- Team member name Jaina Vinay Kumar Reddy
- Team member name Snigdha Kantam
- Team member name Anisha Thapa
- Team member name Sumanth Pasupuleti

Historical Colgate	2017	2018	2019	2020	2021	2022 CAC	<u>GR</u>
Revenue	15,454	15,544	15,693	16,471	17,421	17,967	3.06%
Y-Y Growth		0.58%	0.96%	4.96%	5.77%	3.13%	
EBIT (Operating Income)	3,707	3,694	3,554	3,885	3,332	2,893	-4.84%
Ext					571	721	
Adjusted EBIT	3,707	3,694	3,554	3,885	3,903	3,614	
EBIT%	23.99%	23.76%	22.65%	23.59%	22.40%	20.11%	-3.46 <mark>%</mark>
EBT	3,487	3,464	3,301	3,647	3,087	2,660	-5.27 <mark>%</mark>
Taxes	1,313	906	774	787	749	693	
Tax Rate (t)	38%	26%	23%	22%	24%	26%	26.53% Average Tax Rat
EBIT*(1-t)	2,311.16	2,727.84	2,720.68	3,046.64	2,956.01	2,672.46	
Plus: D&A	475	511	519	539	556	545	
Less: Capital Expennditures	553	436	335	410	567	696	
Unlevered FCF	2,233.16	2,802.84	2,904.68	3,175.64	2,945.01	2,521.46	
						Sim	ple Average
D&A/Capex	0.86	1.17	1.55	1.31	0.98	0.78	1.11
Capex/Revenue	0.04	0.03	0.02	0.02	0.03	0.04	0.03

						Terminal	
	1	2	3	4	5	value	
Projections	2023	2024	2025	2026	2027	2027 Growth rate	3%
Colgate						Discount Rate	8%
Revenue	18,516.65	19,083.12	19,666.92	20,268.58	20,888.64		
EBIT	3,888.50	4,198.29	4,523.39	4,864.46	5,222.16		
EBIT%	21%	22%	23%	24%	25%		
Tax Rate (use 6Y average)	27%	27%	27%	27%	27.00%		
EBIT*(1-t)	2,838.60	3,064.75	3,302.08	3,551.05	3,812.18		
D&A	621.11	640.11	659.70	679.88	700.68		
Capital Expenditures	559.69	576.81	594.46	612.64	631.38		
Unlevered FCF	2,900.03	3,128.05	3,367.32	3,618.29	3,881.47	79,958.3	
PV of UFCF \$	2,685.21	2,681.80 \$	5 2,673.09 \$	2,659.55	2,641.66		
PV of Terminal Value \$	54,418.29						
Enterprise Value \$	67,759.61						
Less: Debt \$	7,980.00						
Equity Value <mark>\$</mark>	59,779.61						
Share outstanding	838.80						
Target Price <mark>\$</mark>	71.27						

WACC	
Cost of Debt	1.29%
Cost of Equity	6.21%
Weighting of Debt	0.12
Weighting of Equity	0.88
WACC	5.6%

Assumptions	
WACC	5.6%
Terninanl Growth Rate	3%

Book value of debt \$ 8,755.00 Market value of Equity \$ 66,768.00



Summary	Company Insights 😗	Chart Co	onversations Stati
Previous Close	80.79	Market Cap	66.768B
Open	80.60	Beta (5Y Monthly)	0.48
Bid	80.54 x 900	PE Ratio (TTM)	42.14
Ask	80.55 x 1000	EPS (TTM)	1.91
Day's Range	80.34 - 81.00	Earnings Date	Jul 27, 2023 - Jul 31, 2023
52 Week Range	67.84 - 83.81	Forward Dividend & Yiel	1.92 (2.36%)
Volume	3,079,805	Ex-Dividend Da	te Apr 20, 2023
Avg. Volume	4,602,004	1y Target Est	83.42

Historical

Use the 10-K to get the data Calculate EBIT Margin Calculate the Tax Rate Calculate D&A/Capex

Calculate Capex/Revenue

Calculate the Simnple Average

Projected

Project Revenue Project EBIT Use the D&A and Capex ratios to make an educated assumption for capex and Depreciation Calculate FCF Calculate WACC using 2022 Balance Sheet and current market cap Calculate PV of FCF Calculate Terminal Value Calculate PV of Terminal Value Calculate EV Let me know how you calcultaed the debt level Calculate Equity Value Calculate Price target

Directions.

I am not going to give you specific directions on what growth rates to use or margins to use etc. I want you to provide me an explanation on why you used the assumptions you did. If you do not provide me a reason, I will take points off. If I just see numbers and no attempt to justify the numbers, I will take points off.

You can attach a separet Word or PDF document outlining your thought ptocess.

Make sure your format is neat and consistent This is a valuation model youwill be handing to your boss.

⊞ ⊞ <u>♣</u> • A • 🛗 • A • A • ₹ DCF guide example - Excel File Home Insert Draw Page Layout Formulas Data Review View Developer BOOST ♀ Tell me what you want to do M38 ▼ : × ✓ f_x A B C D E F G H I Apple Unlevered Free Cash Flows Period (t) 2020P 2021P 2022P 2017A 2018P 2019P **EBITDA** 74,467 78,190 82,099 86,204 90,515 95,040 EBIT 67,343 74,245 77,957 81,855 85,948 70,710 Tax rate 26% 26% 26% 26% 26% 26% EBIT (1-t) 52,325 60,573 63,602 49,834 54,941 57,689 D&A 7,124 7,480 7,854 8,247 8,659 9,092 NWC (1,032)(929) (836)(753) (677)(610) Capital expenditures (10,741)(11,224)(12,257) (9,836)(10,278)(11,729) Unlevered free cash flows (UFCF) 46,089 48,598 51,219 53,959 56,826 59,827 Discount rate (r) 10% PV of UFCFs 44,180 42,329 40,540 38,813 37,148 Stage 1: Sum of present values 203,010 Terminal value - growth in perpetuity approach Terminal value - EBITDA multiple approach EBITDA multiple 9.0x Long term growth rate 4% 62,220 855,363 2022 FCF x (1+g) Terminal value in 2022 1,037,004 Terminal value in 2022 Stage 2: PV of TV 531,113 643,898 Stage 2: PV of TV 846,908 734,123 Enterprise value (stage 1 + 2) Enterprise value (stage 1 + 2)

Cost of Debt	
Int Exp	153.00
Total Gross debt	8,755.00
R _d = Interest Expense / Total Gross debt	
Tax rate	26.05%
Cost of debt	1.75%
Adjusted cost of debt	1.29%

Cost of Equity		
	Market Rate of Return	9%
Beta		0.5
R(f)		3.42%
Re = Rf + 2 * (Rm - Rf)		
Cost of Equity		6.2%





80.46 -0.33 (-0.41%) As of 12:48PM EDT. Market open.

Summary	Company Insights ??	Chart Co	onversations Sta
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Avg. Volume	4,602,004	1y Target Est	83.42

COLGATE-PALMOLIVE COMPANY

Consolidated Balance Sheets As of December 31,

(Dollars in Millions Except Share and Per Share Amounts)

(Dollars in Millions Except Share and Per Share	Amounts)		
	2022		2021
Assets			
Current Assets			
Cash and cash equivalents	\$ 7	75 \$	832
Receivables (net of allowances of \$70 and \$78, respectively)	1,5)4	1,297
Inventories	2,0	4	1,692
Other current assets	79	50	576
Total current assets	5,1	3	4,397
Property, plant and equipment, net	4,3)7	3,730
Goodwill	3,3	52	3,284
Other intangible assets, net	1,9	20	2,462
Deferred income taxes	1.	35	193
Other assets		04	974
Total assets	\$ 15,7	31 \$	15,040
Liabilities and Shareholders' Equity			
Current Liabilities			
Notes and loans payable	\$	11 \$	39
Current portion of long-term debt		14	12
Accounts payable	1,5	51	1,479
Accrued income taxes	3.	7	436
Other accruals	2,1	11	2,085
Total current liabilities	4,0)4	4,051
Long-term debt	8,7	11	7,194
Deferred income taxes	3	83	395
Other liabilities	1,7)7	2,429
Total liabilities	14,9	25	14,069
Commitments and contingent liabilities		_	_
Shareholders' Equity			
Common stock, \$1 par value (2,000,000,000 shares authorized, 1,465,706,360 shares issued)	1,4	56	1,466
Additional paid-in capital	3,5	16	3,269
Retained earnings	24,5	/3	24,350
Accumulated other comprehensive income (loss)	(4,0	5)	(4,386
Unearned compensation		(1)	(1
Treasury stock, at cost	(25,12	8)	(24,089
Total Colgate-Palmolive Company shareholders' equity	4	01	609
Noncontrolling interests	4	05	362
Total equity	8	06	971
Total liabilities and equity	\$ 15,7	31 \$	15,040

Please find the word file of the Assumption as well

Assumption

		Use the 5 year simple average of historical rates	
		Assumptions for Projections	
CAGR	3.06%	1) We assumed the growth rate for revenue as per the CAGR to be in a professional projections.	
EBIT		2) Prior to Covid the EBIT was around 20%-25%, however after COVID the company experienced a Low % of EBIT for a year and we have assumed that the company will go in a increasing tren	d after that
Tax Rate	27%	3) For Tax rate, as per the discussion in the class we used average of Historical value, but we rounded off that and showed number in the cell.	
		4) D&A we clculated on the Capital Exp using simple Avg of D&A/Cpapex	
		5) Cap Exp is calculated on revenue using Simple Avg	
		6) Debt calculated as Net Debt from Financials.	
Shares Outstand	d 838.80	7) Shares out standing took from the 2022 Financial Statements	
Discount rate	8%	8) The general discount rate in the market will be 7%-8%, Discount rate is assumed as 8%,	
Beta	0.5	9) The source for Beta is Fact seat/Yahoo finance	
Ext		We have also mentioned Ext in the excel sheet which means extra ordinanry items that consists of Goodwill and intangible assets, impairment charges	