

## Alternate Assignment: Company Analysis

### BUSI 3360: Finance I

**Date due:** October 20, 2020

The objective of this assignment is to study the performance of a listed company (either on TSX, NYSE or NASDAQ) by examining some key ratios for return and profitability over the last five years. You should be able to understand the relationship between financial numbers and various business strategies that the company is pursuing.

When you do your analysis, I want to remind you what Ben Graham said regarding security analysis in his classic, *The Intelligent Investor* in 1949:

“Have the courage of your knowledge and experience. If you have formed a conclusion from the facts and if you know your judgment is sound, act on it – even though others may hesitate or differ.” (You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.)” (Graham, 2006, p. 524)

Total Points: 10

- Ratio analysis: 5
- Write-up: 5

#### General Instructions

- Submit the name of the company you choose to work on using the Google doc on Moodle. You are allowed to choose a company which has already been chosen by someone else.
- The information should only come from the 10-K (annual report) of your chosen company. You may use other sources only to help you understand technical terms about the company’s products, operations, or the industry.
- Please prepare a write-up (your interpretation of the results), maximum of 1 page, excluding tables. Single-space. Please use Times New Roman font 11.
- Save the file as your name and class section. Please submit via Moodle. Please don’t e-mail your works.

As discussed in class, the 10-K is where the company discloses material information about its business including its audited financial statements. You are allowed to use other sources but make sure that your data is coming directly from the company’s annual report.

The Mount has recently subscribed to a financial database called MergentOnline. Mergent provides financial information of both US listed and international companies. You can learn about the database here: <https://www.mergentonline.com/noticescm.php?pagetype=about>

You can access the database from visiting Business research guide through our library website: <http://libguides.msvu.ca/c.php?g=114487&p=5015597> From campus, you can use the direct link: <http://www.mergentonline.com> I will show you how to use the database in the class.

### Specific Instructions

- In an excel spreadsheet, input the relevant information that you need to calculate the following ratios in the format prescribed below for the last five years. Please submit the excel spreadsheet with your write-up. You should use the formulas used in the textbook.

<b>Categories</b>	<b>Ratios</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Short-term solvency/Liquidity ratio	Current ratio					
	Quick ratio					
Long-term solvency or financial leverage ratios	LT Debt/Equity					
	Time Interest Earned/Interest coverage ratio					
Asset management/Turnover ratio	Inventory turnover					
	Receivables turnover					
Profitability measures	Gross profit margin					
	Operating profit margin					
	Net profit margin					
	Return on invested capital					

- In your write-up, discuss the company's financial performance explaining/interpreting the ratios (or changes to the ratios) that you calculated from the financial statements. You may like to compare your company's ratio with a major competitor or the industry average. Try to identify the causes of the major differences between the two companies. Your grade depends on your write-up.
- Comment specifically on whether the company has durable competitive advantage (or wide moat) based on the ratio. You may also like to consider the qualitative factors discussed in the class. The appended materials for chapter 4 can come handy when you are commenting on wide moat.