Pamela

In this assessment you had to: 1) Analyzes financial ratio analysis from each category, trend analysis, and competitive average analyze; includes trend analysis going back three years for each ratio. 2)Evaluates the provided financial statements of the firm to find its true condition and valuation; supports evaluation with details and examples to illustrate the strengths and weaknesses. 3) Develops actionable items and conclusions, based on the data analysis, recommending at least three ways to maximize shareholder value; actions and conclusions have strong alignment to the data analysis and interpretation. 4) Tells the current financial story of the firm as to the overall health of the firm as it relates to current valuation and the future prospects of the company; provides details and examples to support telling the financial story. Identifies focus areas for enhancing shareholder value for the long term. Notes what short-term steps might be necessary for longer-term gains.

I am very disappointed that you did not address any of the issues.

**COMPETENCY 1**

**Apply the theories, models, and practices of finance to the financial management of an organization.**

**CRITERION**

**Analyze financial ratio analysis, trend analysis, and competitive average analysis.**

These are the questions that you MUST address. First, despite a declining EPS for ABC the stock market price has remained relatively stable. What possible factors can account for this? Second, the PE and PB for ABC ratios have been increasing. Yet, the EPS has been declining? How can you explain this trend? Third, EPS for ABC has been declining over the three year period. What possible factors could explain the this behavior. Fourth, you have to analyze the behavior of ABC;s BVPS. Please explain its performance over the three year period. Fifth, I would recommend that you calculate the PEG ratio for both ABC and HCA. Can the PEG ratio provide more information regarding ABC's and HCA's undervaluation or overvaluation. If so what is the the significance of this?

**Example of How to Use the PEG Ratio**

The PEG ratio provides useful information to compare companies and see which stock might be the better choice for an investor's needs, as follows.

Assume the following data for two hypothetical companies, Company A and Company B:

***Company A:***

Price per share = $46

EPS this year = $2.09

EPS last year = $1.74

***Company B***

Price per share = $80

EPS this year = $2.67

EPS last year = $1.78

Given this information, the following data can be calculated for each company.

***Company A***

P/E ratio = $46 / $2.09 = 22

Earnings growth rate = ($2.09 / $1.74) - 1 = 20%

PEG ratio = 22 / 20 = 1.1

***Company B***

P/E ratio = $80 / $2.67 = 30

Earnings growth rate = ($2.67 / $1.78) - 1 = 50%

PEG ratio = 30 / 50 = 0.6

Many investors may look at Company A and find it more attractive since it has a lower P/E ratio between the two companies. But compared to Company B, it doesn't have a high enough growth rate to justify its P/E. Company B is trading at a discount to its growth rate and investors purchasing it are paying less per unit of earnings growth.

You did not do any of these things that were requested

**COMPETENCY 2**

**Apply financial analyses to business planning and decision making.**

**CRITERION**

**Evaluate the provided financial statements of the firm to find its true condition and valuation.**

This was not done.: As far as the comparative analysis for ABC and HCA is concerned, you had to evaluate the provided financial statements of the firm to find its true condition and valuation, supporting the evaluation with details and examples to illustrate the strengths and weaknesses. In other words, you have to do a very specific comparison of all of ABC's financial ratios with HCA's financial ratios, i.e PE, PB, BVPS. EPS, PEG and stock market price order to determine the financial strengths and weaknesses of each firm.

I should point out to you that unfortunately the book value of equity for HCA has been negative from 2016 to 2019. It isn't until 2020 has it shown a modest improvement. In 2020, HCA had total assets of $47490 (millions) with $8,578 million in Goodwill, giving in a total in tangible assets of $39,382 and total liabilities of $46,918 Millons. (millions). As a result, its tangible net worth is negative (Tangible assets minus total liabilities. Net worth is a different story where Total Assets (47490) - Total liabilities (46918) = 572. HCA [Here is a link to check historical price to book value.](https://www.macrotrends.net/stocks/charts/HCA/hca-healthcare/price-book)In 2021, HCA had total assets of $50,742 (millions) with $9,540 millions being goodwill and total liabilities of $51,675 (millions). Tangible Assets -$41,202 Minus Total Liabilities $51,675 = -10,473 in Tangible New Worth. Net worth is Total Assets $50,742-Total Liabilities $51675 = -933. [HCA Healthcare Price to Book Ratio 2006-2021 | HCA | MacroTrends.](https://www.macrotrends.net/stocks/charts/HCA/hca-healthcare/price-book)

Please explain how these figures reconcile with yours. Also please calculate the PEG ratio for both ABC and and provide a comparison. Also, what is the significance of HCA's negative tangible net worth?

**COMPETENCY 3**

**Use data to support evidence-based financial decisions.**

**CRITERION**

**Develop actionable items and conclusions, based on the analysis, recommending at least three ways to maximize shareholder value.**

In this criteria you had to develop actionable items and conclusions, based on the data analysis, recommending at least three ways to maximize shareholder value; actions and conclusions have strong alignment to the data analysis and interpretation. In other words, you recommendations must be strongly aligned to the financial information provided to you (PE. PB, EPS, BVPS).

**COMPETENCY 4**

**Communicate financial information with multiple stakeholders.**

**CRITERION**

**Tell the current financial story as to the overall health of the firm as it relates to current valuation and the future prospects of the company. Identify focus areas for enhancing shareholder value for the long term. Note what short-term steps might be necessary for longer-term gains.**

Outlines a financial story of the firm as to the overall health of the firm as it relates to current valuation and the future prospects of the company. Does not identify focus areas for enhancing shareholder value for the long term nor note what short-term steps might be necessary for longer-term gains.