

FINA 4467 - Assignment No. 2: Stock Valuation Project

Due: April 2, 2020 (beginning of class)

This is an individual project. Each student must prepare an equity research report on the firm selected, using the **top-down fundamental analysis approach**. You could select any publicly traded firm listed on NYSE, NASDAQ and TSX.

The report should analyze the firm and its common stock and come up with a buy, sell, or hold recommendation for the stock. The analysis must be based on the most recent information available about the company. As part of the report, you must include the following:

- A brief overview of the firm, including a discussion of its business operations.
- An analysis of the firm's industry and of the economy in general and the industry that your firm belongs to, including major factors which may affect the firm, following the *top-down* approach.
- Based on the above analysis, you must make earnings projection for the firm for future years.
- Estimate an appropriate required return for investors on the stock.
- You must determine an appropriate price for the stock of the firm. This is the crucial part of the project and you will base your buy/sell/hold recommendation on this. You should use the dividend discount model (DDM) for your analysis. Your valuation should be based on the analysis conducted in the previous parts and be logically consistent with it. You must justify any assumptions you make, and discuss any limitations of your analysis. You will have to show in details the steps you followed to arrive at the firms' required rate of return (and model(s) used for that).

The written report must be **no more than 6 pages** in total (including any tables, graphs et cetera). For any sources of information you use, you must cite the source using footnotes and a references section. Please note: for your analysis you cannot simply repeat what was written in the firm's annual report or copy other reports you find on the internet or elsewhere. The report must be in your own words and involve our own critical analysis of the firm. It is expected that the report will involve original thinking. You can make reference to ideas you have found elsewhere (the source must be cited), however, any student caught plagiarizing (including cutting and pasting from websites, copying others' words from any source without appropriate citation, or any other form of plagiarism) will be punished to the fullest extent possible.

Information Sources: You may use any information sources you wish. The internet is a good source and there are many websites providing financial, economic and investing information. For example, financial statements can be found at

- **SEDAR** for Canadian firms
- **EDGARonline** for U.S. based firms
- **Yahoo Finance**
- **Google Finance**
- **Morningstar**
- **Value Line Survey Report** (Available through Library Reference Desk)

As well, a historical database of stock prices is available on the library website and Yahoo Finance.

Grading: Your written report will be evaluated based upon:

- the thoroughness with which the requirements are fulfilled
- the level of effort apparent in the report
- the logical justification of the assumptions you make and the conclusions drawn
- judgement and originality of thought
- logical consistency of the report
- the overall level of professionalism with which the report is presented