

## Guidelines for Stock Evaluation

Your report should be normally formatted and handed in as a single Word document (no extra spreadsheets, etc.). The length of your report (including all attachments) is limited to 20 pages and 50,000 characters.

Please use the following structure for your report:

### 1. Cover page and executive summary (1 page)

- Following the cover page, you should have a one-page executive summary of parts 2 to 5 below as well as a discussion as to why the company would fit the fund's "value" strategy.

### 2. Company and industry analysis (4 pages)

- What does the company do? (not too much history, just the main points, do not copy stuff from websites, etc. without citation)
- What industry is the company in and who are the main competitors?
- What challenges do the company and the industry face?
- What major events have taken place in the company over the last couple of years and how do they impact the value of the company?
- Who owns the company and how does that impact value?
- Any other things we need to know about this company or industry? This is the section where you demonstrate your knowledge of the company and its industry.

### 3. Ratio analysis (4 pages)

- A thorough ratio analysis should be done covering all categories of ratios.
- You should spend a significant amount of time on this discussion. Make sure to interpret the ratios. What do they mean? Where is the company strong and where is it weak?
- Ultimately, we need to know if this is a good company or not.

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### 4. Expectations (3-4 pages)

- Based on your industry and company analysis and your ratio analysis, what do you expect from your company?
- Is it fast growing, slow growing, etc.?
- What does the future hold?
- Where will increases in value come from?
- Why is the company undervalued?
- These expectations will be the basis for the assumptions you make in your valuations.
- Expectations should come from what the company has done and will do in the future.

### 5. Valuation (4 pages)

- List all assumptions that you will be using and justify the assumptions (if you did a good job in parts 3 and 4, this should be easy)
- Use all the valuation approaches discussed in class. Hopefully, you will converge at an answer.
- Sensitivity analysis should be done. How do your valuations change when your assumptions change?
- Come up with your target price and recommendation.
- All relevant computations (spreadsheets) should be included and make sense.

### 6. Ethical Code (1 page)

- Check whether the company conforms to the ethical code or not.
- If you come to the result that a company does not fulfill the criteria of the code this should not affect your company analysis (parts 2 to 5).
- If you come to the conclusion that the company does not comply with the ethical code, this will not have an effect on your grade even though the company will not be considered for an investment anymore.
- List your **sources** in the paper **precisely** due to the fact that a thorough examination is the crucial condition for sustainable investment.