

Nov Use Case Analysis: Deploying capital to maximize shareholders' value

By Team 10

A decorative vertical bar on the left side of the slide, featuring a gold color and a pattern of 3D-rendered currency symbols including the dollar sign (\$), yen sign (¥), and euro sign (€).

Presentation Flow

- Recommendation Rationale
- Methodology flow and recommendations
- Trends analysis of key divisions and countries

Recommendation Rationale

Adverse macro-economic climate in 2023

 The Guardian

UN chief fears world is heading towards 'wider war' over Russia-Ukraine conflict

The head of the United Nations, António Guterres, has warned that further escalation in the Russia-Ukraine conflict could mean the world is...

4 days ago



 The Lancet

The COVID-19 pandemic in 2023: far from over

3 years ago, on Jan 5, 2020, the Department of Zoonoses at the National Institute of Communicable Disease Control and Prevention (Chinese...

1 month ago



 CNBC

World Bank makes big cut to its 2023 growth outlook, says globe is 'perilously close' to recession

The World Bank slashed its 2023 global economy growth outlook to 1.7% for 2023 from its earlier projection of 3%. It would mark "the third...

1 month ago



Ideal way to invest

Deploy capital to divisions with the highest ROCE

Our recommendation for 2023

Protect shareholders' capital

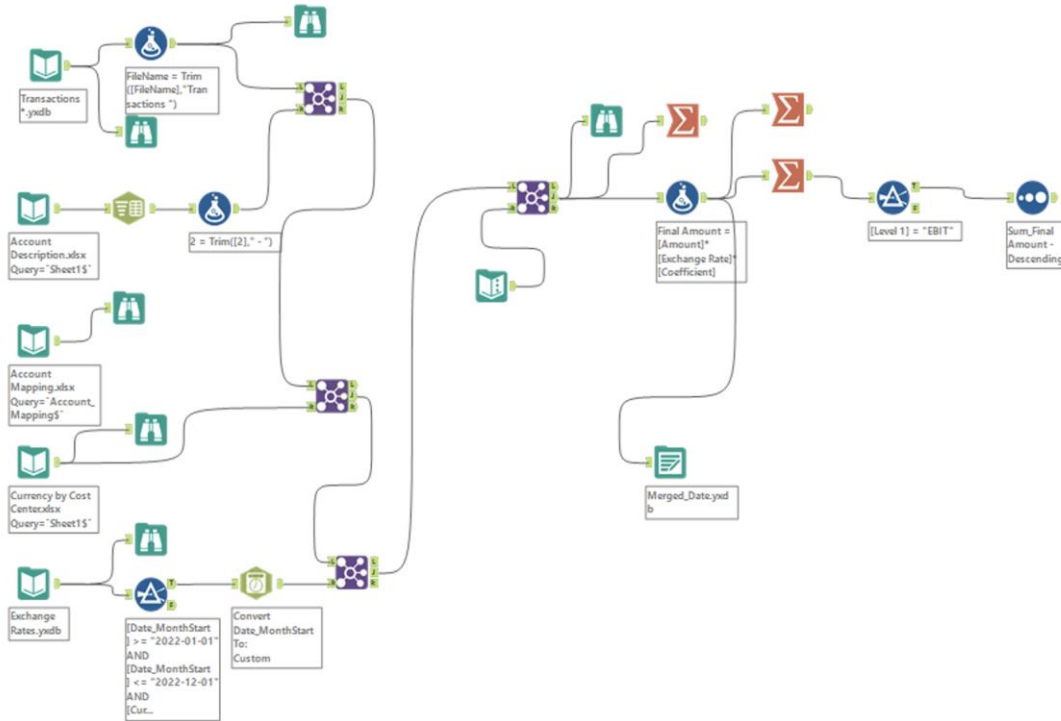
Deploy capital to divisions based on 2022 yearly EBIT, EBIT margin and ROCE (most recent 3 months)

Assumption:

- *Decisions are being made based on only the dataset given for 2022 and macro economic climate conditions expected in 2023*
- *Investment happens at the country division level*

Methodology & Recommendations I

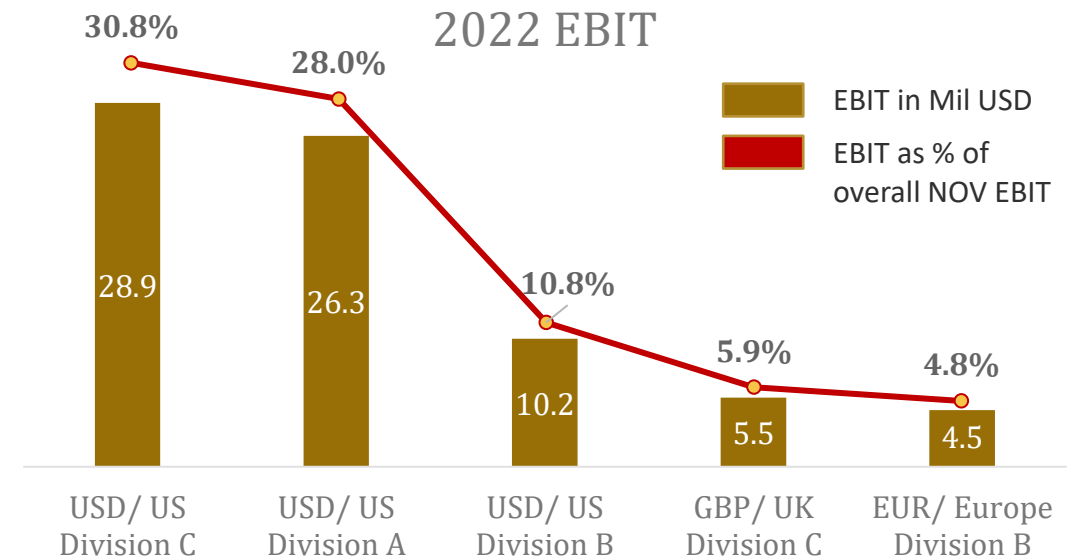
1. Data Preprocessing



- Input, join and clean all the input files in Alteryx
- Proper coefficients and currency conversion factor (to convert to USD) were multiplied to Level 4 amounts

2. Data Analysis I

- Yearly EBIT (Level 1) was calculated in Alteryx and sorted in descending order



- The top 5 divisions at country level which contributed to about 80% of overall EBIT of NOV are mentioned above
- These are the stable divisions where NOV has Economics of Scale

Methodology & Recommendations II

3. Data Analysis II

- EBIT margin and ROCE (of 3 recent months) were calculated for the divisions, however we are mostly interested at the top 5 divisions selected in last step
- Formula used:

$$EBIT\ margin = \frac{EBIT}{Gross\ Revenues}$$

$$ROCE\ of\ month\ n = \frac{(Sum\ of\ EBIT\ of\ 3\ trailing\ months) * 4}{Total\ Assets\ in\ month\ n - Total\ Current\ Liabilities\ in\ month\ n}$$

Division	2022 EBIT in Million USD	EBIT_Margin	ROCE_Oct	ROCE_Nov	ROCE_Dec
GBP/ UK Division C	5.5	24.7%	0.36	0.30	0.31
EUR/ Europe Div. B	4.5	22.3%	0.15	0.24	0.26
USD/ US Division A	26.3	31.1%	0.24	0.28	0.21
USD/ US Division C	28.9	14.9%	0.14	0.14	0.11
USD/ US Division B	10.2	4.8%	0.04	0.07	0.06

- We sorted the top 5 divisions based on the the most recent ROCE (Dec 2022). Even though UK Div. C and Europe Div. B have low EBIT, they have high ROCE compared to US divisions

4. Recommendation

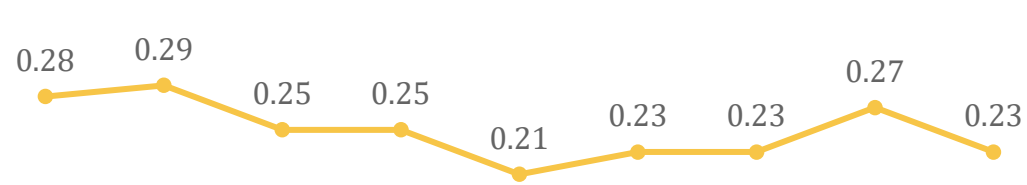
Division	2022 EBIT in Million USD	EBIT_Margin	ROCE_Dec	Investment of 100%
GBP/ UK Division C	5.5	24.7%	0.31	35.0%
EUR/ Europe Div. B	4.5	22.3%	0.26	25.0%
USD/ US Division A	26.3	31.1%	0.21	20.0%
USD/ US Division C	28.9	14.9%	0.11	10.0%
USD/ US Division B	10.2	4.8%	0.06	10.0%

- We allocated the investment based on the below factors:
 - Diversify risk across geographies (35% in UK, 25% in Europe, 40% in US)
 - Maximize ROCE (Approximate ROCE of the suggested portfolio is ~0.23)
 - EBIT margin of the suggested portfolio is ~22.4%
 - Division spread (20% in A, 35% in B, 45% in C)

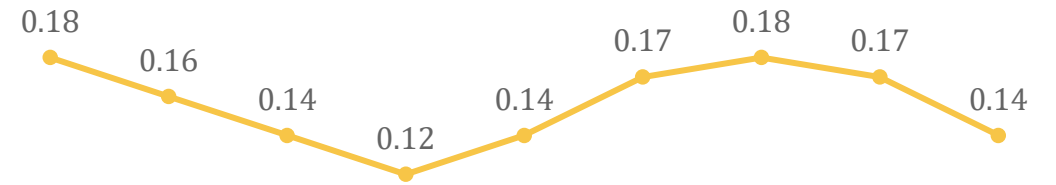
Other trends

ROCE by division... Division A had the best ROCE

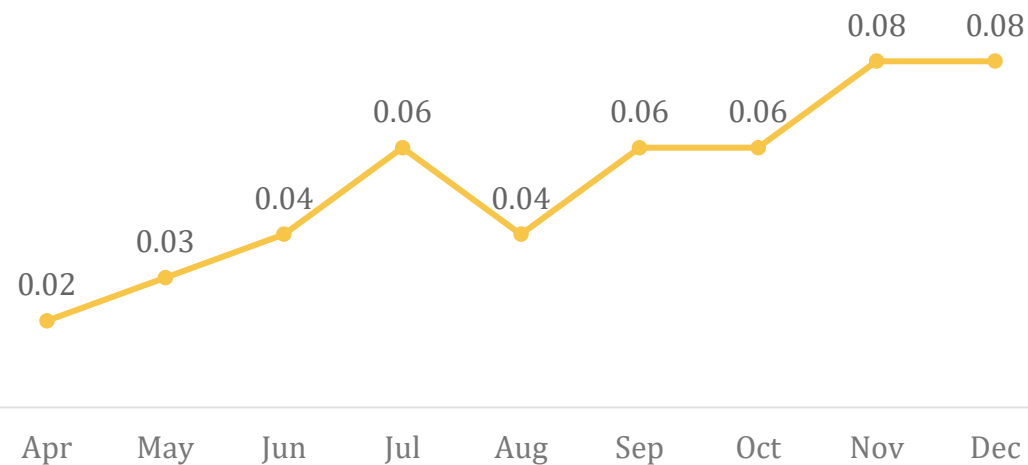
ROCE of Division A



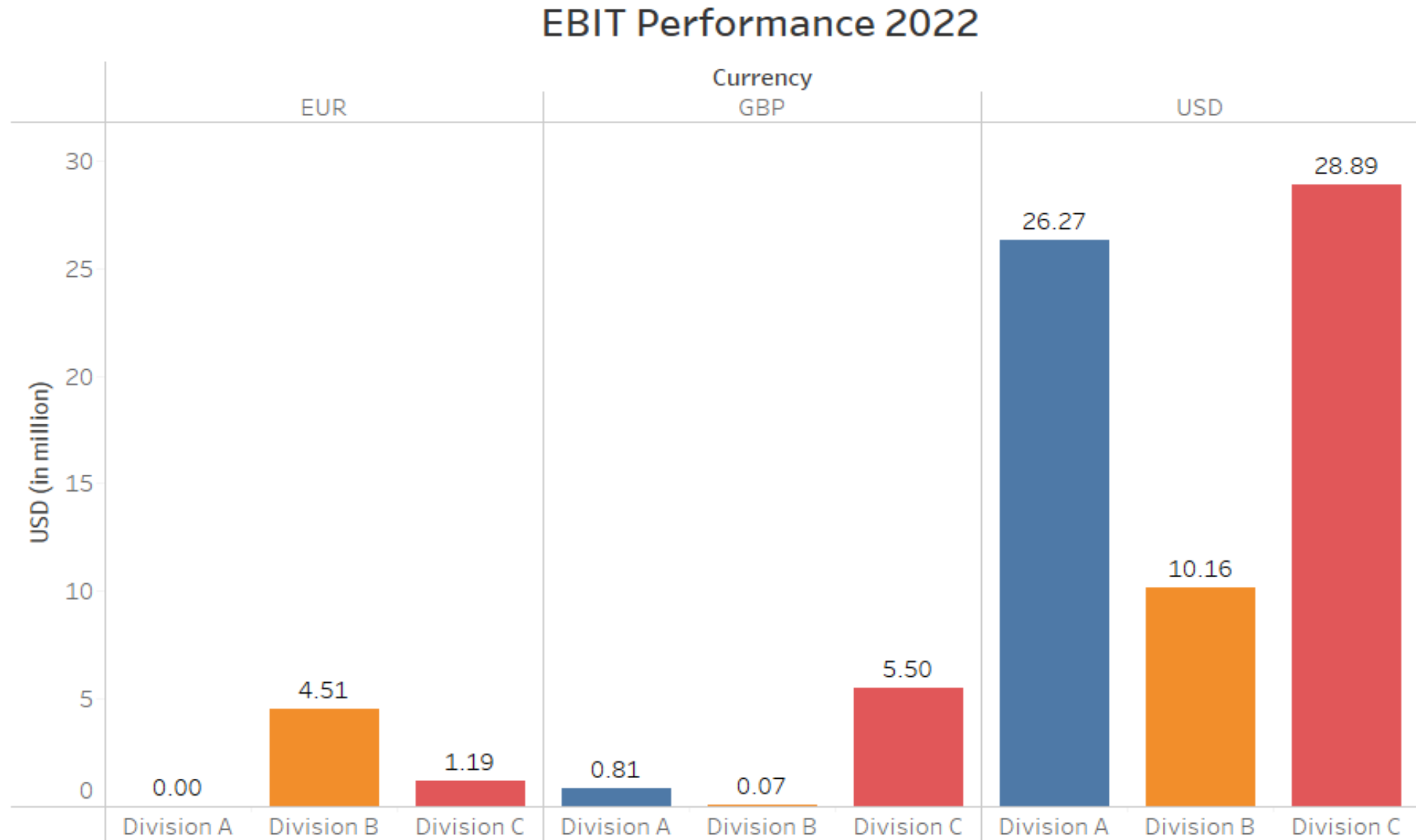
ROCE of Division C



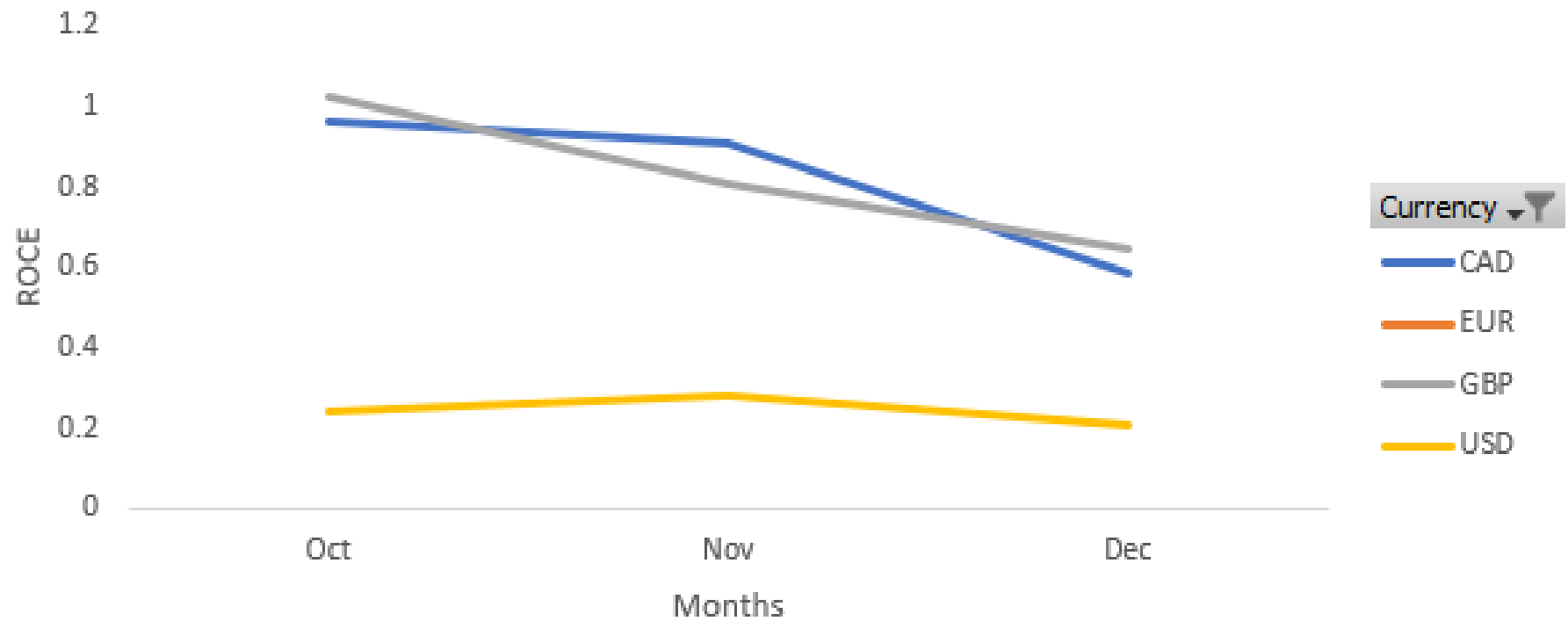
ROCE of Division B



Divisional Performance in top 3 countries... US had a share of more than 70% of overall NOV EBIT

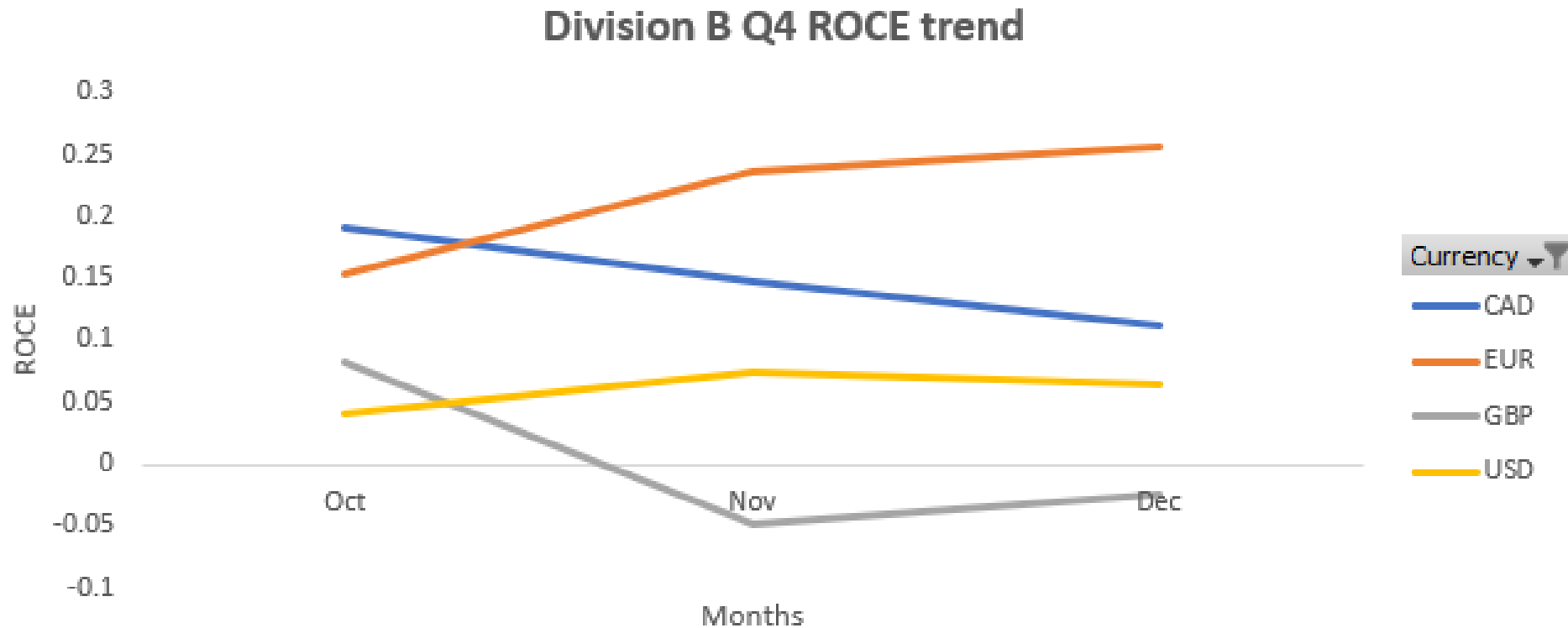


ROCE trend for Division A



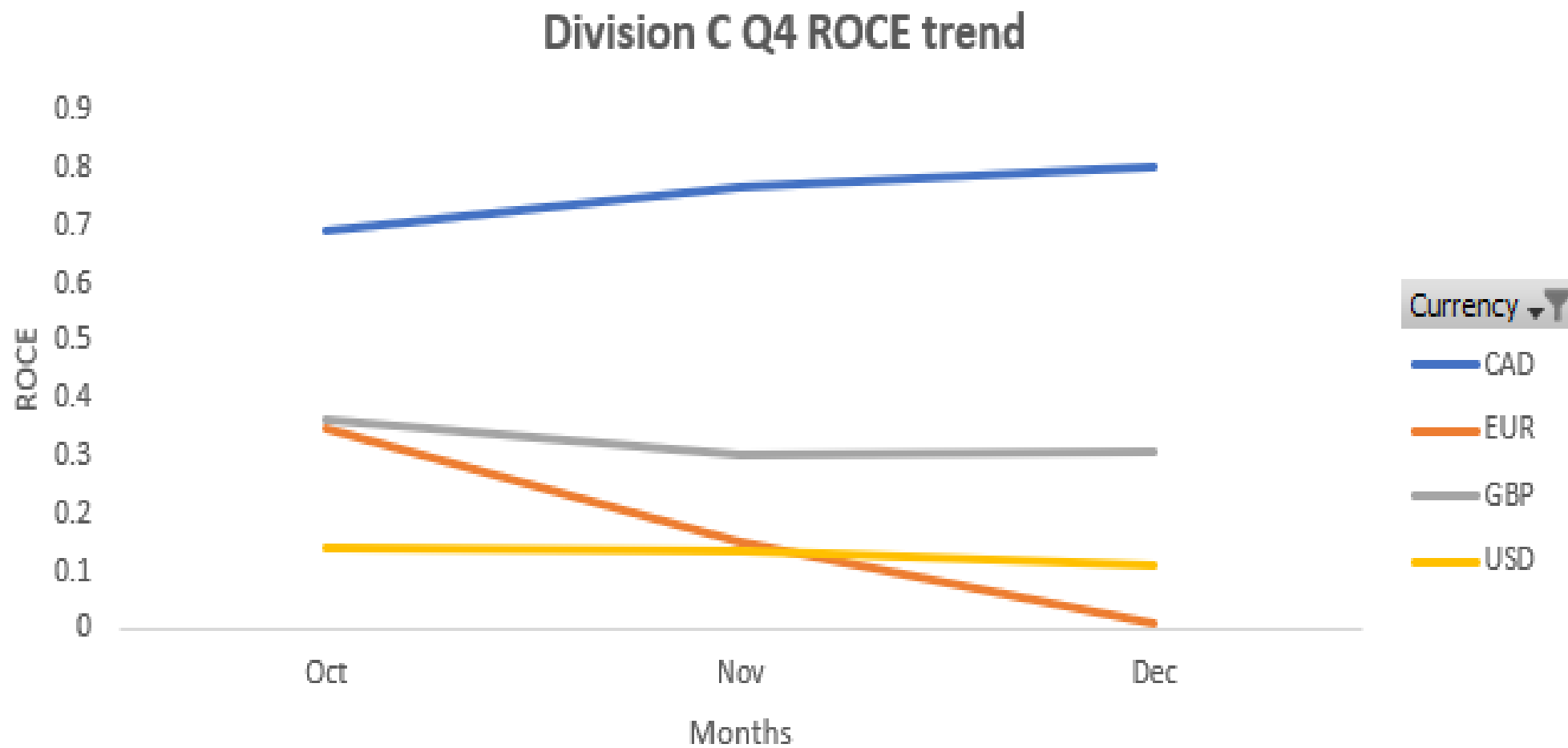
As per the trend, Division A has a steady growth for USD in Q4

ROCE trend for Division B



- USA is moreover having a steady growth and EUR is showing an increasing trend.

ROCE trend for Division C



Trend of ROCE by Division

