 Project Details

The purpose of the valuation project is to give students the opportunity to apply the tools they have learned to a “real world” valuation of a publicly traded company. You should think about this as being of a similar standard as the valuation reports produced by professional equity analysts at major research firms. Students will work in groups of 3-4 to complete the project.

To ensure the suitability of the chosen company, and ensure that each group is working on a different company, you are required to submit three (3) names (in order of preference) of publicly traded firms to me by email by June 27 at 11:59pm. Since you will be studying the firm closely over the course of the semester, I strongly encourage you to choose firms that interest you (e.g., in an industry you work in, or are interested in working in; a company that you own stock in; etc...). I will tell you by June 28th which firm from the list of three that you are assigned to: in most cases it will be your first preference, unless there are conflicts with other class members or the choice seems inappropriate to me. To make this process easier I have provided a list of companies at the end of this document to choose from, as well as companies that may not be chosen. Please select only one company from each industry. If you are interested in a company not listed please check with me before submitting your final list.

The Valuation Project will be completed by each student submitting the text of your project document and your Excel workbook containing the relevant analyses through Brightspace. The final submission should appear to be professionally done and suitable for submission to a senior corporate executive, a lender, or private equity investor. This project document must not exceed 20 pages in length (excluding appendices). Because this class places a strong emphasis on Excel modeling, the quality and clarity of the spreadsheets submitted will be an important component of the grade for this project.

1.1 Report

The final report must contain the following elements in the following order:

1. An executive summary, which should conclude with an estimated valuation range for the stock price of the company.
2. A company overview with the following details:

- (a) Nature and history of the company
 - (b) The company's key products
 - (c) Key customers and suppliers
 - (d) Key competitors
 - (e) Important events that have happened to the company during the semester
3. Financials with the following details:
- (a) Annual common-size income statement and balance sheet for each of the most recent 5 years (vertical analysis: **comment on any trends or issues**)
 - (b) Key ratios for each of the most recent 5 years (**comment on any trends or issues**). The ratios should include at least (you may include more if there are industry-specific ratios that are important for the firm):
 - i. Quick ratio
 - ii. Total debt ratio
 - iii. Times interest earned
 - iv. Days' sales in inventory
 - v. Total asset turnover
 - vi. Return on assets
 - vii. Return on equity
 - viii. DuPont decomposition of the return on equity
 - (c) Compare each of these key ratios to the industry (or peer group) average for each of the most recent 5 years: **identify and comment on any trends or issues**
4. Company valuation using the discounted cash flow methodology: **describe all the assumptions used in the model**
5. Company valuation using the multiples methodology: **discuss identification and justification of peer group firms (comparables, aka "comps") and the modeling choices made**
6. An analysis of one important current event that has impacted the firm during the semester, and describe how that has impacted your valuation estimates
7. One quoted section from the "management discussion" section in one of the firm's required reports filed with the Securities and Exchange Commission (SEC) during the semester (form 10-K, 8-K, or 10-Q), and a discussion of how that factor impacted your valuation (must be distinct from section 6 above)
8. Summary of the values provided by different methodologies, including a "football field" chart and an analysis and justification of the valuation range
9. Conclusion, including an investment recommendation (at the current stock price)
10. Any exhibits or appendices

1.2 Due Dates

Milestone 1: Complete Section 2 (a-d) and 3 from above outline. Due July 6 by 11:59pm

Milestone 2: Complete Section 4 from above outline Due July 21 by 11:59pm

Final Project: Due August 2 by 11:59pm

Each deliverable requires a PDF or Word file as well as an accompanying Excel file. Submission are made via Brightspace.

1.3 Grading

The final project accounts for 280 points of your final grade. The breakdown is as follows 60 points for each milestone, 100 points for the final project, 60 points for the presentation. For all submissions, 50% is allocated to model accuracy, 30% is allocated to logical reasoning and clear writing, and the remaining 20% to professional presentation of the product (especially formatting of the spreadsheet(s)). **Milestone 1 and 2 feedback must be addressed in final submission.** Individual grades for each deliverable may be reduced based on peer evaluations. Reductions are percentage based and entirely determined by peer scoring.

1.4 Current Events

An important part of this project is monitoring events that happen to your assigned company during the semester (see sections 2e and 6 above). Since every student will be following a publicly traded company, events that occur to the firm will be well publicized (e.g., there will be at least one earnings announcement during the semester). You are required to follow current events related to the company. Events that may have an impact on firm valuation (both positive and negative) are especially important. Some examples include earnings announcements, new product developments, litigation outcomes, etc. . . . A good tool to keep track of current events related to a particular company is Google Alerts.

1.5 Financial Contracting

Another important part of this project is monitoring the firm's required filings with the SEC (see section 7 above), which represent a critical (albeit implicit) aspect of the financial "contract" between the firm and its shareholders. See below for guidance on accessing such filings.

2 Resources for industry and company research

There are several resources to obtain information on publicly traded companies. Below is small sample of those resources.

2.1 Library Resources

All of these resources can be accessed through the LMU Library databases at <http://library.lmu.edu/> (click on Libguides then Business then Databases direct link <https://libguides.lmu.edu/business>)

- Business Source Complete:
 - Click on Company Profiles in the right hand side “Browse” box.
 - Type in part of the company name (NOT ticker symbol), choose “Match Any Words” and click Search.
 - Download the MarketLine report, good resource for company’s background information.
 - Click on the Industry Profiles in the right hand side “Browse” box.
 - Type in part of the industry name, choose “Alphabetical” and click Search.
 - Repeat the previous step and choose option “By title, subject & description.”
 - From the results of the two searches, choose the most recent applicable industry report.
- Business Insights Global:
 - Search the company’s name in the box (make sure the search type is set to Company).
 - Click on the company.
 - In the left hand side box, click on Investment Reports or Market Share reports.
- Capital IQ (Most comprehensive resource)
 - Must create an account before gaining access.
 - Requires use of VPN off-campus
 - See video on using Capital IQ in database videos.
- Lexis Nexis Company Dossier:
 - Search for company under Get Company Info
 - Another good resource for news and company’s background information.
- Mergent Online (for industry ratios):
 - Find the company you’re researching
 - Click on tab Report Builder
 - Click on Comparison Reports
 - Compare company against industry
 - Comparison report with top 10 companies

- Box 3: choose Ratios and any specific ratios that you want to compare
- Also good for company financials:
 - * Enter the company name in the search box and click Search
 - * Click on the Company Financials tab
 - * . You may choose to customize the financial info
 - * Download in Excel (middle right of the page)
- Morningstar:
 - Enter company name or ticker
 - Click on the Financials tab
 - You may customize the financial info
 - Click on Export button

2.2 Required Filings

The SEC's Edgar website is a critical repository for a firm's required filings with the SEC, which are a primary source of information about the firm that is made available to shareholders. You can search this database using your company's name (but be careful that you are accessing filings about the correct company: noting the firm's CIK# once you have identified the firm correctly in Edgar is a good idea). Steps to accessing company filings:

- <https://www.sec.gov/edgar/searchedgar/companysearch.html>
- Enter the company name (or use the ticker)
- Select the correct company from the search results (will go direct to company page if only one search result or if using ticker)
- Click on the company in the search results
- Important filings: 10-K, 10-Q, 8-K
- To download Excel files of 10-K or 10-Q, click on Interactive Data
- View Excel document
- Remember to make adjustments to the raw numbers if you want to convert them to millions

2.3 Potential Companies

This is simply a sample of companies from certain industries, please contact me if you would like to cover a company not listed. Industries based on Fama-French 12-industry Classification and are as of year-end 2022.

1. Consumer Non-Durables

- Acushnet Holdings (GOLF)
- American Outdoor Brands (AOUT)
- Bridgford Food Corp (BRID)
- Bowflex (BFX)
- Carter's Inc (CRI)
- Campbell Soup Co (CPB)
- Conagra Brands Inc (CAG)
- Deckers Outdoor Corp (DECK)
- Duckhorn Portfolio (NAPA)
- Figs Inc (FIGS)
- Hostess Brands Inc (TWNK)
- Jones Soda Co (JSDA)
- Medifast Inc (MED)
- Mohawk Industries Inc (MHK)
- Mondelez International Inc (MDLZ)
- Nathan's Famous Inc (NATH)
- Nautilus Inc (NLS)
- Scholastic Corp (SCHL)
- Simply Good Foods Company (SMPL)
- Treehouse Foods Inc (THS)
- Uppercut Brands Inc (UCUT)
- Vita Coco Company (COCO)
- Vera Bradley Inc (VRA)
- Willamette Valley Vineyards (WVVI)

2. Consumer Durables

- Astronics Group (ATRO)
- Bassett Furnitures (BSET)
- Borgwarner Inc (BWA)
- Brady Corp (BRC)
- Commercial Vehicle Group (CVGI)
- Cool Technologies Inc (WARM)
- Ethan Allen Interiors (ETH)
- Fisker (FSR)
- Garrett Motion Inc (GTX)
- Gentherm Inc (THRM)
- Helen of Troy LTD (HELE)
- Newell Brands (NWL)
- Lovesac Co (LOVE)

- Oshkosh Corp (OSK)
- Paccar Inc (PCAR)
- Purple Innovation Inc (PRPL)
- Sleep Number Corp (SNBR)
- Tempur Sealy International Inc (TPY)
- Trutankless (TKLS)
- Universal Electronics (UEIC)

3. Manufacturing

- 3M Co (MMM)
- AAON Inc (AAON)
- ACME United (ACU)
- Alcoa Corp (AA)
- Allbirds (BIRD)
- Avery Dennison Corp (AVY)
- Blue Bird Corp (BLBD)
- Boeing Co (BA)
- Briggs & Stratton (BGG)
- Brunswick Corp (BC)
- Caesarstone Ltd (CSTE)
- Clearwater Paper Corp (CLW)
- Cleveland-Cliffs Inc (CLF)
- Dover Corp (DOV)
- Encore Wire Corp (EFXT)
- Flowserve Corp (FLS)
- Franklin Electric Co (FELE)
- Howmet Aerospace Inc (HWM)
- Illinois Tool Works, Inc. (ITW)
- Kimberly-Clark Corp (KMB)
- Lifetime Brands Inc (LCUT)
- Lincoln Electric Holdings, Inc. (LECO)
- Monarch Cement Co. (MCEM)
- Nanophase Technologies Corp. (NANX)
- Parker-Hannifan Corp (PH)
- Polar Power Inc (POLA)
- Reynolds Consumer Products Inc. (REYN)
- Snap-On, Inc. (SNA)
- Sunrun Inc (RUN)
- Thor Industries Inc (THO)
- Toughbuilt Industries (TBLT)
- TriMas Corp (TRS)

- Tupperware Brands Corp (Tup)
 - Vista Outdoor Inc (VSTO)
 - Vivent Solar Inc (VSLR)
 - Winnebago Industries (WGO)
4. Energy, Oil, and Coal Extraction and Products (ignored-beyond scope of course)
 5. Chemicals and Allied Products
 - AdvanSix Inc (ASIX)
 - Cabot Corp. (CBT)
 - Celanese Corp (CE)
 - Church & Dwight (CHD)
 - Colgate-Palmolive Co (CL)
 - Ecolab Inc (ECL)
 - Honest Company (HNST)
 - Huntsman Corp (HUN)
 - Kronos Worldwide Inc (KRO)
 - Ingevity Corp (NGVT)
 - Inter Parfums, Inc. (IPAR)
 - Mosaic Co (MOS)
 - Nu Skin Enterprises, Inc. (NUS)
 - Olin Corp (OLN)
 - Proctor & Gamble (PG)
 - Scotts Miracle-Gro Co (SMG)
 - Skinvisible (SKVI)
 - WD-40 Co (WDFC)
 - Westlake Corp (WLK)
 6. Business Equipment (Computers and software)
 - Acorn Energy Inc (ACFN)
 - Adobe Inc (ADBE)
 - Alteryx Inc (AYX)
 - Appfolio Inc (APPF)
 - Autodesk Inc (ADSK)
 - Black Knight Inc (BKI)
 - Cars.com (CARS)
 - Certara Inc (CERT)
 - Clear Secure (YOU)
 - Chegg Inc (CHGG)
 - Doximity (DOCS)
 - EBay Inc (EBAY)
 - Eventbrite Inc (EB)
 - Farfetch Ltd (FTCH)
 - Farmhouse Inc (FMHS)
 - Fiserv Inc (FISV)
 - Garmin Ltd (GRMN)
 - Groupon Inc (GRPN)
 7. Telephone and Television Transmission
 - Grubhub In (GRUB)
 - Health Catalyst Inc (HCAT)
 - HealthEquity Inc (HQY)
 - Intuit Inc (INTU)
 - Knowles Corp (KN)
 - Lattice Semiconductor Corp (LSCC)
 - Light & Wonder Inc (LNW)
 - Morningstar Inc (MORN)
 - Nerdwallet Inc (NRDS)
 - NetGear, Inc. (NTGR)
 - OneSpan Inc (OSPN)
 - Pandora Media Inc (P)
 - Pinterest Inc (PINS)
 - Plantronics Inc (PLT)
 - PURE Storage Inc (PSTG)
 - Roper Technologies Inc (ROP)
 - Salesforce (CRM)
 - Shutterstock Inc (SSTK)
 - Snap Inc (SNAP)
 - Solarwinds Corp (SWI)
 - Stoneridge Inc (SRI)
 - The Trade Desk Inc (TTD)
 - Twilio Inc (TWLO)
 - Upwork Inc (UPWK)
 - Verisign Inc (VRSN)
 - Zillow Group (Z)
 8. Utilities (Ignored- Heavy Regulations)
 9. Wholesale and Retail
 - Boingo Wireless (WIFI)
 - Dish Network Corp (DISH)
 - Gogo Inc (GOGO)
 - iHeartMedia Inc (IHRT)
 - Sirius XM Holdings Inc (SIRI)
 - 1-800-Flowers.com (FLWS)
 - Aramark (ARMK)
 - Automation Inc (AN)
 - Autozone Inc (AZO)
 - Barnes & Noble Inc (BKS)
 - Bath & Body Works (BBWI)
 - Big Lots Inc (BIG)
 - Camping World Holdings (CWH)
 - Cintas Corp (CTS)
 - Childrens Place (PLCE)
 - Chewy (CHWY)
 - Darden Restaurants (DRI)
 - DAVIDsTEA Inc (DTEA)

- Dennys Corp (DENN)
 - Dollar Tree (DLTR)
 - Dutch Bros (BROS)
 - El Pollo Loco Holdings Inc (LOCO)
 - Five Below Inc (FIVE)
 - Groupon (GRPN)
 - Hibbett Inc (HIBB)
 - National Vision Holdings Inc (EYE)
 - Noodles & Co (NDLS)
 - O'Reilly Automotive, Inc. (ORLY)
 - Overstock.com Inc (OSTK)
 - Penney (JC) Co (JCP)
 - Petco Health & Wellness Co (WOOF)
 - Pool Corp (POOL)
 - Poshmark Inc (POSH)
 - Revolve Group Inc (RVLV)
 - Ross Stores (ROST)
 - Shoe Carnival Inc (SCVL)
 - Sprouts Farmers Market Inc (SFM)
 - TravelCenters of America Inc (TA)
 - TJX Cos Inc (TJX)
 - Ulta Beauty (ULTA)
 - Warby Parker Inc (WRBY)
 - Williams-Sonoma Inc (WSM)
 - YUM Brands (YUM)
 - Zumiez Inc. (ZUMZ)
10. Healthcare, Medical equipment and pharmaceuticals
- Atrion Corp (ATRI)
 - Avanos Medical (AVNS)
 - CareDx Inc (CDNA)
 - Cooper Companies, Inc. (COO)
 - Ensign Group Inc (ENSG)
 - Gilead Sciences Inc (GILD)
 - Haemonetics Corp. (HAE)
 - Incyte Corp (INCY)
 - Inspire Medical Systems Inc (INSP)
 - Intuitive Surgical Inc (ISRG)
 - Hologic Inc (HOLX)
 - Lilly (Eli) & Co (LLY)
 - Mednax (MD)
 - Medtronic (MDT)
 - Pulmonx Corp (LUNG)
 - SI-BONE Inc (SIBN)
 - Shockwave Medical Inc (SWAV)
 - Staar Surgical Co. (STAA)
 - Tivity Health (TVTY)
 - Vapotherm Inc (VAPO)
 - Vertex Pharmaceuticals (VRTX)
11. Finance (ignored-beyond scope of course)
12. Other (Hotels, Construction, Business services, Entertainment)
- Accel Entertainment Inc (ACEL)
 - Allegiant Travel Co (ALGT)
 - Avis Budget Group (CAR)
 - Bally's Corp (BALY)
 - Boyd Gaming Corp (BYD)
 - Blink Charging Co (BLNK)
 - Bluegreen Vacations Holdings Corp (BVH)
 - Churchill Downs, Inc. (CHDN)
 - Clean Harbors Inc (CLH)
 - Coursera (COUR)
 - DHI Group Inc (DHX)
 - Duolingo (DUOL)
 - EXACT Sciences Corp. (EXAS)
 - FlexShopper Inc (FPAY)
 - Frontdoor Inc (FTDR)
 - Hunt (J.B.) Transport Services, Inc. (JBHT)
 - Insperity Inc (NSP)
 - K12 Inc (LRN)
 - Kforce Inc. (KFRC)
 - Laureate Education (LAUR)
 - Lyft Inc (LYFT)
 - Madison Square Garden Sports (MSGS)
 - Netflix Inc (NFLX)
 - Old Dominion Freight (ODFL)
 - Rent-a-Center Inc (RCII)
 - Ryder System, Inc. (R)
 - Seaboard Corp (SEB)
 - SeaWorld Entertainment Inc. (SEAS)
 - Six Flags Entertainment (SIX)
 - Southwest Airlines (LUV)
 - Tidewater Inc (TDW)
 - Trex Company Inc (TREX)
 - U-Haul Holding Co (UHAL)
 - United Rentals (URI)
 - World Wrestling Entertainment Inc (WWE)

2.4 Unauthorized Companies

This is list of companies that **may not** be chosen for the valuation project. Companies not listed may still not be appropriate.

- Abbott Laboratories (ABT)
- Activision Blizzard (ATVI)
- Alaska Air Group (ALK)
- AMC Networks INC (AMCX)
- American Express Co (AXP)
- Amgen Inc (AMGN)
- AT&T Inc (T)
- Autozone Inc (AZO)
- Beyond Meat (BYND)
- Best Buy (BBY)
- Blue Apron Holdings Inc (APRN)
- Boston Beer Company Inc (SAM)
- Brown Forman Corp (BFB)
- Build-A-Bear Workshop, Inc (BBW)
- Bumble Inc (BMBL)
- Callaway Golf Co (ELY)
- Cardinal Health Inc (CAH)
- Carmax Inc (KMX)
- Carvana (CVNA)
- Caterpillar Inc (CAT)
- Celcius (CELH)
- Cinemark Holdings Inc (CNK)
- Cheesesteak Factory (CAKE)
- Chipotle Mexican Grill (CMG)
- Columbia Sportswear Co (COLM)
- Coca-Cola Co (KO)
- Costco Wholesale Corp (COST)
- Craft Brew Alliance Inc (BREW)
- Crocs Inc (CROX)
- Datadog Inc (DDOG)
- Dave & Busters Entertainment Inc (PLAY)
- Deere & Co (DE)
- DISH Network Corp (DISH)
- Disney (Walt) Company (DIS)
- Dollar General Corp (DG)
- Doordash Inc (DASH)
- Dropbox Inc (DBX)
- Eastman Kodak Co (KODK)
- Energy Services of America (ESOA)
- Enphase Energy Inc (ENPH)
- Electronic Arts Inc (EA)
- Etsy Inc (ETSY)
- Estee Lauder Cos Inc (EL)
- Equifax (EFX)
- Evolus (EOLS)
- Expedia Group Inc (EXPE)
- Exxon Mobil Corp (XOM)
- Foot Locker Inc (FL)
- Ford Co (F)
- Gamestop (GME)
- General Mills Inc (GIS)
- General Motors (GM)
- Generac (GNRC)
- GoDaddy Inc (GDDY)
- Goodyear Tire & Rubber Co (GT)
- GoPro (GPRO)
- Hershey Co (HSY)
- Hess Corp (HES)
- Hasbro Co (HAS)
- Herbalife Nutrition (HLF)
- Home Depot Inc (HD)
- Honeywell International (HON)
- IMAX Corp (IMAX)
- IRobot Corp (IRBT)
- IONIS Pharmaceuticals Inc (IONS)
- Johnson & Johnson (JNJ)
- Kraft Heinz CO (KHC)
- Krispy Kreme Inc (DNUT)
- Kroger Co (KR)
- La-Z-Boy Inc. (LZB)
- L Brands Inc (LB)
- Lionsgate Entertainment Group (LGF)
- Live Nation Entertainment (LYV)
- Lockheed Martin Corp (LMT)
- Lowe's (LOW)

- Lululemon Athletica (LULU)
- Malibu Boats Inc (MBUU)
- Match Group Inc (MTCH)
- Mattel Inc (MAT)
- McDonald's Corp (MCD)
- MGM Resorts International (MGM)
- Microsoft Corp (MSFT)
- Microstrategy Inc (MSTR)
- Monster Beverage Corp (MNST)
- National Beverage Corp. (FIZZ)
- Nike Inc (NKE)
- Nvidia Corp. (NVDA)
- PayPal Holdings Inc (PYPL)
- Philip Morris Intl (PM)
- Peleton (PTON)
- Planet Fitness Inc (PLNT)
- Plug Power (PLUG)
- Qualcomm Inc (QCOM)
- Quest Diagnostics (DGX)
- RealReal Inc (REAL)
- Revlon Inc (REV)
- Renewable Energy Group Inc (REGI)
- RTX Corp (RTX)
- Roku Inc (ROKU)
- Sally Beauty Holdings Inc (SBH)
- Shopify (SHOP)
- Sketchers USA Inc (SKX)
- Smith & Wesson Brands Inc (SWBI)
- Smucker (JM) Co (SJM)
- Snowflake (SNOW)
- Sonos Inc (SONO)
- Starwood Hotels & Resorts Worldwide (HOT)
- Stryker Corp (SYK)
- Square Inc (SQ)
- Tesla (TSLA)
- Toll Brothers Inc (TOL)
- Turtle Beach Corp (HEAR)
- Twitter Inc. (TWTR)
- Ulta Beauty (ULTA)
- United Parcel Services Inc (UPS)
- VF Corp (VFC)
- Visa Inc (V)
- Warner Music Group Corp (WMG)
- Waste Management Inc (WM)
- Wayfair (W)
- Whirlpool Corp (WHR)
- Workday Inc (WDAY)
- Wynn Resorts (WYNN)
- Yelp Inc (YELP)
- Zoom Video Communications Inc (ZM)
- Zynga Inc (ZNGA)