Assignment #1: Industry analysis

Date due: Sunday, February 7

The objective of this exercise is for you to gain a thorough understanding of the industry of the stock you have been assigned.

Total Points:

- For the written assignment: 100
- If you get called upon to present: The presentation grade is a maximum of 10 points and will count towards class participation. Who will present is chosen at random. So, if you are not around to present, your presentation grade will be zero. The presentation should be about 5-8 minutes long. Please prepare powerpoint slides --- no need to submit the powepoint slides.

General instructions:

- ✓ Any type of analyses we make is critically dependent on the quality of information that we get. It is important that our sources are reliable (for example, mycousinvinny'sblog.com is probably not a reliable source of information). For now, please use only the resources specified below.
- ✓ For question #1, the information should only come from the 10-K. You may use other sources only to help you understand technical terms about the company's products, operations, or the industry.
- ✓ Please prepare a write-up, minimum of 5 pages, excluding tables. Double-space. Please use Times New Roman font 11.
- ✓ Please submit via SafeAssign on UNM Learn.

As we discussed in class, there are many different types of industry classifications, and depending on your source, the industry name may vary slightly from one source to another, and may have slight variations in firm composition. However, rather than restrict you to one specific source, you may get a broader perspective of your firm's industry (or industries, since most of you have stocks that operate in many different industries) if you find information from many different sources.

The information that you get for this assignment is intended not only to give you a better understanding of the company that you are covering, but also to help you assess the firm's prospects and aid you in valuation later on.

What you really want to do is have a sense of the future direction of the industry. The majority of your industry analysis should talk about competition within the industry, capacity, and the future direction of the industry. The following are useful guidelines to keep in mind as you do your research (remember, historical information helps you, the analyst, get updated about the industry and the firm. But what is really important in your analysis is information about the future.)

1. Give an overview of the company.
   a. what are the segments? In your own words, talk about what products and/or services each segment sells and who do they sell it to (i.e., retail (you and me) , other companies, the government)?
   b. how much does each segment contribute to revenue? to operating income? This is just a start --- you will change this later on as you get more details about the segment's operations and/or industry.
   c. what is the geographical breakdown of revenues?

2. Describe the industry
   a. describe the products/services?
   b. describe the level of competition, i.e., which are the biggest firms in terms of revenues, market share, are there economies of scale such that big firms dominate?, etc.
   c. is the industry consolidating (i.e., mergers)? Are there new competitors?
   d. who are the customers? suppliers?
   e. how profitable is the industry?

3. What is the outlook for the industry?

To get information for this assignment, you will need to utilize many resources for your research. What are the resources available to you?

- ✓ The 10-K will have information about the company's business activities (most 10-Ks will also talk about the industry at the business segment level). The 10-K is available on the SEC's EDGAR database http://www.sec.gov/edgar/searchedgar/companysearch.html or you can also get it by searching for your stock's Investor Relations webpage.
- ✓ Library Databases (you get to these via www.library.unm.edu. Demonstrated in class.)
  - o IBISWorld. Click on the "Industry Market Research" button on the upper right hand corner of the webpage. Type your company name in the search box. IBISWorld will pull up all relevant industries for your company. It may not cover all the industries per your business segment research so you may have to manually search for the other industries.
  - o Mergent. You will find industry reports under "Report Search". You will find the same information about the industry if you click on "Mergent WebReports" instead of "Mergent".
  - o Mintel Global Market Navigator. This database provides reports about products and services in various countries around the world. The reports provides very limited narrative and lots of numbers on; Market size, market segmentation, Market shares, Compound annual growth rates, Socio-economic data. The temporary on-campus only

url is http://gmn.mintel.com/, but you can also search [Mintel Market Research Reports](#) and GMN results appear on the left side.

- ✓ You can supplement the information from the above sources with information from government agency websites or multilateral institutions such as the IMF, World Bank, or the ECB, to name a few.
- ✓ S&P MarketScope Advisor --- *for future reference. We will have access by the 3rd or 4th week of class.*