

Finance 636 - Investment Analysis

Group Project - Security Analysis and Valuation

Each group will be assigned an industry and students have the freedom to choose a stock within the assigned industry. The project should have two parts. Part one contains a detailed analysis of the company in the context of its industry (valuation with comparables). It should focus on the financial characteristics of the company relative to its main industry competitors. The second part emphasizes on the stock valuation of the company. The analysis should include the statistical models covered in the course, for example, the Fama and French three-factor model and DDM. If you wish, you can also try the FCF approach. The main paper should be 8-10 pages long and double spaced (you can put detailed calculations in an appendix that doesn't count for pages). It is due either on the last day of the class or on the final day (I will see if I can find some time during the last week of the class so each team will have 15 minutes to share the experience).

Project Details

Introduction

- The purpose of the project
- Introduction of the company (its products and industry)
- Main competitors

Financial analysis

- Financial characteristics of the company relative to its industry competitors, for example, sales, EPS, DPS, risk analysis, growth, and other ratios
- Where the company stands within the industry

Stock valuation

- Emphasize on stock valuation of the company with statistical models covered in the course, for example, the FF three factor model, dividend valuation model, FCF approach, etc.
- You need estimate betas by yourself
- Value the stock

Conclusions

- Summarize the project
- What you learn from the exercise