



Applied Portfolio Management, Prof. Richard Excell

Tech Team

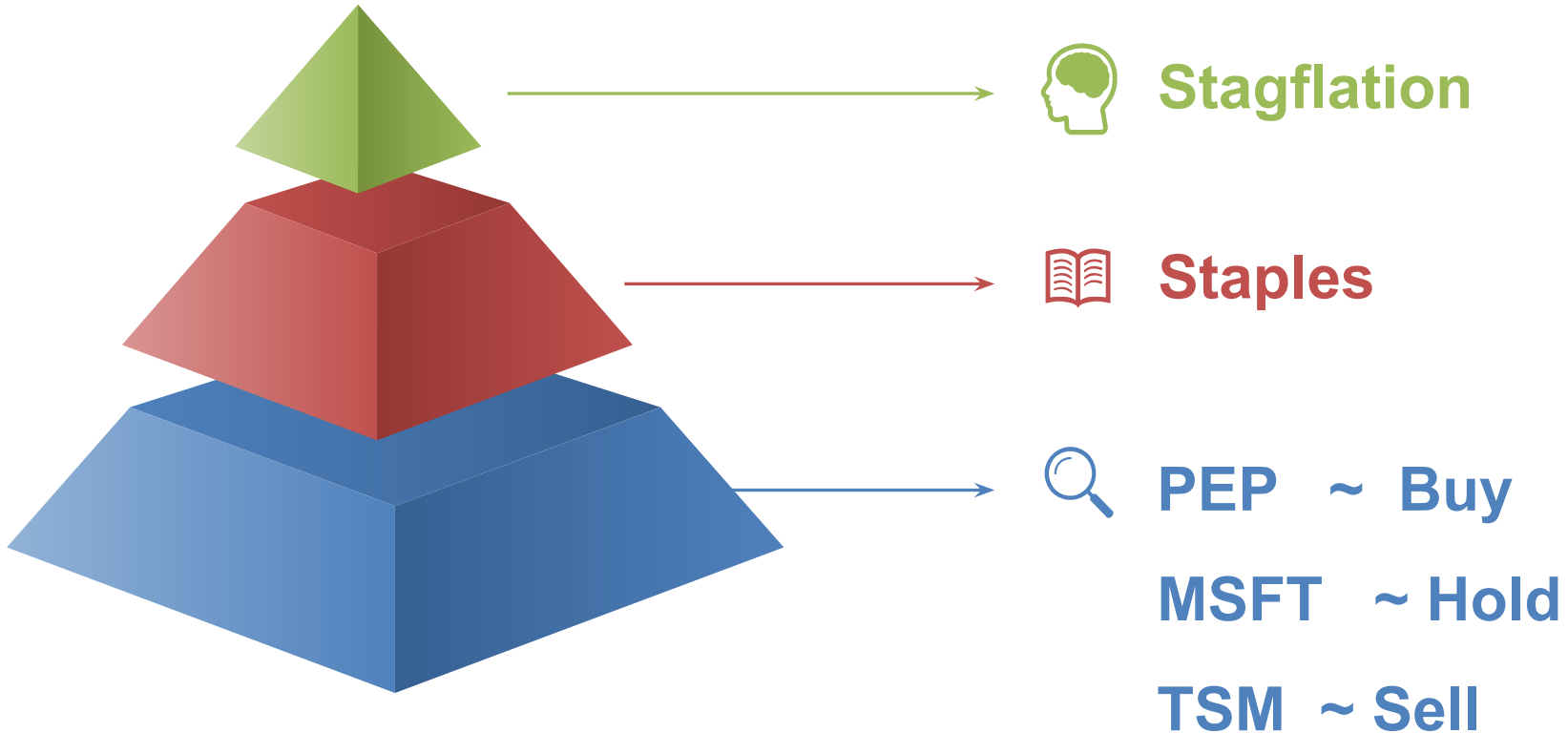
Chia-Ning Chang
Shuang Liu

Sharang Mantri
Ming-Chia Tsai

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



Introduction



Economic Model Integration

Current Stage

Base Case: Stagflation

-Falling Growth

-Inflation Rising/Sticky

Bull Case: Inflation

-Rising Growth

-Rising: Inflation

Sector
Performance

Staples

Healthcare

Energy

Bear Case: Deflation/Recession

-Falling Growth

-Falling Inflation

Style
Implications

Defensive-Value

Defensive-Growth

Industry Analysis

Low:

High Capital requirement, with
massive marketing budget
Easier at local niche level

High:

High availability of substitute, with
consumer able to make switch at
zero cost

Weak:

Primary inputs are Common
commodity with larger scale buying
by Pepsico providing them
negotiating power over supplier

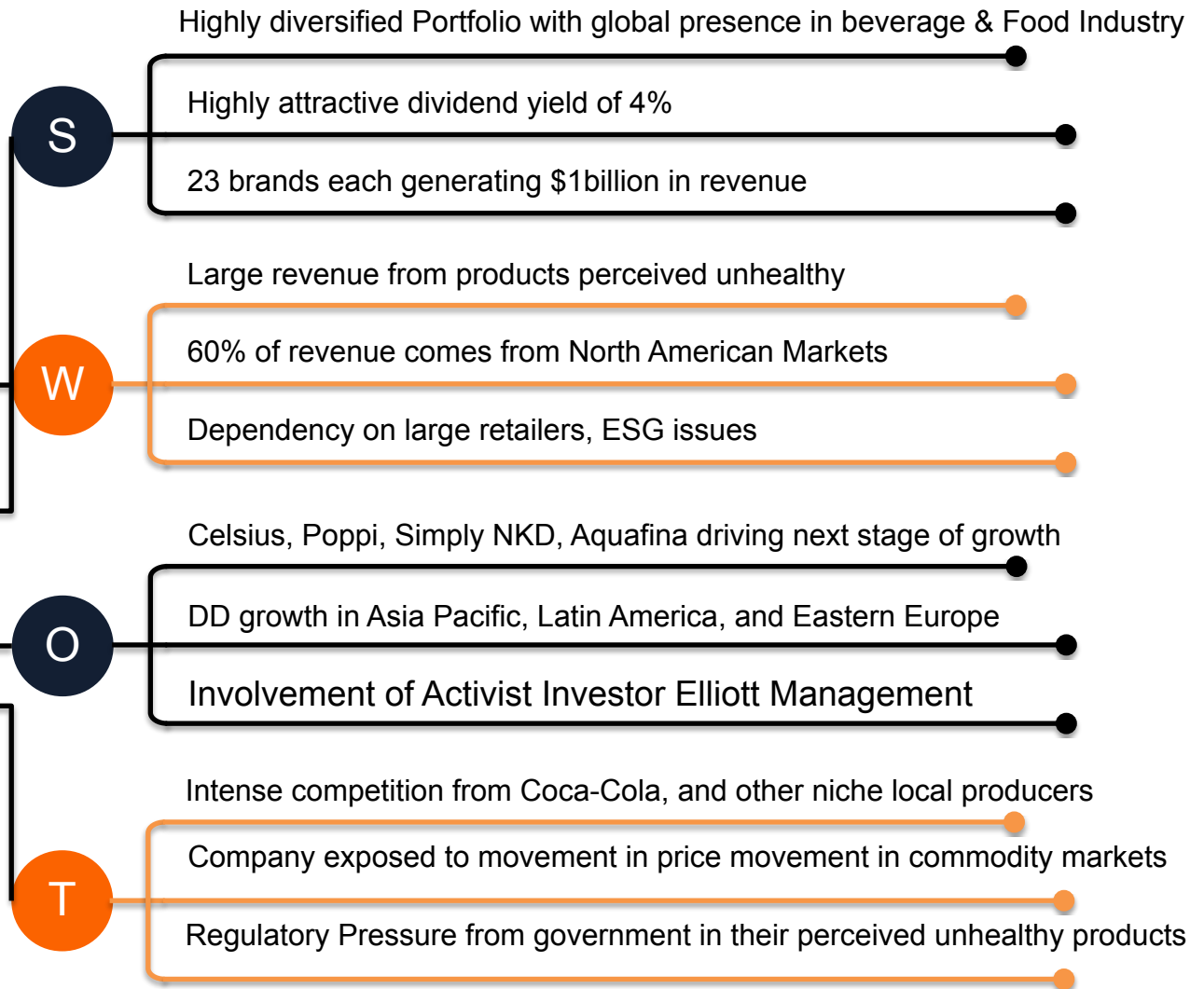


High:

Big retail giants have significant
bargaining power, buy massive
volumes

High:

Saturated market with intense
rivalry, with massive advertising
budgets



Valuation of Pepsi

Scenario Analysis

\$205.00

Bull



41%

\$169.5

Base



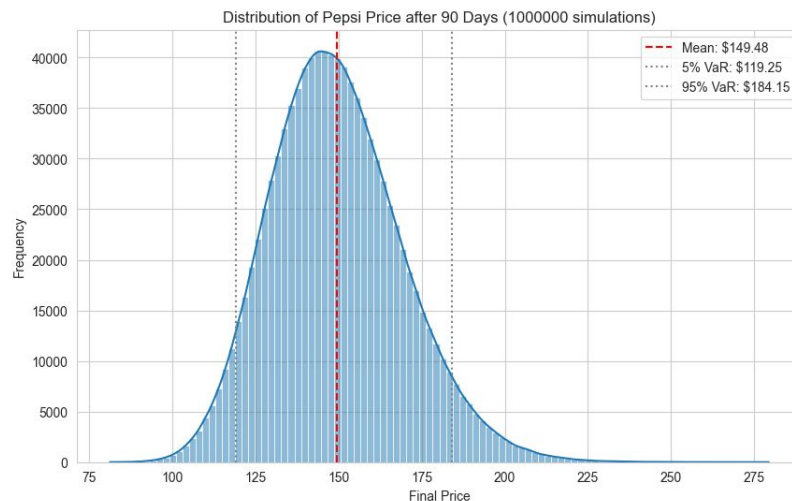
16.7%

\$132.00

Bear



9.12%



Expected Value

\$149.48

90% Confidence Interval

\$119.25 - \$184.15

FY2026 Assumption

| Case | Revenue Growth | Gross Margins | ROIC | Capex |
|------|----------------|---------------|--------|-------|
| Base | 1.00% | 54.60% | 17.50% | 6.70% |
| Bull | 2.00% | 54.65% | 21.00% | 6.50% |
| Bear | -1.00% | 54.40% | 17.50% | 6.80% |

Valuation of TSM

Scenario Analysis

\$381.76

Bull



34.0%

\$304.66

Base



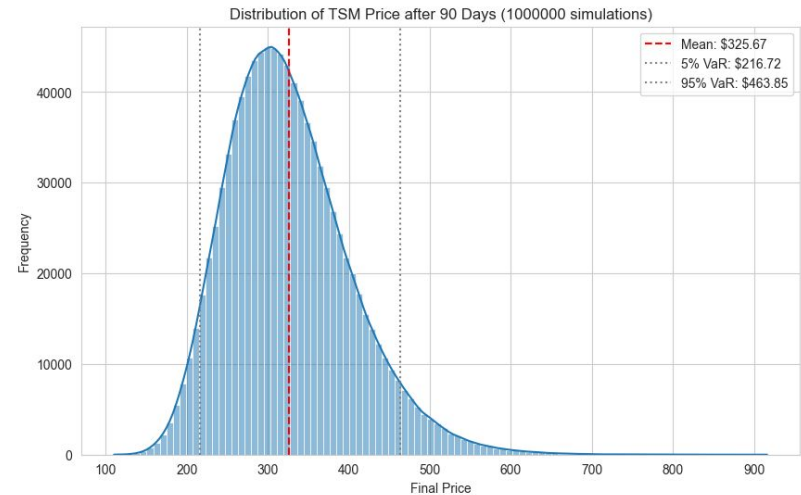
6.9%

\$233.42

Bear



18.1%



Expected Value

\$325.67

90% Confidence Interval

\$216.72 - \$463.85

FY2026 Assumption

| Case | Revenue Growth | Gross Margins | Operating Expenses | Capex |
|------|----------------|---------------|--------------------|--------|
| Base | 30.00% | 59.17% | 10.21% | 40.00% |
| Bull | 32.50% | 60.75% | 9.75% | 39.75% |
| Bear | 27.00% | 57.00% | 11.00% | 40.25% |

Valuation of MSFT

Scenario Analysis

\$619

Bull



27.2%

\$534.5

Base



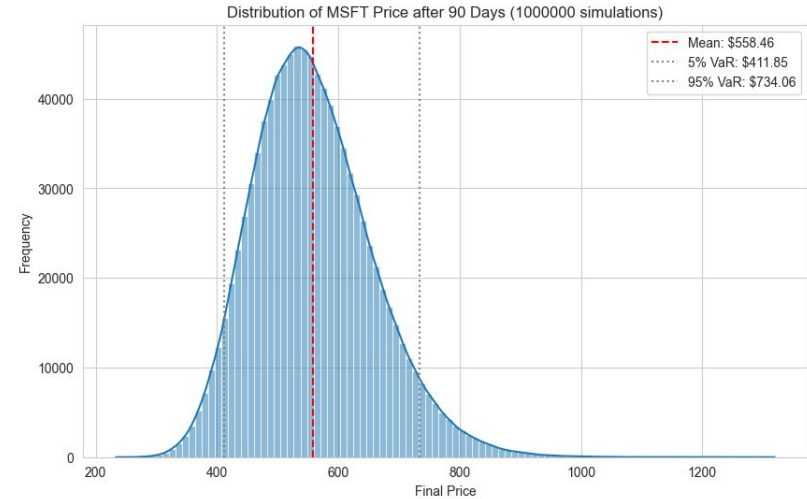
9.8%

\$420.5

Bear



13.7%



Expected Value

\$558.46

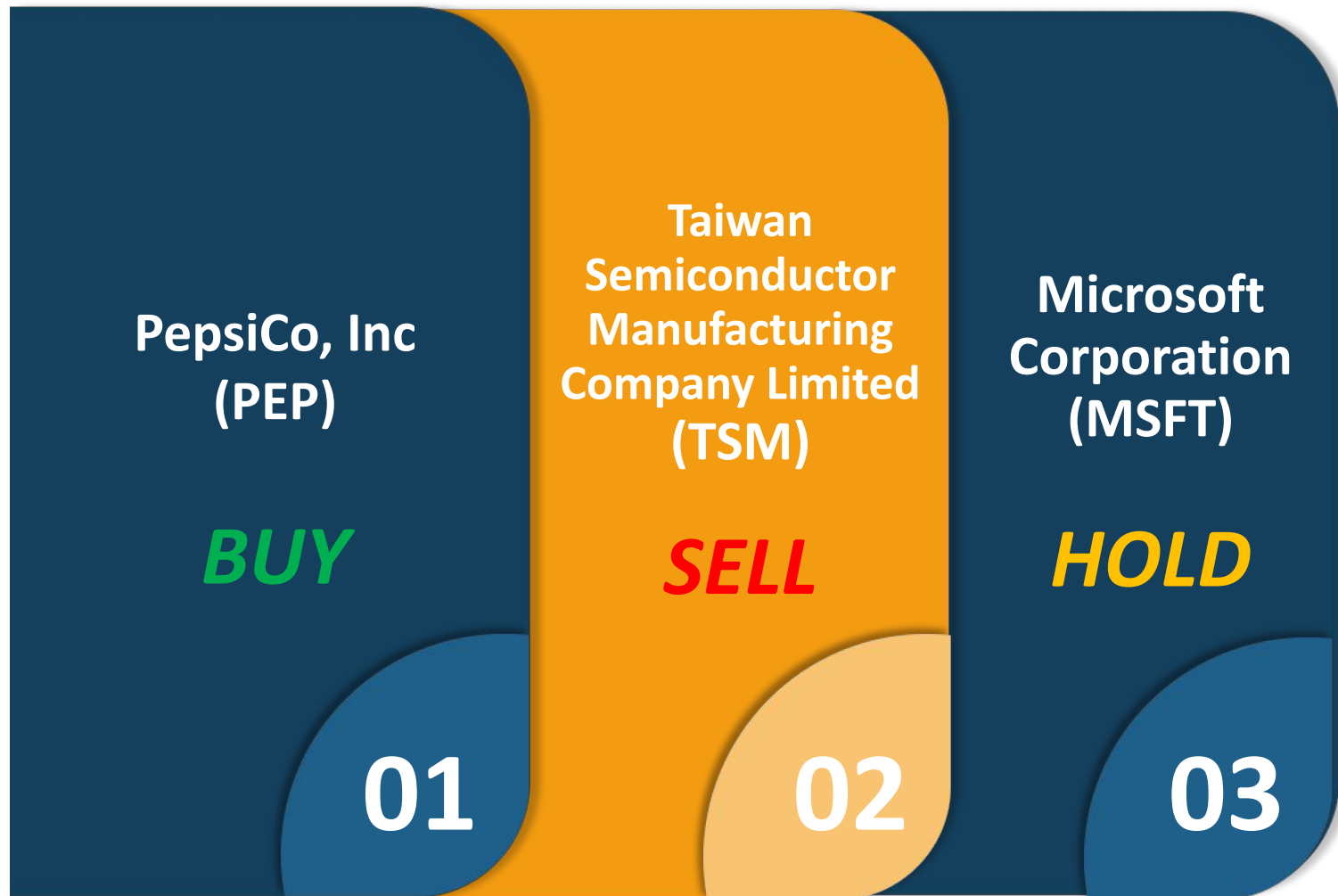
90% Confidence Interval

\$411.85 - \$734.06

FY2026 Assumption

| Case | Revenue Growth | Gross Margins | Operating Expenses | Capex |
|------|----------------|---------------|--------------------|--------|
| Base | 16.00% | 69.00% | 23.35% | 30.00% |
| Bull | 18.00% | 69.50% | 22.50% | 29.50% |
| Bear | 15.00% | 68.25% | 23.60% | 30.50% |

Final Recommendation



Thank You!

