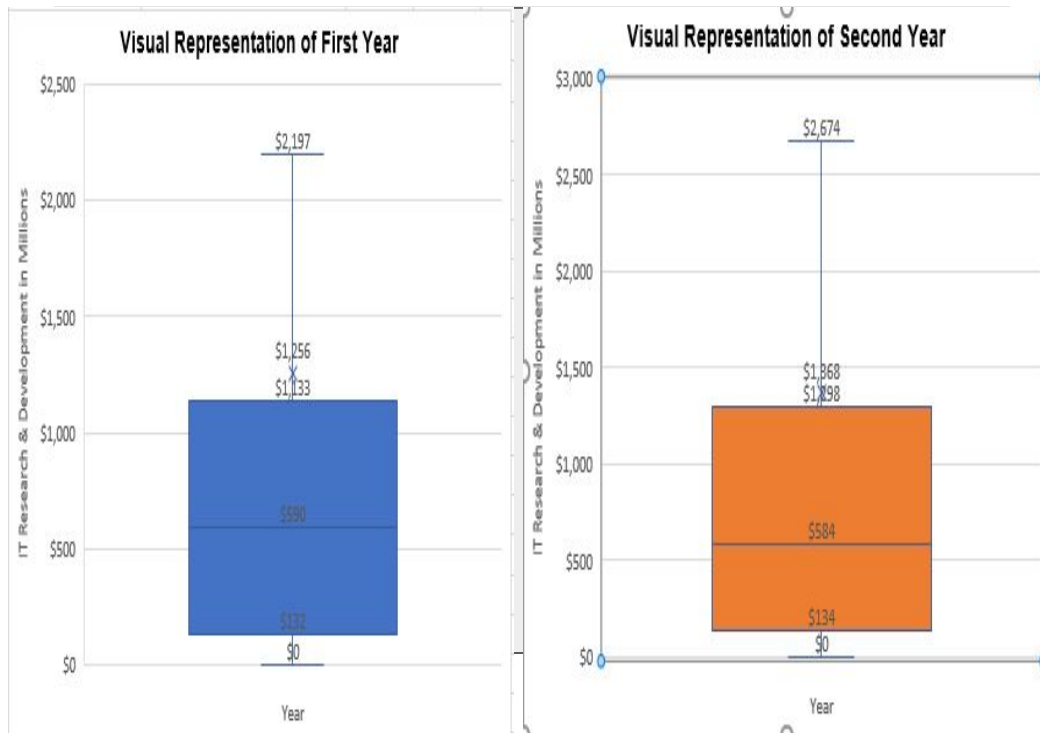


Analyzing:
New York Stock Exchange

How Information Technology Research and Development Changed from the First to the Second Year?



The two histograms represents the 1st and 2nd year of R&D in IT sector for all companies.

The representation shows that The histogram representations show that the R&D mean of the second year is more than the R&D mean of the first year by more than \$100 million. That means companies start to take Information Technology more serious and invest more on the development of this sector.

The mean for the R&D expenses of the first year is about \$1.2 billion and it is slightly increased in the second year to reach \$1.3 billion. However, the median for the second year is slightly less (\$584 million) than the median for the first year (\$590 million). The standard deviation for the first year is 2.2 billion which is very much higher than the mean value of the first year (\$1.2 billion). That tells the company R&D spending in the Information Technology is scattered. Same thing happened in the second year where the standard deviation was \$2.4 billion and the mean was \$1.3 billion.

Profit and Loss Statement of “ABC” Company Between First to Fourth Year

Profit & Loss Statement				
	Historical			
	Year 1	Year 2	Year 3	Year 4
Revenue	87,95,91,67,000	1,19,56,91,27,000	1,35,96,18,03,000	1,46,84,96,86,000
COGS	85,45,13,48,000	1,16,58,67,61,000	1,32,43,24,90,000	1,42,57,70,80,000
Gross Profit	2,50,78,19,000	2,98,23,66,000	3,52,93,13,000	4,27,26,06,000
Sales, General and Admin	1,44,72,34,000	2,01,15,95,000	2,85,84,58,000	2,38,20,97,000
Other operating expenses	16,21,86,000	18,86,80,000	24,86,35,000	36,47,35,000
R&D	-	-	-	-
Total operating expenses	1,60,94,20,000	2,20,02,75,000	3,10,70,93,000	2,74,68,32,000
Operating income/ EBIT	89,83,99,000	78,20,91,000	42,22,20,000	1,52,57,74,000

We can see from the below Profit & Loss Statement the gross profit increased remarkably during the four years.

The gross profit increased by \$474 million in the second year which is 18.92% of the first year. The third year saw an increase of gross profit by 18.33% of the previous year. The fourth year registered the highest gross profit of all the years with 21.06% growth of the previous year.

The Operation Profit of the ABC company was not stable throughout the years. The Operating Profit registered \$898 million in the first year. But went down to \$782 million in the second year which is less than the first year by \$116 million. The third year registered even worse Operating Profit of \$422 million which is almost half the operating profit of the previous year. Things changed in the fourth year, with more than \$1.5 billion Operating Profit which is three times the Operating Profit of the previous year.

Profit and Loss Statement Forecast of ABBV Company for the Next Two Years

Profit & Loss Statement						
	Forecast					
	Year 5			Year 6		
	Best Case	Base Case	Weak Case	Best Case	Base Case	Weak Case
Revenue	24,83,86,99,882	24,61,01,09,882	24,38,15,19,882	27,23,82,38,342	26,74,14,64,344	26,24,92,62,146
Gross Profit	19,45,07,57,535.30	19,02,56,51,549.50	18,60,51,17,363.70	21,60,21,77,106.18	20,94,07,79,572.06	20,29,28,51,897.63
Operating income/ EBIT	7,55,33,59,981.21	7,23,77,45,479.26	6,92,67,02,777.31	8,55,54,33,445.77	8,13,19,83,862.73	7,71,98,14,309.71
Revenue Growth	0.086604833	0.076604833	0.066604833	0.096604833	0.086604833	0.076604833
Gross Margin	0.783082755	0.773082755	0.763082755	0.793082755	0.783082755	0.773082755
Operating Margin	0.304096431	0.294096431	0.284096431	0.314096431	0.304096431	0.294096431

The forecast of the Profit & Loss Statement of the next two years for ABBV company show increase of revenue growth,gross margin & operating margin. The revenue growth is expected to increase in the 5th and 6th year by 8% & 9% in the best case scenario. But in the base case scenario the revenue growth is expected to increase by 7% & 8% in the 5th &6th years. While in the weak case scenario the revenue growth is expected to increase by 6% & 7% in the 5th & 6th years.

The gross margin is expected to increase in the 5th and 6th year by 78% & 79% in the best case scenario. But in the base case scenario the gross margin is expected to increase by 77% & 78% in the 5th & 6th years. While in the weak case scenario the revenue growth is expected to increase by 76% & 77% in the 5th & 6th years.

The operating margin is expected to increase in the 5th and 6th year by 30% & 31% in the best case scenario. But in the base case scenario the operating margin is expected to increase by 29% & 30% in the 5th & 6th years. While in the weak case scenario the operating margin is expected to increase by 28% & 29% in the 5th & 6th years.

Thank You!