

### Final Assignment: Financial Analysis of a Company

**Objective:** To apply content from homework assignments, course discussions, and reading materials to re-enforce understanding of publicly communicated financial and company information available to analysts. Your goal is to assess the overall financial health and performance, value drivers, growth, and risks of your chosen company.

This assignment will provide the opportunity to research and find key pieces of financial information within an organization's financial statements (e.g., a 10-K, MD&A, audit reports) and other sources of information (e.g., articles, company website, industry associations).

The assignment will also examine the ways in which ethical behavior and corporate governance structure are evaluated.

Review the instructions for the final project. We will work through the various aspects of this project during the eight weeks of the course. Individually select a company from the two below.

This is a group project; your Teaching Assistant will create the groups based on your selection. If you do not complete this assignment on time, you will be placed in a random group.

- Amazon [AMZN](#) (NASDAQ)
- Apple [AAPL](#) (NASDAQ)

Your report and Excel spreadsheet should contain each of the parts as defined on the following pages—there are nine parts.

It is strongly recommended that you work on this project each week instead of doing it all at the end of the course. We will have supporting homework assignments to help with this. Try to apply theory to practice throughout the course by completing and turning in the homework assignments on time.

#### Content

1. **Company Overview:** Create an executive summary of the company's business, including products and/or services, industries, customers, how the company competes, major external factors, and other selected information (e.g., [Five Forces](#) and SWOT analyses).
2. **Financial Ratio Analysis:** Based on the past three years, analyze the company's income statements, balance sheets, time series, and common size statements. You should also calculate the company's working capital from the past three years.
  - a. Identify trends and drivers in the following areas: current activity, liquidity, solvency, and profitability ratios.
  - b. Include a review of key financial ratios or the financial ratios that you have selected. Compare them to those of two competitors of your choice. Discuss trends and comparisons, do *not* focus only on the numbers.
3. **Calculating Free Cash Flows:** Using the financial statements of the past three years, calculate the historical free cash flows for each of these three years. Then create a projection of free

cash flows for the next three years. Calculate the simple growth rate for one year; calculate the compound annual growth rate for the past three years.

4. **Calculating Cost of Capital:** Describe the company's major sources and uses of funds during the past three years. Based on the notes in the financial statements, credit ratings, and any other publicly available information, calculate cost of equity, cost of debt and WACC.
5. **Business Valuation:** Estimate business value based on the DCF model. To do so, use projected FCF and calculated WACC. Use exit multiples based on the industry of your company to estimate terminal value.
6. **Discuss if the company is undervalued or overvalued:** Base your analysis on the DCF. Compare intrinsic value per share to market value per share.
7. **Dividend Policy (if it is a dividend-paying company):** Summarize the dividend payouts of the past three years. Indicate if the company engaged in any stock buybacks. Evaluate the buybacks compared to dividends, and include the amount spent on each. Present your conclusions.
8. **Ethics and Corporate Governance:** Research and describe your findings about the company's ethics and corporate governance. When evaluating its corporate governance, discuss board size, independence, and shareholder engagement. Provide conclusions on how you believe this impacts the company's financial performance, providing 3-4 key points.
9. **Conclusions:** Summarize your takeaways from parts 1-8. Prepare a summary of 3-5 key opportunities and challenges for your company in the coming 2-3 years.