

University of Toronto Engineering Finance Association Information Session

September 13, 2018



Agenda



1st Half



Club Objective & History



Club Operations



Club Plan and Schedule



Conclusion; Q&A; Executive Introductions

Break

2nd Half



Analysis Methodology & Sample Pitch

| Club Objective and History



Club History and Objective



History

- Founded in 2009 to give Engineering students more exposure to Finance
- Started with Professor Lawryshyn & 3 Engineering students
- Has grown to 60 invested members and just under \$15,000 CAD in cash and equity, 7 Executives and many more active Analysts
- Looking to expand even further!

Objective

Provide an opportunity for students to study and understand various sectors of the market by engaging them in investing activities

What You'll Do/Learn

- Develop the essential skills required in financial service industries
 - Various investment strategies
 - Financial statement analysis
 - Valuation techniques and methodologies
 - How to invest with real money (and make a profit!)
- Develop various soft skills that are key in the corporate world
 - Presentation and communication skills
 - Analytical skills



Why Is This Important

- Provides you with the skills required to succeed in various financial roles and industries
 - Consulting
 - Trading
 - Investment Funds
 - Private Equity
 - Investment Banking
 - Equity Research
 - Upper/Middle Management across all industries
- Provides you with the skills to invest independently

Alumni and Members



Alumni

UTEFA alumni are currently in industry and/or pursuing graduate degrees. Some examples include:

- **Consulting:** Deloitte
- **Trading:** Goldman Sachs, RBC Capital Markets
- **Investment Funds:** CPPIB, OTPP
- **Investment Banking:** CIBC World Markets, Morgan Stanley, Barclays

Members

Current UTEFA members include students of all ages (both graduate and undergraduate), education backgrounds (Engineering, Rotman, Music, Computer Science, etc.) and work experience (currently on PEY, returning from PEY, past full-time experience, etc.).

Alumni Spotlight

Company: Deloitte Canada LLP
Role: Manager, Omnia AI

“I continue to be staffed on projects because of my understanding of securities and finance related concepts. UTEFA gave me exposure not only to the stock market and trading but to the language of the industry that I now use everyday.”

– Michael Vinelli

Member Spotlight

- **Ameer Shaikh;** returning from a 12-month PEY at Ontario Teachers’ Pension Plan
- **Michael Travis;** currently doing his 12-month PEY at Ontario Teachers’ Pension Plan
- **Tom Qi;** Rotman Commerce Student & UTEFA Exec
- **Cameron Rzadki;** McMaster Biochem / Ivey Business School graduate, former healthcare investment banker, and current Master’s in Applied Computing student at UofT

Leverage UTEFA to build your network!!



Morgan Stanley



| Club Operations



How does UTEFA make investments?



UTEFA bases all investment decisions on the outcome of the analysis conducted by its members. To do this, we:

- Divide ourselves in different “sector groups” with each being led by one or more executive
- Sector groups analyze companies from both quantitative and qualitative perspectives, including using DCF’s, event-driven data and recent news
- Sector groups create stock pitches and present them at the weekly General Meetings
- UTEFA shareholders vote to buy/sell shares
- VP Finance executes all trades during the following day’s market hours

How does UTEFA manage its portfolio?



VP Operations and Head Economist oversee the day-to-day movement of UTEFA's investment portfolio

- VP Operations oversees the Market Update Committee which creates weekly market updates highlighting the week's major news events – **contact Tiger if you are interested in joining the Market Update Committee!**
- Market Update Committee highlights current holdings that should be sold and provides justification for doing so
- Market Update Committee also highlights future investment opportunities the club should look into based on recent news and industry trends

Prior to beginning the weekly routine highlighted previously, UTEFA will have 2 weeks of 2-hour learning sessions



Session 1 – September 20, 2018

- Introduction to Accounting and Financial Statements
- Key financial concepts, ratios and valuation metrics
- Enterprise Value vs. Equity Value and when to use them

Session 2 – September 27, 2018

- Valuation methodologies (relative vs. intrinsic)
- Public Company Comparables
- Precedent Transactions
- Discounted Cash Flow (DCF) Analysis

Additional learning sessions will be conducted throughout the year covering various topics, including but not limited to: LBOs, Merger Models, Industry Specific Valuations, Portfolio Performance Metrics, etc.

Typical General Meeting Agenda



- General Meetings occur **every Thursday**, starting October 4th, 2018 (i.e. immediately after the completion of the training sessions)
- General Meetings will **begin at 6:30pm** (allows more time for students currently on PEY to attend) and will end around 7:30pm

Typical General Meeting Agenda:

- ~ 5 minutes: Market Update by the Market Update Committee
- ~ 10 minutes: Discussion of market news, current market trends, follow-up from past meetings
- 35-40 minutes: Presentations by sector groups, Q/A, discussion, ad-hoc learning sessions, etc.
- ~ 5 minutes: Discussion of upcoming responsibilities for future weeks

Club Plans and Schedule



Timeline and Schedule – First Semester



Info
Session

Training Sessions
(Sep 20, Sep 27)

General Meetings
(Oct 4 – Dec 6, 2018)

Session	Date	Time	Room	Agenda
1	TODAY	6:10pm	MP 137	Information Session
2	Sep 20	6:10pm	BA 2139	Learning Session – Accounting + Financial Statement Analysis
3	Sep 27	6:10pm	BA 2139	Learning Session – Valuation Techniques
4	Oct 4	6:30pm	BA 2139	General Meeting
5	Oct 11	6:30pm	BA 2139	General Meeting
6	Oct 18	6:30pm	ES B149	General Meeting
7	Oct 25	6:30pm	BA 2139	General Meeting
8	Nov 1	6:30pm	ES B149	General Meeting
9	Nov 8	6:30pm	BA 2139	General Meeting
10	Nov 15	6:30pm	BA 2139	General Meeting
11	Nov 22	6:30pm	BA 2139	General Meeting
12	Nov 29	6:30pm	BA 2139	General Meeting
13	Dec 6	6:30pm	BA 2139	General Meeting

Becoming an Invested Member



Formal invitation to become a UTEFA shareholder will be sent out in mid to late October

- UTEFA shareholders will have voting rights for all investment decisions
- Contact Michael Travis (VP Finance) to learn more!



Additional Plans for the Year



Aside from the General Meetings, UTEFA is looking to create various fun activities throughout the year – more details will be provided via e-mail and during General Meetings.

Activities in the works include:

- Mock Interviews *for Trading, Hedge Fund, Private Equity, Investment Banking, Consulting and Equity Research roles*
- Guest Speakers *(past executives, industry professionals)*
- Networking Events / Career Night
- Monthly Pub Nights *(awaiting budget approval from ULife / EngSoc)*
- Alumni Pub Night
- Case Competitions / Stock Pitch Competitions
- Investment Challenges

BREAK – Meet our Execs!



Prof. Lawryshyn
Club Advisor



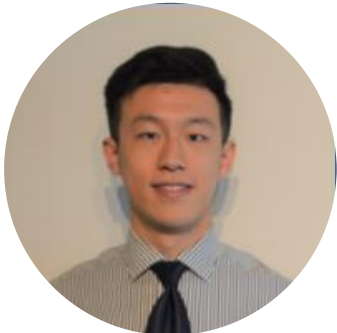
Stefan Momic
President



Michael Travis
VP Finance



Eric Boszin
VP External



Tiger Sheng
VP Operations



Ita Zaporozhets
VP Internal



Tom Qi
Head Economist



Ameer Shaikh
Head Analyst

| Analysis Methodology & Sample Pitch



How much do you already know?



Before we go into teaching you how to make a stock pitch / what goes into one, we want to survey how much you already know!

- Present Value / Time Value of Money
- Financial Statements – can you name them?
- What is a stock?
- What is an index? What is an ETF?

What are Capital Markets??

A market in which individuals and institutions trade financial securities/instruments!
Simple viewpoint: Capital Markets is made up of two sides – Buy Side and Sell Side

Buy Side

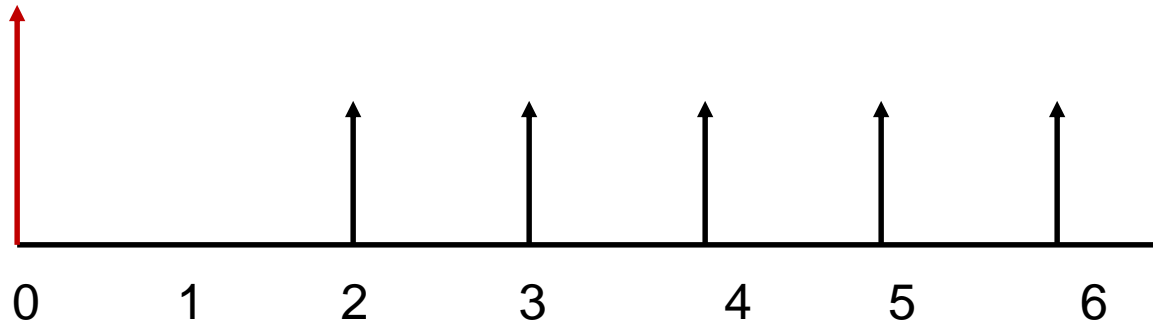
- Dominated by large institutional investors like Pension Funds, Mutual Funds, Hedge Funds, etc.
- These groups are basically identical except for the rules by which they are governed
- Ultimate goal of buy side funds is to make large returns!



Sell Side

- Includes sales and trading, equity research and investment banking
- **Sales and trading:** facilitate interaction with primary and secondary markets
- **Equity research:** cover individual companies and give their opinions to the public (e.g. analyst recommendations)
- **Investment banking:** facilitate financing for large corporations – M&A, Equity Issuances, Debt Issuances, etc.

$$\text{\$}x_{Future} < \text{\$}x_{Today}$$



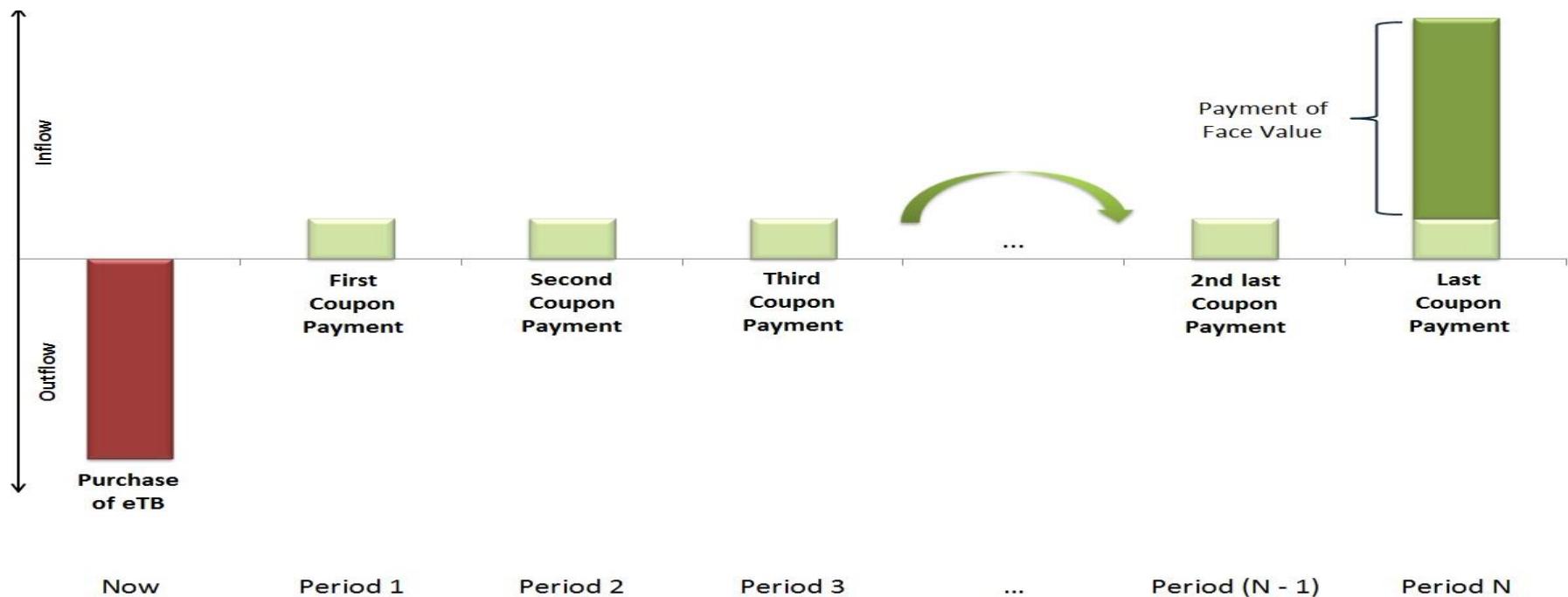
However, using a “discount rate” dollars in the future can be converted to an equivalent amount of dollars today. This means that any arbitrary cash flow can be converted to an equivalent value today – this is the backbone of the DCF Analysis!

- Stocks
- Bonds – corporate, government
- Commodities
- Currency
- Derivatives – *financial product whose value is based on another underlying asset: options, swaps, futures*

Bonds – A Fixed Income Security



- *Typically* a very secure investment
- Typical cash flow: Pay a fixed amount now (i.e. the Price), receive periodic payments (i.e. coupons) and a final lump sum (i.e. Face Value)
- Example: 10 Year US Treasury Note



Stocks – Equity Investments



- UTEFA's main focus
- A stock gives you partial ownership of the company
- Anyone can own stocks, but they are largely held by large institutional investors (hedge funds, pension funds, etc.)
- Stocks are available for purchase in the primary (when stocks are originally issued) and secondary markets (when stocks are traded among investors)
- Many ways to pick which stocks to invest in – Fundamental Analysis, Technical Analysis, Speculation, Portfolio Optimization, etc. **UTEFA focuses on fundamental analysis based on company financials**

Useful Websites to Learn More!



- Investopedia.com
- Morningstar.com
- Finance.google.com
- Finance.yahoo.com
- Bloomberg
- Seekingalpha.com
- Read The News – *National Post, Global and Mail, Wall Street Journal, Financial Times*

Procter & Gamble Co – *Sample Pitch*

NYSE: PG

May 20, 2018





Trade Details



Company Background



Market Forecast



Financials



Valuation



Conclusion

Recommendation: **BUY**

Market Details

Current Stock Price*: \$73.45

DCF Valuation Stock Price: \$81.33

Target Stock Price: \$81.00

Risks of the Trade

- Recent proxy battle with P&G's management indicates uncertainty about the future
- E-commerce competition leading to the inability to continually raise prices due to a lack of brand preference from millennial shoppers
- Lack of innovation with the latest major invention being the Swiffer which launched in 1999
- Slowing growth as a consequence of e-commerce threats and lack of innovation

Trade Rationale / Investment Thesis

- Largest holding in the American Consumer Staples index. The consumer staples sector is expected to appreciate in value as investors shift portfolio focus
- PG shares are trading near historic lows – UTEFA believes this represents a strong upside potential with minimal downside risk
- Strong company fundamentals – greater operating and net profit margins than industry peers along with lower financial ratios

Investment Horizon

I expect growth induced share price to take affect over the next few years.

As such, I recommend holding PG shares long-term and believe you should reconsider the valuation of P&G a year from now to see how the growth outlook of the stock has changed.

* All values as of market close on Friday, May 18, 2018

Company Background



Procter & Gamble Co, also known as P&G, is an American consumer goods corporation. P&G is made of many individual brands, across many different product ranges including family care, beauty, home care, and health & grooming.

Baby, Feminine & Family Care

Home to 11 family care product brands including Bounty, Charmin, Tampax and Pampers.



Health & Grooming

Home to 16 health & grooming brands including Braun, Crest, Gillette, and Venus.



Beauty

Home to 11 beauty brands including Head & Shoulders, Herbal Essences, Olay, Old Spice and Rejoice.



Fabric & Home Care

Home to 11 fabric & home care brands including Ace, Ambi Pur, Bounce, Dawn, Downy, Dreft, Cascade, Febreze, Gain, Joy, Lenor, Mr. Clean, Swiffer, and Tide.

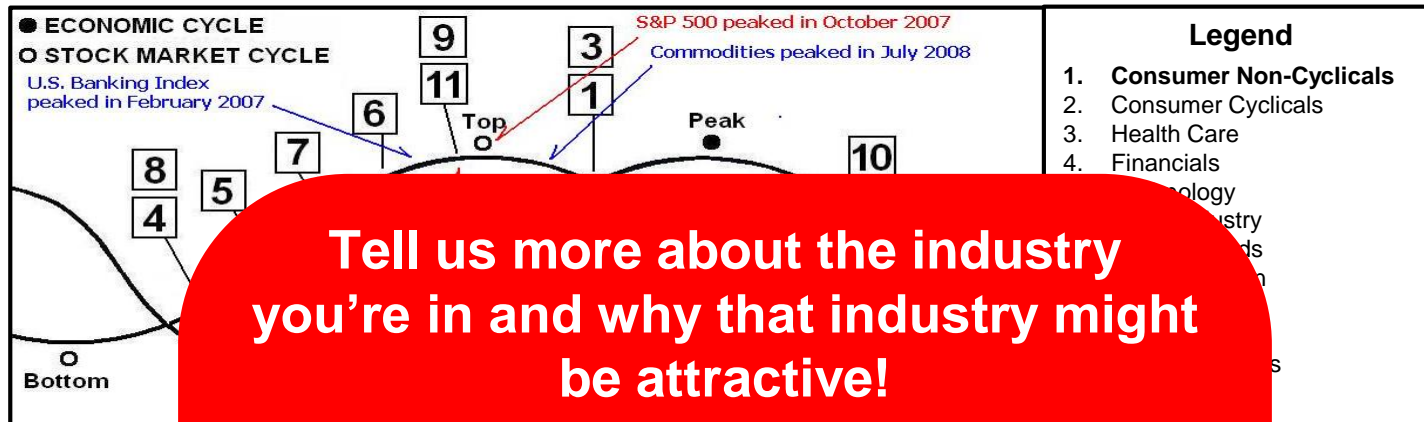


Tell us more about the company. For well known companies this could be light. For smaller companies in niche industries you might need to go into more detail here! It's important to know what you're investing in.

Market / Industry Forecast



I believe we are currently at the Top of the Stock Market Cycle. With the market moving into Early Bear in the near future, target sectors to be considered should be Consumer Non-Cyclicals, including Consumer Staples.



Tell us more about the industry you're in and why that industry might be attractive!

Does the company have any competitors? What advantages may it have over its competition? Why are we looking to invest in this company NOW?



Macroeconomics

Term spread –
year Treasury



predicts low future output
probability of recession

1955-Feb 2018 period was
the yield curve (i.e. episode

Gray bars indicate NBER recession dates – as can be seen this “rule” correctly signaled all nine recessions since 1955 and had only one false positive in the mid-1960s (this inversion was followed by an economic slowdown but not an official recession)

I believe the Consumer Staples sector is an attractive one to be in as I expect an appreciation in value from investors shifting their portfolios (sector rotation strategies)

Delta Risks

- Recent proxy battle with P&G's upper management indicates uncertainty about the company's future direction
- E-commerce - inability to continually raise prices due to a lack of brand preference from millennial shoppers caused by the increased competition from online retailers – P&G's higher net profit margins and diverse set of brands covering varying consumer segments mitigate this risk

What are the intrinsic risks associated with the company?

- While P&G has arguably bought a couple of the competitive start-ups but it may have missed those opportunities by focusing on selling it's own brands
- Slowing growth – as a consequence of e-commerce threats and lack of innovation, P&G has seen slower growth in recent years – I mitigated this risk by assuming no more than 1.25% revenue growth throughout the valuation and still getting a discounted share valuation

FX Risks

Since P&G is traded on the NYSE, we are faced with inherent FX risks. As such, I have quantitatively considered the affect of this FX risk by considering a couple of extreme downside cases.

Target price (T) = \$81.00

Current Price (S) = \$73.45

Current USD/CAD Rate (FX_1) = 1.29

Stop-loss Price* = \$70.00

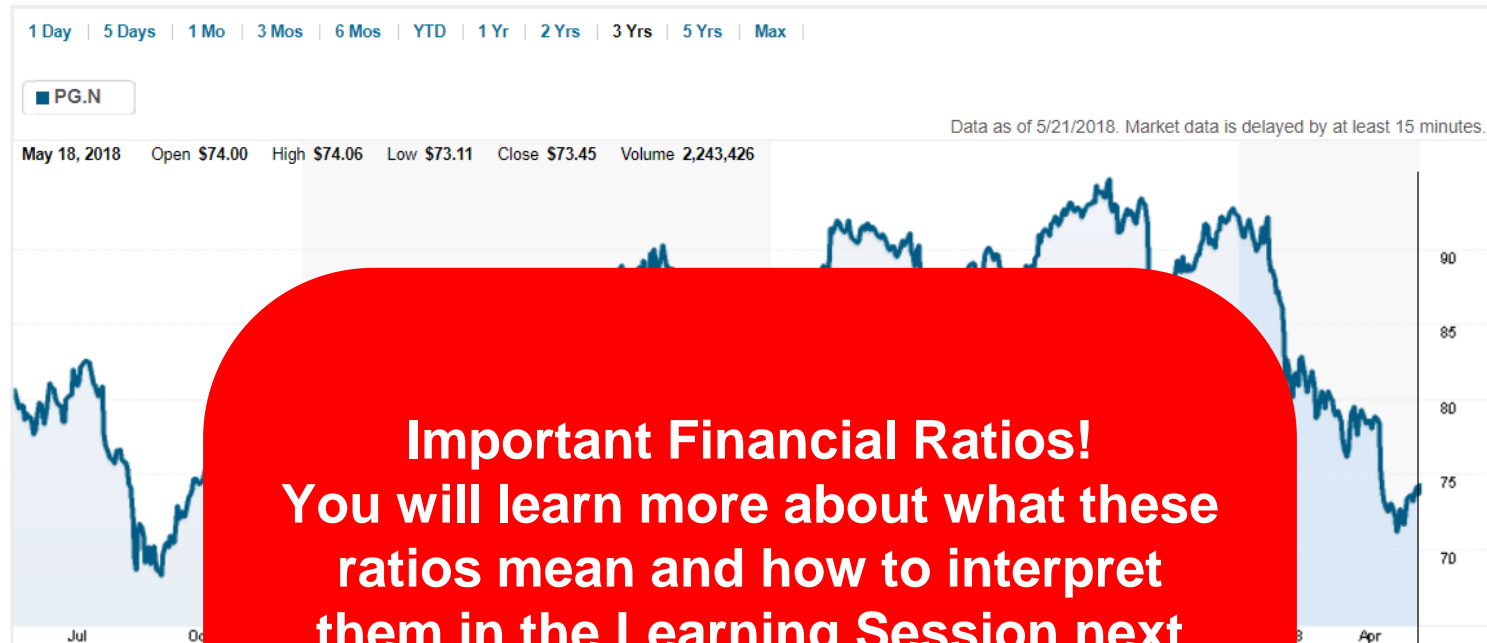
What are some of the macroeconomic risks implicit in the investment?

Alth
ho
Ho
End
Inve
Hor
USD/
Rate

	22.70	18.65	14.60	10.55	6.50	2.45	-1.60	-5.65	-9.70	-13.75
Realization of Target										
Stagnant Price Action	11.75	8.08	4.41	0.73	-2.94	-6.61	-10.28	-13.96	-17.63	-21.30
Realization of Stop-Loss Limit	6.75	3.25	-0.25	-3.75	-7.25	-10.75	-14.25	-17.75	-21.25	-24.75

* Expect to place a stop-loss limit at \$70, indicating selling off all PG shares if this price is realized

Key Financials and Stock Chart



Important Financial Ratios!
 You will learn more about what these ratios mean and how to interpret them in the Learning Session next week!!

Key Metrics	NYSE: PG	Market Share	Sector: Consumer Staples
Beta	0.57		38.10
P/E ratio (TTM)	17.43	89.10	17.67
P/B ratio (MRQ)	3.46	5.12	13.25
Dividend Yield [%]	3.91	0.95	23.18
Current Ratio (MRQ)	0.91	1.31	54.22
		Margin (TTM)	13.92
		Net Profit Margin (TTM)	10.46
		ROA (TTM) [%]	7.19
		ROE (TTM) [%]	13.89

DCF Valuation



Since we expect a long term investment horizon, P&G's annual financials were considered in the valuation. As such, 5 years of historical results were considered and projections were made for the next 5 years.



Key Inputs

Key Figure	
Beta (taken from Reuters)	0.57
Risk-free rate (10-year Treasury)	2.82%
Market rate (S&P 500)	10.60%
Debt rate (calculated)	2.58%
Return on equity	7.25%
WACC (calculated)	5.89%
Long-term growth rate (dividend yield – I believe this to be a conservative estimate)	1.25%

DCF Analysis and Assumptions!!
You will learn how to do this during
the Learning Session on September
27th!



Valuation (refer to Appendix A for the full DCF valuation)

Enterprise Value	\$222,579.24M
Equity Value	\$204,524.24M
Number of Shares Outstanding	2514.6M

Implied Share Price: \$81.33
Current Share Price: \$73.45
(10.73% Upside)

Possibly Undervalued

Sensitivity Analysis



I have considered various WACC rates and very conservative growth rates as a factor of safety for the assumptions made



Sensitivity Analysis Results

		Discount Rate							
		1%	4%	5%	6%	7%	8%	9%	10%
Growth Rate	1	<div>Sensitivity Analysis!!</div> <div>Very important to consider different scenarios when doing your valuations</div>						\$44.83	\$39.11
	2							\$47.36	\$41.02
	3							\$50.24	\$43.17
	4							\$53.58	\$45.61
	5							\$57.46	\$48.39

Sensitivity Analysis!!
Very important to consider different scenarios when doing your valuations because you make so many assumptions about the future!

Weak buy
decent amount
trading at a discount.

is evidenced by a
es are currently

Legend	
	Discount
	Inconclusive
	Premium

Comparables



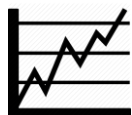
I calculated the implied share price of P&G using the relevant financial ratios from each competitor. A brief introduction to the competitors, along with some key metrics for comparison is provided below.

Competitors



	Comparables						
	P/E	Price/Book	Price/Sales	Price/FCF	EV/Sales	EV/EBITDA	EV/EBIT
The Procter & Gamble Company (PG-US)	18.23x	3.74x	2.80x	17.19x	3.10x	11.91x	14.21x
Colgate-Palmolive Company (CL-N)	23.30x	NEG	3.46x	17.88x	3.85x	14.39x	16.32x
The Estee Lauder Companies Inc. (EL-N)	47.44x	11.67x	4.00x	28.45x	4.12x	21.27x	26.61x
Church & Dwight Co., Inc. (CHD)						15.22x	17.87x
The Clorox Company (CLX)						13.09x	14.99x
Kimberly-Clark Corporation (KIM)						12.56x	16.06x
L'Oreal (OR-FR)						19.02x	23.70x
Unilever (UNA-AE)						15.90x	18.75x
Unilever PLC (ULVR-LN)						15.90x	18.76x
Average						15.92x	19.13x
Median						15.56x	18.31x
High						21.27x	26.61x
Low						12.56x	14.99x

Public Company Comparables!!
You will learn how to do this during
the Learning Session on September
27th!



Key P&G Stats

Key Stats						
Earnings	Enterprise Value	Book Value	Sales	FCF	EBITDA	EBIT
5.80	222579.24	55,778.00	65,058.00	13515.93	16,774.21	13,954.21



Implied Share Price from Valuation Multiples

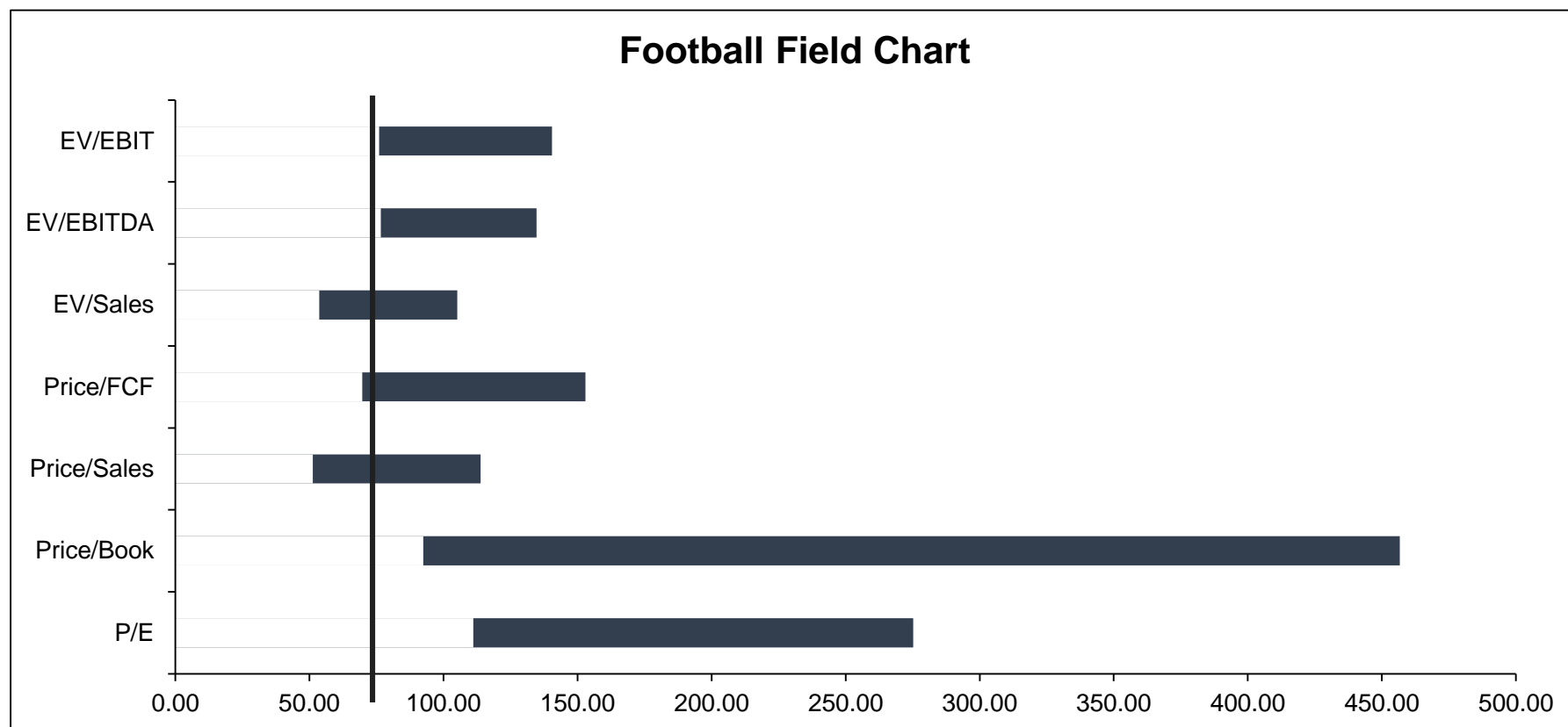
	Implied Share Price						
	P/E	Price/Book	Price/Sales	Price/FCF	EV/Sales	EV/EBITDA	EV/EBIT
Average	155.45	225.33	79.14	101.86	79.75	99.01	98.99
Median	138.50	208.29	71.41	97.64	76.26	96.62	94.43
High	275.15	456.72	113.84	152.92	105.10	134.71	140.49
Low	111.13	92.50	51.23	69.71	53.62	76.60	76.00

* Omitted from calculation – deemed to be an outlier

Football Field Chart



	Implied Share Price						
	P/E	Price/Book	Price/Sales	Price/FCF	EV/Sales	EV/EBITDA	EV/EBIT
Average	155.45	225.33	79.14	101.86	79.75	99.01	98.99
Median	138.50	208.29	71.41	97.64	76.26	96.62	94.43
High	275.15	456.72	113.84	152.92	105.10	134.71	140.49
Low	111.13	92.50	51.23	69.71	53.62	76.60	76.00



Recommendation: BUY



Based on the valuation conducted I believe that Procter & Gamble Co has a decent upside, with very minimal downside making it an attractive share purchase. With little to no cause for concern given their fundamentals and market standing PG shares are a relatively strong buy.

Sector Appreciation Expected

With an economic slowdown expected, I anticipate the consumer staples sector to appreciate in value as investors shift portfolio focus to the largest consumer staples. I expect P&G's shares to appreciate well.

Opportunity to buy at a discount

P&G's shares are trading at low prices representing a great opportunity to buy PG shares at a discount. Additionally, P&G's lower financial ratios compared with their peers represents a great opportunity to buy:

- P/E: 17.43 (vs. 89.10 industry and 38.77 sector ratios)
- P/B: 3.46 (vs. 5.12 industry and 24.30 sector ratios)

DCF Valuation

Calculated implied share price of \$81.33 is greater than the current price of \$73.45 (10.73% discount), indicating that PG shares are undervalued.

In the sensitivity analysis of safety, it was determined that P&G's stock is underpriced under most

Comparable

P&G's P/E, P/B, EV/EBITDA and EV/EBIT ratios are all lowest compared to their competitors. Assuming P&G performance more closely resembles that of their competitors, P&G's share price is expected to be higher (refer to the Football Field Chart on page 11)

Recommendation!
Note, investment decisions are not made “because the DCF showed it was undervalued.” You need to have additional rationale that might explain why the stock is currently trading at a discount!

| Appendix A - DCF

P&G

Discounted Cash Flow



Procter & Gamble Co Discounted Cash Flow										
YEAR	Actual					Estimates				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EBIT	13,817.00	14,740.00	11,049.00	13,441.00	13,954.21	14,092.38	14,233.30	14,375.63	14,555.33	14,737.27
Taxes										
Tax rate	22.75%	21.06%	24.75%	25.00%	23.11%	23.33%	23.33%	23.33%	23.33%	23.33%
Working capital										
Total current assets (non-cash)	18,043.00	22,801.00	23,059.00	26,680.00	20,925.00	19,315.79	19,438.35	19,562.13	19,718.41	19,876.64
Total current liabilities (non-debt)	17,605.00	17,769.00	18,120.00	19,117.00	16,656.00	16,485.40	16,314.80	16,144.20	15,973.60	15,803.00
Working Capital	438.00	5,032.00	4,939.00	7,563.00	4,269.00	2,830.39	3,123.55	3,417.93	3,744.81	4,073.64
Change in working capital		4,594.00	- 93.00	2,624.00	- 3,294.00	- 1,438.61	293.16	294.38	326.88	328.83
Capital expenditures										
PP&E	21,666.00	20,268.00	22,304.00	19,385.00	19,893.00	20,091.93	20,292.85	20,495.78	20,700.74	20,907.74
Depreciation	2,982.00	3,141.00	3,134.00	3,078.00	2,820.00	3,031.00	3,031.00	3,031.00	3,031.00	3,031.00
Change in gross PP&E		1,743.00	5,170.00	159.00	3,328.00	3,229.93	3,231.92	3,233.93	3,235.96	3,238.01
Non-cash expenses										
Depreciation and Amortization	2,982.00	3,141.00	3,134.00	3,078.00	2,820.00	3,031.00	3,031.00	3,031.00	3,031.00	3,031.00
Free Cash Flow (FCF)	13,655.36	8,440.14	6,371.84	10,376.00	13,515.93	12,044.04	10,418.33	10,524.22	10,627.46	10,762.95
PV of FCF						11,374.33	9,291.91	8,864.42	8,453.64	8,085.35

Important DCF Parameters



WACC	
Risk-free rate	2.82%
Beta	0.57
Market rate	10.60%
Cost of equity	7.25%
Tax Rate	23.11%
Debt Rate	2.58%
WACC	5.89%

Equity Waterfall	
Enterprise Value	222,579.24
Cash & Marketable Securities	15,137.00
Debt	31,592.00
Preferred Shares	1,006.00
Minority Interest and other liabilities	594.00
Pension	
Equity Value	204,524.24

Share Price	
Implied Share Price	\$ 81.33
Current Share Price	\$ 73.45
Current Premium/(Discount)	(9.69%)
Maximum Implied Share Price	\$374.46
Minimum Implied Share Price	\$39.11

Gordon Growth Model	
Terminal growth rate	1.25%
Discount Rate	5.89%
Terminal Value	234,963.77
PV of TV	176,509.60
PV of FCF's	46,069.64
Enterprise Value	222,579.24
TV % of EV	79.30%

Debt to Equity	
	116%

Other Inputs	
Total Equity (Market Value)	184,697.37
Total Debt	64,628.00
Stock Ticker	PG
Shares Outstanding	2514.6

Terminal Multiples Method			
Terminal EBIT multiple	14.00x	16.00x	18.00x
Terminal Value	206,321.78	235,796.32	265,270.86
Implied Growth rate	0.64%	1.27%	1.76%
PV of TV	154,993.15	177,135.03	199,276.90
Enterprise Value	201,062.79	223,204.67	245,346.54
TV % of EV	77.09%	79.36%	81.22%
Equity Value	183,007.79	205,149.67	227,291.54
Implied Share Price	\$ 72.78	\$ 81.58	\$ 90.39

		Discount Rate						
		4%	5%	6%	7%	8%	9%	10%
Terminal EBIT multiple	12.00x	\$69.91	\$66.69	\$63.64	\$60.75	\$58.01	\$55.42	\$52.96
	14.00x	\$79.55	\$75.87	\$72.40	\$69.11	\$65.99	\$63.04	\$60.23
	16.00x	\$89.18	\$85.06	\$81.16	\$77.46	\$73.97	\$70.65	\$67.51
	18.00x	\$98.81	\$94.24	\$89.92	\$85.82	\$81.94	\$78.27	\$74.79
	20.00x	\$108.45	\$103.43	\$98.67	\$94.18	\$89.92	\$85.89	\$82.07

Legend	
	Discount
	Inconclusive
	Premium

Balance Sheet - Assets



Procter & Gamble Co Balance Sheet												
	Actual					Trend	Growth/Avg	Estimates				
YEAR	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022
CURRENT ASSETS												
Cash and Cash Equivalents, at Carrying Value	\$ 5,947.00	\$ 6,845.00	\$ 8,558.00	\$ 7,102.00	\$ 5,569.00			\$ 6,046.92	\$ 6,108.39	\$ 6,170.46	\$ 6,248.44	\$ 6,327.37
Cash as % Net Sales	7.4%	8.5%	12.1%	10.9%	8.6%							
Cash as % Net Earnings from Ops	54.21%	60.48%	103.27%	70.83%	54.63%		56.47%	56.47%	56.47%	56.47%	56.47%	56.47%
Available-for-sale Securities	\$ -	\$ 4,767.00	\$ 2,128.00	\$ 6,246.00	\$ 9,568.00			\$ 6,079.35	\$ 6,079.35	\$ 6,079.35	\$ 6,079.35	\$ 6,079.35
Securities as % of Investment Income		2.12%	7.00%	2.91%	1.79%		2.27%	2.27%	2.27%	2.27%	2.27%	2.27%
Accounts Receivable	\$ 6,508.00	\$ 4,861.00	\$ 6,386.00	\$ 4,373.00	\$ 4,594.00			\$ 4,843.26	\$ 4,891.69	\$ 4,940.61	\$ 5,002.37	\$ 5,064.90
AR as % Net Sales		6.04%	9.03%	6.70%	7.06%		7.39%	7.39%	7.39%	7.39%	7.39%	7.39%
INVENTORIES												
Inventory, Raw Materials and Supplies, Gross	\$ 1,704.00	\$ 1,392.00	\$ 1,742.00	\$ 1,188.00	\$ 1,308.00							
Inventory, Work in Process, Gross	\$ 722.00	\$ 550.00	\$ 684.00	\$ 563.00	\$ 529.00							
Inventory, Finished Goods, Gross	\$ 4,483.00	\$ 3,512.00	\$ 4,333.00	\$ 2,965.00	\$ 2,787.00							
Inventory, Net	\$ 6,909.00	\$ 5,454.00	\$ 6,759.00	\$ 4,716.00	\$ 4,624.00			\$ 4,670.15	\$ 4,716.85	\$ 4,764.02	\$ 4,823.57	\$ 4,883.86
Inventory, Net as % COGS	17.28%	13.30%	18.24%	14.33%	14.21%			14.25%	14.25%	14.25%	14.25%	14.25%
Deferred Tax Assets, Net of Valuation Allowance, Current	\$ 948.00	\$ 1,356.00	\$ 1,092.00	\$ 1,507.00	\$ -		\$ 980.60	\$ 980.60	\$ 980.60	\$ 980.60	\$ 980.60	\$ 980.60
Prepaid Expense and Other Assets, Current	\$ 3,678.00	\$ 2,853.00	\$ 3,845.00	\$ 2,653.00	\$ 2,139.00			\$ 2,742.43	\$ 2,769.85	\$ 2,797.55	\$ 2,832.52	\$ 2,867.93
Prepaid Expense as % Op Expenses	5.55%	4.34%	6.44%	5.12%	4.19%		5.13%					
Prepaid Expense as % Net Sales	4.59%	3.54%	5.43%	4.06%	3.29%		4.18%	4.18%	4.18%	4.18%	4.18%	4.18%
Disposal Group, Including Discontinued Operation, Assets, Current	\$ -	\$ 3,510.00	\$ 2,849.00	\$ 7,185.00	\$ -							
Current Assets	\$ 23,990.00	\$ 29,646.00	\$ 31,617.00	\$ 33,782.00	\$ 26,494.00			\$25,362.71	\$25,546.74	\$25,732.59	\$25,966.84	\$26,204.01
Current Assets % Net Sales	29.9%	36.8%	44.7%	51.7%	40.7%		40.8%	38.7%	38.6%	38.5%	38.4%	38.2%
Property, Plant and Equipment, Net	\$ 21,666.00	\$ 20,268.00	\$ 22,304.00	\$ 19,385.00	\$ 19,893.00			\$20,091.93	\$20,292.85	\$20,495.78	\$20,700.74	\$20,907.74
PP&E as % Depreciation Expense	13.8%	15.5%	14.1%	15.9%	14.2%							
% Change in PP&E		-6.45%	10.05%	-13.09%	2.62%							
% Change in Net Earnings from Ops		3.3%	-26.8%	21.0%	1.7%							
Goodwill	\$ 55,188.00	\$ 47,316.00	\$ 53,704.00	\$ 44,350.00	\$ 44,699.00			\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00
Intangible Assets, Net (Excluding Goodwill)	\$ 31,572.00	\$ 26,829.00	\$ 30,843.00	\$ 24,527.00	\$ 24,187.00		\$ 27,591.60	\$27,591.60	\$27,591.60	\$27,591.60	\$27,591.60	\$27,591.60
Other Assets, Noncurrent	\$ 6,847.00	\$ 5,436.00	\$ 5,798.00	\$ 5,092.00	\$ 5,133.00		\$ 5,661.20	\$ 5,661.20	\$ 5,661.20	\$ 5,661.20	\$ 5,661.20	\$ 5,661.20
Assets	139,263.00	\$129,495.00	\$144,266.00	127,136.00	120,406.00			123,707.44	124,092.39	124,481.17	124,920.38	125,364.55

Balance Sheet – Liabilities and Shareholders' Equity



Procter & Gamble Co Balance Sheet												
	Actual					Trend	Growth/Avg	Estimates				
YEAR	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022
CURRENT LIABILITIES												
Accounts Payable, Current	\$ 8,777.00	\$ 8,257.00	\$ 8,461.00	\$ 9,325.00	\$ 9,632.00			\$ 9,909.80	\$ 10,187.60	\$ 10,465.40	\$ 10,743.20	\$ 11,021.00
Accrued Liabilities, Current	\$ 8,828.00	\$ 8,325.00	\$ 8,999.00	\$ 7,449.00	\$ 7,024.00			\$ 6,575.60	\$ 6,127.20	\$ 5,678.80	\$ 5,230.40	\$ 4,782.00
Disposal Group, Including Discontinued Operation, Liabilities, Current	\$ -	\$ 1,187.00	\$ 660.00	\$ 2,343.00	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -
Debt, Current	\$ 12,432.00	\$ 12,021.00	\$ 15,606.00	\$ 11,653.00	\$ 13,554.00			\$ 11,770.97	\$ 11,888.68	\$ 12,007.57	\$ 12,157.66	\$ 12,309.63
Current Debt as % COGS	31.1%	29.3%	42.1%	35.4%	41.7%		35.9%	35.9%	35.9%	35.9%	35.9%	35.9%
Liabilities, Current	\$ 30,037.00	\$ 29,790.00	\$ 33,726.00	\$ 30,770.00	\$ 30,210.00			\$ 28,256.37	\$ 28,203.48	\$ 28,151.77	\$ 28,131.26	\$ 28,112.63
Current Liabilities as % Net Sales												
Long-term Debt, Excluding Current Maturities	\$ 19,111.00	\$ 18,329.00	\$ 19,811.00	\$ 18,945.00	\$ 18,038.00		\$ 18,846.80	\$ 18,846.80	\$ 18,846.80	\$ 18,846.80	\$ 18,846.80	\$ 18,846.80
Deferred Tax Liabilities, Net, Noncurrent	\$ 10,827.00	\$ 9,531.00	\$ 10,218.00	\$ 9,113.00	\$ 8,126.00			\$ 7,544.00	\$ 6,962.00	\$ 6,380.00	\$ 5,798.00	\$ 5,216.00
Other Liabilities, Noncurrent	\$ 10,579.00	\$ 8,795.00	\$ 10,535.00	\$ 10,325.00	\$ 8,254.00		\$ 9,697.60	\$ 9,697.60	\$ 9,697.60	\$ 9,697.60	\$ 9,697.60	\$ 9,697.60
Liabilities	\$ 70,554.00	\$ 66,445.00	\$ 74,290.00	\$ 69,153.00	\$ 64,628.00			\$ 64,344.77	\$ 63,709.88	\$ 63,076.17	\$ 62,473.66	\$ 61,873.03
SHAREHOLDERS' EQUITY												
Common Stock, Value, Issued	\$ 4,009.00	\$ 4,009.00	\$ 4,009.00	\$ 4,009.00	\$ 4,009.00							
Additional Paid in Capital	\$ 63,538.00	\$ 63,852.00	\$ 63,911.00	\$ 63,714.00	\$ 63,641.00							
Reserve for ESOP Debt Retirement	\$ (1,352.00)	\$ (1,320.00)	\$ (1,340.00)	\$ (1,290.00)	\$ (1,249.00)							
Accumulated Other Comprehensive Income (Loss), Net of Tax	\$ (7,499.00)	\$ (12,780.00)	\$ (7,662.00)	\$ (15,907.00)	\$ (14,632.00)							
Treasury Stock, Value	\$ (71,966.00)	\$ (77,226.00)	\$ (75,805.00)	\$ (82,176.00)	\$ (93,715.00)							
Retained Earnings (Accumulated Deficit)	\$ 80,197.00	\$ 84,807.00	\$ 84,990.00	\$ 87,953.00	\$ 96,124.00							
Stockholders' Equity Attributable to Noncontrolling Interest	\$ 645.00	\$ 631.00	\$ 762.00	\$ 642.00	\$ 594.00							
Stockholders' Equity, Including Portion Attributable to Noncontrolling Interest												
Preferred Stock, Stated Value, Issued	\$ 1,137.00	\$ 1,077.00	\$ 1,111.00	\$ 1,038.00	\$ 1,006.00							
Total Equity	\$ 68,709.00	\$ 63,050.00	\$ 69,976.00	\$ 57,983.00	\$ 55,778.00							
Total Liabilities and Equity	\$ 139,263.00	\$ 129,495.00	\$ 144,266.00	\$ 127,136.00	\$ 120,406.00							

Income Statement



Procter & Gamble Co Income Statement												
	Actual					Trend	Growth/Avg	Estimates				
YEAR	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022
Net Sales	\$ 80,116.00	\$ 80,510.00	\$ 70,749.00	\$ 65,299.00	\$ 65,058.00			65,545.94	66,201.39	66,863.41	67,699.20	68,545.44
Net Sales Change over time												
Cost of Goods Sold	\$ 39,991.00	\$ 41,010.00	\$ 37,056.00	\$ 32,909.00	\$ 32,535.00			32,772.97	33,100.70	33,431.70	33,849.60	34,272.72
COGS as % Net Sales	49.92%	50.94%	52.38%	50.40%	50.01%		50.73%	50.00%	50.00%	50.00%	50.00%	50.00%
Selling, General and Administrative Expense	\$ 26,000.00	\$ 24,760.00	\$ 20,616.00	\$ 18,949.00	\$ 18,568.00			18,680.59	18,867.40	19,056.07	19,294.27	19,535.45
SG&A as % Net Sales	32.45%	30.75%	29.14%	29.02%	28.54%		28.90%	28.50%	28.50%	28.50%	28.50%	28.50%
Venezuela Deconsolidation Charge	\$ 308.00	\$ -	\$ 2,028.00	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -
Operating Income (EBIT)	\$ 13,817.00	\$ 14,740.00	\$ 11,049.00	\$ 13,441.00	\$ 13,954.21			14,092.38	14,233.30	14,375.63	14,555.33	14,737.27
EBIT as % Net Sales	17.25%	18.31%	15.62%	20.58%	21.45%			21.50%	21.50%	21.50%	21.50%	21.50%
Interest Expense	\$ 667.00	\$ 710.00	\$ 626.00	\$ 579.00	\$ 465.00			565.13	564.07	563.04	562.63	562.25
Interest Expense as % Current Liability	2.22%	2.38%	1.86%	1.88%	1.54%		1.98%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest Expense as % Total Liability	0.95%	1.07%	0.84%	0.84%	0.72%		0.88%					
Investment Income, Interest	\$ 88.00	\$ 101.00	\$ 149.00	\$ 182.00	\$ 171.00		\$ 138.20	138.20	138.20	138.20	138.20	138.20
Other Nonoperating Income (Expense)	\$ 941.00	\$ 206.00	\$ 440.00	\$ 325.00	\$ (404.00)		\$ 301.60	301.60	301.60	301.60	301.60	301.60
Earnings From Continuing Ops Before Tax	\$ 14,179.00	\$ 14,337.00	\$ 11,012.00	\$ 13,369.00	\$ 13,256.21			13,967.05	14,109.03	14,252.40	14,432.50	14,614.82
EBT as % Net Sales												
Income Taxes on Continuing Operations	\$ 3,226.00	\$ 3,019.00	\$ 2,725.00	\$ 3,342.00	\$ 3,063.00			3,258.77	3,291.90	3,325.35	3,367.37	3,409.91
Tax Rate	22.8%	21.1%	24.7%	25.0%	23.1%		23.3%	23.3%	23.3%	23.3%	23.3%	23.3%
Net Earnings from Continuing Operations	\$ 10,953.00	\$ 11,318.00	\$ 8,287.00	\$ 10,027.00	\$ 10,193.21			10,708.27	10,817.13	10,927.05	11,065.13	11,204.91
Net Earnings/(Loss) from Discontinued Operations	\$ 449.00	\$ 467.00	\$ (1,143.00)	\$ 577.00	\$ 5,217.00							
Net Earnings	\$ 11,402.00	\$ 11,785.00	\$ 7,144.00	\$ 10,604.00	\$ 15,410.21							
Interest	\$ 90.00	\$ 142.00	\$ 108.00	\$ 96.00	\$ 85.00							
Net Earnings Attributable to Procter & Gamble	\$ 11,312.00	\$ 11,643.00	\$ 7,036.00	\$ 10,508.00	\$ 15,325.21							
BASIC NET EARNINGS PER COMMON SHARE												
Share	3.87	4.03	2.92	3.59	3.79							
Disposal of Discontinued Operations, Net of Tax,	0.17	0.16	-0.42	0.21	2.01							
Earnings Per Share, Basic	4.04	4.19	2.50	3.80	5.80							
DILUTED NET EARNINGS PER COMMON SHARE												
Share	3.71	3.86	2.84	3.49	3.69							
Disposal of Discontinued Operations, Net of Tax,	0.15	0.15	-0.40	0.20	1.90							
Earnings Per Share, Diluted	3.86	4.01	2.44	3.69	5.59							
Dividends, Per Common Share	\$ 2.29	\$ 2.45	2.59	2.66	2.70							

Thank you for coming out to the Information Session!

Our first Learning Session will be held on:

Thursday September 20th at 6:10pm in BA 2139

Please leave us your name and e-mail on the paper provided so we can add you to our mailing list!

Stay in touch:

Website: utefa.skule.ca

Email: utefa@ecf.utoronto.ca

LinkedIn: <https://www.linkedin.com/company/utefa/>

Facebook: https://www.facebook.com/utefa/?ref=br_rs

Questions and Comments?

