Company Analysis

**SECF <GO>:** Let us assume that you do not know what security you would like to analyze. A great way to start is by using the **security finder function** which allows you to search all of Bloomberg’s data based encompassing publically traded securities such as GOOG (Google), THI (Tim Hortons) and many more.

Given that most students in classes such as Portfolio Management and Equity Valuation are given a security to analyze beforehand, I will base this user guide on the analysis of Apple.

In the command bar on the top, you must first type in the ticker (the ticker is the trading identification of a security that is publically listed; for instance, Apple’s ticker is ‘AAPL US EQUITY’).

You will then see a dashboard appear in front of you of which this will serve as your main portal.

**DES <GO>:** Description of the security is where you would want to end up first. This will provide you with a snapshot description of what the company is about. It also provides certain metrics/ratios in current time i.e. P/E, EPS, Price (PX), Market Cap etc....
When valuing a company, it is equally important to analyze the style and performance of management. This is why taking a bit of time to research the management of a company is essential. In the picture above, you can click on Apple’s CEO, CFO, and Senior VP to view their profile, past experiences and so on.

**CN <GO>:** Following the company’s news is essential, especially once you have money invested in the company itself. Keeping close track of internal and external factors are pivotal in ensuring positive investment performance. Internally, a company’s shareholders can buy back more shares which give off the perception that the company is doing well and management believes strongly in the direction they are heading towards (a common ‘buy’ signal). Externally, macro-economic factors affect company performance as well. For instance, with the Quantitative Easing program (a bond buying initiative that the central bank in the U.S. has created to stimulate the economy after the 2008 recession) equity markets have realized a large influx of capital flowing inwards as investors were both bullish and optimistic about the U.S. economy’s future.

**FA <GO>:** Understanding the financials of a company is integral for valuations. The FA function in Bloomberg is an easy and simple way to effectively analyze a company’s financial statements. Bloomberg provides the Income statement, Balance Sheet, and Cash Flow Statement all in one tab. On top of that, Bloomberg offers forecasts for 1 to 2 years in the future (something that will be very important to consider when estimating future cash flows).
ERN <GO>: Warren Buffet always reminds investors to analyze earnings history. It is fundamental for an investor to ensure that the company he/she invests in exhibits health earnings over the years of its existence. Healthy and positive earnings are a reflection of solid management and profitable operations. **TIP:** make sure to look at the average surprise % which is a calculation that a variety of analysts combined make regarding their estimation of what the upcoming earnings release will be in the future (positive/negative and by how much). For instance, in the third quarter of 2013, Cascades Inc. was projected to have negative earnings. Once they released their earnings, it turned out that they had beaten estimated by a whopping 113%!

ANR <GO>: Taking into consideration analyst recommendations is an important factor when deciding whether or not to invest in a company. Some of the markets most credible analysts value companies for a living and have great track records recorded on Bloomberg. My advice is to look at the top ranked analysts and see their recommendation on that company. Some will say buy, hold, or sell, but be cognizant that these recommendations should NOT be the sole driving factor behind your decision. Obviously, the better a company is rated (having more buy ratings than sell ratings) is a good thing to have, but should not be the motivating factor behind a purchase decision. ANR could also help you see what the other analysts in the market are pricing that specific security. Comparing their target price with yours could make your valuations seem more credible and realistic (or at least in line with the market consensus, but is the market consensus always right?)

RV <GO>: This is a great function which allows you to compare Apple with similar companies in that industry. For instance, if you wanted to compare Apple’s 1 year revenue growth versus Blackberry, RV would show you that. **TIP:** keep in mind that when comparing companies, only do so on the basis of **similar market caps.** It is not intuitive to compare Apple’s 626 billion market cap with Medion AG (a technology company) whose market cap is less than a billion.
**GF <GO>:** Graph fundamentals allow you to view the graph of the securities price performance. Bloomberg allows you to adjust the time period for which you can view the graph. For instance, you can view the chart in an YTD perspective or a 5 year. You can use GF to add technical indicators which may provide as great tools for basing your investment decision.
Valuation Tools

*It should be strongly noted that you should not use Bloomberg generated assumptions from the following screens in your valuation for class assignments as these are not your own assumptions. Generating your own assumptions with reasoning behind them provides you with valuation based on your ideas and assessment of the company in question. Using these assumption values is considered plagiarism.*

WACC <GO>: The weighted average cost of capital is a calculation of a firm’s cost of capital in which each category of capital is proportionally weighted. The formula is as follows:

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WACC = \frac{E}{V} \times r_E + \frac{D}{V} \times r_D \times (1 - T_c)
\]

Bloomberg’s WACC function allows you to see the capital structure of the company you’re analyzing. For instance, Apple’s structure is composed primarily of Equity (94%) while the rest is in debt (6%). In this screen, you will see the net operating profit of the company as well as their ROIC and total investment capital. These are all tools required in a valuation model.
**DDM <GO>:** The Dividend Discount Model is a procedure for valuing the price of a stock by using predicted dividends and discounting them back to the present value. The idea behind the model is that if the value obtained from the DDM is higher than what the shares are currently trading at, then the stock is undervalued. Using Bloomberg’s function, you are able to freely insert the model assumptions which are then computed for you to give you the final results i.e. theoretical price, IRR, Expected return, and Implied Growth Rate.

**HE <GO>:** This tab shows you the entire Price to Earnings values for Apple spanning across various periods. P/E ratios are important considerations for valuing a company. Many of the great value investors have used this ratio to consider in their purchasing decision. This is used to compare the company’s current share price to its per-share earnings. A high P/E ratio implies that investors are expecting higher earnings growth in the future. By itself, however, the ratio doesn’t tell much. It is more worthy of comparing it between companies and see how they compare. From there, you can decide whether your company of choice is discounted in terms of its P/E ratio in relation to another comparable company. **TIP:** keep in mind that P/E ratios are different across different industries. For instance, Netflix exhibits a P/E ratio of +100.00. Generally, technology companies will exhibit higher P/E ratios than say Utilities.

**MMAP <GO>:** The market map heat is a function whereby you are able to analyze all sectors in the economy of the region you specify. From the picture below, we have set the analysis towards P/E estimates for all securities concentrated in Canada. This will show you the average ratio for each sectors as well as the highs and lows.