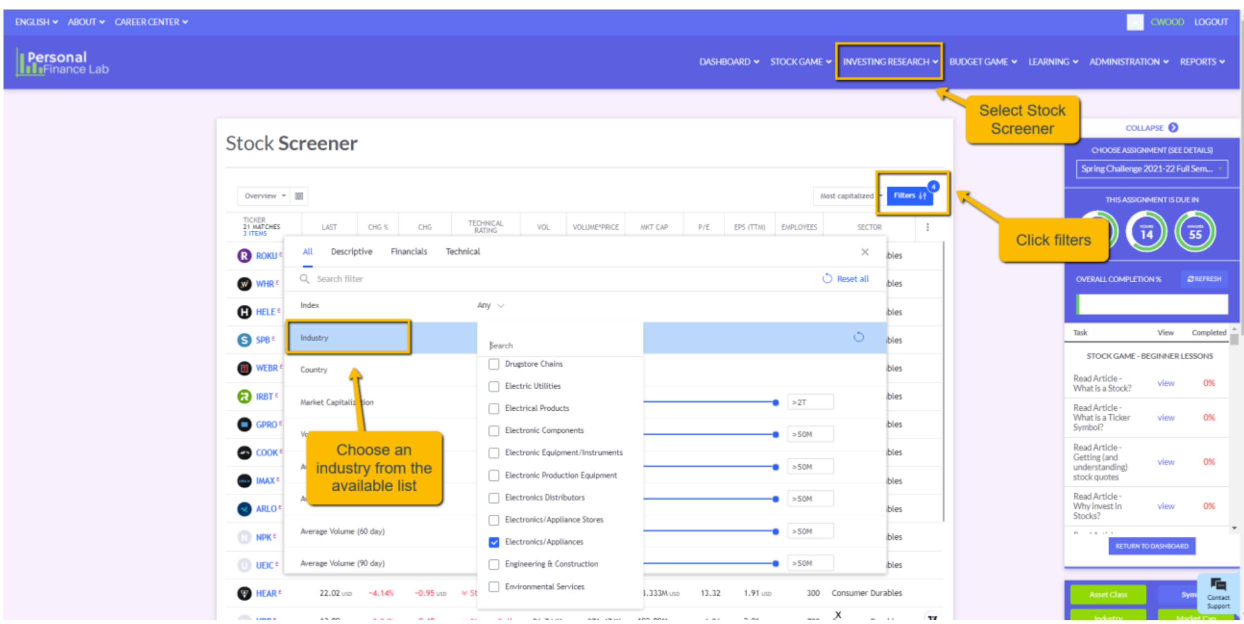
Personal Finance Lab

Unit 2.4 – Compare 2 Companies in the Same Industry

In this assignment, you will login to PersonalFinanceLab, and go to the [Stock Screener](), in the Investing Research section to compare two companies from the same industry. You can adjust the filters to show only 1 industry. Select any industry from the available list. Pick any 2 companies from that industry that trade on the US Stock Exchange.

For example, you could choose Electronics/Appliances and compare SONY to ROKU or WEBR to GPRO. Alternatively, pick a company you know well and one of their major competitors.

You will be evaluating the performance of each company to justify why you would invest in one company over the other based on the fundamentals of the company. I.E., which one is more likely to succeed based on their past performance? And therefore, which stock is more likely to give you more dependable returns?



Once you have your selection, you can use the [Quote]() Research page to get access to SEC filings, financial statements and more to complete the assignment. You can access the Financial Statements for all publicly traded companies in the United States.

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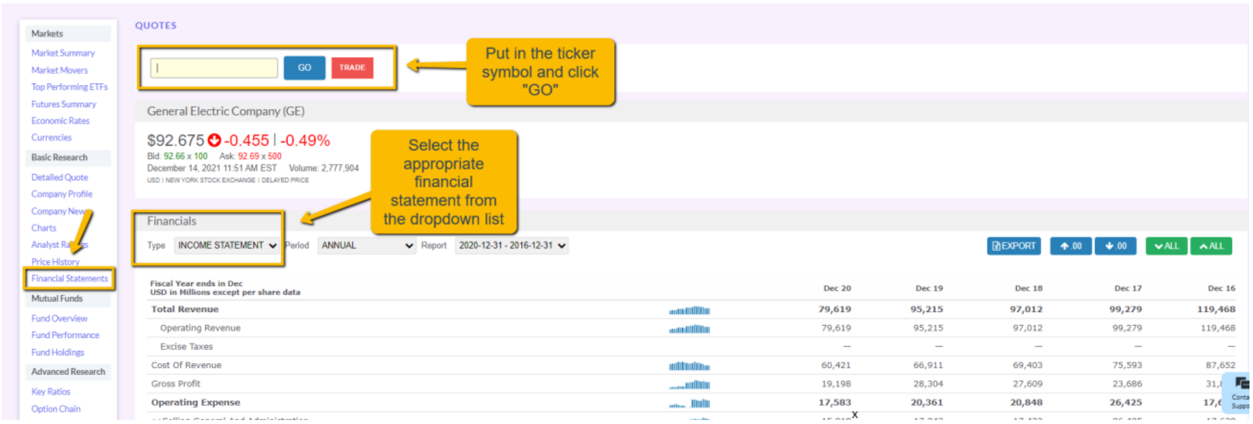

Use the financial statements available to answer the questions below. You can change the dates, statements, and period by selecting from the dropdown menus as shown in the screenshot above.

- **Income Statement:**
  - Compare the line EBIT (Earnings Before Income Tax) and EBITDA (Earnings Before Income Tax, Depreciation and Amortization) of both companies, which one is higher and why?
  - Can you see any major differences from one year to the next for one of the companies?
  - Research company news for that period, was it a global event that caused this change in price? Or did something happen to the company in particular?
    - For example, a change in leadership, or bad publicity after a bad product launch?
- **Balance Sheet:**
  - What are the current and non-current liabilities of both companies?
  - Have they gone up more for one company than the other over the last 2-3 years?
  - How much current assets does each company have?
  - If each company suddenly had to pay off all their current debts (liabilities) would they have enough "liquid assets" to cover it?
    - I.E. Are the total current assets larger or equal to the current liabilities?
  - How much Retained Earnings does each company have?
  - How much common stock do each have?
- **Cash Flow Statement:**
  - When comparing both companies, which company has more extra cash available at the end of each period?
  - Is that amount going up or down over the last 2-3 years?
  - What is the biggest source of incoming cash? Is it from Operating Cash Flow, Investing or Financing?

        - Note: A company in good standing will have most money coming from Operations.

Next review the industry as a whole and answer the following questions.

- Is this industry growing or is it established? Explain why or why not.
- If this is a growing industry, are one or both companies experiencing rapid growth?
- How much are they investing in Research and Development?
    - Note: you can access this information from the Income Statement under Operating Expense.
- If this is an established industry, are one or both companies offering dividends?
- If it is an established industry and the companies are not paying out dividends, why do you think that is? Where is the company investing their money instead?
- Is it possible the industry is shrinking?
- If so, how much market share is there available for all the existing companies?
    - I.E. Are there any major changes in technology, regulation or some other global shifts that could put pressure on the industry as a whole?
    - For example, all travel was banned during the COVID-19 crisis impacting the entire tourism industry from hotels, airlines, restaurants to leisure or recreational activities.

Once you have completed your analysis, explain which of the two companies you would invest money in. Or explain why you will invest in neither option based on how the industry is currently performing.