

FIN3400 - Company Analysis Project #2

Company Analysis Project #2: Company Stock Performance (Due Week 8)

Outcomes:

1. Demonstrate effective communication in writing and orally.
2. Demonstrate the use of appropriate technology in problem solving and solution presentation.
3. Demonstrate a working knowledge of quantitative and qualitative reasoning and their role and value in the practice or consideration of business.
4. Able to apply formulas and principles of risk and return to assess company's stock performance.

In your written report for your chosen company from project #1, provide the following information within a narrative style. Please use headings and subheadings to guide the reading of your report. Be sure to include the topics below.

1. Stock and Market Risk and Return.

- a. Provide an introduction paragraph describing the price range of your stock during the period 2005-2015. You may also include since when has your company has been public and when it started paying dividends as well as any price splits during the period in question.
- b. Calculate the company's stock average return, standard deviation, and coefficient of variation for the period 2005-2015. Use the closing price for the last day of trading for each year (December 31st) and annualized dividend. You may use finance.yahoo.com (or other appropriate site). Please do not use the adjusted price given in Yahoo. Use the actual closing price. You can obtain separately the quarterly dividend from Yahoo. To obtain the annual dividend, just simply add the quarterly dividends. If your stock split during the period make sure to adjust the prices prior to the split. In such cases, add another column for adjusted prices as shown below.
- c. Similarly, provide the same information requested in B above for the S&P 500 market index (also provided by Yahoo).

Example:

Year	Actual Price	Adjusted Price*	Dividend	Capital Gain/loss $(P_{2006} - P_{2005}) / P_{2005}$	Dividend Yield (%) Dividend** ₂₀₀₆ / P ₂₀₀₅	Total Return (%) CG/L + DY
2014	\$20	\$20	\$2			
2015	\$25	\$25	\$2	$= (25 - 20) / 20 = .25$	$2 / 20 = .10$	$.25 + .10 = .35$ Or 35%

* In this case there is no difference between the adjusted and actual price. However, it is likely that in a span of 10 years your company's stock has split at least once. In such case, you should use the adjusted price in your calculations.

**The dividend is annualized. The \$2 represents the sum of the four dividend quarters.

2. Describe the distribution of your stock returns using the statistics above. Compare your stock distribution with that of the S&P 500. How did the S&P 500 risk and return for this period compare to its historical performance?
3. Examine and compare the annual total return as well as the average return for your stock with that of the S&P500? Does it follow the Beta given in Yahoo? Explain.
4. Using the Yahoo site (or other appropriate financial site), what is the YTD return on your stock? (You bought it at the beginning of 2014 or 2015)? How does it compare to the YTD for the S&P 500.
5. **Conclusions:**
Each student writes his/her own conclusion. State your conclusion based on the research and analysis provided in your report. Given part 1 and 2, would you invest in this company? Why or why not?

Use report format with headings and subheadings. Cite and list all sources used in your research. Please use appropriate APA report guidelines. Make sure that you have visuals exhibiting all formulas and calculations. Tables and graphs are highly encouraged.

Recommended Sources:

- www.finance.yahoo.com
- www.money.cnn.com
- www.bloomberg.com
- www.sec.gov
- **Company Website**