Analyst Report

1) Build teams of 4 people

2) Choose a company that you wish to analyze (eg. a stock from a well-known stock index such as S&P500 or Eurostoxx 600)

3) Prepare an analyst report to evaluate the company
   a. The final result of your report is a recommendation to investors to
      BUY, SELL or HOLD your stake in the company.
   b. Provide the computations of your report in the appendix
   c. If you need to make assumption for the computations, also provide them in the appendix

4) Present the findings of your analyst report
   a. Design your presentation in a way that it best supports your recommendation
   b. Length 10 – 15 minutes

5) All components of the analyst report have to be written by the team itself (no copy and pasting)

6) Some useful sources (you are free to use other sources as well):
   a. http://finance.yahoo.com
   b. http://finance.google.com
   c. http://www.ft.com
   d. http://www.marketwatch.com
   e. http://www.moodys.com
   f. Company Annual Reports

7) The points 8 – 15 contain all the aspects which should be contained in the report.
   a. Provide an interpretation

8) Company and Industry Description (short but informative)

9) Market Analysis
   a. 12-Months Target Stock Price
      Use the Dividend Discount Model (https://www.investopedia.com/terms/d/ddm.asp)
      i. Try to forecast the future dividend development for the next 4 years. You can use past dividend payments (4 years) as an indicator of the growth rate. If no dividends are available, use an approximation by computing the average of dividend payment of the sector or a competitor.
      ii. For computing the relevant risk-adjusted discount rate, use the Capital Asset Pricing Model: discount rate = $r\_E = rf + \beta (E[rm] - rf)$ (Source: You can find the β-value on finance.google.com).
         Assume that the risk free rate rf is zero!
         For this part you need to use a stock market index (SP500 for US and EUROSTOXX 600 for EU). Compute the average return based on the annual return of the market index.

   b. Stock Price Development over the last 4 years
      i. Also show the development of the respective stock market index or a competitor in comparison
   c. Market-to-Book Ratio
      i. Report the Market Capitalization separately as well (You can find the shares outstanding on http://finance.yahoo.com)

ii.   Compare with a competitor
    d. Earnings per Share Development over the last 4 years

    e. Highlights
        i.   Select and report important relevant news, which you consider important for the investment decision
    f. Stock return development over the last 4 years
        i.   Also show the development of the respective stock market index or a competitor in comparison

10) Fundamentals Analysis
    a. Show the development over the last 4 years and compare with a competitor
        i.   Revenue Development
        ii.   Profit/Loss Development
        iii. Net Profit Margin
        iv.   Return on Assets
        v.   Return on Equity
        vi.   Debt-to-Equity Ratio (Book Values)

11) Company Valuation
    a. Compute the Weighted Average Cost of Capital (WACC)
        i.   You already computed the cost of equity r_E under 9.a.ii. (CAPM)
        ii. Estimate the cost of debt by using the book values of interest expenses and book value of debt
    b. Forecast the revenue development for the next 4 years
        i.   Use revenues of the past 4 years as an indicator for the growth rate
    c. Estimate the current company value
        i.   Discount the estimated revenues with the WACC

12) Working Capital Analysis
    a. Show the development over the last 4 years and compare with a competitor
        i.   Net Working Capital
        ii.   Current Ratio
        iii. Quick Ratio

13) SWOT Analysis

14) Outlook regarding the future development of the company