**Learning Objective: Understand and develop multiple valuation and a football field analysis for a publicly traded firm (Campbell Soup).**

**Instructions for completion:**

Please use the Excel File **that you submitted for Case #2 as your starting point**. It is okay if you have not received your grade back yet! Therefore, the “basics” of case #3 are similar to what is in the videos for week 9, but you will need to complete this analysis for a different year!

Note: In the videos I used BASIC weighted shares outstanding. You may use BASIC or DILUTED, but you must be consistent across the analysis. Often these are not different, but when they are, DILUTED is the more conservative figure to use!

Worksheets that you will need for this case:

**“Multiple valuation”**

**“Football field”**

**Note: There are other worksheets in this file; you do not need them for this case, but will need for future assignments!**

=====================================================================

**Detail of Worksheets and Work Required:**

**Any cell in grey needs a formula plus you will create a chart**

**“Multiple valuation”** Obtain data for Campbell Soup and four competitor firms such that you can compute “implied prices” for Campbell based on competitor “multiples.” For Campbell Soup, use data from the 10-K dated August 2, 2020 (Filed 9/24/2020) and the data already gathered in your file. This is the most recent 10-K that we have. This is “time 0” for your model, that is when you are obtaining the value of the firm.

Competitors:

JM Smucker: Use the 10-K **reporting date 4/30/2020** (filed 6-19-2020)

Kellogg: Use the 10-K **reporting date 12/28/2019** (Filed 2-24-2020)

Assume 341 million (basic) OR 343 million (diluted) weighted shares outstanding **(Kellogg does not present their normal table in 2020 indicated exact weighted shares outstanding)**

General Mills: Use the 10-K **reporting date 5/31/2020** (filed 7/2/2020)

Conagra: Use the 10-K **reporting date 5/31/2020** (filed 7/24/2020). Note: we are using Conagra, not Kraft-Heinz as was shown in the video.

We are using competitor 10-Ks PRIOR to our “time 0” of Campbell Soup, which is 8/2/2020, the date of Campbell Soup’s last 10-K!

**Instructions Continued on Next Page**

**For Campbell Soup (rows 5 – 14):**

For sales, net earnings, and book value of equity, “pull” from IS Hist Forecast and BAL Hist Forecast. **Make sure you have sales of 8,691; net earnings of 1,628 and Book value of equity of 2,563. These should be pulling from your other worksheets, but just in case, these are check #s.** For weighted shares outstanding and shares outstanding, follow the videos and the instructions below on “where to find…”

**For the competitors (row 17 and following):**

Enter (hardcode) sales, net earnings, and book value of equity using the competitor 10-K’s (Consolidated Statement of Earnings (aka Income Statement) and Consolidated Balance Sheets).

Hints on where to find certain items. Each firm is different, so I am giving suggestions.

Where to find preferred dividends

1. Consolidated Balance Sheet: Check to see if the firm has any preferred dividends (if not, they probably did not pay preferred dividends).
2. Check the Notes to Financial Statements, specifically “Shareholder Equity” or “Equity.”

Where to find weighted shares outstanding

1. Sometimes you can find on the income statement.
2. Notes to Financial Statements, “Shareholder Equity” or “Equity” or “EPS.”
3. Notes Details “EPS.”

Where to find shares outstanding as of the date of the 10-K:

1. Consolidated Balance sheet: must be issued less treasury or issued and outstanding, not just “issued.”
2. Consolidated Statement of Equity.
3. **Balance sheet parenthetical.**

**Check: Typically, weighted shares outstanding and shares outstanding at the end of the year are very similar. Make sure you check this!**

Where to find per share price as of the date of the 10-K:

1. Finance.yahoo.com ---if there’s not a price on the date of the 10-K, find the closest price to this date without going past this date. Also use “closing price” not “adjusted close.”

Compute for each competitor the following ratios: Price to Sales, Price to Earnings, and Price to Book. Then use those ratios and apply to the appropriate measure of Campbell Soup to obtain per share prices for Campbell Soup. The videos show how to do this for the prior fiscal year!

**Instructions Continued on Next Page**

**General Tips:**

**Earnings from non-controlling interests should not be included in net earnings (when you are trying to get EPS)**

**Did a firm pay preferred dividends? Check two things: 1) Is there any preferred equity on the balance sheet? If not, they couldn’t have paid preferred dividends 2) Check the firm’s OWN calculation of EPS. If they deduct preferred dividends, you should deduct them too! 3) One of your firms, Smuckers pays “participating dividends” (follow videos on this one).**

**Book value of equity: This should be the book value of COMMON equity…therefore, exclude any equity attributable to non-controlling interest!**

**“Football field”**

Organize data in such a way that you can compute a football analysis chart using the data in the worksheet “Multiple Valuation.” In Cells H3 through L5 compute the Min, Max and quartiles 1 and 3 of the implied prices for each measure (P/B, P/E, P/S). Then in Cells O3 through S5, organize your data so you can construct the football field. Follow the videos from Week 9 on “how to.” Then create a football field chart using Excel’s chart function. You need to use the “stacked bar” choice. Follow the videos from Week 9 on “how to.”

**In "Football Field," Cells B3 through E5 should be "pulling" implied prices from "Multiple Valuation."  For example, for J.M. Smucker, B3 in "Football Field" should be pulling G21 from "multiple valuation."**

**Analysis Write-up:** Items you should cover in the write-up:

1. Explain the idea behind comparable analysis. What is the purpose?
2. What multiples were used? How is the football field constructed and how can it be used to analyze a firm’s value?
3. What conclusions can be drawn from the analysis: is the range of prices wide, narrow? What price range does the football field analysis tell you is the most probable for Campbell Soup. See which prices overlap.

4. Are some multiples used perhaps not the best for Campbell? More specifically, in the “real world” we would use a greater number of competitors and possibly more ratios, do any ratios seem “better” than others for estimating Campbell’s price?

5. Advantages and disadvantages of comparable analysis.

6.  You may want to embed the football graph into the Word document as a "figure."

**Instructions Continued on Next Page**

**Submission information:**

For the excel file portion: On the input sheet, for “GROUP” please write out your group number (Groups are posted on Canvas). Do not write a digit, but rather a word. Example “One”, “Two”, etc. For the GTID, write the GTID of the submitter. **For cases, only one person per group will submit! Please name the file upon completion:**

**Case\_3\_Group\_number.xlsm**

**If you are group 3, your file would be named:**

**Case\_3\_Group\_3.xlsm.**

**For the word file portion: Please name the file upon completion:**

**Case\_3\_Group\_number.docx**

**If you are group 3, your file would be named:**

**Case\_3\_Group\_3.docx**

**REMINDERS:**

Remember to fill out the information worksheet!

Remember to name your file as indicated above!

**END OF INSTRUCTIONS**