

Stock report – Stepped submissions: Preliminary valuation and data

from the report Instructions:

Valuation

This is the section where you discuss valuation results.

You should use a minimum of 3 methods; you must use at least 1 *relative valuation* method and 1 *absolute method*. See text and notes for various methods available.

These methods must be clearly labeled.

For Absolute method; DDM and/or DCF

- DDM acceptable (for B grade level for this section), DCF for “full” marks

Must be multi-stage; forecast 4 years (2017-2020), then from 2021, assume a reasonable terminal CF as discussed in class (in your text, you can discuss whether this is a valid terminal point or not).

For “interim g ” over first 4 years, use one of the non-historical methods for estimating g . Explain here how you did that, and this must match what you do in the spreadsheet.

For Relative method; method(s) for forecasting PE must be stated; if comp co’s, comparables must be shown in appendix; if analysts, details must be in appendix.

For each method, you will have an estimated target price.

Final Estimation: From the 3 (or more) methods you use, make a judgement call on what the final target price should be. This will generally be a weighting, where you place the most weight on the method you deem most ‘correct’, and least weighting on a method you feel has problems (e.g. due to input information available). If you do this (recommended), include a small table showing your weights.

Risks to the Estimation: Your target price (and therefore recommendation) are probably most sensitive to some specific assumptions. Describe those here. This is **not** the place for firm risks, which comes later (see below).

This section should conclude with the same information at the top of page 1 – Target Price, Current Price, and Recommendation (buy, sell or hold).

For the preliminary submission, you should have at 1 absolute valuation method completed, and your text should at least sketch out other methods you intend to use. It would be a good idea at this point to also have the sections for your final report – e.g. DDM, DCFF, Final estimation, Risks to the Estimation – even if some of those are blank at this time.

In the preliminary spreadsheet submission, you should have at minimum:

- the financial statements sheets populated, in the correct date order and format,
- the sheet completed for the absolute valuation method(s) you are doing for this submission
- of course, your student information on the 1st sheet.

Out of a possible 5 points, we will grade this only as “substantially done” (5), “weak” (3), or nothing done (0).

This will be checked against Turn-it-In, and you will see that result after you submit. As noted elsewhere, exact matches we will assess as though you didn’t do that.

However, you have the opportunity to improve this before submitting the final report, for which we will grade this on the 0-5 Likert scale described in the instructions.