

XXX PLC

Market Price: **XXX GBp**
 Our Valuation: **XXX GBp**
 Our Recommendation: **XXX**

Company Profile:

Sector/industry :

Ticker : XXX LN

Date: XXXX

Analyst's Recommendation: **XXX**

Analyst's Consensus: **BUY: XXX HOLD: XXX SELL: XXX**

Price Performance

Risk Adj Returns	% Past Month	% Quarter	% Half Year	% 1 Year
XXX PIC				
FTSE-100				
Risk Adj.				

Valuations

PE	DY	PB	PS	DDM

XXX PLC vs FTSE 100



Data as of XX/04/2020 Source: XXX XXXX PLC	Adj. Beta or Beta	P/Book	OP Margin	XXX
FY 2020				
Estimate FY 2021				
Estimate FY 2022				
Estimate FY 2023				

Introduction:

About the company

Risk Adjusted Returns:

Calculations of monthly risk adjusted returns using 2 year adjusted beta as XX/04/2020 = XXXX.

Company return – beta*return on market (assume alpha=0)

	XXX PLC (%)	FTSE-100 (%)	Numerical Calculations	Risk Adjusted returns (%)
Jan-20				
Feb-20				
Mar-20				
Apr-20				
May-20				
Jun-20				
Jul-20				
Aug-20				
Sep-20				
Oct-20				
Nov-20				
Dec-20				

News:

Date	News Summary	Brief Comments
XX/XX/2020 12:53:32 Firm Specific		
XX/XX/2020 11:46:41 Firm Specific		
XX/XX/2020 22:36:24 Systematic		
XX/XX/2020 18:43:22 Systematic		

Valuation:

Multi-stage DDM:

The performance of DPS has been a solid state of steady growth, with the compound annual growth rate from 2011-2020 at XXX%. The EPS growth was not as steady and fluctuated sharply, especially in 20XX, however recovering the following year. The compounding annual growth rate for EPS 2011-2020 was XX%.

	DPS	EPS	ROE	B (1-Payout Ratio)	G	DPS Growth	EPS Growth
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							

For illustration purposes only and numbers/calculations might not be accurate

Firstly, k will be calculated using the CAPM formula to help find the intrinsic value of the share using the discount dividend model. The current UK risk-free rate is 1.6% (return on a 10y gilt), the UK 1yr expected return is 6.6% (5% + 1.6%) and the 2yr adjusted company beta is 1.788. Using these numerical values the cost of equity for XXXLN can be calculated as:

$$k = R_f + \beta(E(R_m) - R_f) = 0.016 + 1.788 \times (0.066 - 0.016) = 0.1054 \text{ or } 10.54\%$$

In order for greater accuracy the DPS for 2020 will be used as it is the most up to date data. The DPS and EPS for 2020 are 217.77GBP and 184.08GBP respectively. The plowback ratio can be calculated as:

$$b = 1 - \left(\frac{DPS\ 2020}{EPS\ 2020} \right) = XXX$$

The ROE for 2020 was 20.13% and this value allows for an estimation calculation for the long term growth rate, seen in column G in the table above:

$$G = ROE\ 2020 \times b = XXX$$

For the years 2021, 2022 and 2023 I used XXXX estimates for the DPS as they are a well-respected provider of market information. They were as follows: Estimate 2021 = 203.50, Estimate 2021 = 205.35 and Estimate 2022 = 208.62.

For the years 2024 and 2025 I estimate that dividends will grow at a rate of XXXX% per annum. This figure is derived from the XXXXX.

The above for illustration purposes only you can arrive to the g number 2024 onwards based on another sequence of assumptions which will enable you to calculate the multistage DDM.

Economic Model Forecast:

The growth rate used here was XXX%. This is the Bank of England's Inflation rate of XXX% plus the UK long term growth potential of XXX%.

Valuation by Comparable Methods:

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Fair Value by PE:

Using the value of 25.04 as the PE for the sector median and 1.84 as the current EPS. All data was sourced from XXX.

$$\text{Fair Value (by PE)} = \text{XXX LN EPS} \times \text{Sector median PE} = 25.04 \times 1.84 = 4607.36 \text{ GBp}$$

Fair Value by DY:

The dividend yield for the sector median is 3.64% and the current DPS for XXX LN is 2.17

$$\text{Fair Value (by DY)} = \frac{\text{XXX LN DPS}}{\text{Sector Average DY}} = \frac{2.17}{0.0364} = 59.615 \text{ GBp} = 5961.54 \text{ GBp}$$

Fair Value by PB:

XXX provides the price to book of XXX LN and the sector median of 5.69 and 4.13 respectively. The current market price of XXX on 6th March 2020 was 4838.50, therefore the BPS can be calculated and thus the fair value:

$$\text{BPS} = \frac{\text{Market Price}}{\text{AZN LN P to Book}} = \frac{4838.50}{5.69} = 850.35 \text{ GBp}$$

$$\text{Fair Value (by PB)} = \text{BPS} \times \text{Sector median P to book} = 850.35 \times 4.13 = 3511.95 \text{ GBp}$$

Fair Value by PS:

The price to sales for XXX LN and the sector median are 3.79 and 3.69 respectively. The SPS (Sales per share) can be calculated and thus the fair value:

$$\text{SPS} = \frac{\text{Market Price}}{\text{XXX LN P to Sale}} = \frac{4838.50}{3.79} = 1276.65 \text{ GBp}$$

$$\text{Fairvalue (by PS)} = \text{SPS} \times \text{Sector median P to sale} = 1276.65 \times 3.69 = 4710.84 \text{ GBp}$$

Comparable Valuation Results:

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After calculating the results for PE, DY, P/B and P/S, I will utilise a weighting measurement to find the intrinsic value of the share. I have chosen a XXX% weighting for each of the methods. This is based on the assumption that each method is equally important.

Weight	Valuation Method	SV (GBp)	W x SV (GBp)
XX%	Sector Price to Earnings		
XX%	Sector Dividend Yield		
XX%	Sector Price to Book		
XX%	Sector Price to Sales		
100%	Intrinsic Value by the Comparative Valuations Approach		

Why did you chose such weights ??? and why did you included all the methods ?

Final Valuation:

Weight	Valuation Method	(Gbp)	W x SV (Gbp)
XXX %	Multistage DDM		
XXX %	Comparative Valuation		
100.00%	Intrinsic Value of XXX PLC (as of XX/04/20) Weighted Average		XXX

Why did you chose such weights ???

Discussion:

In the valuation of the share price using the DDM model

The Price Multiples methods is another simple method for valuing stocks.

SML Analysis:

Analysts Recommendation:

Conclusion:

Sample Skeleton Structure